JUST.

THE RETIREMENT SPECIALIST

EXCEEDING EXPECTATIONS

JUST GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2023

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.

All Just Group plc regulatory announcements, shareholder information and news releases can be found on our Group website,
WWW.JUSTGROUPPLC.CO.UK

APPROVAL
The Strategic Report was approved by the Board of Directors on 7 March 2024 and signed on its behalf by:

JOHN HASTINGS-BASS
Group Chair

p18 A TRACK RECORD OF INNOVATION

p36 INVESTING THE JUST WAY

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.

For more information about each of our Stakeholders see **P4**

STRATEGIC REPORT

1 Our purpose
2 Investment case
3 Financial and operational highlights
4 At a glance
6 Chair's statement
8 Chief Executive Officer's statement
10 Market context
14 Business model
16 Strategic priorities
18 Case study: Innovation
20 Key performance indicators
22 Business review
34 Sustainability and the environment
36 Sustainable investment strategy
40 Sustainability strategy: TCFD disclosure framework
50 Colleagues and culture
54 Relationships with stakeholders
56 Section 172 statement
61 Non-financial and sustainability information statement
64 Risk management
66 Principal risks and uncertainties

GOVERNANCE REPORT

70 Chair's Governance overview
72 Board of Directors
76 Senior leadership
78 Governance in operation
88 Nomination and Governance Committee report
91 Group Audit Committee report
97 Group Risk and Compliance Committee report
100 Directors' Remuneration report
120 Directors' report
125 Directors' responsibilities

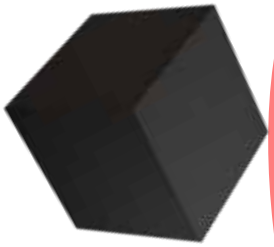
FINANCIAL STATEMENTS

126 Independent Auditors' Report
137 Consolidated statement of comprehensive income
138 Consolidated statement of changes in equity
139 Consolidated statement of financial position
140 Consolidated statement of cash flows
141 Notes to the consolidated financial statements
218 Statement of changes in equity of the Company
219 Statement of financial position of the Company
220 Statement of cash flows of the Company
221 Notes to the Company financial statements
225 Additional information
228 Information for shareholders
230 Directors and advisers
231 Glossary and abbreviations

INVESTMENT CASE

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. We help people achieve a better later life, by providing competitive products, financial advice, guidance and services to those approaching, at and in-retirement. We are retirement experts and deliver value for shareholders by putting customers first and meeting their needs.

Read more on **P5**

EXCEEDING OUR 15% PROFIT GROWTH TARGET

Our priority is to deliver profitable and sustainable growth. We have exceeded our profit growth pledge each year by growing profits 19% in 2022 and 47% in 2023. With the opportunities available to us, we are confident in our ability to continue to deliver exciting profit growth.

Read more on **P23**

FAST GROWING RETIREMENT MARKETS

Our retirement markets are growing rapidly. Helped by higher interest rates, the markets for defined benefit schemes de-risking and individual retirees seeking a guaranteed income for life are buoyant. As the population ages, our markets have many years of growth ahead.

Read more on **P10**

GROWING SHARE THROUGH INNOVATION AND POSITIVE DISRUPTION

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

Read more on **P14**

CONSISTENT DELIVERY AND DISCIPLINE

Over the past five years, we have developed a strong track record of delivery. We have consistently met or exceeded our profit targets, our cash generation and balance sheet promises. During that period, we have progressively improved both the quality and resilience of our capital base, and the estimated solvency ratio now stands at 197%.

Read more on **P20**

"We have consistently exceeded the commitments we have made and we're more optimistic than ever about the future for Just."

DAVID RICHARDSON
Group Chief Executive Officer

FINANCIAL AND OPERATIONAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

RETIREMENT INCOME SALES (SHAREHOLDER FUNDED)[1]

£3,893M

2022: £3,131m, up 24%

NEW BUSINESS PROFIT[1]

£355M

2022: £266m, up 33%

UNDERLYING OPERATING PROFIT[1]

£377M

2022: £257m, up 47%

IFRS PROFIT/(LOSS) BEFORE TAX

£172M

2022: £(494)m

RETURN ON EQUITY[1]

13.5%

10.3% at 31 December 2022

TANGIBLE NET ASSET VALUE PER SHARE[1]

224P

2022: 190p

NEW BUSINESS STRAIN[1]

0.9%

2022: 1.9%

UNDERLYING ORGANIC CAPITAL GENERATION[1]

£57M

£34m at 31 December 2022

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)[1,2]

197%

199% at 31 December 2022

FINANCIAL STRENGTH AND OTHER INDICATORS

A+

FITCH INSURER FINANCIAL STRENGTH RATING

for Just Retirement Limited (2022: A+)

A

FITCH ISSUER DEFAULT RATING

for Just Group plc (2022: A)

AWARDED FURTHER RECOGNITION FOR OUTSTANDING SERVICE

FINANCIAL ADVISER:

Outstanding achievement award

5 Star service award (Pensions and Protection)

5 Star service award (Mortgages)

1 Alternative performance measure (unaudited, see glossary for definition). New business strain, Underlying organic capital generation and Solvency coverage ratio are reconciled to Solvency II excess own funds on page 27. New business profit is reconciled to IFRS profit before tax on pages 24 and 26. Return on equity is based on Underlying operating profit, which is reconciled to IFRS profit before tax on page 26, and Tangible net asset value, which is reconciled to IFRS total equity on page 24. Retirement Income sales (shareholder funded) are reconciled to premium cash flows in note 9 to the consolidated financial statements on page 169.

2 Solvency II capital coverage ratios as at 31 December 2023 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 create 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

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

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+

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:
L A leader ↗ Developing

MARKETED PRODUCTS[1]

SERVICES	BENEFIT AND COMPETITIVE POSITION	
DEFINED BENEFIT DE-RISKING SOLUTIONS ("DB") Solutions for pension scheme trustees to reduce the financial risks of operating pension schemes and increase certainty that members' pensions will be paid in the future.	We have developed our own proprietary technology platform to underpin our highly successful bulk quotation service. We are a market leader in the small to medium size transaction space, with a differentiated position and competitive advantage.	L
GUARANTEED INCOME FOR LIFE ("GIFL") A solution for individuals/couples who want the security of knowing they will receive a guaranteed income for life.	By using our unrivalled intellectual property, Just provides an individually tailored solution providing customers typically with double-digit percentage increases in income compared to standard products.	L
SECURE LIFETIME INCOME ("SLI") 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.	L
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.	L

1 Reported in our Insurance segment.

PROFESSIONAL SERVICES[2]

SERVICES	BENEFIT AND COMPETITIVE POSITION	
HUB GROUP Our professional services and distribution businesses delivering technology, broking and advice solutions for corporate clients and pension schemes. We also provide regulated financial advice on how people should use pension, investment and savings, or release some of the value from their homes.	HUB Financial Solutions offers an innovative approach that provides affordable regulated advice to people with modest pension savings. It also delivers face-to-face nationwide advice at a time and place to suit the client, and enables pension schemes to deliver efficient and robust scheme-led defined benefit transfer programmes.	L
+ Support for organisations wanting to deliver whole-of-market shopping around services to source retirement income products for their customers, employees or pension scheme members. HUB Financial Solutions is the UK's largest GIfL broker.	**+** Provides a range of business services tailored to the needs of the organisation, ranging from consultancy and software development to fully outsourced customer service delivery and marketing services.	

2 Reported in our Other segment.

CHAIR'S STATEMENT

EXCEEDING EXPECTATIONS

We are fulfilling our purpose by providing certainty to our customers in an uncertain world, which results in us delivering profitable and sustainable growth to create value for shareholders.

JOHN HASTINGS-BASS
Group Chair

ANNUAL GENERAL MEETING 2023
10.00am, 7 May 2024
at Just Group plc
1 Angel Lane,
London EC4R 3AB

I am pleased to introduce Just Group plc's 2023 Annual Report. Our Company has never been stronger. This is the second year in succession our performance has significantly exceeded the profit growth pledge we made two years ago. We have delivered sustainable growth of the business, helped more of our customers and increased 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. 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 them and their families. Our customers, existing and prospective, are at the heart of everything we do at Just.

OVERVIEW OF GROUP PERFORMANCE

The primary focus of our Group in 2023 has been to capture profitable growth opportunities to ensure we meet our medium-term profit growth pledge.

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

The Group's financial strength and performance have never been stronger, and both are set out in detail in the Business Review.

DIVIDEND

Given the Group's performance, strong capital position and our confidence in the future prospects of the business, the Board has recommended a final ordinary dividend of 1.50 pence per share, resulting in a 2023 total dividend per share of 2.08p (2022: 1.73p). This represents a 20% increase on prior year, and is in line with our stated policy to grow the dividend over time.

BOARD COMPOSITION AND GOVERNANCE

We welcomed Mark Godson, our new Group Chief Financial Officer to Just in November and to the Board on 1 December. He is one of the top talents in the insurance market, bringing with him extensive commercial and financial insight gained from across the sector.

I'd like to welcome Jim Brown as Independent Non-Executive Director, who joined the Board on 1 November 2023. He brings extensive experience of financial services leadership, and you can read Jim's full biography on page 73.

Andy Parsons, our outgoing Group Chief Financial Officer, started his retirement and stood down from the Board on 31 December. On behalf of the Board, I want to thank Andy for his central role in building our financial strength which has allowed us to return to growth in recent years and face into the future with confidence. We all wish him a very healthy and happy retirement.

Read more about the Directors of the Company on **P72–74.**

I take great pride in leading the Board and the Group's governance function, and my introduction to the Corporate Governance Report on page 70 provides further information on our governance and decision-making processes. We have an excellent team in place for the medium term, that will ensure the Company is effectively governed and well led. I would like to thank the entire Board for their significant contribution and look forward to working with them over the coming year.

ACTING SUSTAINABLY

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 towards our goal to become carbon net zero. You can read our high-level transition plan on our Group website and this year's Annual Report provides insight to our 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 40 to 49.

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.

We are encouraged by the government's reforms of the Solvency II regime, referred to as Solvency UK. When fully implemented these reforms could unlock billions of pounds of investment from insurers into the UK economy, contributing to the sustainability agenda, and enabling us to provide even more competitive products to our customers.

Read more about our sustainability strategy on **P34** 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 help people achieve a better later life, this is our purpose, it's why we exist. We fulfil our purpose by delivering excellent products and services to our customers.

Most people don't get an opportunity to test drive their retirement. Organising finances when the regular salary cheques no longer arrive can be complex and create anxiety. We help people explore what their life after work could look like and provide help, guidance and advice so they have the confidence to take the next steps.

We develop market-leading products and award-winning services so our customers achieve great outcomes.

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 attractive. The propensity of company directors and pension scheme trustees to transact with insurers to de-risk their defined benefit pension schemes has increased.

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 optimistic about the future.

CHIEF EXECUTIVE OFFICER'S STATEMENT

WE HAVE NEVER BEEN STRONGER

We continue to exceed the promises we've made and we are very optimistic about the future.

£377M
Underlying operating profit[1]
2022: £257m ↑47%

£3,893M
Retirement Income sales (shareholder funded)[1]
2022: £3,131m ↑24%

DAVID RICHARDSON
Group Chief Executive Officer

1 Alternative performance measure.

I am very pleased to present my Chief Executive Officer's Statement for 2023. We've delivered an exceptionally strong performance and are extremely well positioned to continue benefiting from the positive drivers and favourable demographics supporting both of our markets.

RETIREMENT INCOME SALES GROWTH

The rise in interest rates during 2022 and 2023 had a positive effect on both the Defined Benefit and retail Guaranteed Income for Life markets. Shareholder funded sales have grown by 24% to £3.9bn. Our DB and retail businesses both contributed to this growth and have started the year with positive momentum. This gives us increased confidence we will achieve our growth ambitions in 2024.

DEFINED BENEFIT DE-RISKING BUSINESS

Our DB business continues to thrive and recorded total sales of £3.4bn, up 21%. We completed 80 transactions during the year, which is a substantial increase from 56 completed in 2022. Our bulk quotation service continues to grow in popularity, with completed transactions from 17 employee benefit consultants ("EBC") during the year. We have hundreds of schemes onboarded and this service provides a vibrant market for schemes of all sizes and a steady source of smaller deal completions. Indeed around 40 completions in 2023 were schemes with fewer than 100 members and they represent half the schemes currently onboarded.

As well as expanding our leadership position in the smaller transaction size segment, we will also drive growth by securing additional larger transactions. We have significant pricing and deal experience having written almost 400 DB transactions since entering the market in 2013, which is more than one-in-five of all transactions completed since then. The flexibility provided by our stronger capital position and expanded panel of reinsurance partners further supports our participation in the larger transaction segment. The DB market had a record year in 2023, with c.£50bn of new business volumes (source LCP, WTW). These EBCs are forecasting that industry volumes in 2024 and beyond could grow significantly from this higher base.

RETAIL BUSINESS

I am delighted that our retail business has had a very strong year with sales up 59% to £0.9bn. The GIfL market has returned to strong growth and has had its busiest year since Pensions Freedoms were announced in 2014. The number of advisers looking for quotes from Just has increased by 50% and this is providing us with increased opportunity to utilise our medical underwriting expertise to select the most attractive risks.

Conduct regulation changes being introduced by the FCA may result in greater use of retirement income solutions containing guarantees to help deliver improved customer outcomes.

EXPANDING OUR INVESTMENTS IN TANDEM

We are continuing to broaden our investment capabilities. Our successful illiquid origination strategy enabled us to source £1.6bn of non-LTM illiquid investments during 2023, a 50% increase year on year.

As the government's Solvency UK legislation is implemented, we expect this will unlock additional opportunities to grow and diversify our investments portfolio, while enabling us to support the UK economy.

CUSTOMERS AND OUR PURPOSE

The current unpredictable economic outlook in the UK and volatility in investment markets creates uncertainty and worry for many. We provide a guaranteed income for life to customers, and as long-term interest rates have risen over the last two years, the amount of retirement income we are able to pay customers has increased significantly. This secure income is often purchased to cover the essential expenditure of the household. Our solutions provide much sought reassurance to customers.

Our purpose is to help people achieve a better later life. We provide a range of professional advice and guidance to help people, and are continuing to invest in these services to make them more available to a wider pool of potential customers. We can't resolve all the challenges faced by our customers, but we are helping where we are able to, and remain focused on living up to the purpose we set out many years ago.

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 four years we have reduced our operational carbon intensity per employee by 83%. However, the most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our £24bn investments portfolio. Compared to our 2019 baseline, we have reduced these emissions over 30% for each million pound invested.

During 2023, we also continued to invest in environmental, social, and corporate governance ("ESG") related assets with £325m invested in social housing, the renewable energy industry and NHS facilities.

OUR PEOPLE

Our Just culture is underpinned by our people who are passionate and committed to making a difference to the lives of those around them. The combination of our strong purpose and having highly engaged teams working the "Just way", is a competitive advantage which is helping us to drive high performance and achieve our ambitious growth targets.

I would like to thank my colleagues for their continued focus in providing outstanding support for our customers when they needed it most and for helping to deliver an excellent set of results.

We are investing to develop the skills of our colleagues, attract new talent into Just and build high-performing teams. We have excellent, and improving, levels of colleague engagement (2023: 7.9; 2022: 7.7), with a key priority to build a diverse and inclusive workforce.

FINANCIAL PERFORMANCE

In 2023, underlying operating profit, is up 47% to £377m, driven by the strong new business performance, which has delivered a return on equity of 13.5%.

Investment and economic profits were £92m, and, combined with a number of smaller non-operating items, led to an adjusted profit before tax of £520m for 2023 (2022: adjusted loss before tax £167m). Of this, £348m of profit is deferred to the CSM reserve in the balance sheet, leaving a statutory profit before tax of £172m (2022: loss before tax £494m).

The strength and resilience of our capital position and our disciplined pricing and risk selection ensures we are, and will continue to be capital self-sufficient. This means we can fund our growth ambitions, reward shareholders with a growing dividend and maintain a strong buffer of capital.

We will pay a final dividend of 1.50 pence per share, giving a total of 2.08 pence for the year, representing 20% year on year growth. The 20% growth in total dividend is ahead of the 15% 2022 dividend growth rate.

IN CONCLUSION

2023 represents another year of outperformance, further building our track record. We are exceptionally well positioned to capture the benefits of positive market trends and have increased confidence in our ability, from this higher base, to deliver 15% growth in underlying operating profit. In addition, we have increased our target return on equity to greater than 12% from greater than 10% previously.

We have never been stronger. We are retirement experts and 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 that 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. Over 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. Before moving to Buy-out, many schemes move through the Buy-in phase. This involves the pension scheme paying 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 retaining 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. Buy-out allows a pension scheme to fully remove its obligations to pay the benefits of its members, who then receive individual policies and become customers of the insurer. Subsequently, the pension scheme is wound down as the pension obligation owed to each member has moved across to the insurer.

CURRENT MARKET

As of 31 March 2023, total UK defined benefit obligations, across more than 5,000 schemes, owed by sponsors were £1.3trillion. Over the past 5 years, the funding level of the schemes on a full Buy-out basis has steadily increased from 68% to 112%, initially through sponsor contributions and improved pricing for longevity reinsurance, but especially over the past two years through rising interest rates. This has resulted in Buy-out being a realistic option for an increasing number of schemes, who have strong appetite to take the opportunity to de-risk. We were consistently busy during 2023, driven by our bulk quotation service and EBCs actively managing the industry pipeline, leading to less seasonality than previous years.

However, de-risking is not an overnight process. We estimate that since 2007, only 15% of defined benefit liabilities have been transferred to insurers via de-risking transactions. There is significant headroom for growth over the next decade.

In 2023 bulk annuity volumes are estimated at c.£50bn (source: LCP De-Risking report 2023), with a continued shift towards full scheme transactions.

COMPETITIVE, REGULATORY FACTORS AND POTENTIAL FOR ALTERNATIVE DE-RISKING SOLUTIONS

The Pensions Regulator's interim regulatory regime has been in place for three years. One consolidator, Clara, has successfully completed the Pensions Regulator's assessment. They completed their first deal at the end of 2023.

In July 2023 the Chancellor delivered his Mansion House speech outlining a number of initiatives to enhance pension savings in the UK, whilst also seeking to increase funding for high-growth companies. Two aspects are particularly relevant for the defined benefit market:

1. DB commercial consolidation

The potential for the establishment of a regulatory regime to consolidate smaller defined benefit schemes into larger funds was mentioned. This initiative would be overseen by The Pensions Regulator. The government's objective is that larger funds would invest a higher proportion of their funds in productive assets, compared to many closed or smaller defined benefit schemes.

> "The structural growth drivers for the defined benefit de-risking market have accelerated and the outlook for 2024 and beyond is exciting."

2. Pension Protection Fund

In his Autumn statement, the Chancellor confirmed that he will publish a consultation on how the Pension Protection Fund ("PPF") can act as a consolidator for schemes unattractive to commercial providers. Ultimately, the Chancellor hopes to increase opportunities for pension funds to invest in productive finance without compromising on the security of members' benefits or trustees' fiduciary duties. The government also plans to consult on enabling 100% PPF coverage for DB schemes that opt to pay a higher levy.

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 cash flow 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 reforms of the current Solvency II regime, known as Solvency UK, when implemented, will widen asset eligibility criteria. This could unlock over £100 billion 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.

SUSTAINABLE INVESTING

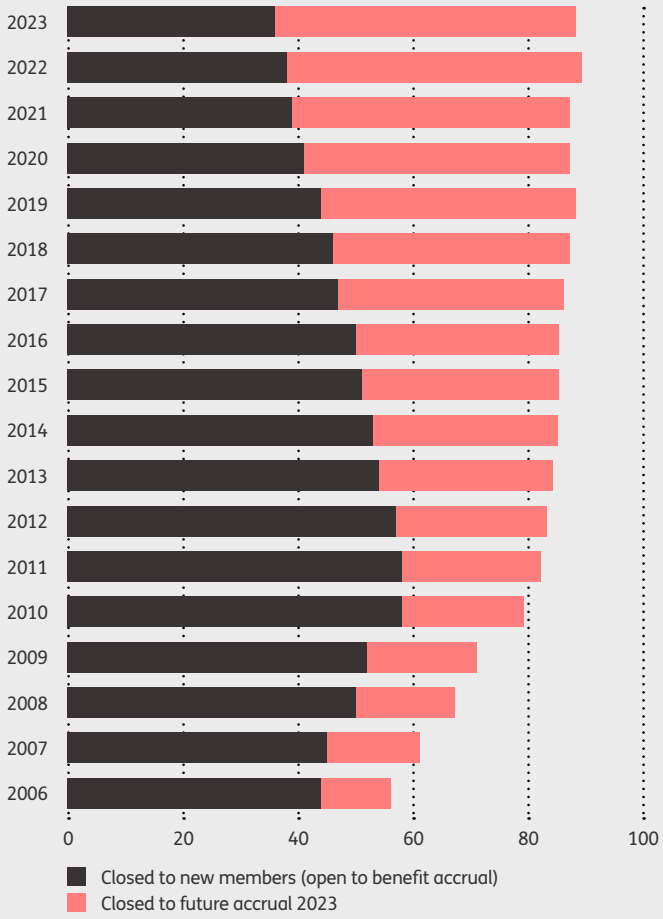
Heightened government, regulatory and fiduciary focus alongside consumer activism has pushed environmental, social and governance ("ESG") considerations up the agenda for UK defined benefit pension schemes. With new regulations for climate reporting introduced with the Pensions Schemes Act 2021, more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

OUTLOOK

In conclusion, the structural growth drivers for the defined benefit de-risking market continue to accelerate and the outlook for 2024 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. It is expected that c.£600bn of defined benefit scheme funds will move to de-risk over the next decade of which potentially more than £360bn could transact in the next 5 years (source: LCP).

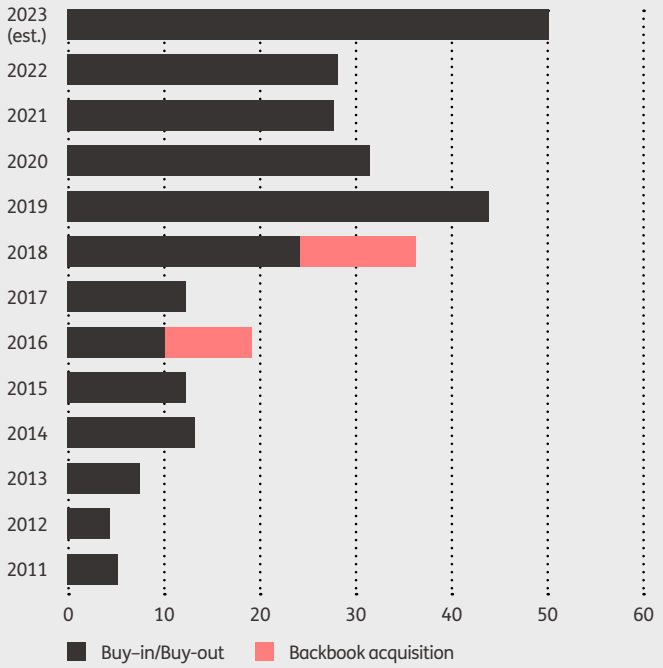
There is a vibrant market for schemes of all sizes and insurance capacity has kept pace with demand. As transaction volumes continue to increase, pressure on scarce human resources may be felt across the wider ecosystem. When selecting new business, insurers will prioritise pension schemes that have their governance, data and benefit specifications in good order. Just Group is continuing to invest in its proposition, resources and service to ensure that schemes we work with can realise their de-risking ambition.

88% OF DEFINED BENEFIT PENSION SCHEMES ARE CLOSED TO NEW MEMBERS AND INCREASINGLY TO FUTURE ACCRUAL (%)



Source: The Purple Book 2023, PPF

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



Source: Just analysis, LCP

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, typically, for as long as 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 2023 was 70% up significantly from 56% in 2022 (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;
- 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;
- following the rise in UK interest rates, the level of income on GIfL has risen by around 50% compared to 2021. This has resulted in the volume of quotations from financial intermediaries and their clients for guaranteed income solutions increasing; and
- new solutions are being introduced to the market to provide financial advisers with more sophisticated options to blend a guaranteed income producing asset with other investments to deliver improved outcomes for their clients.

REGULATION AND LEGISLATION

There are a number of changes in-flight from legislators and regulators that when implemented may increase the size of our addressable market.

- 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 and 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 FCA aim to publish a report setting out their findings in Q1 2024.
- The FCA will have greater rule making powers under the future regulatory framework legislation. In August 2023 the FCA set out the basis for a joint review of the Advice Guidance Boundary with the HM Treasury which forms part of the UK government's Edinburgh Reforms. 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.

In July 2023 the FCA introduced a new duty that sets higher and clearer standards of consumer protection across financial services, and requires firms to put their customers' needs first. The duty introduces a new consumer principle that requires firms to act to deliver good outcomes for retail customers. The outcomes relate to (i) products and services; (ii) price and value; (iii) consumer understanding; and (iv) consumer support.

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 71 years old, has a house valued at around £360,000 and borrows 23% 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 2023 was 10.7% and this has attracted new providers to enter the market in the last few years.

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

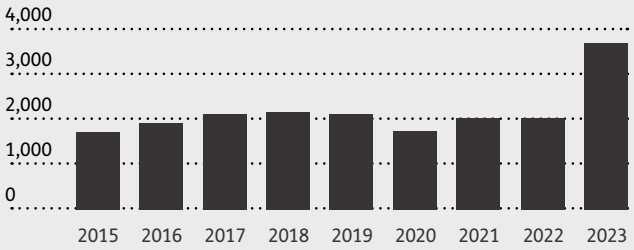
CURRENT MARKET AND OUTLOOK

As predicted in last year's Annual Report, the LTM market experienced a decline in 2023, as the market and consumer demand adjusted to increased interest rates and the impact of increased inflation. The fundamental drivers of growth over the medium term remain intact and we forecast the market will return to growth towards the end of 2024. 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 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.

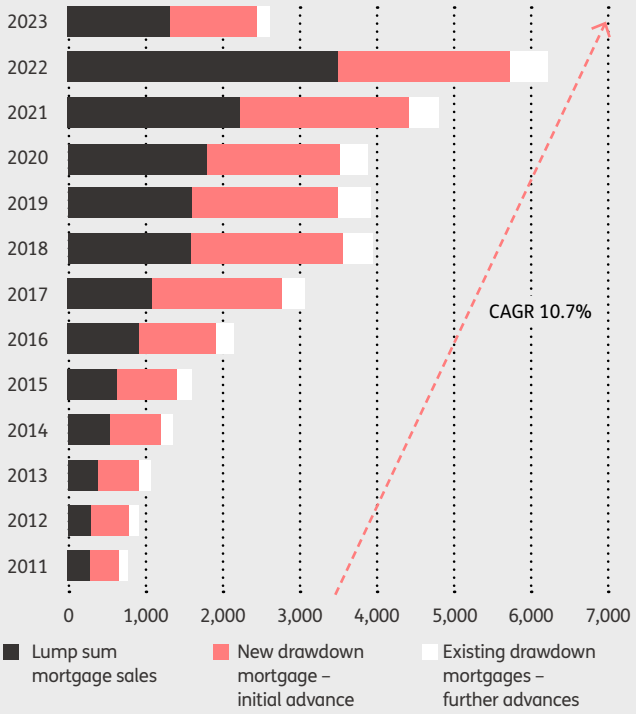
Homeowners aged over 55 are estimated to own property wealth of over £3.5tn (source: ONS). We estimate that the existing industry loan book including interest is just £46bn. In October 2022, following the UK Growth Plan announced by the Chancellor on 23 September 2022, a number of product providers adjusted 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.

EXTERNAL GIFL MARKET (£M)



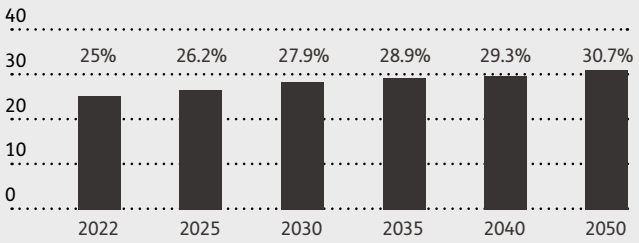
Source: Just analysis, ABI

LIFETIME MORTGAGE MARKET SIZE AND GROWTH RATE (£M)



Source: Equity Release Council

NUMBER OF PEOPLE (MILLIONS) AGE 60+



Source: Office of National Statistics

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.

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. The FCA stated they would be engaging with a number of firms across the industry.

In September 2023, the FCA published the results from its targeted review carried out in the previous 12 months on later life mortgage advertising and advice. It found in many cases advice did not meet the standards expected. The FCA has required those firms which fell short to improve the quality of their advice.

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

- RETIREMENT EXPERT WITH SPECIALIST FOCUS
- RISK SELECTION
- PRODUCT INNOVATION
- COST DISCIPLINE
- SCALABLE OPERATING MODEL
- FOCUS ON UNDERLYING ORGANIC CAPITAL GENERATION

HOW WE CREATE VALUE

Our sustainable business model organically generates capital to support our growth ambitions. 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, assessing related policy risks and our customers' expected income levels. We ensure we are able to pay policyholder pensions as they fall due, whilst generating financial value for our business.

GROWTH OPPORTUNITIES

Due to the complexity of retirement and a growing ageing population with evolving needs, there is a 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;
- unable to 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 sustainable and scalable business model is built to optimise value from our solutions that service these needs.

WE CREATE VALUE FOR

SHAREHOLDERS

Through our efficient resource management, we generate returns in excess of our cost of capital. Our approach to capital management is conservative and focused on maintaining our strong underlying organic capital generation, to grow our business and enable sustainable dividends.

CUSTOMERS

We utilise our medical underwriting expertise to fairly optimise the returns for our customers and we strive to deliver the best customer experience, making it as easy as possible for them to navigate the complexities of later life planning and events. Our robust business model ensures our customers can depend on us to pay claims over the long term.

PARTNERS

Corporate clients: our scalable retirement focused solutions create opportunities and solve problems for companies.

Trustees and scheme sponsors: we provide solutions to de-risk pension liabilities and deliver member security.

COLLEAGUES

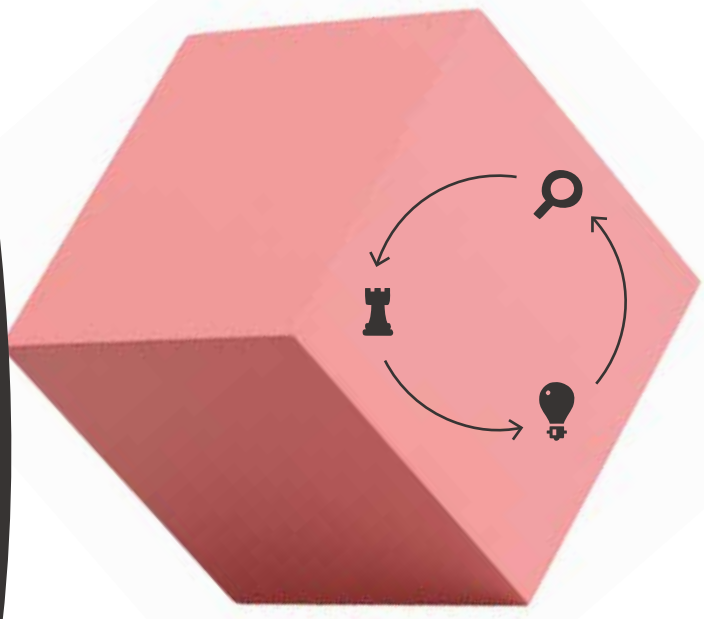
We focus on high-performance working, and secure a skilled and motivated team through the development, reward and recognition of our colleagues.

ENVIRONMENT

Our focused sustainability strategy aligns with how we operate, and the investment decisions we make aimed at benefiting the environment.

PRODUCTS AND SERVICES

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



RISK SELECTION

Selecting the optimal risks and establishing suitable pricing for our products

PrognoSys™ 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. Also, 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 enables our business to generate value for shareholders and better outcomes 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 on page 36.

INNOVATION

We innovatively utilise 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 retirement experts and 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 THROUGH INNOVATION

FOCUS

Strengthening and expanding our Defined Benefit and Retail business propositions to achieve long-term success.

2023 PROGRESS

- We have increased our participation in the £100m–£1bn deal segment, and completed our largest deal to date, at £513m in February 2023. Adding this increased participation to our leadership position in the <£100m transaction size segment has translated into a 16% market share in the less than £1bn size segment, a doubling since 2020.
- We have expanded our DB partnering proposition through the addition of new reinsurance counterparties.
- We have expanded our partnership, launching a Saga branded platform which brings innovative investment products to better support our customers.

2024 FOCUS

- This priority will shift to "reach new customers" as we move into 2024. We intend to utilise our customer-focused data insights to continue to develop innovative solutions, disrupting our markets with new propositions.

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; and making it fit for the future and the customers and partners we support.

2023 PROGRESS

- We continue with the modernisation of business processes and technology to futureproof our business and to be able to service our customers in the future.
- Our new Belfast property supports our sustainability ambitions and has transformed the hybrid working experience for our colleagues.
- We have invested in our people by launching a new programme, which provides the skills and resources to be brilliant people managers and lead truly high-performing teams.

2024 FOCUS

- This priority will shift to "scale with technology" as we move into 2024 as we focus on technological solutions that facilitate business improvements.

LINK TO ONGOING RISKS:

A B C D E F

LINK TO RISK OUTLOOK:

1 2 3 4 5 6 7

3. GET CLOSER TO OUR CUSTOMERS AND PARTNERS

FOCUS

Investing in our propositions; enhancing our existing services and working to increase awareness of our brand to get closer to our customers and partners.

2023 PROGRESS

- Our investment in research and insights has helped us understand what's important to our customers and potential customers; and what their life and financial priorities are.
- Investment in new data and insight services has improved the speed to access information about our customers and the robustness of the data quality.
- Investment in new customer relationship management systems has improved the service we provide to our customers.
- Developments we have made through our Pension Buddy and Destination Retirement services, help us to understand the objectives of our customers in much more detail.
- We have executed and further established customer and partner experience measures across the Group enabling us to deliver a consistently high-quality customer experience across the Group.

2024 FOCUS

- This priority will shift to "be recommended by our customers" as we move into 2024 to support our enhanced ambitions of customer advocacy.

LINK TO ONGOING RISKS:

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

LINK TO RISK OUTLOOK:

1 **2** **3** 4 **5** 6 **7**

4. BE PROUD TO WORK AT JUST

FOCUS

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

2023 PROGRESS

- We continue to work to strengthen our capabilities to support our strategy; enabling high-performing individuals and teams through a high-performance culture and organisation.
- We have implemented our employee wellbeing strategy incorporating a range of initiatives, with a particular focus on inclusion and purpose.
- We continue to further embed our Sustainability Strategy, mapping our investment path to achieving 2030 targets.

2024 FOCUS

- Continue to drive our high performance and purpose led culture across the organisation.

LINK TO ONGOING RISKS:

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

LINK TO RISK OUTLOOK:

1 **2** 3 4 5 6 **7**

5. GROW SUSTAINABLY

FOCUS

Continuing 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.

2023 PROGRESS

- We continue to maintain capital strength and resilience, while using capital efficiently to generate shareholder value.
- Our first interim results reported under IFRS 17 were well received from our external stakeholders and feedback from investors has been very positive.

2024 FOCUS

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

LINK TO ONGOING RISKS:

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

LINK TO RISK OUTLOOK:

1 **2** 3 **4** **5** **6** **7**

CASE STUDY: INNOVATION

WE LOVE INNOVATING

INNOVATION TO HELP CUSTOMERS ACHIEVE BETTER OUTCOMES AND SUPPORT OUR GROWTH AGENDA

At Just we've always had a reputation for innovation. We are retirement experts and we like positively disrupting markets to bring about change that delivers better outcomes for customers. In doing so we fulfil our purpose.

GUARANTEED INCOME FOR LIFE

We became famous for introducing medical and lifestyle underwriting into products we used to call pension annuities. Today we prefer to call them guaranteed income for life solutions – because that's how customers talk about them. By asking customers a series of questions about their medical conditions and lifestyle we were able to provide a personalised offer, which typically resulted in over six-in-ten customers receiving a better retirement income than they would have received from a non-medically underwritten offer. Typically, the additional income was worth thousands of pounds to a customer over their expected retirement.

LIFETIME MORTGAGES

For avid readers of our previous Annual Report, you may have spotted we introduced a similar innovation into the lifetime mortgage market. By using medical and lifestyle underwriting we were able to offer around six-in-ten customers a better outcome, which resulted in a lower interest rate or a higher amount that could be advanced.

HELP, GUIDANCE AND PROFESSIONAL ADVICE

We've developed the UK's most comprehensive and sophisticated digital retirement service. It's to support people who want help, guidance and professional advice when they are approaching retirement and when they decide to start accessing their pension benefits. Over 50 employers across the UK are now using the service, and those pension schemes have over 300,000 pension scheme members.

BULK QUOTATION SERVICE

Our bulk quotation service has been designed to support pension scheme trustees of small and medium sized schemes. We capture precise details of the pension scheme in our digital platform and continuously track the funding position of the scheme. This equips us to alert the trustees as soon as the scheme is in a position to execute a pension de-risking transaction. We are adding hundreds of schemes to the platform each year so that we can help more schemes to advance their de-risking transactions at the earliest opportunity.

SPOTLIGHT ON SECURE LIFETIME INCOME

There are criticisms by some market commentators that there has been little product innovation since pension freedoms were introduced. We think our Secure Lifetime Income solution is an excellent contribution to challenge that assertion.

Professional financial advisers administer client investment portfolios on modern retail fund platforms. All their investments, whether they be pensions, individual savings accounts, or other general investment accounts can all be managed holistically on these efficient, digital platforms.

We have developed a guaranteed income producing asset ("GIPA"), delivered by our Secure Lifetime Income solution, that sits inside these modern digital platforms, alongside clients' other assets such as equities, bonds and other alternative assets.

We've created a simple, digital solution that makes it efficient for the adviser to add our GIPA into their investment portfolios. But the bigger benefits emerge for the advisers' clients.

SECURE LIFETIME INCOME | BENEFITS TO THE CLIENT

The most typical investment portfolio used by financial advisers has a 60% equity and 40% bond weighting. We've commissioned independent research that concludes by substituting some of the bonds with our GIPA, advisers can deliver better outcomes for the majority of their clients. And better outcomes means higher income and higher portfolio values.

TRADITIONAL DRAWDOWN SIPP PORTFOLIO

NEW BLENDED DRAWDOWN SIPP PORTFOLIO

Our GIPA, assists financial advisers to manage some of the most significant risks impacting clients who are withdrawing their pension benefits, or what often gets referred to in the industry as decumulating. Those risks are (i) sequence of investment returns risk and (ii) longevity risk. It's a little complicated to explain here but you can find out more by visiting our **justadviser.com** website.

But in short, let's just say our GIPA, delivered by Secure Lifetime Income is turning the heads of professional investment managers. More positive innovation from Just to help advisers and their clients.

There's more where that came from.

We are retirement experts and we've got lot's more innovation in the pipeline to support our growth agenda, and most importantly, to help deliver better outcomes for our customers and ensure we fulfil our purpose.

We help people achieve a better later life

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. Our KPI for sales measures performance against our growth ambitions to deliver our strategic priority to Grow through innovation. Monitoring KPIs for Tangible net asset value and Capital Coverage Ratio provide measures of our financial strength and combined with the profit, Return on equity and capital KPIs, enables the Group to monitor performance against our strategic priority of sustainable growth.

MEASURED AGAINST OUR STRATEGIC PRIORITIES

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

See **P16** for our Strategic Priorities

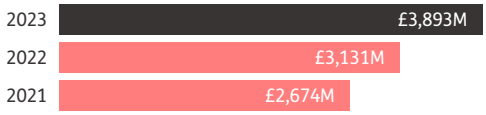
1 Alternative performance measure. See glossary on page 231 for definition.
2 Solvency II capital coverage ratios as at 31 December 2023 (estimated) and 31 December 2022 include a recalculation of transitional measures on technical provisions ("TMTP") as at the respective dates.
3 KPI has been restated following adoption of IFRS 17.

RETIREMENT INCOME SALES (SHAREHOLDER FUNDED)[1]

£3,893M

Retirement Income sales (shareholder funded) include DB, GIfL and Care premiums written and are a key measure of the Group's performance and ability to grow shareholder value.

In 2023, Retirement Income sales (shareholder funded) increased by 24% as higher interest rates and market positioning allowed us to take advantage of the multiple growth opportunities available.



LINK TO STRATEGIC PRIORITIES

1. 3.

NEW BUSINESS PROFIT[1,3]

£355M

New business profit represents the profit generated from new business written in the year.

New business profit increased by 33% driven by the increase in Retirement Income volumes and higher margins.

New business profit is reconciled to Underlying operating profit on page 24 in the Business Review.

LINK TO STRATEGIC PRIORITIES

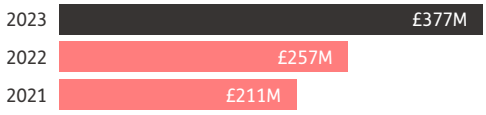
1. 5.

UNDERLYING OPERATING PROFIT[1,3]

£377M

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. In 2023, it was up 47% driven by new business and in-force profits, and lower financing costs.

Underlying operating profit is reconciled to IFRS profit/(loss) before tax on page 26 in the Business Review.



LINK TO STRATEGIC PRIORITIES

1. 5.

IFRS PROFIT/(LOSS) BEFORE TAX[3]

£172M

IFRS profit/(loss) before tax is the primary IFRS statutory KPI used by management to monitor the profit/(loss) before tax attributable to equity holders.

In 2022, losses incurred through interest rate hedging the Solvency II balance sheet drove the result. A revised interest rate hedging strategy and limited movements in the non-operating items has meant that the Group's operating performance is the main driver the FY23 IFRS result.

LINK TO STRATEGIC PRIORITIES

1. **5.**

RETURN ON EQUITY[1,3]

13.5%

Return on equity is the measure used by management to monitor the Group's generation of underlying operating profit from its tangible net asset base. In 2023, Return on equity increased as Underlying operating profit after tax rose by 39%.

Return on equity is based on Underlying operating profit, which is reconciled to IFRS profit on page 26, and Tangible net asset value, which is reconciled to IFRS total equity on page 24 in the Business Review.

LINK TO STRATEGIC PRIORITIES

1. **5.**

TANGIBLE NET ASSET VALUE PER SHARE[1,3]

224P

Tangible net asset value represents the tangible net assets attributable to the shareholders. 2023 Tangible net asset value rose strongly due to the very strong operating performance and limited negative non-operating items in the profit & loss.

Tangible net asset value is reconciled to IFRS total equity on page 24 in the Business Review.

LINK TO STRATEGIC PRIORITIES

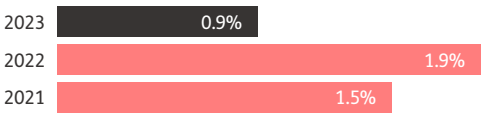
1. **5.**

NEW BUSINESS STRAIN[1]

0.9%

New business strain is a key measure of our pricing discipline, reflecting the amount of capital invested as a percentage of premium to write the new business volumes. It is assessed against our target of below 2.5% of premium.

Continued outperformance driven by pricing discipline, risk selection and business mix.



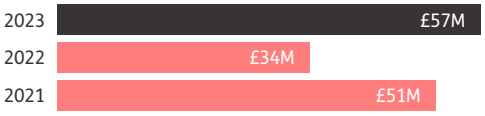
LINK TO STRATEGIC PRIORITIES

1. **3.** **5.**

UNDERLYING ORGANIC CAPITAL GENERATION[1,2]

£57M

Underlying organic capital generation provides good insight into the ongoing capital sustainability of the business. It is the amount of capital generated by the in-force business less the day to day running costs including expenses, finance costs and funding our ambitious growth plans. 2023 performance was driven by a lower pound amount of new business capital strain despite substantially higher Retirement Income sales. UOCG forms part of the movement in excess own funds on page 27 in the Business Review.



LINK TO STRATEGIC PRIORITIES

1. **5.**

SOLVENCY II CAPITAL COVERAGE RATIO[2]

197%

(ESTIMATED)

Solvency II capital is monitored as it is the regulatory capital measure. Therefore, its trajectory is a key focus for the Board in capital and business planning. It expresses the regulatory view of the available capital as a percentage of the required capital.

In 2023, the capital coverage ratio was resilient and broadly stable, as the business grew sustainably through capital generated by its own in-force business, and risks were contained.

IFRS equity is reconciled to Solvency II own funds on page 28 in the Business Review.

LINK TO STRATEGIC PRIORITIES

5.

BUSINESS REVIEW

DELIVERING COMPOUNDING GROWTH

Our strong capital base and compelling proposition in the market provide the opportunity to deliver compounding and sustainable growth.

224p PER SHARE
Tangible net asset value
2022: 190p per share

2.08p
Dividend
2022: 1.73 pence per share, up 20%

MARK GODSON
Group Chief Financial Officer

The Group is well positioned in attractive markets with strong structural growth drivers. This enables us to benefit from the significant boost in demand for our products, now and into the future. We 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 2023, including IFRS and unaudited Solvency II information. These are the first audited results under IFRS 17, which has prompted some modification of the Group's key performance indicators including restatement of comparatives where applicable, as set out below.

The continued growth and success of the business is built on the foundation of our low capital intensity new business model, supported by a strong and resilient capital base. We are focused on cost control across the business whilst specifically targeting investment in proposition development, and to enable the business to scale efficiently as we take advantage of the multiple growth opportunities in our markets. We continue to diversify the asset portfolio by originating a greater proportion of illiquid assets to back the new business in line with our investment strategy.

SALES

The DB business continues to go from strength to strength as rising interest rates have accelerated the closure of scheme funding gaps, enabling a market shift towards full scheme Buy-ins. During 2023, we wrote a record amount of DB new business, up 21% to £3,415m from 80 transactions (2022: £2,827m, 56 transactions), in a buoyant market estimated by LCP and WTW to be c£50bn (2022: £28bn). Heightened and consistent demand throughout 2023 allowed Just to increasingly risk select as the year progressed with strong pricing discipline, a wider panel of reinsurers, market insight and business mix driven by our streamlined bulk quotation service all contributing towards higher margins.

The drivers behind this momentum remain and we expect a busy 2024 and beyond, as we execute on small, medium and larger transactions, while maintaining capital flexibility. We estimate that 15% of the £1.2tn DB market opportunity has transferred across to insurers thus far. LCP are forecasting that c.£600bn of DB Buy-in/ Buy-out transactions could transact over the decade to 2033, of which up to £360bn could transact in the next five years. This compares to £180bn in the last five years.

Our GIfL business had a very strong 2023, following a competitive year in 2022, where we demonstrated our pricing discipline by reducing volumes. During 2023, we wrote £894m of GIfL new business, up 59% year on year (2022: £564m). The UK individual GIfL market grew by 46% to £5.3bn (2022: £3.6bn), its highest level since Pension Freedoms in 2014. Quote activity levels remain elevated as higher interest rates directly increase the customer rate on offer, thus increasing the attractiveness of a guaranteed income relative to other forms of retirement income. The customer rate can be further improved through bespoke medical underwriting, in which Just is a market leader. The introduction of the FCA's Consumer Duty in July 2023 and findings from the FCAs thematic review into retirement income advice, expected shortly, are likely to lead to increased adviser conversations on the importance of considering guaranteed solutions to help customers achieve their objectives.

PROFIT

During 2023, underlying operating profit was £377m (2022: £257m), up 47%, and substantially ahead of our 15% operating profit growth target. Strong demand for our products provided the opportunity to write a greater volume of new business at an efficient capital strain. Shareholder funded Retirement Income sales of £3,893m were 24% higher than 2022. New business profit, which includes the DB Partner origination fee, was up 33% at £355m (2022: £266m), translating to a new business margin of 9.1% (2022: 8.5%) on shareholder funded premiums as buoyant markets supported active risk selection. Higher and rising interest rates during 2023 boosted the return on surplus assets, thereby increasing in-force operating profit, up 22% to £191m. Finance costs have reduced following the November 2022 tender offer and subsequent cancellation of £100m tier 2 debt, thus optimising the capital structure and providing future capital flexibility.

Operating experience and assumption changes, primarily related to longevity, were a combined £52m positive (2022: £104m positive) impact on profit. Total investment and economic profits of £92m (2022: £537m losses) combined with other items led to an adjusted profit before tax of £520m (2022: £167m loss). Of this £520m, £348m of profit is deferred to the CSM reserve in the balance sheet, leaving an IFRS Profit before tax of £172m (2022: Loss before tax of £494m after deferral of £327m to CSM).

CAPITAL

The Group's estimated Solvency II capital position remains at a very healthy and robust level of 197% (31 December 2022: 199%) as we benefited from organic capital generation and regulatory changes, specifically a large reduction in the risk margin, as part of the ongoing Solvency UK reforms. Through our targeted management actions, property and interest rate sensitivities have much reduced in recent years. Underlying organic capital generation ("UOCG") grew strongly to £57m (2022: £34m), delivering a fourth consecutive year of positive UOCG, a key metric to delivering a sustainable business model. Within this, the £35m capital strain from writing the increased level of new business was substantially lower year on year at 0.9% of premium (2022: £60m and 1.9% of premium). This low new business strain, materially inside our target of less than 2.5%, reflects strong pricing discipline, risk selection, development of reinsurance optionality and our ability to originate increasing quantities of high-quality illiquid assets. Lower finance costs also contributed. During the year, we paid a £19m shareholder dividend, well covered by UOCG. We continue to closely monitor and prudently manage our risks, including interest rates, inflation, currency, residential property and credit. The Solvency II sensitivities are set out below.

The 2023 Financial Services and Markets Act contains new powers to set the direction for financial services following the UK's exit from the European Union, including reforms to the Solvency II capital regime. As part of the proposed new Solvency UK regime, last June, HM Treasury and the Prudential Regulation Authority ("PRA") set out their proposals to implement the more straightforward items, including simplification measures and reforms which have led to a c.60% reduction in risk margin for life insurance business. Industry and the regulator were very much aligned on these objectives. A consultation paper on the more complex changes to matching adjustment ("MA") rules and the associated investment flexibility was launched in September, with reforms to take effect in 2024. We expect these MA changes to support the role HM Treasury is expecting from the industry, whereby appropriate reforms could increase insurer investment by tens of billions of pounds in long-term finance to the broader economy, including infrastructure, decarbonisation, social housing and increased investment in science and technology.

BUSINESS REVIEW continued

OUTLOOK

The outlook for the economy continues to evolve, reflecting macro-economic and political events including the trajectory of central bank rates to reduce and control inflation, and a UK election by the end of 2024. The 2022/23 interest rate increases have led to a flat-lining of the economy in 2023, predicted to be followed by a gradual recovery. We expect these macro forces to have a negligible effect on the Group's business model, with the normalisation of long-term interest rates continuing to drive demand for our products. Sensitivities of our capital position to long-term interest rates is included on page 28.

The Group is closely monitoring the Government consultation regarding restriction of ground rent for existing residential leases announced in November 2023 and the impact of this on the Group's £176m portfolio of residential ground rents. For further information on the Group's approach to reflecting the uncertainty associated with the Consultation in the year end valuation of residential ground rents see note 1.7.

We have a strong and resilient capital base, with a low-strain business model that is generating sufficient capital on an underlying basis 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

The Group uses a combination of alternative performance measures ("APMs") and 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 Directors have concluded that the principles used as a basis for the calculation of the APMs remain appropriate, although due to the adoption of new accounting standards the reconciliation from APMs' to IFRS reported results has changed. Just Group has been growing strongly for a number of years and regards the writing of profitable new business contracts as a key objective for management. As a result, in management's view, the use of an alternative performance measure which includes the value of profits deferred for recognition in future periods is a more meaningful measure than IFRS profits under IFRS 17 which now exclude the profits from new business sales.

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.

KPIs are regularly reviewed against the Group's strategic objectives, which have remained unchanged following the adoption of IFRS 17, which has also not impacted the Group dividend policy. The Group's KPIs are discussed in more detail on the following pages.

The Group's KPIs are shown below:

	2023	2022 (restated)	Change
Retirement Income sales[1]	**£3,893m**	£3,131m	24%
New business profit[1]	**£355m**	£266m	33%
Underlying operating profit[1]	**£377m**	£257m	47%
IFRS profit / (loss) before tax	**£172m**	£(494)m	n/a
Return on equity[1]	**13.5%**	10.3%	3.2pp
Tangible net asset value per share[1]	**224p**	190p	34p
New business strain[1] (as % of premium)	**0.9%**	1.9%	+1pp
New business strain[1]	**£(35)m**	£(60)m	42%
Underlying organic capital generation[1]	**£57m**	£34m	68%
Solvency II capital coverage ratio[2]	**197%**	199%	-2pp

1 Alternative performance measure, see glossary for definition.
2 Solvency II capital coverage ratios as at 31 December 2023 (estimated) and 31 December 2022 includes a formal recalculation of TMTP at the respective dates.

TANGIBLE NET ASSETS / RETURN ON EQUITY (UNDERLYING)

The return on equity in the year to 31 December 2023 was 13.5% (2022: 10.3%), based on underlying operating profit after attributed tax of £288m (2022: £208m) arising on average adjusted tangible net assets of £2,133m (2022: £2,025m).

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

	31 December 2023 £m	31 December 2022 £m (restated)
IFRS total equity attributable to ordinary shareholders	**883**	783
Less intangible assets	**(41)**	(47)
Tax on amortised intangible assets	**2**	3
Add back contractual service margin	**1,959**	1,611
Adjust for tax on contractual service margin	**(488)**	(399)
Tangible net assets	**2,315**	1,951
Tangible net assets per share	**224p**	190p
Return on equity % (underlying)	**13.5%**	10.3%

UNDERLYING OPERATING PROFIT

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. 2023 underlying operating profit grew by 47% to £377m (2022: £257m), as we strongly outperformed against our medium-term target, driven by pricing discipline and positioning in buoyant markets. We set the 15% profit growth target from the 2021 baseline (£211m), and given the strong growth in 2023, we are confident that we can add a further 15% to the 2023 level during 2024, and thereby double underlying operating profit in three years instead of five.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)	Change %
New business profit	**355**	266	33%
CSM amortisation	**(62)**	(61)	(2)%
Net underlying CSM increase	**293**	205	43%
In-force operating profit	**191**	156	22%
Other Group companies' operating results	**(22)**	(16)	(38)%
Development expenditure	**(17)**	(15)	(13)%
Finance costs	**(68)**	(73)	7%
Underlying operating profit	**377**	257	47%

1 See reconciliation to IFRS profit before tax further in this Business Review.

NEW BUSINESS PROFIT

New business profit was up 33% at £355m (2022: £266m), as shareholder funded Retirement Income sales rose 24% to £3,893m (2022: £3,131m). The new business margin achieved was 9.1% (2022: 8.5%). As the year progressed, we increasingly risk selected, which combined with strong pricing discipline, a wider panel of reinsurers able to offer bespoke terms, market insight and our streamlined bulk quotation service all contributed towards higher margins. We are also increasingly benefiting from scale and strong cost control leading to operating leverage.

CSM AMORTISATION

IFRS 17 introduces a new concept of the Contractual Service Margin to the statement of financial position. CSM amortisation represents the release from the CSM reserve into profit as services are provided, net of accretion (unwind of discount) on the CSM reserve balance (see below). £62m of net CSM amortisation (2022: £61m) represents a £129m release of CSM into profit, offset by £67m of interest accreted to the CSM. The £129m CSM release into profit (2022: £95m) represents 6.2% (2022: 5.6%) of the CSM balance immediately prior to release. The increase during the year represents growth in the CSM reserve from an additional year of new business profit, and the longevity assumption change at 31 December 2023 which was also deferred to the CSM reserve.

Accretion on the CSM balance amounted to £67m (2022: £35m), which represents 3.4% (2022: 2.1%) of the opening plus new business CSM balance. CSM accretion is calculated using locked-in discount rates. The increase during the period reflects the higher interest rates applicable on the forward rates locked in curve at transition on 31 December 2021 for the new business written pre-2021 as well as higher interest rates applicable to the new business written since the end of 2021. The higher accretion is also due to the increase in CSM balance following the FY 22 longevity assumption changes.

NET UNDERLYING CSM INCREASE

This represents the net underlying increase of profit deferral to CSM during the year before any transfers to CSM in respect of operating experience and assumption changes recognised in the current year. The new business profit deferred to CSM (£355m) to CSM in-force release (£129m) multiple of 3 times reflects the very high and healthy level of replacement profit, and demonstrates the value of new business written during the year relative to the gross CSM release from existing business. This strong growth dynamic increases the CSM store of value to release into in-force profit in future years.

IN-FORCE OPERATING PROFIT

In-force operating profit represents investment returns earned on surplus assets, the release of allowances for credit default, CSM amortisation, release of risk adjustment allowance for non-financial risk and other. Taken together, these are the key elements of the IFRS 17 basis operating profit from insurance activities.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)	Change %
Investment return earned on surplus assets	**94**	61	54%
Release of allowances for credit default	**28**	26	8%
CSM amortisation	**62**	61	2%
Release of risk adjustment for non-financial risk / Other	**7**	8	(13)%
In-force operating profit	**191**	156	22%

The in-force operating profit increased by 22% to £191m (2022: £156m), driven by a significant increase in investment return, as a result of higher interest rates, on a greater amount of surplus assets. The higher release of allowance for credit default reflects the growth in the investment portfolio that backs the insurance guarantees we provide to our customers. CSM amortisation, reflects growth in the CSM release offset by the higher accretion as noted earlier.

OTHER GROUP COMPANIES' OPERATING RESULTS

The operating result for Other Group companies was a loss of £22m (2022: loss of £16m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses. The increase in losses was driven by upfront investment in the Destination Retirement proposition and other development initiatives.

DEVELOPMENT EXPENDITURE

Development expenditure of £17m (2022: £15m), relates mainly to investment in systems capability, in addition to various business line and functional transformation.

FINANCE COSTS

Finance costs have decreased by 7% to £68m (2022: £73m). 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. Finance costs have reduced following the November 2022 tender and associated offers, which resulted in the subsequent cancellation of £100m 9% tier 2 debt, paid from excess Group liquidity.

In 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 or 2023.

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 underlying and adjusted operating profit basis.

RETIREMENT INCOME SALES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m	Change %
Defined Benefit De-risking Solutions ("DB")[1]	**2,999**	2,567	17%
Guaranteed Income for Life Solutions ("GIfL")[2]	**894**	564	59%
Retirement Income sales (shareholder funded)	**3,893**	3,131	24%
DB Partner (funded reinsurance)[1]	**416**	259	61%
Total Retirement Income sales	**4,309**	3,390	27%

1 Adding the DB shareholder funded and Partner business leads to total DB de-risking segment volumes of £3,415m (2022: £2,826m).
2 GIfL includes UK GIfL, South Africa GIfL and Care Plans.

The structural drivers and trends in our markets underpin our confidence that we can continue to deliver attractive returns and growth rates over the long-term. We are extremely well positioned to take advantage of the growth opportunities available in both of our chosen markets. Over the past two years, rising interest rates have accelerated the closure of DB scheme funding gaps, and therefore more schemes are able to begin the process to be "transaction ready", accelerating business into our short/medium-term pipeline that previously would have been expected to transact in the second half of the decade. The retail GIfL market had its busiest year since 2014, with the Open market, where Just competes, showing particularly strong growth, driven by the customer rate available and advisers shopping around. The level of long-term interest rates directly influences the customer rate we can offer, with the higher rates in 2023 enhanced by our individual medical underwriting. This increases the value of the guarantee to customers, making the product more attractive relative to other forms of retirement income. We will take advantage of this very strong market backdrop through our low-strain new business model, which enables us to fund our ambitious growth plans through underlying organic capital generation. 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.

BUSINESS REVIEW continued

Shareholder funded DB sales at £2,999m (2022: £2,567m) were up 17%, as we were consistently busy throughout the year. In February, we closed our largest DB transaction to date at £513m, with GKN/Melrose. In December, utilising our DB Partner proposition, we reinsured all of the investment and longevity risks on a £416m transaction, our second largest deal of the year. The upfront origination fee received from our external reinsurance partner partially offsets the new business strain incurred on the £3.0bn of DB new business funded by Just's shareholders. Transactions of this type are additive to Just's core shareholder funded business by generating incremental fee income, while being repeatable, scalable and providing optionality going forward. Adding both shareholder funded and partner business, the DB segment wrote £3,415m of new business, up 21% year on year (2022: £2,826m), representing a 7% share by market value (LCP and WTW: c.£50bn).

In total, we completed 80 deals, of which 73 were below £100m in transaction size. We maintained our leadership position in the less than £100m transaction size segment. Our positioning has led to a doubling in our market share to 16% in the up to £1bn size segment over the past three years. In 2023, we estimate that Just wrote over one third of all transactions in the market. These activity levels are well ahead of the 56 transactions in 2022. Our proprietary bulk quotation service continues to grow in popularity with hundreds of DB schemes onboarded. Demonstrating the multiple benefits of the service, 17 EBCs completed a transaction during the year. Our bulk quotation service provides access to the DB market for trustees, accelerates transaction flow for EBCs by providing a streamlined process and provides a steady source of completions for Just. Recent examples include our smallest DB transaction to date at £0.6m, and a £2m scheme that had been price monitored since 2019. We continue to develop the service to allow us to significantly increase our onboarding capacity. As part of our proposition to EBCs, trustees, and scheme sponsors, we are always available to quote for any credible transaction, as evidenced from our activity levels in the past two years.

GIfL sales were £894m (2022: £564m), 59% higher year on year. The strong foundation from the first half, together with continued market strength in the second half allowed us to utilise our market-leading medical underwriting to risk select more profitable and niche segments of the market. These market dynamics, together with operational gearing due to tight cost control helped to improve margins in the second half. In recognition of our consistent level of customer service and excellence, in November, at the FT Financial Adviser Service Awards ("FASA"), Just won its 19th consecutive five star in the Pensions and Protection Providers category, five stars for the 14th time in the Mortgage Providers category, and were awarded Outstanding Achievement of the Year, due to our overall scores and ratings. This consistently high level of service was achieved even as business volumes grew strongly, and is a testament to the dedication from the customer service and business development teams.

Furthermore, we estimate that since 2014, more than £140bn of cumulative retirement savings have moved to drawdown on platform, often without a decumulation strategy. Due to the higher customer rates now on offer, we expect that advisers and customers will re-examine the role of guaranteed income in retirement. The introduction of the FCA's Consumer Duty in July and the findings due from the FCAs thematic review into retirement income advice are also likely to increase the importance of considering guaranteed solutions to help customers achieve their objectives.

LIFETIME MORTGAGES ADVANCES

2023 internally funded lifetime mortgage advances were £164m (2022: £519m), a decrease of 68%. In 2023, the LTM market fell by 58% to £2.6bn. We continue to be selective, and use our market insight and distribution to target certain sub-segments of the market. LTMs remain an attractive asset class, however, in a higher interest rate environment, the capital charge attaching to the NNEG risk becomes onerous. Prior investment in LTM digital capabilities and proposition has been well received by financial advisers, resulting in retention of our five star service award, as mentioned above.

RECONCILIATION OF UNDERLYING OPERATING PROFIT TO IFRS PROFIT BEFORE TAX

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)
Underlying operating profit[1]	**377**	257
Operating experience and assumption changes	**52**	104
Adjusted operating profit before tax[1]	**429**	361
Investment and economic movements	**92**	(537)
Strategic expenditure	**(17)**	(7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**16**	16
Adjusted profit/(loss) before tax[1]	**520**	(167)
Deferral of profit in CSM	**(348)**	(327)
Profit/(loss) before tax	**172**	(494)

1 Alternative performance measure, see glossary for definition.

OPERATING EXPERIENCE AND ASSUMPTION CHANGES

As usual, the Group carried out a full basis review in December 2023, and has updated its longevity reserving using the CMI 2022 mortality tables (2022: CMI 2021). The Group continues to allow for future improvements in long-term mortality, but with the longer term also reflecting the heightened mortality being experienced post pandemic. Assessment of the longer-term impact of the pandemic on the population continues to evolve, but these factors, combined with the winter flu season, longer NHS waiting lists and inflation pressures on incomes are contributing towards a deterioration in the rate of improvement across the population, which we have sought to reflect in our year end assumption. There were a number of minor changes to the Group's other assumptions in 2023. Sensitivity analysis is shown in notes 20 and 26, 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 £52m (2022: £104m). The Group reported negative operating experience of £10m in 2023 (2022: negative £3m). Assumption changes resulted in a £62m release (2022: £107m reserve release), and were almost entirely driven by the mortality assumption change, as per above.

INVESTMENT AND ECONOMIC MOVEMENTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)
Change in interest rates	**(5)**	(536)
Narrower/(Wider) credit spreads	**44**	(51)
Property growth experience	**(13)**	(23)
Other	**66**	73
Investment and economic movements	**92**	(537)

Investment and economic movements were positive at £92m (2022: £537m loss). Movements in risk free rates during 2023 have had a negligible effect due to the implementation of a revised interest rate hedging strategy in the latter part of 2022 and across 2023. This includes the purchase of £2.5bn of long dated gilts held at amortised cost under IFRS. This approach has significantly reduced[1] the IFRS exposure whilst also containing our Solvency II sensitivity to future interest rate movements (see estimated Group Solvency II sensitivities below). In the second half of 2021 and across 2022, as rates rose and the solvency position strengthened, we gradually reduced the swap based interest rate hedging to a broadly economically neutral position. In 2023, we recorded £5m of losses in relation to interest rates (2022: loss of £536m due to rising interest rates under from the previous hedging strategy, which was originally designed to protect the solvency position).

Credit spreads narrowed during 2023, leading to a £44m positive movement (2022: credit spreads widened leading to a negative movement of £51m). The LTM portfolio property growth was c.2% during 2023, with our diversified portfolio performing a little below the 3.3% annual long-term property growth assumption (2022: 3.3% annual property growth assumption). Other includes positives from corporate bond default experience, investment return on surplus assets being above our assumption and backbook optimisation.

1 See note 26 for interest rate sensitivities, with a 100 bps increase in interest rates resulting in a pre tax loss of £(40)m and a 100 bps decrease in interest rates resulting in a pre tax profit increase of £49m.

STRATEGIC EXPENDITURE

Strategic expenditure was £17m (2022: £7m). This included increased investment to scale and bring to market various retail related propositions, costs in relation to Consumer Duty, final implementation costs for IFRS 17 and preparations for an internal model update.

UNDERLYING EARNINGS PER SHARE

Underlying EPS (based on underlying operating profit after attributed tax) has increased to 27.9 pence (2022: 20.2 pence per share).

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Underlying operating profit after attributable tax (£m)	**288**	208
Weighted average number of shares (million)	**1,032**	1,032
Underlying EPS[1] (pence)	**27.9**	20.2

1 Alternative performance measure, see glossary for definition.

EARNINGS PER SHARE

Earnings per share (based on net profit/(loss) after tax, see note 14) has increased to 11.3 pence (2022: 36.3 pence per share loss).

	Year ended 31 December 2023	Year ended 31 December 2022 (restated)
Earnings (£m)	**117**	(375)
Weighted average number of shares (million)	**1,032**	1,032
EPS (pence)	**11.3**	(36.3)

CAPITAL MANAGEMENT

The Group's capital coverage ratio was estimated to be 197% at 31 December 2023, including a formal recalculation of transitional measures on technical provisions ("TMTP") (31 December 2022: 199% including a formal 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 2023[1] £m	31 December 2022[2] £m
Own funds	**3,104**	2,757
Solvency Capital Requirement	**(1,577)**	(1,387)
Excess own funds	**1,527**	1,370
Solvency coverage ratio[1]	**197%**	199%

1 Solvency II capital coverage ratios as at 31 December 2023 and 31 December 2022 includes a formal recalculation of TMTP 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 2022.

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 FUNDS[1]

The business is delivering sufficient ongoing capital generation to support deployment of capital to capture the significant growth opportunity available in our chosen markets, provide returns to our capital providers and further investment in the strategic growth of the business.

The table below analyses the movement in excess own funds, in the year to 31 December 2023.

Unaudited	At 31 December 2023[2] £m	At 31 December 2022 £m (restated)
Excess own funds at 1 January	**1,370**	1,168
Operating		
In-force surplus net of TMTP amortisation	**168**	174
Financing costs	**(49)**	(57)
Group and other costs	**(27)**	(23)
Cash generation	**92**	94
New business strain[2]	**(35)**	(60)
Underlying organic capital generation	**57**	34
Management actions and other items	**69**	105
Total organic capital generation[3]	**126**	139
Non-operating		
Strategic expenditure	**(13)**	(5)
Dividends	**(19)**	(16)
Economic movements	**(22)**	117
Regulatory changes	**109**	–
Capital actions[4]	**(24)**	(33)
Excess own funds	**1,527**	1,370

1 All figures are net of tax, and include a formal recalculation of TMTP where applicable.
2 New business strain calculated based on pricing assumptions.
3 Organic capital generation includes surplus from in-force, new business strain, overrun and other expenses, interest and other operating items. It excludes economic variances, regulatory changes, dividends and capital issuance.
4 Capital actions are the effect of Tier 2 buyback (2023 and 2022) and includes the positive effect (if any) from release of Solvency II tiering restrictions.

BUSINESS REVIEW continued

UNDERLYING ORGANIC CAPITAL GENERATION AND NEW BUSINESS STRAIN

In 2023, we achieved £57m of underlying organic capital generation (2022: £34m). Over the past four years, we have delivered £160m cumulative since we became capital generative on an underlying basis in 2020, while at the same time growing the shareholder backed new business volumes at a 22% compound annual growth rate to £3.9bn in 2023.

Underlying organic capital generation ("UOCG") has benefited from the ongoing focus across the business on minimising new business capital strain. Due to a combination of focused risk selection, pricing discipline, bespoke reinsurance and originating sufficient quantities of high-quality illiquid assets, new business strain has decreased by £25m (40%) even though shareholder funded new business premiums were up 24% year on year to £3.9bn. This level of new business strain represents 0.9% of new business premium (2022: 1.9% of premium), well within our target of below 2.5% of premium. This continued outperformance is driven by our market insight, leading to an origination strategy focussed on business mix within the DB and GIfL units. It also includes the commission received from the DB Partner transaction. In-force surplus after TMTP amortisation was down 3% to £168m, primarily due to higher average interest rates during the year which reduces the amount of capital available (via lower SCR and risk margin) to release. Group and other costs including development and non-life costs were £27m (2022: £23m). Finance costs at £49m were lower (2022: £57m), which reflected the interest savings following the tier 2 debt cancellation previously mentioned. Management actions and other items, primarily a mortality assumption changed, boosted the capital surplus by £69m. This lead to a total of £126m from organic capital generation, which contributed one percentage point to the capital coverage ratio.

NON-OPERATING ITEMS

Economic movements summed to £(22)m in the capital surplus. The effect to the surplus from the fall in long term interest rates at year end cut-off was relatively small at £(15)m, but resulted in a three percentage point fall in the capital coverage ratio. Property price growth at 2.3% (compared to our annual 3.3% long-term growth assumption) led to a £(11)m decrease in capital surplus, while we established a £(45)m provision for the potential residential ground rent consultation, which may impact valuation of those assets. These three negative items were offset by £49m of positive items, primarily asset trading and timing variances.

Regulatory changes resulted in a £109m increase in the surplus following a reduction in the Solvency II risk margin. Offsetting this, in September/October 2023, we completed the repurchase of a further £24m (nominal) of T2 debt via the open market. Shareholder dividend payments totalled £19m, while strategic expenses reduced the capital surplus by a further £13m.

The positive benefit from the risk margin reform has added seven percentage points to the capital coverage ratio, which has been offset by the other non-operating items. There were no capital restrictions or deferred tax assets in the 31 December 2023 capital position.

ESTIMATED GROUP SOLVENCY II SENSITIVITIES[1,5]

The property sensitivity has reduced to 10% (31 December 2022: 12%). We expect that reduced LTM origination and backing ratio on new business will contain the Solvency II sensitivity to house prices at or below this level over time. The credit quality step downgrade sensitivity has slightly reduced due to credit spreads narrowing during the period, which decreases the cost of trading the 10% of our credit portfolio[3] assumed to be downgraded back to their original credit rating.

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

Unaudited	At 31 December 2023 %	At 31 December 2023 £m
Solvency coverage ratio/excess own funds at 31 December 2023[2]	**197**	1,527
-50bps fall in interest rates (with TMTP recalculation)	**(6)**	26
+50bps increase in interest rates (with TMTP recalculation)	**6**	(27)
+100bps credit spreads (with TMTP recalculation)	**14**	109
Credit quality step downgrade[3]	**(7)**	(109)
-10% property values (with TMTP recalculation)[4]	**(10)**	(141)
-5% mortality	**(10)**	(147)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is allowed to change subject to the minimum deferment rate floor of 3% as at 31 December 2023 (2.0% as at 31 December 2022) 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 formal 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, long income real estate/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. In addition for residential ground rents, the Group has identified that the impact of downgrading the entire portfolio to BBB would reduce Excess own funds by £22m and CCR% by two percentage points.

4 After application of NNEG hedges.

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

RECONCILIATION OF IFRS EQUITY TO SOLVENCY II OWN FUNDS

Unaudited	31 December 2023 £m	31 December 2022 £m (restated)
IFRS net equity	**1,203**	1,103
CSM	**1,959**	1,611
Goodwill	**(34)**	(34)
Intangibles	**(7)**	(13)
Solvency II risk margin	**(196)**	(456)
Solvency II TMTP[1]	**637**	874
Other valuation differences and impact on deferred tax	**(1,059)**	(884)
Ineligible items	**(5)**	(50)
Subordinated debt	**619**	619
Group adjustments	**(13)**	(13)
Solvency II own funds[1]	**3,104**	2,757
Solvency II SCR[1]	**(1,577)**	(1,387)
Solvency II excess own funds[1]	**1,527**	1,370

1 The Solvency II capital coverage ratios as at 31 December 2023 (estimated) and 31 December 2022 include a formal recalculation of TMTP at the respective dates.

RECONCILIATION FROM OPERATING PROFIT TO IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The tables below present the reconciliation from the Group's APM income statement view to the IFRS statement of comprehensive income for the Group. The Group's results reflect the adoption of IFRS 17 including the restatement of comparatives. For further information on the restatement see note 1 of the Consolidated financial statements.

Year ended 31 December 2023

Alternative profit measure format					Statutory accounts format				
	Reported £m	Quote date difference £m	CSM deferral £m	Adjusted total £m	Insurance result £m	Investment result £m	Other finance costs £m	Other income, expenses and associates £m	PBT £m
New business profit	355	(12)	(343)	–					
CSM amortisation	(62)		62	–					
Net underlying CSM increase	293	(12)	(281)	–					
In-force operating profit:									
Investment return earned on surplus assets	94			94		94			94
Release of allowances for credit default	28			28		28			28
CSM amortisation	62			62	129	(67)			62
Release of risk adjustment for non-financial risk	7			7	7				7
Other Group companies' operating results	(22)			(22)				(22)	(22)
Development expenditure	(17)			(17)				(17)	(17)
Finance costs	(68)			(68)			(68)		(68)
Underlying operating profit	377	(12)	(281)	84	136	55	(68)	(39)	84
Operating experience and assumption changes	52		(67)	(15)	(18)	3			(15)
Adjusted operating profit before tax	429	(12)	(348)	69					
Investment and economic movements	92	12		104		215	(70)	(41)	104
Strategic expenditure	(17)			(17)				(17)	(17)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16			16			16		16
Adjusted profit before tax	520		(348)	172					
Deferral of profit in CSM	(348)		348	–					
Profit before tax	172			172	118	273	(122)	(97)	172

The rows and first numeric column of this table present the alternative profit measure (APM) format as presented in the Underlying operating profit section on page 24 and Reconciliation of Underlying operating profit to IFRS profit before tax section on page 26.

The Quote date difference adjustment is made because Just bases its assessment of new business profitability for management purposes on the economic parameters prevailing at the quote date of the business instead of completion dates as required by IFRS 17 (see new business profit reconciliation on page 227).

The CSM deferral column presents how elements of the APM basis result are deferred in the CSM reserve held on the IFRS balance sheet consistent with the table on page 33. Under IFRS 17, new business profits and the impact of changes to estimates of future cash flows are deferred in the CSM reserve for release over the life of contracts (see accounting policy note 1.5.6).

The adjusted total column is then transposed in the columns on the right-hand side into the IFRS statutory accounts Consolidated statement of comprehensive income format as presented on page 137. Figures are presented on a net of reinsurance basis.

Investment return on surplus assets and Release of allowance for credit default are recognised within the investment result in the IFRS Statement of Comprehensive income. CSM amortisation includes recognition of services provided within IFRS Insurance result and the unwind of discounting in the IFRS Investment result.

The insurance service result of £118m (2022: £99m) represents the excess of insurance revenue over insurance service expenses, with the year on year increase attributable to a higher release from CSM reserve as an additional year of new business is added, partly offset by higher external investment management expenses.

The net investment result of £273m (2022: £(454)m loss) represents the difference between the total investment return and the finance charge in respect of insurance reserves attributable to unwinding of discounting and changes in discount rates. In 2023, this net profit is attributable to the return on surplus funds, the emergence of credit default margins, and the effects of investment into higher yielding assets.

Other finance costs of £122m (2022: £57m) represent the costs of servicing tier 2 and tier 3 debt and repurchase agreements in connection with the amortised cost gilt portfolio established in 2023. Other income, expenses and associates of £97m loss (2022: £82m loss) represent the results from the Group's non-insurance businesses and expenses not attributed to insurance contracts in force.

BUSINESS REVIEW continued

Year ended 31 December 2022 (restated)

Alternative profit measure format	Reported £m	Quote date difference £m	CSM deferral £m	Adjusted total £m	Statutory accounts format: Insurance result £m	Investment result £m	Other finance costs £m	Other income, expenses and associates £m	PBT £m
New business profit	266	4	(270)	–					
CSM amortisation	(61)		61	–					
Net underlying CSM increase	205	4	(209)	–					
In-force operating profit:									
Investment return earned on surplus assets	61			61		61			61
Release of allowances for credit default	26			26		26			26
CSM amortisation	61			61	96	(35)			61
Release of risk adjustment for non-financial risk	8			8	8				8
Other Group companies' operating results	(16)			(16)				(16)	(16)
Development expenditure	(15)			(15)				(15)	(15)
Finance costs	(73)			(73)			(73)		(73)
Underlying operating profit	257	4	(209)	52					
Operating experience and assumption changes	104		(118)	(14)	(5)	(9)			(14)
Adjusted operating profit before tax	361	4	(327)	38					
Investment and economic movements	(537)	(4)		(541)		(497)		(44)	(541)
Strategic expenditure	(7)			(7)				(7)	(7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	16			16			16		16
Adjusted loss before tax	(167)		(327)	(494)					
Deferral of profit in CSM	(327)		327	–					
Loss before tax	(494)			(494)	99	(454)	(57)	(82)	(494)

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table on page 31 presents selected items from the Condensed consolidated statement of financial position. The information below is extracted from the statutory consolidated statement of financial position.

Financial investments

During the year, financial investments increased by £6bn to £29.4bn (2022: £23.4bn). Excluding the derivatives and collateral, and gilts purchased in relation to the interest rate hedging, the core Investments portfolio on which we take credit risk increased by 18% to £24bn. Over the past two years, central banks have rapidly raised base rates from their historical low levels to counteract the effect of inflation and prevent it becoming embedded in the economy. Base rates are expected to have peaked, with progressive interest rate cuts expected later this year and into 2025. The year on year portfolio increase to £24bn has been driven by investment of the Group's £4.3bn of new business premiums, credit spread tightening, and the decrease in long-term risk-free rates at year end cut-off, which increased the value of the assets (and matched liabilities). The credit quality of the Group's bond portfolio remains resilient, with 54% rated A or above (31 December 2022: 50%), driven by an increase in A rated consumer staples and infrastructure assets. Our diversified portfolio continues to grow and is well balanced across a range of industry sectors and geographies.

We continue to position the portfolio with a defensive bias, and year to date have experienced positive ratings performance as 11% of the Group's bond portfolio (excluding gilts) 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), energy and basic materials. The Group has increased its infrastructure, utilities and long income real estate (primarily commercial) investments, and selectively added to consumer and banks investments. The BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications and technology, and infrastructure.

The Group continues to have ample liquidity. We prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, and fully implemented a revised interest rate hedging strategy during the first half of 2023. This involved the purchase of £2.5bn of long dated gilts, which are held at amortised cost under IFRS. The effect is to significantly reduce the Solvency II sensitivity to future interest rate movements, with a much reduced volatility on the IFRS position.

The table opposite presents selected items from the Condensed consolidated statement of financial position. The information below is extracted from the statutory consolidated statement of financial position.

	31 December 2023 £m	31 December 2022 £m (restated)
Assets		
Financial investments	**29,423**	23,352
Reinsurance contract assets	**1,143**	776
of which CSM	**100**	107
Cash available on demand	**546**	482
Other assets	**726**	802
Total assets	**31,838**	25,412
Share capital and share premium	**199**	199
Other reserves	**943**	938
Accumulated profit and other adjustments	**(259)**	(354)
Total equity attributable to ordinary shareholders of Just Group plc	**883**	783
Tier 1 notes	**322**	322
Non-controlling interest	**(2)**	(2)
Total equity	**1,203**	1,103
Liabilities		
Insurance contract liabilities	**24,131**	19,647
of which CSM	**2,449**	1,943
Reinsurance contract liabilities	**125**	121
of which CSM	**(296)**	(225)
Other financial liabilities	**5,588**	3,669
Other liabilities	**791**	872
Total liabilities	**30,635**	24,309
Total equity and liabilities	**31,838**	25,412
Total Net Contractual Service Margin included above	**1,959**	1,611
Net Contractual Service Margin net of deferred tax	**1,471**	1,212

Other illiquid assets and lifetime mortgages

To support new business pricing, optimise back book returns, 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 are typically much longer duration and hence the cash flow profile is very beneficial, especially to match DB deferred liabilities.

In 2023, we originated £1,550m of other illiquid assets (68 investments) and funded £164m of lifetime mortgages, which together represent a 44% new business backing ratio. Other illiquid assets are originated via a panel of 14 specialist external asset managers, each carefully selected based on their particular area of expertise. Our illiquid asset origination strategy allows us to efficiently scale origination of new investments, and to flex allocations between sectors depending on market conditions and risk adjusted returns.

BUSINESS REVIEW continued

To date, Just has invested £4.9bn in other illiquid assets, representing 21% of the Investments portfolio (31 December 2022: 16%), spread across more than 330 investments, both UK and abroad. We have invested in our in-house credit team as we have broadened the illiquid asset origination, and 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 Solvency II reforms, when fully implemented, will increase the investment opportunities available to us through wider matching adjustment eligibility criteria, such as callable bonds, or assets with a construction phase, where the commencement of cash flows is not entirely certain. A PRA consultation paper on the more complex changes to matching adjustment ("MA") rules and the associated investment flexibility was launched in September, with reforms to take effect in 2024. We expect these MA changes to support the role HM Treasury is expecting from the industry, whereby appropriate reforms could increase investment by tens of billions of pounds in long-term finance that underpins UK economic growth.

Internally funded lifetime mortgages were £164m (2022, £519m), primarily due to a much reduced LTM market, which more than halved to £2.6bn, and our ongoing pricing discipline. LTMs remain an attractive asset class, however, in a higher interest rate environment, the capital charge attaching to the LTM NNEG risk becomes onerous. The loan-to-value ratio of the in-force lifetime mortgage portfolio was 38.2% (31 December 2022: 37.3%), reflecting continued performance across our geographically diversified portfolio, which offsets the interest roll-up. Lifetime mortgages at £5.7bn represent 24% of the investments portfolio, which we expect to continue drifting lower over time as we originate fewer new LTMs and diversify the portfolio with other illiquid assets. The 10% Solvency II capital coverage ratio impact for an immediate 10% fall in UK house prices remains at a level we are comfortable with.

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

	31 December 2023 £m	31 December 2023 %	31 December 2022 £m (restated)	31 December 2022 % (restated)
AAA[1]	**2,252**	**8**	2,154	9
AA[1,3] and gilts	**5,327**	**18**	2,136	9
A[1,2,3]	**7,239**	**24**	6,262	27
BBB[1,2,3]	**8,083**	**27**	6,544	28
BB or below[1,2]	**176**	**1**	265	1
Lifetime mortgages	**5,681**	**19**	5,306	23
Other assets	**837**	**3**	724	3
Total[1,2,3]	**29,595**	**100**	23,391	100

1 Includes units held in liquidity funds, derivatives and collateral and gilts (interest rate hedging).
2 Includes investment in trusts which holds long income real estate assets which are included in investment properties and investments accounted for using the equity method in the IFRS consolidated statement of financial position.
3 The comparative has been restated to re-allocate ground rents and certain SME investment and other funds to the appropriate rating (previously Other unrated).
4 The residential ground rent portfolio includes £164m rated AAA and £12m rated AA.

The Group holds a £176m portfolio of residential ground rents and is monitoring the progress of the Government Consultation regarding existing leases and the impact on the Group's exposure to these assets. The Group invests in loans secured by residential ground rents, rather than directly in residential leases. These investments are valued at fair value, and reflect our estimate of the impact that the uncertainty from the consultation has had on the fair value of this asset class at the reporting date. The Group acknowledges the significant uncertainty regarding the outcome of the consultation, and that the fair value of these investments may change in the future after the consultation concludes. For further information on the consultation please see the Risk management note on page 67 and the accounting estimates made in note 1.7.

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 2023 £m	31 December 2023 %	31 December 2022 £m (restated)	31 December 2022 % (restated)[1]
Basic materials	**149**	**0.6**	270	1.3
Communications and technology	**1,334**	**5.6**	1,327	6.6
Auto manufacturers	**130**	**0.5**	250	1.2
Consumer staples (including healthcare)	**1,405**	**5.9**	935	4.6
Consumer cyclical	**197**	**0.8**	125	0.6
Energy	**378**	**1.6**	535	2.6
Banks	**1,606**	**6.7**	1,119	5.5
Insurance	**735**	**3.1**	607	3.0
Financial – other	**583**	**2.4**	342	1.7
Real estate including REITs	**660**	**2.8**	437	2.2
Government	**1,767**	**7.4**	1,596	7.9
Industrial	**543**	**2.3**	588	2.9
Utilities	**2,637**	**11.0**	2,266	11.2
Commercial mortgages[2]	**764**	**3.2**	584	2.9
Long income real estate[3]	**916**	**3.8**	291	1.4
Infrastructure	**2,473**	**10.3**	1,702	8.4
Other	**42**	**0.2**	42	0.2
Bond total	**16,319**	**68.1**	13,016	64.4
Other assets	**822**	**3.4**	726	3.6
Lifetime mortgages	**5,681**	**23.7**	5,306	26.2
Liquidity funds	**1,141**	**4.8**	1,174	5.8
Investments portfolio	**23,963**	**100.0**	20,222	100.0
Derivatives and collateral	**3,083**		3,169	
Gilts (interest rate hedging)	**2,549**		–	
Total	**29,595**		23,391	

1 Restated to re-allocate various short term illiquid fund assets and cash/investments, primarily from the Financial – other sector. These assets are now in the "Other Assets" category.
2 Includes investment in trusts which are included in investment properties in the IFRS consolidated statement of financial position.
3 Includes direct long income real estate and where applicable, investment in trusts which are included in investments accounted for using the equity method in the IFRS consolidated statement of financial position. Long income real estate include £740m commercial ground rents and £176m residential ground rents.

Reinsurance contract assets and liabilities

In accordance with IFRS 17, the Group distinguishes between its portfolios of reinsurance contracts which cover longevity and inflation risks and portfolios of reinsurance treaties covering longevity reinsurance alone. The Group's contracts transferring inflation risk are quota share arrangements which are in asset positions. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties and these are in liability positions.

Reinsurance assets increased to £1,143m at 31 December 2023 (31 December 2022: £776m) as the funded reinsurance in relation to the DB Partner transaction in December 2023 was partially offset by reinsurance quota share treaties which are in gradual run-off.

Cash and other assets

Other assets (primarily cash) remained consistent at £1.3bn at 31 December 2023 (31 December 2022: £1.3bn). The Group holds significant amounts of assets in cash, so as to protect against liquidity stresses.

Insurance contract liabilities

Insurance contract liabilities increased to £24.1bn at 31 December 2023 (31 December 2022: £19.6bn). The increase in liabilities reflects the new business premiums written and decrease to the valuation rate of interest, offset by mortality assumptions changes and policyholder payments over the period.

Other liabilities

Other liability balances decreased to £791m at 31 December 2023 (31 December 2022: £872m) due to a reduction in loans and other payables.

IFRS net assets

The Group's total equity at 31 December 2023 was £1.2bn (31 December 2022: £1.1bn). Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021. The total equity attributable to ordinary shareholders increased to £883m (31 December 2022: £783m).

DEFERRAL OF PROFIT IN CSM

As noted above, underlying operating profit is the core performance metric on which we have based our profit growth target. This includes new business profits deferred in CSM that will be released in future. When reconciling the underlying operating profit with the statutory IFRS profit it is necessary to adjust for the value of the net deferral of profit in CSM.

Net transfers to contractual service margin includes amounts that are recognised in profit or loss including the accretion and the amortisation of the contractual service margin:

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Gross insurance contracts £m	Reinsurance contracts £m	Total £m	Gross insurance contracts £m	Reinsurance contracts £m	Total £m
CSM balance at 1 January	**1,943**	**(332)**	**1,611**	1,489	(205)	1,284
New Business initial CSM recognised	**380**	**(37)**	**343**	320	(50)	270
Accretion of interest on CSM	**79**	**(12)**	**67**	41	(6)	35
Changes to future cash flows at locked-in economic assumptions	**203**	**(136)**	**67**	213	(96)	117
Release of CSM	**(156)**	**27**	**(129)**	(120)	25	(95)
Net transfers to CSM	**506**	**(158)**	**348**	454	(127)	327
CSM balance at 31 December	**2,449**	**(490)**	**1,959**	1,943	(332)	1,611

RESTATEMENT OF ALTERNATIVE PERFORMANCE MEASURES

As noted earlier, certain of the Group's APMs and KPIs have been affected by the implementation of IFRS 17 as a result of changes to risk parameters and other measurement factors in the underlying statutory accounts. The opportunity has been taken to make other changes to the derivation of the KPIs at the same time as implementing IFRS 17, notably:

- The impact of demographic changes on the valuation of LTMs has been reclassified as an investment value change instead of being included with insurance experience and assumption changes. This change treats the full return on LTMs as investment return and recognises their reduced significance within the investment portfolio.
- Non-recurring expenses have been reallocated to new business acquisition expenses or development expenses within underlying operating profit or to strategic expenses. This has also been reflected and aligned to the classifications used for measurement of Solvency II capital generation.

The table below compares the new business profits, Underlying profit and Adjusted operating profit before tax as presented in the Annual Report and Accounts in 2022 under IFRS 4 (previous accounting standard) with the equivalent APMs based on the IFRS 17 accounts:

	New business profit £m	Underlying operating profit £m	Adjusted operating profit £m
As presented in 2022 Annual Report and Accounts under IFRS 4	**233**	**249**	**336**
Changes in allowances for credit defaults	38	25	25
Changes attributable to replacement of IFRS 4 prudent reserves with IFRS 17 risk adjustment	2	(9)	(9)
Change to the classification of demographic assumption changes and experience variances in respect of LTMs	–	–	24
Reclassification of expenses	(1)	(6)	(6)
Other differences	(6)	(2)	(9)
As presented in 2023 Annual Report and Accounts under IFRS 17	**266**	**257**	**361**

Dividends

In line with our stated policy to grow the dividend over time, the Board is recommending a final dividend of 1.50 pence per share bringing the total dividend for the year ended 31 December 2023 to 2.08 pence per share. The 20% growth in total dividend is ahead of the 15% 2022 dividend growth rate.

MARK GODSON
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/sustainability**

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)

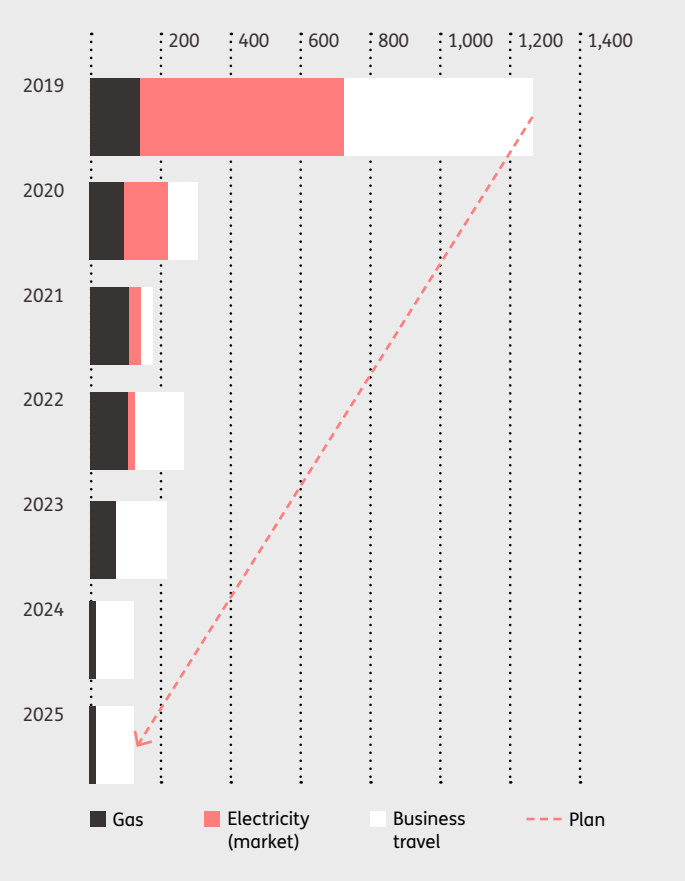
SCOPE 3

NET ZERO BY 2050

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

OUR PROGRESS SO FAR TO NET ZERO BY 2025

Just set an ambitious target to reach Net Zero in our own operations (Scope 1, 2) and business travel by 2025. We have made great progress to the target so far, reducing our emissions by 1,040 tCO_2e and the trees we are planting in partnership with Ecotree have already certified 2,195 tCO_2e of ex-ante credits for use in 2025 against our net zero target.



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 83% since 2019 (market based) including the impact of switching to a green energy supplier 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've optimised our heating schedule to better align with staff attendance, reducing our energy consumption and emissions.
- Just has also engaged with the local council to understand what the possibility is of support for energy efficiencies in our Reigate office.

1 The Renewable Energy Guarantees of Origin (REGO) scheme provides transparency to consumers about the proportion of electricity that suppliers source from renewable electricity.

99%
OF OUR PURCHASED ELECTRICITY IS FROM RENEWABLE SOURCES (REGO[1] CERTIFIED)

42%
REDUCTION IN MARKET BASED BUILDINGS EMISSIONS IN 2023

592
NEW HABITS FORMED BY EMPLOYEES TO REDUCE THEIR FOOTPRINT

10,899
SELF-DECLARED ACTIONS TAKEN BY OUR COLLEAGUES TO REDUCE THEIR IMPACT ON CLIMATE CHANGE

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 signed the age-friendly employers pledge.
- Just is on track to meet our HM Treasury Women in Finance targets.
- We are in partnership with the national charity Volunteering Works with over 97 of our colleagues taking part in activities during 2023.
- We continue to be:
  - Signatories to the Asset Owner Diversity Charter.
  - Member of Progress Together.
  - Members of GAIN (Group for Insurance, Autism, Insurance, Investment and Neurodiversity).

You can read more about creating a fair world within our Colleagues and culture section on pages 50 to 53.

50%
OF OUR BOARD ARE WOMEN

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

19%
OF SENIOR LEADERSHIP ARE FROM A BLACK, ASIAN OR MINORITY ETHNIC BACKGROUND, TARGET OF 18% ALIGNED WITH 2021 UK CENSUS DATA

£82K
DONATED TO CHARITY BY THE BUSINESS AND OUR COLLEAGUES IN 2023

696
NUMBER OF HOURS OF VOLUNTEERING RECORDED IN 2023

MAKING A POSITIVE IMPACT

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

Our progress against our target is shown below.

£325M
INVESTED IN ELIGIBLE GREEN AND SOCIAL ASSETS IN 2023
Aligned with our sustainability bond framework

£825M
TARGET TO INVEST OVER 2023 TO 2025
Invested in eligible green and social assets

GHG EMISSIONS DATA

Emissions – tCO_2e[1]	2023	2022
Scope 1 (natural gas and fugitive gas)[2]	**73**	111
Scope 2 (purchased electricity location based)	**177**	205
Scope 3 (business travel)	**145**	138
Total emissions (location based)	**395**	454
Scope 2 (purchased electricity market based)	**1**	18
Usage – Kwh	**2023**	**2022**
Scope 1 (natural gas and fugitive gas)	**401,266**	429,407
Scope 2 (purchased electricity location based)	**854,557**	1,060,746
Scope 2 (purchased electricity market based)	**5,416**	136,362

	Market based		Location based	
Intensity ratios	2023	2022	2023	2022
tCO_2e per retirement income sales	**0.06**	0.09	**0.10**	0.15
tCO_2e[2] per full time employee	**0.19**	0.22	**0.34**	0.38

1 Tonnes of carbon dioxide equivalent ("tCO_2e").
2 Fugitive emissions are based on refrigerant gas escape from on-site chiller systems.

Methodology: We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and 2023 emission factors from the Department for Business, Energy and 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 CO_2e per £m retirement income sales and an employee intensity metric (tonnes of CO_2e per employee) to normalise our data and provide useful performance indicators. Eshcon Ltd conducts an annual review of Just Group plc's data collation and calculation processes and provides verification of the 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. 100% of the reported emissions relate to emissions in the UK and offshore area.

SUSTAINABLE INVESTMENT STRATEGY

INVESTING THE JUST WAY

We invest in a diversified mix of investment grade liquid and illiquid credit assets, and cash flow match our liabilities utilising an "enhanced buy and maintain" approach within specified risk parameters.

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, and long income real estate. We have built a panel of 14 specialist external asset managers, each carefully selected based on their particular areas of expertise to originate investment opportunities for us. These opportunities are then assessed with multiple lenses by our in-house investment team who select the most suitable investments to pass through our internal screening process through a right of veto on each potential investment. The illiquid credit assets (excluding lifetime mortgages) account for £4.9bn or 21% of our £24bn Investments portfolio, but this is expected to increase over time, as the proportion backing new business is higher than the in-force portfolio. In 2023, we originated £1.6bn of illiquid credit assets in addition to £0.2bn of lifetime mortgages to support new business pricing, optimise backbook returns and provide certainty through long-term fixed rate financing into the economy.

RESPONSIBLE INVESTMENT FRAMEWORK

We developed our Responsible Investment Framework ("RIF") in 2019. The RIF defines our approach to integration of responsible investment-related factors in our investment decision making processes. This year, we have continued to enhance our approach to implementation by more explicitly incorporating climate change into our day-to-day trading and credit research processes. For more detail on this, see page 45. We annually review our framework to remain in line with market standards.

Within the framework, we adopt a principles-based approach seeking to achieve four overarching objectives:

- to analyse and identify risks and opportunities arising from responsible investment 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 responsible investment 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 influence 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

Just's Green Bond Framework ("Framework") was developed in 2020 and is aligned with the International Capital Markets Association Green, Social and Sustainability Bond Guidelines verified by a second party opinion provided by Sustainalytics.

Following the full allocation of Just's Green and Sustainability Bonds, we continue to increase the Group's exposure to green and social investments, in line with our overarching frameworks to deliver positive outcomes. In 2023, we originated a total of £325m into eligible green and social investments. Eligible investments in 2023 included UK and French social housing projects that benefited those with learning disabilities and people from lower socioeconomic backgrounds, in addition to renewable energy investments in the UK and USA. More details of how green and social assets are defined can be found in our Sustainability Bond Framework **www.justgroupplc.co.uk/sustainability/our-approach**. In addition, a significant proportion of our in-force 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.

£325M
has been invested over the past year into green and social investments

£1.6BN
of illiquid credit assets originated in 2023

SUSTAINABLE INVESTMENT STRATEGY continued

PROGRESS IN 2023

Team

Due to the evolving nature of the responsible investment market and as the Group has continued to enhance and implement its responsible investment strategy, in 2023, we hired a further two experienced responsible investment analysts, who brought knowledge and experience in natural sciences, climate change, and sustainable development.

Policies and frameworks

We implemented our Manager Assessment Forum, which focuses on assessing the performance of our external asset managers. To complement this, a Responsible Investment Manager Assessment framework and a supporting questionnaire were developed using a variety of external guidance, such as the United Nations-backed Principles for Responsible Investing, and internal information to aid the Group in achieving its sustainability commitments by more explicitly integrating responsible investment criteria in the manager selection, appointment and monitoring process. The development of this framework is supportive of meeting our wider stewardship commitments and enables us to work more effectively with our external asset managers on responsible investment activities. The Responsible Investment Manager Assessment framework is a key input into our overall manager performance assessments.

The table below displays a summary of the categories of questions that are included in the questionnaire.

ORGANISATION-LEVEL				FUND-LEVEL		
Governance	Policy and strategy	Team and culture	Collaboration	Investment process/risk management	Stewardship	Reporting
Organisation-wide oversight	Key policies and frameworks	Resource and responsibilities	Involvement in key initiatives (e.g. net zero focused)	Evidence of ESG integration	Evidence of engagements	Climate-related risk and emissions reporting
Internal controls and reporting	Net zero commitments	Training and development	PRI Scoring	Risk identification	Influence on investment process	Other Responsible Investment metrics

KEY

Net Zero Asset Owner Alliance | Just Internal | PRI | Asset Owner Diversity Charter | UK Stewardship Code | Partnership for Carbon Accounting Financials

Climate change and data

Overall we have continued to further integrate climate-related information into investment decision making as part of our day-to-day trading and optimisation work as well as our bottom-up credit research analysis. In particular, we have enhanced our existing emissions modelling tool which is used to analyse and project the potential future emissions of our investments to help inform investment decisions, asset allocation and our path to a net zero investment portfolio. We have supplemented this with a new tool to analyse the potential impacts of physical and transition risks of climate change. The actions we have taken and the development of these models have therefore resulted in an improvement in data quality and integrity, which will continue to be an area of focus going forward.

£4.9BN

OF OUR £24BN INVESTMENTS PORTFOLIO ARE ILLIQUID CREDIT ASSETS

£0.2BN

OF LIFETIME MORTGAGES ORIGINATED IN 2023

Stewardship

This year, we have been working diligently within the working groups we are committed to. In addition, we have continued to enhance our independent stewardship strategy. Notable achievements include for example engaging with high emitting issuers, signing up to the Nature Action 100 as a founding participant and joining the Partnership for Biodiversity Accounting Financials. Below is a summary of the initiatives/organisations we are currently a member of:

INITIATIVE/ORGANISATION	JOINING YEAR	DESCRIPTION
United Nations Principles for Responsible Investing (the "PRI")	2018	The world's leading proponent of responsible investment. It works to understand the investment implications of ESG factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions.
Association of British Insurers ("ABI")	2004	An industry organisation recognised as the voice of the UK's world-leading insurance and long-term savings industry.
Asset Owners Diversity Charter ("AODC")	2022	An asset owner driven diversity initiative focused on improving disclosure and standards across the investment industry. Just is a member of the working group overseeing the future strategy of this initiative.
Partnership for Carbon Accounting Financials ("PCAF")	2022	An industry-led partnership to facilitate transparency and accountability of the financial industry to the Paris Agreement. Just is a member of this initiative.
Net Zero Asset Owners Alliance ("NZAOA")	2022	A member-led initiative of institutional investors committed to transitioning their investment portfolios to net zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C. Just is a member of the Alliance.
Financial Institutions Focus Group for the Net Zero Data Public Utility ("NZDPU")	2022	A Glasgow financial alliance for net zero led initiative focusing on challenges and opportunities for financial institutions in relation to climate-transition data. Just is a member of the NZDPU's financial institution focus group.
Nature Action 100 ("NA100")	2023	A global investor engagement initiative focused on driving greater corporate ambition and action to reverse nature and biodiversity loss. Just signed the inaugural letter sent to companies targeted via this initiative.
World Health Organisation Framework Convention on Tobacco Control ("WHO FCTC")	2023	One of the main goals of the statement is to respond to the tobacco epidemic, described as a "global problem". Just signed the investor statement on WHO FCTC.
Partnership for Biodiversity Accounting Financials ("PBAF")	2023	A partnership of financial institutions that work together to explore the opportunities and challenges surrounding the assessment and disclosure of the impact on biodiversity associated with their loans and investments. Just is a member of this initiative.

Looking to the future

We are committed to building a brighter and more sustainable future, and are continually evolving our approach to responsible investment and more broadly sustainability. Below we outline some of our key priorities for the coming year:

- **Climate change:** continuing to integrate climate-related data and information in investment decision making and developing an internal climate scoring system (initially focused on public bonds) to identify leaders and laggards within sectors;
- **Stewardship:** engaging with high emitting issuers and continuing to participate in existing initiatives supportive of meeting our stewardship priorities;
- **Policies and frameworks:** improving existing and developing new policies/frameworks supportive of achieving our overall responsible investment and sustainability objectives;
- **Monitoring and reporting:** enhancing existing tools to appropriately monitor and disclose relevant responsible investment information in relation to our investment portfolio and to remain on track with achieving our net-zero objectives; and
- **Team and resource:** expanding the headcount and the capabilities within the investment team to continue meeting our strategic objectives and fulfil our wider obligations.

Below we summarise our current allocation towards sustainable assets.

DEDICATED SUSTAINABLE ASSETS (IFRS VALUATION BASIS)	31 Dec 23 £m	31 Dec 22 £m
Renewable energy – wind	371	287
Renewable energy – solar	387	342
Local authority	196	135
Social housing – private	249	129
Green buildings	41	42
Eligible under Sustainability Bond Framework[1]	**1,244**	**935**
Social housing – public	893	454
Emerging market social finance	123	120
Other social assets	260	84
Green, social, sustainability bonds	497	244
Total dedicated ESG assets	**3,017**	**1,837**
Bond portfolio & Other assets	17,141	13,742
As % of total bond portfolio	17.6%	13.4%

1 Sustainable assets are those that align with the our sustainability bond framework criteria or our internal PRAYG classification system. includes the £325m invested in 2023 towards our target (investment of £825m over 2023 to 2025).

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK

STRATEGY AND GOVERNANCE

WHY CLIMATE CHANGE IS IMPORTANT FOR JUST

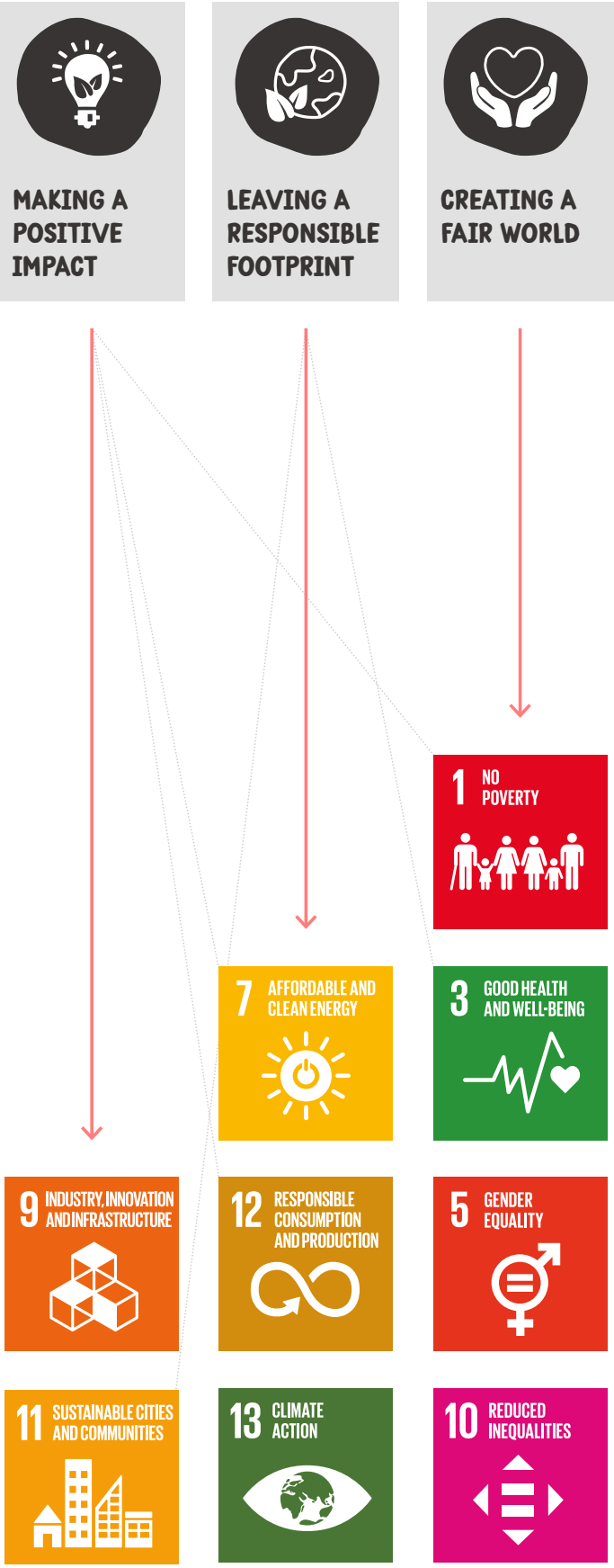
We are aware of the increasing need to protect our business from the effects of climate change and to reduce the impact we have on the planet to continue achieving our purpose. However, there are still many uncertainties regarding how the impacts of climate change will develop, with future government 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.

Two years ago 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 December 2024.

Prior to 2023 we invested in understanding our emissions baseline and taking steps toward 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 by using third party data for actual and estimated emissions, where necessary. The result of this work enabled Just to develop the first iteration of a transition plan aiming to align with the Transition Plan Taskforce disclosure recommendations. Our focus for 2023 was to continue to enhance our efforts towards transitioning our business, specifically our investment portfolio, towards net zero. More information can be found in our Transition Plan on our sustainability website **https://www.justgroupplc.co.uk/sustainability**



The Group's strategic objectives 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 we make strategic decisions as a business. Just incorporates Sustainability into the Group Strategy development process and subsequently the Group Strategy Execution Plan. The plan progress is monitored monthly by the Group Executive Committee and quarterly by the Group Board.

OUR PILLARS	OUR COMMITMENT	HOW WILL WE ACHIEVE OUR AMBITION?	2024 FOCUS	LINK TO JUST'S STRATEGIC OBJECTIVE
MAKING A POSITIVE IMPACT	Develop and offer sustainable products	Innovate to support our existing and new customers to deliver sustainable products	Further develop propositions to support our customers	Grow through innovation
	Increase our green financing opportunities	Look for further opportunities to fund green and social assets	Continue allocating in line with existing targets	Grow sustainably
LEAVING A RESPONSIBLE FOOTPRINT	Protect our business	Grow in a sustainable way so Just remains strong for future colleagues and customers	Embed sustainability into business planning	
	Invest responsibly	Continue to integrate responsible investment criteria into our investment decisions	Continue enhancing our investment approach	
	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	Reduce the need for carbon intensive fuels in our properties	Transform the way we work
	Attain net zero in our scope 3 emissions by 2050	Decarbonise our LTM and credit portfolios	Set interim targets aligned to NZAOA and SBTi frameworks	
		Continue to reduce business travel and support our colleagues in finding ways to reduce their own emissions	Further education on business travel impacts and embed sustainable travel initiatives for our employees	
		Engage with our supply chain and partners to understand their plans for net zero and encourage reductions	Direct engagement with supply chain where possible. Develop understanding and knowledge across business	Get closer to our customers and partners
CREATING A FAIR WORLD	Manage with good governance	Continue to integrate sustainability throughout our business and ensure it is governed to a high standard	Increase employees' awareness of sustainability issues through annual training and communications	Transform how we work
	Ensure data is well managed and secure	Continue good standards of data privacy and control	Maintain appropriate internal controls	
	Improve diversity and inclusion	Build a diverse workforce	Monitor and review progress against targets	Be proud to work at Just
	Support health and wellbeing of our colleagues	Continue to deliver against our strategic objective of building a workforce that is proud to work at Just	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	Increase awareness of initiatives to support our customers	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 includes a Sustainability Sponsor responsible for ensuring the Board is appropriately discussing sustainability matters including climate.

A section of the Group Executive Committee and the Group Board meetings are dedicated to sustainability on a quarterly basis, chaired by the CEO and the Board sponsor for sustainability respectively. 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 are listed in the table below:

		FOCUS AREAS	FREQUENCY	CHAIR/OWNER
1.	Group Board	Sets sustainability strategy and targets.	Annual review	John Hastings-Bass
		Receives updates on sustainability initiatives and activities.	Quarterly	
		Approval of the annual and half-yearly reports which include sustainability reporting.	Annual (and half-yearly as appropriate)	
2.	Sustainability Lead (Non-Executive Director)	Responsible for championing sustainability at Board level.	Ongoing	Mary Kerrigan
		Meets regularly with executive management to discuss sustainability initiatives and emerging developments.	Periodic	
3.	Group Chief Executive Officer	Executes the sustainability strategy approved by the Group Board and delegates 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.	Periodic	David Richardson
		Monitors progress of ongoing sustainability initiatives.	Quarterly	
		Oversees progress to reach diversity and inclusion targets.	Monthly	
		Reviews any proposed changes to diversity and inclusion targets.	Annual	
		Tracks sustainability management information and progress against the Group Strategy Execution plan.	Monthly	
6.	Group Audit Committee	Reviews 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)	Mary Phibbs
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.	As required	Kalpana Shah
		Oversees sustainability and climate-related risks in the Full Group ORSA and quarterly ORSA updates.	Annual and quarterly	
		Considers sustainability and climate-related risks within the Risk Appetite Framework.	At least annually	
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	Michelle Cracknell
11.	JRL and PLACL Investment Committees	Approval of the responsible investment framework, which forms part of the investment framework.	Annual	Mary Kerrigan
		Oversight and review of ongoing adherence of investment activities to meet the Group's net zero commitment.	Quarterly	
		Oversight and review of climate risks impacting the investment portfolio.	Quarterly	

		FOCUS AREAS	FREQUENCY	CHAIR/OWNER
12.	JRML Board	Oversight of approach to reduce the emissions associated with LTMs support net zero commitments.	Quarterly	Michelle Cracknell
		Oversight and review of climate risks impacting the residential property portfolio.	Annual	
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	Rowena Dailey

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 OBJECTIVE
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 will support a market-wide transition which aligns with broader net zero commitments.	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.	Grow through innovation
	Defined Benefit: There are opportunities to support a diversified client base of scheme trustees in achieving their responsible investment and climate change goals.	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 continued higher energy costs. This will lead to an improvement of the EPC rating of our property portfolio, if successful.	Get closer to our customers and partners
	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

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK continued

SUMMARY OF KEY RISKS

Our climate risk assessment remains that our investment portfolios (Credit portfolio and LTM Portfolio) are the areas with the largest potential exposure to climate-related transition and physical risks.

The nature of the key risks have 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	2023 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.	No change to risk identified
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 the objectives outlined under out Responsible Investment Framework while meeting investment return needs	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

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. 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.

INVESTMENT RISKS:

Credit portfolio

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. Sensitivity analysis of the risk of default on our credit portfolio is included in note 20 on page 180.

Risk management – investments

Credit portfolio

Our Responsible Investment Framework sets the basis for managing the risk exposure arising from broader environmental, social and governance risks, including climate change, and is monitored by the Investment Committee. At the broader strategic level, we consider the overall emissions of the portfolio and other metrics, such as the portfolio's exposure to issuers with science based targets, to monitor the portfolio's potential future decarbonisation pathway.

For the purposes of implementation, we have split our approach into the following areas:

- Top down: portfolio management and asset manager due diligence.
- Bottom up: credit research and investment due diligence.

Top down:

For internally and externally managed assets, our approach to portfolio management seeks to combine fundamental and responsible investment data, to support with meeting our overarching net zero objectives. The investment team uses outputs from our proprietary emissions modelling tool as a key input into the investment decision making process while seeking more information directly from issuer reporting, in the case of internally managed assets, and via asset managers for externally managed assets.

For externally managed assets, we seek to engage with our asset managers to understand their broader approach to responsible investment integration. For existing, and new managers, we use our internal responsible investment manager assessment questionnaire to source information on their approach to responsible investment at an organisational level and as part of the investment process. The outputs of our assessment feed into a broader manager performance assessment, the results of which are presented to the Investment Committee.

More information can be found on our responsible investment manager assessment on page 38 of the responsible investment section.

Bottom up:

All of Just's existing and prospective investments, where we have veto rights in place, are scored using our internal classification 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

This ensures a consistent and robust approach is taken to assessing environmental, social and governance risks, including climate-related risks. Our classification system leverages information from third party data providers, external asset managers (where relevant) and directly sourced information from issuers.

As part of our analysis for PRAYG, the Credit Research team considers a prospective investment's emissions using estimated or reported data before determining their recommendation.

Climate risk management

To explicitly consider the physical and transition risks of climate change, we leverage third party data on the Climate Value-at-Risk ("CVaR"), where data is primarily available for our liquid corporate bonds. The purpose of this data is to understand, directionally, the potential impact of different climate change-related scenarios. Where data is unavailable, primarily illiquid investments, a sector average based estimate has been applied to produce a holistic assessment of the portfolio's exposure to physical and transition risks.

We expect some of our illiquid credit assets, which are linked to renewable energy production, to exhibit less transitional risk than our liquid credit assets. Investments in these areas currently represent 4% of our credit portfolio. For other real estate and infrastructure debt assets, the transition to net zero is expected to be the dominant risk with potential costs associated with mitigation and adaptation.

Lifetime Mortgage Portfolio

Just Group is exposed to property risk via 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.

Climate risk can lead to increased property risk on the LTMs held on our portfolio due to changes in property values as a result of physical risks or transitional risks, for further information see pages 48 and 49.

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK continued

What progress have we made to improve climate risk management of the credit portfolio?

In 2023, we continued to enhance our approach to responsible investment in the following ways:

- Developed a comprehensive responsible investment manager assessment framework aligned with industry best practices, such as the United Nations-backed Principles for Responsible Investing guidelines.
- Enhanced our internal classification system, PRAYG, by leveraging our third party data sources.
- Signed up to the Partnership for Biodiversity Accounting Financials and various other initiatives (more detail on page 39).
- Set and published investment specific targets aligned with the Net Zero Asset Owner Alliance.
- Further enhanced our emissions model and developed an internal tool for deeper scenario analysis.
- Improved governance, reporting and culture, we:
  - introduced a responsible investment tracker to monitor investment decisions and engagement activity;
  - provided quarterly responsible investment updates to the investment team reflecting the dynamic nature of this area;
  - hired two more employees dedicated to responsible investment.

Lifetime Mortgage 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.

We have been engaging with the ERC and PCAF on developing a standardised approach to emission reporting to further support the development of green lending and retrofit mortgages.

METRICS AND TARGETS

The metrics below are used for our **Credit** portfolio:

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

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

IMPLIED TEMPERATURE RISE ("ITR")
A metric to analyse and monitor the portfolio's exposure to companies with forward-looking commitments (an ITR).

The Climate Value-at-Risk is purely illustrative as it projects 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.

The metrics below are used for our **Lifetime Mortgage** portfolio:

CARBON FOOTPRINT
The estimated carbon emissions of the LTM portfolio expressed as an average per USD million of LTM 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 about 96% of the portfolio).

SCENARIO ANALYSIS

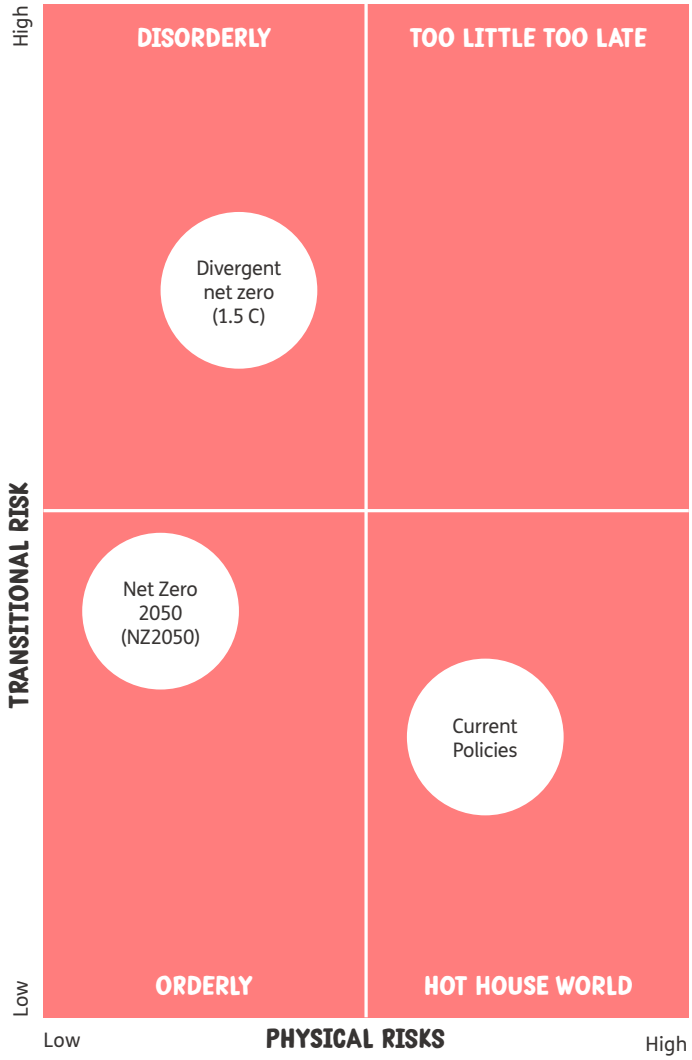
Background

Scenario analysis remains a key tool for ensuring we have a deep understanding of the risks the Group faces over a long-term time horizon. Just's climate scenarios comprise property scenarios, relating to the lifetime mortgage portfolio, measured using the Representative Concentration Pathway ("RCP") for assessment of physical risks and assuming that a minimum EPC-C rating is implemented by government for assessment of transition risks. The Network for Greening Financial System (NGFS) scenarios were used for the Credit Portfolio. Overall, each of these scenarios were mapped against the wider NGFS climate scenarios.

The identification, disclosure and management of climate-related risks and broader sustainability risks (environmental, social or governance) is key for Just. We recognise that the potential impact from these risks on Just's overall strategy could manifest in a way that might lead us to change aspects of our strategy. We also recognise that sustainability and climate-related risks impact many of the other types of risks faced by Just, such as credit, market, operational, reputational and compliance/legal. As a result, during 2023 we took the action to ensure the management of sustainability risks were further embedded within Just's risk governance and management structures and are reflected within Just's Enterprise Risk Management Framework. Sustainability was further incorporated into our overall Risk Operating Model to ensure integration across all business areas.

Scenario analysis is used to deepen understanding of the risks the Group faces and permit a consideration of a long-term time horizon.

For 2023, we retained the use of the NGFS scenarios and in particular the base case given market conditions continue to reflect a scenario, where policy actions appear to be changing due to general geopolitical tensions. We have taken a prudent approach by assessing the most extreme transition/physical risk scenarios to understand the extent to which this may affect the Group. Below we provide additional information on these scenarios.



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

NGFS SCENARIOS	ASSUMPTIONS
Divergent Net Zero ("DNZ")	Net zero reached by 2050 but with higher costs due to divergence with more stringent policies across all sectors, primarily focusing on 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")	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")	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:

1. Modelling and tools:
   - Developed a tool to further analyse the impacts of climate-related scenarios on the investment portfolio
   - Improved modelling of carbon emissions on the LTM portfolio through refined assumptions
   - Improved analysis of projected emissions on the LTM and Credit portfolio
2. Risk Exposure
   - Analysed emissions data to identify where high intensity exposures exist across the portfolio
3. Data integrity
   - Enhanced data processing and tools for analysis of emissions across the portfolio
   - Compared data across providers and against issuers' reported data

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

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK continued

COMBINED ILLUSTRATIVE IMPACTS – PRE-MANAGEMENT ACTIONS

The results of our quantitative analysis of Climate Value-at-Risk ("CVaR") relating to the Credit portfolio and Property Value at Risk ("PVaR") relating to the Lifetime Mortgage portfolio are shown in the table below. The metrics show the illustrative impacts on our existing Credit 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, reinsurance assets and sovereign bonds.

SUB-PORTFOLIO	DIVERGENT NET ZERO 2050	NET ZERO 2050	CURRENT POLICIES (HOT HOUSE WORLD)
Credit portfolio[1]	-10.5% CVaR	-6.4% CVaR	-4.3% CVaR
Lifetime Mortgage portfolio	-3.1% PVaR	-3.1% PVaR	-0.3% PVaR

1 Results as at 30 June 2023

CREDIT PORTFOLIO

Overall the increase in potential impact across each scenario is primarily due to the following factors:

- Underlying scenarios have been updated to reflect the NGFS scenarios available via our third party data provider MSCI.
- An overall increase in the coverage across the portfolio using existing data to estimate the potential impacts primarily for illiquid/private credit assets.

The modelling suggests that transition risks potentially represent a more material risk to our Credit portfolio than physical risks. In the DNZ scenario, a 1.5°C temperature rise could potentially produce higher costs due to the costs associated with the increased rate of decarbonisation under this scenario.

LIFETIME MORTGAGE PORTFOLIO

The modelling 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). The cost of transition risk could lead to a 2.8% 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 0.3% 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 0.7% by 2080 of properties backing our lifetime mortgages. Under the "Current Policies" scenario, this could mean an additional 180 properties exposed to high flood risk by 2080 out of a portfolio of 54,000 properties.

Due to climate change increasing the chances of lengthy periods of drought, the projections suggest a similar pattern of increasing risk of subsidence over time. Under the most severe scenario considered, about 86 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.

CARBON FOOTPRINT – INVESTMENT PORTFOLIO

INVESTMENT PORTFOLIO	YEAR	COVERAGE	CARBON FOOTPRINT
Credit portfolio (tCO_2e/$m nominal invested)	2019	99.8%	Scope 1&2: 84 Scope 3: 407
	2023*	99.2%**	Scope 1&2: 102 Scope 3: 275
Lifetime Mortgage portfolio (tCO_2e tonnes per annum)	2019***	n/a	Scope 3: 13.3***
	2023	96%	Scope 3: 13.3

* Data as at 30 June 2023.

** Coverage of the portfolio in the carbon footprint data. Data coverage varies across individual scopes of emissions, lowest value shown for prudence.

*** We have updated our approach to calculating emissions on LTMs to use a more accurate approach than prior years. To avoid using an inconsistent baseline, we have set the 2019 figure equal to the 2023 position. We believe this is a slightly prudent, but reasonable approximation.

CREDIT PORTFOLIO

A combination of latest available 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 aiming to apply the principles under version one of the Partnership for Carbon Accounting Financials ("PCAF") Financed Emissions Standard. 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 standard. Where data was not available an unweighted sector average was applied to produce a full portfolio footprint. Sector averages cover c.30% of the 2019 data. In 2023, scope 1 data improved significantly with c.7% of data representing sector averages and c.25% for scope 2 and scope 3. Data could be subject to change due to improvements in data quality going forward.

We acknowledge there is double counting in producing the carbon footprint data and have therefore split the data by scope of emissions. It does not include cash/cash equivalents, derivatives and reinsurance assets.

LIFETIME MORTGAGE PORTFOLIO

The Lifetime Mortgage portfolio's carbon footprint is calculated using the estimated emissions data based on the EPC rating of the property on which the lifetime mortgage is secured and calculated based on CO_2 intensity factors from the SAP 2012 methodology. 2023 emissions calculations used an analysis of the current split between energy from different heat sources across the portfolio, giving a percentage of gas, electricity, oil, etc. These percentages were used to calculate a weighted average CO_2 intensity factor based on the energy mix of the current portfolio but using the intensity factor from the SAP 2012 documentation. For 38% of properties we use the rating on the record, and for 58% of properties we use an estimated rating. There is not an emissions standard for lifetime mortgages. We have calculated the emissions intensity based on the PCAF residential mortgage standard. The contribution of an individual property to the carbon emissions of the overall portfolio is based on current loan-to-value ratio of the relevant lifetime mortgage. We have used the current loan balance and property value to calculate the loan-to-value ratio.

LIMITATIONS AND OUTCOMES

The scenario analysis shows that the Group's primary exposure is to transition risks based on both the DNZ scenario and NZ 2050 scenario. The DNZ scenario appears to have the most potential financial impact to Just. Whilst some conclusions can be drawn from our analysis, we recognise that there are limitations to our approach as noted below.

In determining the potential impact on the Credit portfolio, we have used the data available for our liquid credit assets and estimated the remaining by taking sector averages, accounting for the investment time horizon. Sector averages can give an indication of the climate-related risks a company may face but do not account for the company-specific nature of these risks. The longer-term time horizon for projections on the Credit portfolio, to 2100, lends itself to greater uncertainty of potential future impacts. As a result, whilst some conclusions can be drawn from our analysis, we acknowledge that our data has limitations associated with it. We are continuing to address this area as part of our development work going forward. The analysis does not include cash/cash equivalents, derivatives, reinsurance assets and sovereigns bonds.

Given the evolving nature of reporting on greenhouse gas emissions, we anticipate over time that issuers will provide more transparency and reporting on emissions. Therefore, we will continue to annually restate the carbon footprint figures for the portfolio as at the baseline year and subsequent years reflecting the overall improvements in availability of data and data quality, where relevant.

POTENTIAL ACTIONS TO MITIGATE CLIMATE RISKS

CREDIT PORTFOLIO

Within the Credit 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, which are also consistent with our stewardship objectives, to address these risks:

- **Enhance** the data feeds and modelling approach to improve our overall analysis of impacts from climate related scenarios.
- **Engage** further with our third party data providers and external asset managers to improve the quality of data used and 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.

LIFETIME MORTGAGE 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 ENHANCING CLIMATE RISK MANAGEMENT OF THE INVESTMENT PORTFOLIO?

We plan to:

- Continue analysing the potential impacts of climate-related scenarios alongside emissions to identify areas of significant risk:
  - To mitigate these risks, identify specific actions such as engagement or divestment.
  - Further incorporate the scenario analysis data in day-to-day investment decision making.
- Identify other sources of information to improve the overall quality of data used to analyse the physical and transition risks of climate change.
- Develop an internal scoring system for classification of climate leaders/laggards by taking a materiality based approach.
- Embed climate change risk factors in our lifetime mortgage lending decisions, if possible using a post code level risk rating.

COLLEAGUES AND CULTURE

BE BOLD. BE BRILLIANT. BE JUST.

2023 was a year in which we harnessed the power of our highly talented and engaged colleagues to deliver strong business growth and help more people achieve a better later life.

We focused on three key strategic people priorities to enable the delivery of our Group strategy:

- Ensuring we have the right capabilities for today and the future, with an enhanced talent acquisition strategy and a new employer brand.
- Delivering a brilliant colleague experience to engage and retain our talent, underpinned by a culture centred on belonging and valuing differences.
- Enhancing the skills of all of our people managers, recognising that this makes the biggest difference to individual and team performance and success.

INCREASED LEVELS OF ENGAGEMENT

Building on the foundation of good levels of colleague engagement, we were delighted that our Peakon surveying highlighted even higher levels of engagement, with our people feeling the benefits of specific actions we have taken to ensure Just is a brilliant place to work. We successfully galvanised people around our commitment of being a strong and sustainable purpose-led business for our customers, our colleagues, our planet and generations to come.

> Great Company, looked after both financially and from a culture and wellbeing perspective. Line manager is great and have visible access to the senior leadership team."

Colleague comment from October Peakon survey

We received an excellent response rate to our full Peakon survey, in addition to the pulse survey we held during the year. This in itself demonstrates that colleagues are keen to share their views as they know that we will act on feedback. We received over 7,000 free text comments, giving us rich insights into how colleagues feel about a whole range of aspects related to working at Just. This was underpinned by improvements in 13 out of the 14 drivers of engagement.

All of these insights are increasingly important, particularly with the adoption of hybrid working and working in the office with purpose, so that we continue to collaborate, innovate, support one another and maintain our Just culture.

	October 2023	October 2022
RESPONSE RATE	90%	85%
OVERALL ENGAGEMENT (OUT OF 10)	7.9	7.7
PROUD TO WORK AT JUST METRICS (consisting of six questions particularly relevant to our business)	8.3	8.0

COLLEAGUES HAVE A VOICE

As part of an integrated programme of communication and engagement activities, every quarter we hold town halls for colleagues, led by the Group CEO. This is an opportunity to share a business update, talk about current successes and challenges, and look to future opportunities. Importantly, it provides another way for colleagues to ask any questions directly to the Group CEO and members of the Executive team. As well as sharing "what" we do, which is our strategy, we also focus on "how" we do it with our "culture on a page" and storytelling around our behaviours and doing business the Just Way.

> "There are many opportunities to share opinions, from 1–1 chats to town halls, team meetings and more – and the culture of the company is that everyone should have a voice. Within my team I do feel that my opinions are valued."
>
> Colleague comment from October Peakon survey

During the year we also continued to hold our "Take on Board" sessions, which are designed to give colleagues the opportunity to hear directly from our Non-Executive Directors and ask any questions they may have. Topics have included inclusivity, high performance, equity and the Company's approach to remuneration and bonuses. You can read more about Board engagement on page 54.

92%

of colleagues that attended the town hall session in June 2023, and completed the survey, strongly or somewhat agreed that they found it valuable.

100%

of colleagues that attended the "Take on Board" in November, and completed the survey, strongly agreed or agreed that they found it valuable.

In addition to the town halls and "Take on Board" sessions which are held virtually and in-person, we also run "Conversations with the Execs". The aim is to offer another opportunity for colleagues to be able to hear from members of the Executive team, share views about what we're doing well as an organisation and where we could improve, and ask questions. Sessions during the year have included conversations around the importance of company culture, understanding the benefits of hybrid working, knowledge sharing and the career journeys of our Executive team.

> "Hearing from the women on the Board, and open, honest conversations. I loved how enthusiastically Michelle and Kathy spoke about a range of topics. As a new starter, it really showed me that the top level care about this Company beyond profits!"
>
> Colleague comment from the 'Take on Board' session

WHAT IT MEANS TO WORK AT JUST

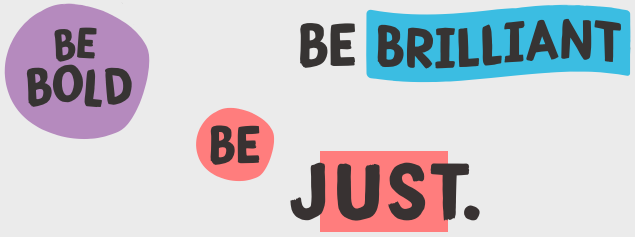
Following six months of research and design we launched our new Employee Value Proposition ("EVP") and employer brand. The aim is to clearly communicate why the people we want to become part of our business should join Just – and stay – as highly engaged team members. Authentically saying what it's like to work for Just and what we offer allows us to effectively communicate with everyone throughout their time working in the organisation. Whether we're creating attraction campaigns, inducting new joiners, discussing career development, sabbaticals, maternity leave or annual reviews, our aim is that everything we say and do should feel consistently true to who we are as an employer. Importantly, it also links to what the Company expects from colleagues in return as part of the "deal" – from being completely engaged around "what" we do and achieving objectives, through to "how" we do things the Just Way.

> "I think we strike a nice balance between ambition and integrity"
>
> Colleague comment from EVP focus group session.

Our programme of communication and engagement activities to embed our EVP and employer brand, included the introduction of a new colleague magazine, called US. to share more about life at Just – from reward, development and ways of working, through to stories about the positive impact we are making on people's lives and the environment around us.

EMPLOYEE VALUE PROPOSITION

Consisting of three brand pillars, our EVP is the link between colleagues and the Company, underpinning the aim that everyone feels they have a brilliant colleague experience and that they belong at Just.



COLLEAGUES AND CULTURE continued

CREATING A CULTURE OF BELONGING

As part of building a brilliant diversity, equity, inclusion and belonging ("DEIB") strategy and plan, we are committed to attracting and retaining diverse talent, and believe that our collective brilliance comes from our diversity of thinking and experience. We are passionate about strengthening our inclusive culture and our sense of belonging. This year we had a strong focus on belonging, and it was really positive to see that the efforts we have made resulted in a 5% increase in our Peakon score for colleagues saying that they feel a sense of belonging at Just.

TAKE ACTION AND MAKE AN IMPACT

Increasing diverse representation is a key part of our DEIB strategy and we're delighted that we met our 2023 targets for:

- 33% of women at senior leadership levels, as part of our commitment to the HM Treasury Women in Finance charter.
- 18% Black, Asian and minority ethnic representation at senior leadership levels.

In enhancing our talent acquisition strategy, we are also making progress in attracting a broad range of talent and ensuring we have inclusive practices. This has included using specialist job boards, training for people managers, diverse shortlists and interviewers, and becoming signatories to the Centre for Ageing Better Age-friendly Employers Pledge.

"I feel like Just/HUB have created a great work environment that is inclusive and enables people to thrive and be themselves."

Colleague comment from October Peakon survey

DEIB NETWORKS AND CHAMPIONS

Each of our six diversity strands has an Executive sponsor, with DEIB networks and champions spanning our organisation. During the year we undertook a range of activities to foster this sense of inclusion and belonging, including celebrating and recognising Pride, Rosh Hashana, Yom Kippur, Diwali, Black History Month, Neurodiversity Celebration Week, Movember, International Women's Day and World Menopause Day. Our colleagues are also very open to sharing their own personal stories through a series of Just Perspectives pieces – from a colleague's breast cancer journey, through to an autism diagnosis.

OUR DIVERSITY, EQUITY, INCLUSION & BELONGING PROGRAMMES

We have completed another year of our reciprocal mentoring programme where diverse participants are paired with senior leaders for conversations to increase allyship and mutual understanding. This programme sits alongside our Executive sponsorship programme where diverse participants meet regularly and are sponsored by our Executive leaders. We also take part in the 30% Club Mission Include cross-company mentoring for our diverse talent and the Actuarial Mentoring Programme specifically for diverse actuarial talent.

TWO FLAGSHIP EVENTS

We also had two "flagship" activities in September – our Belonging at Just Week and Just Walk.

Belonging at Just Week

Colleagues were invited to attend sessions with three inspirational speakers. Shola Kaye, an award-winning DEIB speaker, focused on belonging and inclusion with the perspective of empathy. Seven-time Paralympic champion, Hannah Cockcroft OBE, talked about belonging and inclusion from the perspective of living with a disability. As the culmination of the week of activities, celebrated Olympic and World Champion swimmer, Mark Foster, shared a story of inclusion from an LGBTQ+ perspective.

"The speakers during National Inclusion Week were terrific!"

Colleague comments from October Peakon survey

Just Walk for Hourglass

We held Just Walk in London and Belfast in aid of our corporate charity partner, Hourglass, the UK's only charity focused on ending the abuse and neglect of older people. This charity fully aligns with our purpose of helping people achieve a better later life and resonates strongly with our people. In addition, colleagues also have the opportunity to take part in volunteering activities with our partner, Volunteering Works, from outdoor projects to mentoring.

"Just Walk was an amazing and rewarding day. And for such an incredible charity."

Colleague comments from October Peakon survey

Hourglass

POWERING UP OUR PEOPLE MANAGERS

In July we launched a new programme for every people manager called "Power up". As a business we recognise that the quality of people management makes the biggest difference to individual and team performance, and supports a sense of engagement and belonging. We want all colleagues to be working with people managers who get the best out of their teams and create conditions that allow people to thrive. It is also creating a common set of standards and a shared language around what being a brilliant people manager at Just means. Key modules include:

- Setting a clear purpose and direction.
- Creating a culture of trust, inclusion and belonging.
- Caring about the engagement and wellbeing of team members.
- Rewarding and recognising great performance.
- Identifying and developing talent.

> "Love connecting with other managers, finding this very useful. The AID* model also gave a clearly defined breakdown on how to give feedback. Great session all round."

Colleague comment from Power Up feedback
** Action, Impact, Do feedback model*

SUPPORTING COLLEAGUES' WELLBEING

Positive wellbeing can have both physical and mental benefits and helps build resilience to deal more effectively with whatever life throws people's way. The wellbeing of all colleagues is a key business priority and our aim is to provide managers and colleagues with the tools, support and strategies to adopt and maintain healthy behaviours. As part of working at Just we offer a wide range of benefits and support offerings, including private medical insurance, life insurance, a health cash plan and income protection. In addition, we offer access to the Headspace wellbeing app, a 24/7 colleague assistance helpline and trained onsite physical and mental health first aiders.

> "I always tell my friends and family how great it is working at Just. Along with the employee benefits, kind staff, generous events and away days and all-round caring employer."

Colleague comment from October Peakon survey

OWNING YOUR OWN DEVELOPMENT

Whilst working at Just, colleagues can develop their careers whilst making a difference to the lives of those around them. We aim to support everyone to perform brilliantly and achieve incredible things, and we promote the importance of colleagues owning their development.

As well as a number of opportunities for individuals, such as LinkedIn Learning, networking events and Lunch and Learns, there is also a range of learning initiatives for teams and groups of colleagues. These span from our apprenticeship and graduate programmes through to professional qualifications in areas like actuarial, project management and data science.

> "I have already made positive changes to the way I work based on many 'lightbulb moments' the course has given me so far! I really believe the programme has given me the foundation and knowledge I need to develop into the best leader I can be which will stay with me well after the course has finished."

Colleague comment from Corndell Level 7 apprenticeship programme

BRILLIANT PERFORMANCE

Our purpose and Just culture, which is underpinned by our behaviours, continues to be our North star and recognising our people for the difference they make is extremely important. In addition to local recognition schemes, we once again brought 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. This sense of being "Just" is a competitive advantage which is driving our brilliant performance and growth strategy.

RELATIONSHIPS WITH STAKEHOLDERS

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 on page 56.

OUR STAKEHOLDERS	HOW WE ENGAGE
INDIVIDUALS/FINANCIAL ADVISERS People approaching, at or in-retirement wanting help with their retirement finances, and their financial advisers. **LINK TO STRATEGIC PRIORITIES** 1. 2. 3. 5.	• Engage directly when we provide regulated financial advice, guidance and other forms of assistance and customer service; • Engage indirectly via financial intermediaries and other organisations such as pension schemes and corporates; and • 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. **LINK TO STRATEGIC PRIORITIES** 2. 3. 4.	• 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; and • 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. **LINK TO STRATEGIC PRIORITIES** 1. 2. 4. 5.	• Directly, day-to-day through line management and by using a variety of communication channels; and • 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. **LINK TO STRATEGIC PRIORITIES** 1. 3. 5.	• Direct meetings with members of the Board; • Annual General Meeting and results presentations; • Shareholder communications; and • Regular news updates on the business and industry topics.
REGULATORS Organisations who regulate the conduct of firms and their financial stability. **LINK TO STRATEGIC PRIORITIES** 2. 3. 5.	• Direct meetings with members of the Board and the Executive and Senior Leadership teams; • Written responses to consultation documents; and • 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. **LINK TO STRATEGIC PRIORITIES** 1. 3.	• 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; • Conflicts of interest checks, ensuring advantages are not gained through personal relationships; and • Sanctions screening, ensuring that Just and its suppliers are free from financial crime risk.
COMMUNITY AND THE ENVIRONMENT Our peers, civic society and the later life financial advice communities who we engage with and the wider environment. **LINK TO STRATEGIC PRIORITIES** 1. 2. 4. 5.	• Partnership with charities supporting local communities and the environment; • Engage with the financial advice community; and • Participate in sustainability initiatives.

STRATEGIC PRIORITIES

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

WHAT MATTERS TO THEM	HOW WE ADDRESS THESE CHALLENGES
• Security and peace of mind that Just will deliver on its promises; • Advice they can trust; • Good value for money; • Product differentiation; • Quality of service delivered; and • 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; • Continue 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; and • 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; and • 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; and • Offer a bulk quotation service to provide early visibility of insurer pricing.
• The Group having a clear vision and purpose; • A brilliant employee experience; • A listening culture to share views; • Having the opportunity to grow and develop; • Diversity, equity, inclusion and belonging initiatives; • Wellbeing; • Hybrid working; and • Strong community and environmental credentials.	• CEO quarterly briefing sessions for all colleagues to reiterate Just's purpose and provide a business update on key initiatives to deliver our strategic priorities the Just Way and help people achieve a better later life; • Non-Executive Director engagement with colleagues to bring their voice into the boardroom; • Informal Executive sessions with colleagues to discuss matters that are important to them; • Employee engagement surveys and action planning at a Group, functional and local level; • 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, for example through events as part of National Inclusion Week and Belonging at Just Week; • Offer support and guidance for our colleagues built around mental, physical, social and financial wellbeing; • Continue with a hybrid way of working to encourage collaboration and innovation, and to sustain Just's culture; • Provide volunteering opportunities to make a positive impact in our local communities; and • Encourage sustainability initiatives through Pawprint, an app to support colleagues reduce their carbon footprint.
• Deliver a sustainable business model; • Returns on investment; • Scheduled interest payments and managing the capital base prudently; • Business performance and executing on opportunities available; and • Operate in a socially responsible and sustainable manner.	• Held meetings with shareholders to engage on Just's performance and strategic developments, and to discuss any issues or concerns; • Held seminars for investors and potential investors to discuss areas such as 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; • Regional roadshows and attendance at multiple investor conferences, including outside of the UK; • Payment of dividends to shareholders; and • Continued our focus on refreshment of the Board.
• Board 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 letter of regulatory rules and principles; • Foster open and transparent communications with our regulators; and • Positive engagement to encourage effective competition and consumer protection which results in better customer outcomes.	• Continue to respond to regulators in a timely and constructive manner and engage directly on any key regulatory matters and thematic reviews; • Implemented plans to ensure that the FCA Consumer Duty requirements are met and that customers receive good outcomes; • Active participation in policy development directly with regulators and via trade bodies; and • 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; and • 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 governance oversight and interaction with Just; • Clearly defined performance metrics are agreed with our key suppliers at the outset to measure ongoing success; and • Supplier Code of Conduct: A regulatory obligation for Just to make new suppliers aware of relevant internal policies.
• Offering support and information to help individuals transition from work to retirement; • Providing support for vulnerable customers; • Support fundraising efforts in local communities; and • 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; • Continued partnership with Hourglass, a national charity whose mission is to end the harm, abuse and exploitation of older people in the UK; • Continue to make progress to reach our carbon net zero targets; and • Continued partnership 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 appraised of the material issues of other stakeholders through reports from the Executive Directors, senior management and external advisers.

DIRECTORS' STATEMENT

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the long-term success of the Company for the benefit of its members as a whole, whilst having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 in the decisions taken during the year being:

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

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.

S172 FACTOR	EXAMPLES OF MATTERS THE BOARD HAS REGARD TO	
LONG TERM	• Company's purpose; • Strategy; • Business model; • Key stakeholders; • Risks including emerging risks; and • Regulatory framework.	The Board has regard to all of our stakeholders when developing and executing our long-term strategy. Our business model is reviewed at least annually taking into consideration our Company's purpose, strategy, key stakeholders, risks, and addressing the changing regulatory environment.
COLLEAGUES	• Colleague engagement; • Diversity, equity, inclusion and belonging; • Education and training; • Hybrid working; and • 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 teams have been key strategic focus areas for the Board during 2023. Our Colleagues and culture report on pages 50 to 53 details Just's commitment to colleagues' interests, diversity, equity, inclusion, belonging, colleague engagement, education and training, hybrid working and wellbeing.
BUSINESS RELATIONSHIPS – SUPPLIERS AND CUSTOMERS	• Anti-bribery and anti-corruption; • Modern slavery; • Responsible payment practices; • Consumer Duty; and • Vulnerable customers.	The Board is committed to fostering the Company's business relationships with suppliers, customers and other stakeholders. Pages 54 and 55 detail 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. We ensure all supplier-related activity is managed in line with ethical business practice with regard to anti-money laundering, anti-bribery and corruption, whistleblowing and anti-slavery and human trafficking laws. The Board is responsible for the oversight of implementation plans by relevant business areas to ensure that the Consumer Duty requirements are met and that customers receive good outcomes. Ensuring the fair treatment of vulnerable customers also continues to be an important area of focus for the Board. Further information on our focus on supporting vulnerable customers can be found on page 63.
COMMUNITY AND ENVIRONMENT	• Community programme; • Charity partnerships; • Climate change and environmental impact; and • 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 and provide support to its corporate charity partner, Hourglass, as summarised in the Colleagues and culture report. Just also encourages colleagues to participate in a range of volunteering activities that are aligned to our purpose of helping people achieve a better later life by entitling every colleague to one day's paid leave for volunteering purposes per year. Following the adoption of Just's sustainability strategy by the Board, a number of initiatives have been developed to deliver the Group's sustainability ambitions, which includes leaving a responsible footprint. Pages 40 to 49 outline 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 actively listens to our 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; and • 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. The Group Risk and Compliance Committee receives bi-annual reports on risk culture including key themes requiring further attention. Everything Just and our colleagues do should be delivered sustainably and is underpinned by our four behavioural principles of for our customers, dynamic, always adapting, and collaborative, 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 ensures there is sufficient oversight of the management of the systems of internal control and provides regular updates to the Board on how this is achieved. The Group Audit Committee reviews and approves the Group'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; and • 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. Our Annual General Meeting provides another opportunity for investors to meet with our Directors. See pages 54 and 55 for the various ways in which we engage with our different investor groups. Following a review of the dividend policy, the Board concluded to recommend dividend payments in 2023.

SECTION 172 STATEMENT
– EXAMPLES OF DECISIONS TAKEN DURING THE YEAR

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

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
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 2023 which had been updated to include a measurable and deliverable goal for each business area. The Board took into consideration the needs and expectations of customers and colleagues in the decision making process in addition to its long-term goals and sustainability initiatives. The key growth dependencies included enabling scalability of the Defined Benefit ("DB") business to achieve our growth ambitions, modernising business processes and technology to future proof our business, further embedding the sustainability strategy, and enhancing the value and suitability of what we can offer to our customers. The Board has committed to invest in transformation and operational improvements across all business areas to enable the Group to create a business that can scale without adding significant cost. The positive impact on our trustees and customers experience, and enhancements to the quality of our service have been key focus areas for this programme of activity. The Directors have provided oversight on these initiatives and regular status updates were received at Board and Board Committee meetings. The Finance transformation project has been one of the key focus areas during the year, with a number of initiatives implemented including a new General Ledger and Treasury system. The Group Audit Committee has been responsible for oversight of the progress with a number of discussions held during the year to specifically focus on this project.	**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 previously 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. Following the introduction of key risk indicators ("KRIs") in 2022, the Group Risk and Compliance Committee now receives bi-annual reports on KRIs of the risk culture. Diversity, Equity, Inclusion and Belonging ("DEIB") is a key focus area for the Directors both at Board level and the wider workforce, and is aligned to the DEIB Policy which is approved annually by the Board. The Board considered and supported a number of key initiatives for 2023 and beyond. Further information on such initiatives can be found in the colleagues and culture report on pages 50 to 53. During the year, colleagues were invited to attend a series of engagement sessions with Non-Executive Directors branded as "Take on Board". At all sessions, colleagues had the opportunity to provide feedback and ask questions on any matters of interest to give the Directors visibility of any topics which required the attention of the Board. In addition to taking part in the engagement sessions, Michelle Cracknell, the designated lead Non-Executive Director on employee engagement, regularly engaged with the Group Chief People Officer on colleagues, culture and wellbeing matters, and fed back to the Board outcomes from those discussions.	**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.	The Board considered Just's strategy and agreed on goals for 2023 and beyond, driven by appropriate priorities to fulfil its purpose of helping people achieve a better later life. The Group remains focused on achieving its growth ambitions, building a sustainable capital model and reaching its environmental sustainability targets. Key actions by the Group during the year included: • delivering major milestones within the defined benefit ("DB") business including the securing of new reinsurance counterparties and upgrading the DB pricing platform to enable an increased number of priced deals each month; • the model of Just's pioneering automated financial advice and integrated retirement service, Destination Retirement, was adjusted to enable the provision of guidance and support to customers who need help to structure their financial plans for life after work at a much earlier stage in life (from age 45 up). The new developments have significantly broadened the relevance of the offering to a much wider population and positions Destination Retirement as the UK's premier customer facing platform for retirement consolidation, guidance, and advice; • from 11 September 2023, as part of becoming a greener business, the Green Mortgage discount applied to our entire Just For You Lifetime Mortgage ("LTM") range, with the discount extended to include properties with C-rated Energy Performance Certificates ("EPC"). Extending the offering to our customers is another step in helping us meet our sustainability goals of reaching net zero by 2050 and halving our emissions by 2030, as our LTM portfolio forms part of our scope 3 emissions; • continued investment in environmental, social, and corporate governance ("ESG") related assets with over £300m invested in social housing, the renewable energy industry, and public health care facilities at NHS University Hospital Southampton; and • progressed plans to expand our Secure Lifetime Income proposition onto an additional platform in 2024. 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 the long-term impact of payment of dividends on the Group's liquidity and solvency positions.	As part of the Board's considerations for the payment of a final dividend for the year ended 31 December 2022, the Board assessed the affordability and sustainability of a dividend with regard to the solvency position, business performance, liquidity of the business across the plan period and reviewed the outcome of various stress tests. The Board also considered the impact of the dividend decision on shareholder expectations as it relates to the Group's dividend policy. Following due consideration of the various matters, the Board declared a final dividend of 1.23 pence per share which was paid to shareholders in May 2023. An interim dividend of 0.58 pence per ordinary share was declared, which was paid to shareholders in October 2023.	**Long term, Investors**
REMUNERATION	The Remuneration Committee reviewed the Directors' remuneration policy.	Just's Directors' Remuneration policy (the "Policy") was previously approved at the 2020 Annual General Meeting ("AGM") and had remained in place for three years. 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 longer-term strategic objectives and emerging best practices. The Remuneration Committee Chair also engaged with our largest shareholders to listen and reflect on their views in 2023 prior to finalising the proposed new Policy. On 9 May 2023, the new Policy was approved by shareholders at the 2023 AGM.	**Long term, Investors**

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

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
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 annually by the Board. The Modern Slavery Statement can be found on the Company's website **www.justgroupplc.co.uk**.	**High standards of business conduct, suppliers and partners**
FINANCIAL REPORTING	The Board considered and approved the first reported results under 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. A key consideration was to ensure stakeholders including investors, regulators and the external auditor understood the changes to financial reporting and the associated impact to the Group. The Group Audit Committee has been responsible for oversight of the implementation and providing comfort to the Board with the progress made. In 2023, the Board considered and approved the first reported results under IFRS 17, which included a modification to a number of the Group's key performance indicators. Further information on the key performance indicators can be found in the Group Audit Committee report on page 94.	**High standards of business conduct, investors**
CONSUMER DUTY	The Board considered the Group's position in relation to the FCA's Consumer Duty requirements and was satisfied that the Group was in a place of substantive compliance by the Phase 1 deadline set by the FCA.	The FCA's rules for a new Consumer Duty sets higher and clearer standards of consumer protection across the financial services and requires firms to put customers' needs first. Following an initial scope of the business against the requirements of the Duty, the Board approved Implementation Plans for the Retail, HUB and DB businesses in October 2022 which, together with a milestone plan considered by the Board in March 2023, set out a number of programme milestones to complete by 31 July 2023, the Phase 1 deadline set by the FCA for all businesses to be in a place of substantive compliance. The Board received regular updates from the Project team on the progress made against the implementation plan and concluded that they were satisfied the Group was in substantive compliance with the regulation. A further road map was developed for the delivery of Phase 2, which requires all firms to be in full compliance by 31 July 2024. There is continued dialogue with the lead Non-Executive Director responsible for Consumer Duty, Michelle Cracknell, and an updated Conduct and Customer Risk dashboard is presented to the Group Risk and Compliance Committee on a quarterly basis to ensure that the information flow through to the Board remains appropriate.	**High standards of business conduct, customers, suppliers and partners**
PURCHASE OF LONG-DATED GILTS	The Board considered the impact of interest rate movements to the Group's Solvency II position, and approved the purchase of £2.5bn long-dated gilts.	During the year, the Board considered the impact of the interest rate movements to the Group's Solvency II position. Historically, hedges to protect interest rate exposure in our Solvency II position have created volatility in IFRS profit before tax as interest rates moved. However, a revised hedging strategy during 2022 and 2023, including approval by the Board of a purchase of £2.5bn long dated gilts held at amortised cost under IFRS, has removed the IFRS exposure whilst significantly containing our Solvency II sensitivity to future interest rate movements.	**Long term**

NON-FINANCIAL AND SUSTAINABILITY 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 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.

SUSTAINABILITY KEY PERFORMANCE INDICATORS

Just has set the following key performance indicators and targets as part of its Sustainability strategy:

- Amount invested in eligible green and social assets. Target: invest £825m in green and social assets over 2023 to 2025.
- Level of Scope 1, 2 and business travel emissions. Target: achieve net zero in our operations Scope 1, 2 and business travel by 2025.
- Level of Scope 3 emissions. Target: 50% reduction of our overall Scope 3 emissions by 2030.
- An overall target to operate as a net zero business by 2050.

Progress towards these targets is included on pages 34 to 35.

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. Our Group policy framework is designed to ensure that all policies collectively demonstrate how all core risks to the business are effectively controlled.

The information below outlines Just's material areas of impact relating to environmental matters and climate-related disclosures, social matters, colleagues, anti-bribery and anti-corruption matters and respect for human rights, which are in scope of the reporting requirements contained in the Companies Act 2006.

ENVIRONMENTAL MATTERS AND CLIMATE-RELATED DISCLOSURES	
MATERIAL AREAS OF IMPACT	**RELEVANT POLICIES AND FRAMEWORKS**
• Deliver net zero targets • Manage climate issues • Carbon performance, metrics and targets • Responsible resource use – water and energy use, air emissions	**Responsible Investment framework** A framework used by our Investment team. Refer to our Sustainable investment strategy report on pages 36 to 39. **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. **TCFD disclosure framework** Refer to our Sustainability strategy: TCFD disclosure framework report on pages 40 to 49.

DUE DILIGENCE AND OUTCOMES OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

The direct impact of our operations on the environment is relatively low. We have reduced the carbon footprint of our operations by 82% since 2019 (market based) and the remaining carbon is from business travel, and small electricity and gas emissions from our office in Reigate.

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. Our London office building has won awards for its low environmental footprint and work is underway to reduce the carbon footprint in our other office locations.

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.

The Group continues to invest in green and sustainable projects as part of our commitment to deliver our net zero targets. 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.

Colleagues were asked to complete a commuting and home working survey to help measure our impact on the planet. The Company supports sustainable travel arrangements through a number of initiatives, including a cycle to work scheme, and employees are encouraged to use sustainable modes of transport for work-related travel, where possible.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT continued

SOCIAL MATTERS

MATERIAL AREAS OF IMPACT	RELEVANT POLICIES AND FRAMEWORKS
• Deliver net zero targets • Partnership with charities and volunteering initiatives • Support local communities • Support vulnerable customers • Responsible approach to tax	**Sustainability strategy** Refer to our Sustainability strategy: TCFD disclosure framework report. **Conduct and customer risk framework** Sets out the framework of principles, systems and controls around the management of conduct and customer risk by the Group and encompasses regulatory requirements such as integrity, market conduct, customer interests and communication including the treatment of vulnerable customers, skill, care and diligence, and conflicts of interest. **Tax strategy** Summarises our approach to tax affairs. Available to view on our website at **www.justgroupplc.co.uk**.

DUE DILIGENCE AND OUTCOMES OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

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 continued to support our charity partner, Hourglass. Further details of the charity can be found in our Colleagues and culture report. We supported colleague fundraising (half matching each colleagues' funds up to £500).

We also encouraged colleagues to take part in a range of volunteering activities, including mentoring female students from underprivileged backgrounds who need support into STEM subjects (Sciences, Technology, Engineering and Mathematics) to successfully attain roles in businesses such as ours. We provide helpful tips and guidance on our website, **www.wearejust.co.uk**, on topics relating to retirement and the events that can impact finances in retirement such as inheritance tax and writing a will. For further information about our social activities and the impacts, see our Colleagues and culture report.

COLLEAGUES

MATERIAL AREAS OF IMPACT	RELEVANT POLICIES AND FRAMEWORKS
• Culture and ethics • Health and safety • Diversity, equity, inclusion and belonging • Rewards and benefits • Training and career development • Wellbeing	**Board diversity, equity, inclusion and belonging policy** Refer to page 89 **Diversity and conscious inclusion policy** Provides the framework within which we promote equality of opportunity, inclusive behaviours and diversity across the business. **Capability policy** Sets out the Company's approach when dealing with cases of unsatisfactory performance and long-term incapacity. **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 and customer risk framework** Refer to "social matters" above. **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.

DUE DILIGENCE AND OUTCOMES OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

Ensuring we have the right capabilities for today and the future, delivering a brilliant employee experience and enhancing the skills of our people managers are key strategic people priorities. The Group's Diversity, Equity, Inclusion and Belonging (DEIB) strategy continues to focus on six areas: gender, ethnicity, disability and neurodiversity, social mobility, sexual orientation and older workers. Our progress against our DEIB strategy and targets is underpinned by a range of initiatives, which are outlined in our Colleagues and culture report. The Board sponsor for DEIB is the Group Chief Executive Officer.

There is an active programme to improve Board diversity in accordance with the Board diversity, equity, inclusion and belonging 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 this year by three percentage points to 33%. As such, we have achieved our target as a signatory to the Women in Finance Charter that 33% of senior leaders will be female by the end of 2023. We have now updated our target to 40% by the end of 2026. Our gender pay gap remained broadly the same, from 31.0% in April 2022 to 31.3% in April 2023. Further details can be found in our gender pay gap report at **www.justgroupplc.co.uk**.

As a signatory to the Race at Work Charter, we are meeting our updated commitment that at least 18% of our senior leaders are from a Black, Asian, and minority ethnic background by the end of 2026. At present, 19% of our senior leaders are from a Black, Asian or minority ethnic background. We have published our ethnicity pay gap report alongside our gender pay gap report. This report shows no significant mean pay gap and our median pay gap is 20% in favour of colleagues from a Black, Asian or minority ethnic background.

We continued to provide 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. 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 mandatory training, encourage colleagues to report any wrongdoing. All such reports are fully investigated and appropriate remedial actions are taken.

ANTI-BRIBERY AND ANTI-CORRUPTION MATTERS

MATERIAL AREAS OF IMPACT	RELEVANT POLICIES AND FRAMEWORKS
• 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 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.

DUE DILIGENCE AND OUTCOMES OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

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 Board. Repeated failure to complete the training is a disciplinary matter.

RESPECT FOR HUMAN RIGHTS

MATERIAL AREAS OF IMPACT	RELEVANT POLICIES AND FRAMEWORKS
• Reinforce an ethical business culture • Speak up against wrongdoing • Approach to human rights and modern slavery • Support vulnerable customers	**Modern slavery statement** Sets out our policies and processes to combat modern slavery in all its forms. It is 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 and customer risk framework** Refer to "Social Matters" above. **Whistleblowing policy** Refer to "Colleagues" above.

DUE DILIGENCE AND OUTCOMES OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

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. We conduct due diligence on potential suppliers, impose obligations on those suppliers, and monitor their compliance with those obligations. Our modern slavery statement available on our Group website provides further information.

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 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 conduct and customer risk framework 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.

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), colleagues, customers, suppliers and other stakeholders. Our Risk team manages the Group's Risk Policy Framework. The framework comprises three Group Risk policies and underlying company risk policies.

Each policy has a policy owner and an executive sponsor, who review and approve 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 Risk policies with details of all underlying company risk 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 Risk 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.

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 AND CONTROL
- An established risk and control environment

2ND LINE

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

RISK AND 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 AND CONTROL
- Provide independent challenge and assurance

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.

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 identification, measurement, management, monitoring, and reporting. 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.

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.

Quantification of the financial impact of climate risk is subject to significant uncertainty. Climate-related transition and physical risks 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 both methodologies and data quality improve.

The identification, disclosure and management of climate-related risks and broader sustainability risks are embedded within Just's Enterprise Risk Management Framework. This includes climate-related scenario analysis, based on Network for Greening the Financial System scenarios, which is a key tool for ensuring we have a deep understanding of the risks the Group faces over a long-term time horizon.

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 an important 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, and conduct, operational and market risk developments, to keep the Board appraised of the Group's evolving risk profile.

Reporting on climate risk is being integrated into the Group's regular reporting processes, which will continue to 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 assessments made, 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 potential 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.

The resilience of the Group's capital position is tested under a range of adverse stresses and scenarios. These include testing against Group risk appetites, severe stresses and specific scenarios which reflect the Group's exposures to risks. The factors stressed include UK residential property prices, house price inflation, the credit quality of assets, mortality rates and trends and interest rates. Scenarios include a run-off scenario where the Group is closed to new business, liquidity scenarios, and a scenario of the worst case outcome peppercorn rent from the Government consultation regarding restriction of ground rent for existing residential leases.

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.

In addition, as part of the viability assessment after severe shocks, an extreme property stress test is considered including severe property price falls coupled with long-term zero HPI. 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.

In this case, even if the Group ceases to write new business and is subject to such scenarios the Group would still be expected to remain a going concern and able to meet its liabilities as they fall due 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 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks and uncertainties are presented in this report in two separate sections: (1) the first section summarises the Group's ongoing core risks and how they are managed in business as usual; and (2) the second section calls out the risk outlook for subjects that are evolving and are of material importance from a Group perspective.

STRATEGIC PRIORITIES

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

ONGOING PRINCIPAL RISKS

RISK		HOW WE MANAGE OR MITIGATE THE RISK
A **MARKET RISK** STRATEGIC PRIORITIES 1. 5.	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 that allows preferred equity to be held.	• Premiums are invested to match asset and liability cash flows as closely as practicable; • Market risk exposures are managed within pre-defined limits aligned to risk appetite for individual risks; • Exposure is managed using regulatory and economic metrics to achieve desired financial outcomes; • Balance sheet is 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.
B **CREDIT RISK** STRATEGIC PRIORITIES 1. 3. 5.	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 are 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 are 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.
C **INSURANCE RISK** STRATEGIC PRIORITIES 1. 3. 5.	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 are maintained over insurance risks related to product development and pricing; • Approved underwriting requirements are adhered to; • Medical information is 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 approve assumption used; and • Regular monitoring, control and analysis of actual experience and expense levels is conducted.
D **LIQUIDITY RISK** STRATEGIC PRIORITIES 1. 3. 5.	The risk of insufficient suitable assets available to meet the Group's financial obligations as they fall due.	• Stress and scenario testing and analysis is conducted: including collateral margin stresses, asset eligibility and haircuts under stress; • Corporate collateral capacity to reduce liquidity demands and improve our liquidity stress resilience is monitored; • Risk assessment reporting and risk event logs inform governance and enable effective oversight; and • Contingency funding plan is maintained with funding options and process for determining actions.
E **CONDUCT AND OPERATIONAL RISK** STRATEGIC PRIORITIES 1. 2. 3. 4. 5.	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.	• Implement policies, controls, and mitigating activities to keep risks within appetite; • Oversee risk status reports and any actions needed to bring risks back within appetite; • Scenario-based assessment is in place to establish the level of capital needed for conduct and operational risks; • Monitor conduct and customer risk indicators and their underlying drivers prompting action to protect customers; • Conduct risk management training and other actions to embed regulatory changes; and • Ensure data subjects can exercise their GDPR rights including their right to be forgotten and subject access requests to obtain their data held by Just.
F **STRATEGIC RISK** STRATEGIC PRIORITIES 1. 2. 3. 4. 5.	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.

RISK OUTLOOK

HOW THIS RISK EFFECTS JUST	JUST'S EXPOSURE TO RISK	OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK
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. **TREND** **UNCERTAIN** **STRATEGIC PRIORITIES** 1. 3. 4. 5.	Just monitors and assesses regulatory developments for their potential impact 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.	The matching adjustment and Solvency II reform is of key importance to Just's business model. In September 2023, the PRA issued its first substantive consultation on the detail of its proposed changes to the matching adjustment (MA). Subject to the government's legislative timetable and responses to the consultation, the PRA plans to publish final policy and rules on the MA during Q2 2024 with an effective date of 30 June 2024, with all other changes relating to the Solvency II review taking effect on 31 December 2024. Whilst greater clarity has now been provided, the potential impact of the changes will not be completely understood until the final details have been agreed and full details of their implementation are known in 2024. The Group has limited Funded Reinsurance and that which it has is collateralised with awareness of the recapture risks and correlated risks the PRA is concerned with in CP 24/23. The Group will evaluate the changes required as a result of the final supervisory statement and if required make changes to its approach. The FCA's rules for a new consumer duty sets higher and clearer standards for consumer protection across financial services and require firms to put customers' needs first. The Duty applied to new and existing products and services that are open to sale (or renewal) from 31 July 2023. Just achieved substantive compliance with the requirements in line with the timescales provided by the FCA. Work is in progress to apply the requirements to products and services in closed books by 31 July 2024, and completion of these works will form part of the required annual Board report. Following the PRA and FCA regulations on operational resilience from March 2022, Just identified its most important business services and set impact tolerances for each. These are subject to regular scenario testing and an annual self-Assessment is prepared for Board approval. Just continues to evolve its operational resilience capability through the pillars that support the delivery of business services. On 9 November 2023, the Government published a consultation seeking views on capping the maximum ground rent that residential leaseholders can be required to pay in England and Wales. The consultation set out five options including capping ground rents at a peppercorn (essentially zero). The Group invests in loans secured on residential ground rents as part of its investment portfolio, and if the consultation results in a reduction in future cash flow from ground rents, the security and/or value of the loans will be reduced, in some cases materially. For more information on the Group's exposure to residential ground rents see page 32.
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 or broader sustainability issues. **TREND** **INCREASING** **STRATEGIC PRIORITIES** 1. 2. 3. 4. 5.	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 and scenario 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: (i) transition risk – such as potential government policy changes related to the energy efficiency of residential properties; (ii) 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.	Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set targets for Scope 1, 2 and business travel to be carbon net zero by 2025. For emissions from our Scope 3 emissions including our investment portfolio, properties on which lifetime mortgages are secured and supply chain we have set net zero targets by 2050, with a 50% reduction in these emissions by 2030. Performance against these targets is being monitored and reported. We continue to look to improve stress and scenario 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. The lifetime mortgage lending criteria will be kept under review and adjustments made as required. Under Just's Responsible Investment Framework, the ESG risks, including climate change, are considered for liquid and illiquid assets. 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; but may also create new opportunities to invest in assets that are perceived to be more sustainable.

PRINCIPAL RISKS AND UNCERTAINTIES continued

RISK OUTLOOK

HOW THIS RISK EFFECTS JUST	JUST'S EXPOSURE TO RISK	OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK
2 **CLIMATE AND ESG CONT...**	The value of corporate bonds and illiquid investments can be affected by the impact of climate risk on the assets or business models of corporate bond issuers and commercial borrowers. 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.	Following the BoE and PRA Climate and Capital Conference, in March 2023, the BoE published a report setting out its latest thinking. This included consideration of whether firms assess risks within the matching adjustment (MA) adequately to allow for the capture of climate risk. They will also start to explore whether it is appropriately reflected in external credit ratings (or firms' own internal ratings) and if resulting MA benefits could be too large. The ABI are maintaining engagement with key stakeholders including 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, and reputational damage. **TREND** **STABLE** **STRATEGIC PRIORITIES** 1. 2. 3. 4. 5.	Our IT systems are central to conducting our business from delivering outstanding Customer service and 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.	The cyber threat to firms is expected to continue at a high level in the coming years and evolve in sophistication. We will continue to closely monitor evolving external cyber threats to ensure our information security measures remain fit for purpose. Just's Chief Information Security Officer has recently implemented a revised information security team structure and approach. 2024 will see further investments in cyber-attack countermeasures, to enable consistent delivery of required security standards, in line with our Cyber strategy. We will continue to evaluate impacts of other new and emerging technologies, such as Artificial Intelligence, during the year. Following the 2023 CBEST thematic findings from the Bank of England, a review of such by the Chief Information Security Officer found that there were minimal improvements required regarding the recommendations and guidance; all of which were of low residual risk and for which improvements have been undertaken to address such. To strengthen data security and overall resilience, in 2023, we continued to make enhancements to network architecture and implemented data centre upgrades. Our email system has been made more resilient to malicious attacks, including detection of emerging types of phishing and malware. 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, including cloud, is continuously monitored by technical teams following established standards and practices.
4 **INSURANCE RISK** In the long-term, the rates of mortality suffered by our customers and other demographic risks may differ from the assumptions made when we priced the contract. **TREND** **STABLE** **STRATEGIC PRIORITIES** 1. 3. 5.	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 certain 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 26 and 34 of the Annual Report and Accounts. Mortality experience continues to be volatile and remains 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 views on the changes are updated annually taking into account recent data, emerging best practice and expected trends. The assumptions about these changes have been incorporated into Just's pricing across our Retirement Income and Lifetime Mortgage products and will be updated as more information becomes available. Changes in customer behaviour due to current higher interest rates have been taken into account where appropriate.

RISK OUTLOOK

HOW THIS RISK EFFECTS JUST	JUST'S EXPOSURE TO RISK	OUTLOOK AND HOW WE MANAGE OR MITIGATE THE RISK
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. **TREND** **INCREASING** **STRATEGIC PRIORITIES** 1. 3. 5.	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 exposes the Group to default risk and subsequent losses should collateral and recovery be less than the expected investment value. Additionally, the Group is exposed to concentration risk and to the downgrade of assets which shows an increased probability of default. Credit risk exposures arise due to the potential default by counterparties we use to: • provide reinsurance to manage Group exposure to insurance risks, most notably longevity risk; • provide financial instruments to mitigate interest rate and currency risk exposures; and • hold our cash balances. To reduce risk, the Group ensures it trades with a wide range of counterparties to diversify exposures. 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. Reinsurance transactions are collateralised to reduce the Group's exposure to loss from default. The Group measures reinsurance default with respect to its regulatory balance sheet as expected by SS 24/23. Contracts offer protections against termination due to various events.	Global growth has held up in 2023 despite tighter fiscal and monetary policy. 2024 is likely to see weaker growth with a recession possible in the UK and the countries in which the Group invests. Financial markets are likely to remain volatile during this period. Our investment assets may experience increased movements in downgrade and/or default experience. 2023 saw limited changes to UK residential property prices; however, sustained high interest rates may result in price falls, increasing 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 loan portfolio secured against commercial properties. Our balance sheet sensitivities to these risks can be found in note 20. Credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
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 to reflect extremely volatile conditions such as those triggered by the September 2022 "mini-Budget". **TREND** **INCREASING** **STRATEGIC PRIORITIES** 1. 3. 5.	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 are expected to remain volatile into the foreseeable future with an increased level of liquidity risk. At the same time, 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.
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. **TREND** **STABLE** **STRATEGIC PRIORITIES** 1. 2. 3. 4. 5.	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.	Regulation changes, such as Solvency II reform, have been agreed recently and it is likely the Group's 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. The Government is keen for the development of Collective Defined Contributions (CDC) Schemes. The Group believes that CDC would likely be complementary to the existing decumulation market rather than replace it. Both the ABI and the Group continue to actively contribute to ongoing discussions specific to this matter.

CHAIR'S GOVERNANCE OVERVIEW

JOHN HASTINGS-BASS
Group Chair

DEAR SHAREHOLDERS AND OTHER STAKEHOLDERS,

On behalf of the Board of Just Group plc (the "Board"), I am pleased to present the 2023 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 on page 79, 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") except for temporary non-compliance of Provision 32 on Remuneration Committee composition from the conclusion of the 2023 Annual General Meeting ("AGM") on 9 May 2023 until 1 November 2023. Following the retirement of Paul Bishop and Ian Cormack as Non-Executive Directors during the year, there was a period of transition during which the composition of the Board and its Committees was reviewed by the Nomination and Governance Committee. During that period, the Remuneration Committee's three members comprised myself and two independent Non-Executive Directors. This did not meet the Code requirement to have three independent Non-Executive Directors as the Chair of the Company is not considered to be independent. Following the appointment of Jim Brown as a Non-Executive Director and member of the Remuneration Committee, the requirements of Provision 32 of the Code have been met.

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 financial 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. As noted earlier in the report, Mark Godson was appointed as Group Chief Financial Officer on 1 December 2023 and Andy Parsons retired from the Board on 31 December 2023.

Mary Phibbs and Jim Brown were appointed as independent Non-Executive Directors of Just Group plc on 5 January 2023 and 1 November 2023 respectively. Following the retirement of Ian Cormack at the conclusion of the 2023 AGM, Mary Phibbs was appointed as Senior Independent Director and a member of the Nomination and Governance Committee on 9 May 2023. Mary Phibbs was also appointed as Chair of the Audit Committees of the Group, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL") (collectively the "Audit Committees") on 12 July 2023. Paul Bishop retired as a Director at the conclusion of the 2023 AGM on 9 May 2023 as part of the Board succession plans disclosed in the 2022 Annual Report and Accounts. However, he was immediately reappointed as a Director and acted as Chair of the Audit Committees until Mary Phibbs obtained the relevant regulatory approval to take over this responsibility. Paul subsequently retired as a Director on 12 July 2023.

Other key changes to highlight include the appointment of Michelle Cracknell as Chair of the Remuneration Committee and Mary Kerrigan was appointed as a member of the Audit Committees from the conclusion of the 2023 AGM. Jim Brown was appointed as a member of the Remuneration Committee, Group Risk and Compliance Committee ("GRCC") and the JRL and PLACL Investment Committees from appointment as a Director on 1 November 2023.

I would like to formally thank both Ian Cormack and Paul Bishop for their service as Directors of the Group. Also, I offer further thanks to Paul Bishop who extended his appointment to facilitate a smooth transition of the changes to the Audit Committees.

BOARD AND BOARD COMMITTEE ACTIVITY

The Governance in Operation report describes the work of the Board and its Committees during the year on pages 78 to 87. This has been a busy year for the Board and I would like to take the opportunity to highlight some of the main activities in 2023.

The Board and its Committees have been actively engaged on the Group's strategy and change initiatives to ensure that it can achieve its growth ambitions in a controlled and sustainable manner.

The implementation of the FCA's Consumer Duty requirements has been a key focus area for the Board who has overseen the programme of activity and steps being taken to ensure compliance with the new regulation. During the year, the Board satisfied itself that the Group was compliant. Michelle Cracknell is the Board's Consumer Duty Champion and she meets regularly with relevant stakeholders in the business to engage on the Group's approach to ensuring it achieves good customer outcomes.

The GRCC receives regular reporting on conduct and customer risk matters, including any concerns escalated by the Consumer Duty Champion that require attention. The Board continues to oversee the second phase of activity to comply with regulatory requirements, and will keep abreast of initiatives to ensure good customer outcomes.

The Nomination and Governance Committee has been fully engaged in refreshing the Board and its Committees. The recent programme of activity to appoint new Directors to replace longer-serving members, who were due to retire, is now complete. In addition to overseeing the Board appointments and resignations, the Committee considered plans for the orderly succession to the Board and to members of the Group Executive Committee and the Group Company Secretary during the year. It also reviewed the Board training schedule, recommended the updated Board Diversity, Equity, Inclusion and Belonging Policy to the Board for approval and monitored the consultation on proposed changes to the Code.

A key focus for the Group Audit Committee was the introduction of accounting standard IFRS 17, which represented significant changes to insurance accounting. The 2023 Annual Report and Accounts is the first full year financial statements to apply the new accounting standard. The Group Audit Committee has been extensively engaged and has overseen the implementation of this standard. It has received regular updates and held-in depth sessions to ensure that the Committee members 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.

The GRCC considered various risk matters during the year. This included an in-depth review of the Group's operational risks and respective risk appetites. The oversight of cyber security was enhanced with regular reporting from the Chief Information Security Officer and the GRCC received updates on the outcomes of regulatory thematic reviews. Further details are contained in the Group Risk and Compliance Committee report.

The Remuneration Committee discharged its delegated responsibilities for the remuneration arrangements for the Chair, Executive Directors and Senior Management during the year. It also reviewed workforce remuneration and related policies, and took into consideration the alignment of incentives and rewards with the Group's culture.

The updated Directors' Remuneration Policy was approved by shareholders at the 2023 AGM. The Chair of the Remuneration Committee consulted with major shareholders on our proposed renewal of the Directors' Remuneration Policy who expressed broad consent with the proposed Policy. I was pleased that over 95% of those shareholders voting at the AGM voted in favour of the updated Policy.

BOARD EVALUATION AND EFFECTIVENESS

Board evaluation is an important annual process and in 2023, there was an externally facilitated evaluation by Boardroom Review Limited. The review was based on the theme of cohesion and was split into three key areas: Internal workings of the Board; Culture and dynamics; and the effective use of the Board's time.

The evaluation consisted of reviewing detailed information provided to the Board at its scheduled meetings and strategy sessions. There were also private sessions with the facilitator and each Director. Finally, there was a workshop whereby the conclusions of the review were discussed and actions agreed.

Following the 2023 evaluation, the following actions were agreed:

- Revisit and refine Board administration and reporting.
- Enhance reporting on culture to the Board.
- Streamline the oversight of the control environment.
- Oversee the implementation of the changes to the Code.

The outputs of the review will be monitored by the Nomination and Governance Committee and they will be taken into account for the 2024 review.

ANNUAL GENERAL MEETING

I am pleased to confirm that the 2024 AGM will be held at 10.00 am on 7 May 2024 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
Group Chair
7 March 2024

UK CORPORATE GOVERNANCE CODE

The Code, which is available to view on the Financial Reporting Council's website, is the governance standard against which we measured ourselves in 2023.

Details on how we have applied the principles and provisions set out in the Code and how governance operates at Just have been summarised throughout this Governance section and elsewhere in the 2023 Annual Report and Accounts as set out below.

BOARD LEADERSHIP AND COMPANY PURPOSE	PAGES
A. Effective Board	72–74
B. Purpose, values and culture	1, 50–53
C. Governance framework	78
D. Stakeholder engagement	54–55
E. Workforce policies and practices	62
DIVISION OF RESPONSIBILITIES	
F. Role of Chair	81
G. Independence	81
H. External commitments and conflicts of interest	79, 83
I. Board resources	82
COMPOSITION, SUCCESSION AND EVALUATION	
J. Appointment to the Board	88–89
K. Board skills, experience and knowledge	88, 90
L. Annual Board evaluation	84–85
AUDIT, RISK AND INTERNAL CONTROL	
M. External Auditor and Internal Auditor	94–96
N. Fair, balanced and understandable review	85
O. Internal financial controls and risk management	95, 97–99
REMUNERATION	
P. Linking remuneration to purpose and strategy	117–119
Q. Remuneration policy review	102–103
R. Performance outcomes in 2023	107

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIR

John Hastings-Bass
GROUP CHAIR

N M RE RI

Appointed: 13 August 2020 (4 years)

CAREER AND EXPERIENCE

John brings over 40 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 Limited, the private equity backed global insurance broking group and, until 2017, was Chair of publicly quoted Novae Group plc.

John began his career in Hong Kong with Jardine Matheson in 1976. He moved to London and was latterly a 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. He joined the Board of Novae Group plc in May 2007 and was appointed as Chair in May 2008. In January 2015, John was appointed Non-Executive Chair of BMS Group 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 brokering experience
- Extensive experience of all aspects of governance from over 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

M

Appointed: 4 April 2016 (8 years)

CAREER AND EXPERIENCE

David was appointed Group CEO on 19 September 2019. Prior to that David was Deputy CEO and Managing Director of the DB Solutions business. He was the CFO of Partnership Assurance Group plc from February 2013 until April 2016.

David has gained deep and varied experience across long-term savings, life insurance, pensions and reinsurance over a 30 year career. Since his appointment as Group CEO he has focused on transforming the Group into a customer-focused leader in the retirement space, growing sustainably and profitably to create material value for shareholders.

Previously, David was Group Chief Actuary of Phoenix Group, where he was the Executive Committee member responsible for restructuring the group's balance sheet and enhancing its overall capital management. Prior to this, David worked in various senior roles at Swiss Re in the UK and US, across both its Admin Re and traditional reinsurance businesses. David commenced his career at Tillinghast.

David is a Fellow of the Institute and Faculty of Actuaries and a CFA charterholder.

SKILLS AND COMPETENCIES

- Extensive experience in long-term savings, life insurance, pensions and reinsurance
- Outstanding enterprise-wide executive leadership
- Strategic clarity supported by strong delivery
- Actuary and CFA charterholder

CURRENT OTHER LISTED DIRECTORSHIPS

None

KEY INTERNAL DIRECTORSHIPS

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

Mark Godson
GROUP CHIEF FINANCIAL OFFICER

M

Appointed: 1 December 2023 (3 months)

CAREER AND EXPERIENCE

Prior to his appointment as Group Chief Financial Officer, Mark was a partner at Ernst & Young (EY), and leader of their UK Actuarial practice. His career in the insurance industry has spanned over 20 years across several international markets, with particular expertise in delivering growth strategies, business transformation, commercial optimisation, and mergers and acquisition.

Prior to EY, Mark was a Director at Swiss Re from 2013 to 2017, leading the pricing, structuring, and due diligence of closed and open book transactions across Europe and the USA.

SKILLS AND COMPETENCIES

- Significant international experience across the insurance industry
- Strong understanding of the markets the Group operates in
- Extensive experience of business transformation, mergers and acquisitions
- 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

PLC COMMITTEES

- (A) Group Audit Committee
- (RE) Remuneration Committee
- (M) Market Disclosure Committee
- (N) Nomination and Governance Committee
- (RI) Group Risk and Compliance Committee
- (C) Committee Chair

JRL AND PLACL COMMITTEES

- (A) Audit Committees
- (I) Investment Committees
- (C) Committee Chair

SENIOR INDEPENDENT DIRECTOR

Mary Phibbs
SENIOR INDEPENDENT DIRECTOR

(A) (A) (N) (RE) (RI) (M)

Appointed: 5 January 2023 (1 year)

CAREER AND EXPERIENCE

Mary 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, Friends Life Group plc, 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 Pricewaterhouse Coopers.

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 experience in financial services including 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

NON-EXECUTIVE DIRECTORS

James Brown
(known as Jim Brown)
INDEPENDENT NON-EXECUTIVE DIRECTOR

(RE) (RI) (I)

Appointed: 1 November 2023 (4 months)

CAREER AND EXPERIENCE

Jim has considerable corporate finance, restructuring and mergers and acquisition experience, and has worked within the financial services industry throughout his career, latterly within the Retail sector.

Jim is Chief Executive Officer of Sainsbury's Bank plc, and is an Operating Board Member of J Sainsbury plc. He has held several senior positions, including Chief Executive Officer of Williams and Glyn between 2015 and 2017. Prior to that, Jim was Chief Executive Officer of Ulster Bank in Northern Ireland and the Republic of Ireland from 2011 to 2015.

Internationally, Jim has held a number of senior roles in Asia, Australia and New Zealand, including Chief Executive Officer of Retail and Commercial Banking, Asia and the Middle East for RBS and ABN AMRO.

SKILLS AND COMPETENCIES

- Extensive experience of corporate finance, restructuring and mergers and acquisitions
- Highly competent in change management
- Certified Bank Director

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

(RE) (N)

Appointed: 1 March 2020 (4 years)

CAREER AND EXPERIENCE

Michelle brings a wealth of strategic and customer behavioural experience, having spent over 30 years in senior roles in the regulated financial services industry.

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, pension 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 and Non-Executive Director of FIL Holdings Limited and Financial Administration Services Limited. Michelle is also a Non-Executive Director and Chair of the Audit and Risk Committee of PensionBee Group plc, and Non-Executive Director of Sport England.

SKILLS AND COMPETENCIES

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

NON-EXECUTIVE DIRECTORS continued

Mary Kerrigan

I A A

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 February 2022 (2 years)

CAREER AND EXPERIENCE

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 Aegon Asset Management UK plc. She is also a Non-Executive Director of Companjon Services DAC and New Ireland Assurance Company plc, and is Chair of their respective Risk Committees.

She is an Independent Member of the Supervisory Board of La Banque Postale Asset Management Limited. 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

Kalpana Shah

RI A A

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 March 2021 (3 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 was elected to the governing body of the Institute and Faculty of Actuaries in 2019 and was appointed as President in September 2023. She is a member of court for the Worshipful Company of Actuaries.

In addition to Just Group, Kalpana is Chair of RiverStone Managing Agency Limited, Senior Independent Director of RiverStone Insurance (UK) Limited, and a Non-Executive Director of Markel International. She is also a Non-Executive Director of Asta Managing Agency Limited and is Chair of their Syndicates-in-a-Box Board. Kalpana also sits on the Capacity Transfer Panel at Lloyds of London.

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

INDEPENDENCE[1]

Chair	1
Executive Directors	2
Non-Executive Directors	5

GENDER DIVERSITY[1]

Male	4
Female	4

ETHNIC DIVERSITY[1]

Asian	1
Black	0
Mixed	0
White	7
Other	0

1 As at March 2024.

PLC COMMITTEES

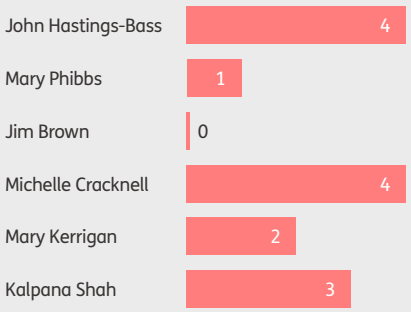
- (A) Group Audit Committee
- (RE) Remuneration Committee
- (M) Market Disclosure Committee
- (N) Nomination and Governance Committee
- (RI) Group Risk and Compliance Committee
- (C) Committee Chair

JRL AND PLACL COMMITTEES

- (A) Audit Committees
- (I) Investment Committees
- (C) Committee Chair

AVERAGE NON-EXECUTIVE DIRECTOR TENURE[1]

2.3 YEARS



1 As at March 2024.

SKILLS AND COMPETENCIES

See the Nomination and Governance Committee report on page 90 for the Director's skills and expertise matrix.

TIME COMMITMENT

The Board considers and approves any additional external commitments taken on by Directors, after assessing the impact on the time commitment required for the respective roles. The annual assessment of independence and objectivity was conducted for the Non-Executive Directors in 2023, and no concerns were identified. Further details on the Directors' time commitment are contained on page 83.

NON PLC

INDEPENDENT NON-EXECUTIVE DIRECTORS

John Perks (A) (I)

LIFE COMPANIES' CHAIR

Appointed: 1 April 2021 (3 years)

CAREER AND EXPERIENCE

John has significant experience in the life and pensions industry, with 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 is a Non-Executive Director of Mobius Life Limited and is Chair of its Audit and Risk Committee, and the Chair of HSBC Life (UK) Limited.

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 (I)

(known as Kathy Byrne)

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 February 2022 (2 years)

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 Cardif 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. In June 2023 Kathy was appointed as a Non-Executive Director of Amicorps FS (UK) plc.

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

Amicorps FS (UK) plc

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 **P72**

02.
Mark Godson
GROUP CHIEF FINANCIAL OFFICER

See Mark's biography on **P72**

03.
Conor Breslin
GROUP CHIEF DIGITAL INFORMATION OFFICER

Appointed: 4 March 2024
Conor is responsible for Technology, Transformation, Change and IT Architecture as well as embedding modern methods of change delivery.

Conor brings a wealth of experience and expertise to Just, having held leadership roles at Cover-More Group Limited (part of Zurich Group), Provident Financial, EasyJet, and AstraZeneca, working in a number of areas including strategy and architecture, change management and service delivery.

04.
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.

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

05.
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.

06.
Ellie Evans
GROUP CHIEF PEOPLE OFFICER

Appointed: 31 October 2022
Ellie is responsible for the people and talent 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, BGI Group.

07.
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.

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 Trustee for the Miners Pension Scheme.

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.

01.
David Richardson

02.
Mark Godson

03.
Conor Breslin

04.
David Cooper

05.
Alex Duncan

06.
Ellie Evans

07.
Paul Fulcher

08.
Pretty Sagoo

09.
Paul Turner

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

Our Governance Framework is designed to embed strong governance and oversight processes and to ensure compliance with the Code. It 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".

BOARD OF DIRECTORS

The Board is responsible for the overall leadership of the Group and setting its purpose, values and strategy including the Group's sustainability strategy. The Board ensures our culture is aligned with our strategy, oversees our conduct and affairs, and promotes the success of the Group for the benefit of our shareholders and other stakeholders.

The effective working relationship between the Board and the Group Chief Executive Officer and the Group Executive team facilitates support and challenge through regular reporting and dialogue.

The Board delegates certain matters to its Board Committees. At each scheduled Board meeting, the Chairs provide an update on their Committees' activities.

GROUP CHIEF EXECUTIVE OFFICER

Responsible for the overall performance and day-to-day leadership of the Group.

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.

BOARD COMMITTEES

GROUP AUDIT COMMITTEE

Responsible for monitoring the integrity of the financial statements, reviewing the effectiveness of the Group Internal Audit function, assessing the Group's internal controls and maintaining the external auditor relationship.

GROUP RISK AND COMPLIANCE COMMITTEE

Responsible for maintaining effective systems of risk management, compliance and internal control throughout the Group.

NOMINATION AND GOVERNANCE COMMITTEE

Responsible for reviewing Board and Board Committee composition and succession needs, proposes new Board appointments and oversees governance developments.

REMUNERATION COMMITTEE

Determines the remuneration policies for the Chair, Executive Directors, Senior Management and Solvency II identified staff. It is also responsible for the operation of share incentive plans and the oversight of gender and ethnicity pay gap reporting.

MARKET DISCLOSURE COMMITTEE

Oversees the identification of inside information and disclosure of information to the market to ensure the Company complies with relevant regulatory rules including the UK Market Abuse Regulation.

Underlying the governance framework between the Board, Board Committees, Group Chief Executive Officer and the Group Executive Committee, there are various senior management committees and forums strengthening our governance and improving Board oversight.

SENIOR MANAGEMENT COMMITTEES AND FORUMS

These bodies support the Group's strategic priorities, business needs or specific projects and meet regularly with approved terms of reference to discharge their duties on behalf of the Group. The Senior Management Committees and Forums include:

BUSINESS AREAS' LEADERSHIP	BUSINESS CHANGE	INVESTMENTS	RISK MANAGEMENT	SUSTAINABILITY
• HUB Executive Committee • Retail Senior Management Team Committee • UK Corporate Business Senior Management Committee	• Executive Change Committee	• Asset Liability Committee • Credit Committee • Insurance Committee	• Executive Risk Committee • Conduct and Operational Risk Committee • Information Security and IT Risk Committee • Retail Conduct and Customer Risk Committee	• Green and Sustainability Bond Forum • Sustainability Steering Committee • Sustainability Working Group

CORPORATE GOVERNANCE STATEMENT

Compliance with the UK Corporate Governance Code 2018

The Board has considered and concluded that the Company has fully complied with the principles and provisions set out in the Code except for temporary non-compliance with Provision 32 on Remuneration Committee composition from the conclusion of the Annual General Meeting ("AGM") on 9 May 2023 until 1 November 2023 when Jim Brown was appointed as a member of the Remuneration Committee.

Further details of how the Company applied the Code's principles and complied with the provisions are provided in the Chair's governance overview, Governance in Operation report and Board Committees' reports.

BOARD LEADERSHIP AND COMPANY PURPOSE

Role of the Board

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

The schedule of matters reserved for the Board contains items reserved for the Board to consider and approve, relating to strategy and management, structure and capital, financial reporting and controls, internal controls and risk management, material contracts, Board membership and succession planning, corporate governance and delegation of authority.

The matters reserved for the Board are reviewed at least annually to ensure they remain appropriate and in line with best practice. Throughout 2023, the Board acted in accordance with the matters reserved for the Board.

The Board discharges some of its responsibilities through its Board Committees, which have terms of reference defining their roles and responsibilities that are reviewed and approved by the Board at least annually. The matters reserved for the Board and the terms of reference of the principal Board Committees can be found at **www.justgroupplc.co.uk.**

Purpose, strategy, culture and values

During the year, the Board considered and agreed the longer-term strategy of the Group and its associated strategic goals and objectives at its strategy days. The Board oversees the execution of the Group's strategy and business plan, and receives regular updates on key strategic initiatives from the Group Chief Executive Officer and the Group Executive team. An overview of the Group's strategic priorities and business model can be found in the Strategic report.

The Board is committed to growing and fostering a strong culture and tracks progress across the Group in a number of ways. This includes reviewing the outputs of the employee engagement survey and receiving regular updates on the Group's diversity initiatives. Further information on our culture is contained in the Colleagues and culture report, and an overview of the Board's role in the oversight of our culture can be found in the Section 172 report.

Conflicts of interest

The Group has a policy and process to address 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 in a variety of ways. The Colleagues and culture, 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 Board considered Provision 5 of the Code on workforce engagement in 2019 and concluded to appoint a designated Non-Executive Director, which is currently Michelle Cracknell. The Nomination and Governance Committee now considers this appointment as part of Director effectiveness reviews and succession planning. Each year, the programme of work for the Non-Executive Director responsible for workforce engagement is supported in collaboration with the Group Chief People Officer. In 2023, Michelle Cracknell kept abreast of colleagues, culture and wellbeing matters through engagement with senior leadership and colleagues from various business areas. The success of the role is measured in action, whereby the employee voice is represented by Michelle Cracknell in Board meetings.

Shareholder engagement

The Group maintained an open dialogue with its major institutional shareholders and debt investors during 2023 through a programme of meetings undertaken by the Group Chair, Group Chief Executive Officer, Group Chief Financial Officer and the Investor Relations team. The Chair of the Remuneration Committee also communicated with major institutional investors on the new Remuneration Policy ahead of the 2023 AGM. Equity-led roadshows were held in March and August/September 2023, and Executive Directors and management attended multiple investor conferences throughout the year, where they met both debt and equity investors. They also provided broker and non-broker salesforce briefings, and throughout the year, hosted various events including a "Simplifying Just" series, roundtable discussions and one-to-one meetings with existing and prospective shareholders.

There was regular engagement with shareholders during 2023 on a number of important matters including the growth opportunities available to the Group and our strategic priorities, the investment strategy including illiquid asset origination, capital management and allocation, the new accounting standard IFRS 17 and its impact on the Group, and the regulatory environment prior to and following the Solvency UK reforms announced by the Chancellor of the Exchequer in November 2022. Other topics included people, customers, culture and responsible investing.

The Investor Relations team provides regular reporting to the Board on investor activity, market and peer analysis, share price performance and investor feedback from meetings with the Group Chair, Executive Directors and the Investor Relations team. Analysts' and brokers' reports are also made available to the Directors and the Board receives detailed feedback from our corporate brokers following the results roadshow.

The Company's ordinary shares are covered by seven 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 2023.

During 2023, the Company's ordinary shares increased by 5% to 85.9 pence at 31 December 2023, compared with the FTSE 250 life insurance index which decreased by 11%.

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

Our 2023 AGM was held on 9 May 2023 in our London 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 89% of those voting supporting the resolutions.

GOVERNANCE IN OPERATION continued

BOARD ACTIVITIES

Sustainability oversight

As agreed by the Board in 2022, additional time is now allocated on the Board meeting agenda each quarter to engage specifically on sustainability matters to enhance the level of oversight on sustainability initiatives and regulatory developments, and to receive regular updates on progress to reach 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. Additional training was also provided to the Directors on sustainability matters during the year.

GROUP STRATEGIC PRIORITIES

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

Board activities overview

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.

STRATEGY, CULTURE AND MANAGEMENT

- Held Board strategy sessions to consider and agree refinements to the Group's strategy with a particular focus on the evolution of the Retail strategy, growth opportunities and sustainability initiatives.
- Approved the Group's key strategic targets and priorities for the year.
- Received updates on the delivery of the Group strategy execution plan.
- Monitored progress of various initiatives to reach our carbon net zero targets, and received updates on the transition plan.
- Enhanced the oversight of sustainability matters.
- Received updates on the Change delivery programme.
- Monitored colleague engagement and culture initiatives.
- Approved updates to the Diversity, Inclusion, Equity and Belonging Policy.
- Received detailed updates on strategically important initiatives for the Group.
- Conducted in-depth reviews of the strategy, including opportunities and challenges, of each of the Group's business areas.

ALIGNMENT TO STRATEGIC PRIORITIES 1. 2. 3. 4. 5.

STRUCTURE AND CAPITAL

- Assessed the Group's capital and liquidity requirements including optimisation of its Solvency II capital structure.
- 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 resolutions for adoption by shareholders to issue new shares and Restricted Tier 1 ("RT1") capital for the 2024 AGM to create flexibility for the Group.
- Approved the payment of RT1 coupons for their respective RT1 notes.

ALIGNMENT TO STRATEGIC PRIORITIES 1. 2. 5.

FINANCIAL PERFORMANCE AND INVESTOR RELATIONS

- Approved the Group's business plan and targets, and monitored the Group's results against them.
- Approved the Group's half-year and annual financial results.
- Reviewed the dividend policy. Recommended the 2022 final dividend and declared the 2023 interim dividend.
- Considered the appropriateness of the approach to surplus capital management.
- Approved the Group Solvency and Financial Condition Report and the Group Regular Supervisory Report for submission to the Prudential Regulation Authority.
- Considered reinsurance counterparty arrangements.
- Received updates on investor activity, market and peer analysis, and share price performance.
- Reviewed broker reports on the Group and received feedback from investor meetings.

ALIGNMENT TO STRATEGIC PRIORITIES 2. 5.

RISK MANAGEMENT AND INTERNAL CONTROLS

- Approved the risk appetite framework and introduction of an IFRS risk appetite.
- Considered risks to the Group's strategy and business plan.
- Approved the Group's Own Risk and Solvency Assessment ("ORSA").
- Approved the annual operational resilience self-assessment.
- Provided oversight of the implementation of the Consumer Duty requirements. Assessed and concluded that the Group was compliant with Phase 1 requirements across various business areas.
- Approved the Group recovery plan and run-off plan.
- Approved the cyber security strategy.
- Received annual Chief Actuary validation reports.
- Approved a matching adjustment application and major model change application 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 risks to PLACL.

ALIGNMENT TO STRATEGIC PRIORITIES 2. 5.

BOARD AND BOARD COMMITTEE GOVERNANCE

- Received reports from the principal Board Committees.
- Approved updates to matters reserved for the Board and Board Committees' terms of reference.
- Approved changes to the Board and Board Committees' composition.
- Approved refreshments to the composition of various regulated companies' Boards.
- Received updates on regulated subsidiaries governance, initiatives and challenges.
- Convened the 2023 AGM.
- Conducted a review of the Board and Board Committees' effectiveness facilitated by an external consultant.
- Received corporate governance updates.
- Approved the Company's Modern Slavery Statement.
- Attended a series of workshops and training sessions covering, amongst others, detailed updates on the IFRS 17 accounting standard requirements and sustainability matters.

ALIGNMENT TO STRATEGIC PRIORITIES 1. 5.

Whistleblowing

Just's Whistleblowing Policy is reviewed and approved by the Group Audit Committee at least annually. Colleagues across the Group are encouraged to raise any matters of concern with our Group Company Secretary or anonymously through our dedicated and independent whistleblowing hotline. The Group Company Secretary leads the review and response from relevant areas of the business, and raises the matters with the Group Audit Committee Chair, who is the whistleblowing champion. Regular reports are provided to the Group Audit Committee on the operation of the policy, including an overview of the steps taken to ensure colleagues are aware and understand the whistleblowing process and associated protections.

DIVISION OF RESPONSIBILITIES

Board balance and independence

As at the date of this report there are eight members of the Board: the Group Chair (independent on appointment), two Executive and five Non-Executive Directors, all of whom are considered independent. Mary Phibbs 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 Group 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 Group 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 Group 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

GROUP CHAIR

- responsible for the effective leadership and governance of the Board but takes no part in the day-to-day running of the business;
- leads 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;
- ensures the Board determines the significant risks the Group is willing to embrace in the implementation of its strategy;
- leads the succession planning process (except his own succession) and chairs the Nomination and Governance Committee;
- encourages all Directors to contribute fully to Board discussions and decision-making, and ensures that there is constructive challenge on major proposals;
- fosters relationships within the Board and provides a sounding board for the Group Chief Executive Officer on important business matters;
- identifies development needs for the Board and individual Directors;
- leads the process for evaluating Board and individual Director performance; and
- ensures effective communication with major shareholders, regulators, and other stakeholders.

GROUP CHIEF EXECUTIVE OFFICER

- responsible for leadership of the business and manages it within the authorities delegated by the Board;
- proposes and develops the Group's strategy and significant commercial initiatives;
- leads the executive team in the day-to-day running of the Group;
- ensures 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;
- represents the Group's interests to external parties;
- maintains dialogue with the Group Chair on important business and strategy issues;
- recommends budgets and forecasts for Board approval;
- makes recommendations to the Remuneration Committee on Just's remuneration strategy; and
- leads the communication programme with shareholders, regulators and other stakeholders, and ensures the appropriate and timely disclosure of information to the stock market.

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 Group Chair present to appraise his performance, and address any other matters which the Directors might wish to raise.

GROUP CHIEF FINANCIAL OFFICER

- leads the actuarial, finance, legal, company secretarial, treasury and tax functions;
- deputises for the Group Chief Executive Officer;
- proposes policy and action to support sound financial management; and
- engages with shareholders, analysts and other key stakeholders.

INDEPENDENT NON-EXECUTIVE DIRECTORS

- provide constructive challenge and scrutiny of the performance of management, and promote the highest standards of integrity and governance;
- bring an external perspective, knowledge and experience to the Board; and
- assist in the development of strategy and the decision-making process.

GROUP COMPANY SECRETARY

- supports the Group Chair and provides guidance to support the smooth functioning of the Board;
- ensures the Board receives high-quality information in adequate time and has access to appropriate resources;
- advises the Directors on corporate governance developments;
- facilitates Board effectiveness reviews; and
- coordinates Director induction programmes and assists with professional development.

DESIGNATED NON-EXECUTIVE DIRECTORS

Consumer Duty Champion: supports the Group Chair and Group Chief Executive Officer in ensuring that 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: champions sustainability matters at Board level.

Whistleblowing Champion: ensures and oversees the integrity, independence, and effectiveness of whistleblowing policies and procedures.

GOVERNANCE IN OPERATION continued

The Board has delegated responsibility for implementing the strategy and business plans, and for managing risk and operating effective controls across the business 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 developments 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 processes which govern how we do business and how we interact with our stakeholders; and
- development and oversight of initiatives to ensure colleagues feel well led, managed and supported with opportunities for development.

There is also a Group 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 considers reports from management before they are presented to the Group Risk and Compliance Committee ("GRCC").

MEETING ATTENDANCE

There were seven scheduled Board meetings in 2023 and two meetings to discuss the Group's 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, they had the opportunity to provide comments and raise any concerns to the Group 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 2023. Additional Board and Board Committee meetings were convened during the year to discuss various governance and regulatory matters.

		Board	Group Audit	Group Risk and Compliance	Nomination and Governance	Remuneration
John Hastings-Bass	Group Chair	7/7	–	8/8	3/3	4/4
David Richardson	Executive Director	7/7	–	–	–	–
Mark Godson[1]	Executive Director	0/0	–	–	–	–
Mary Phibbs[2]	Senior Independent Director	7/7	7/7	8/8	3/3	4/4
Jim Brown[3]	Non-Executive Director	1/1	–	1/1	–	1/1
Michelle Cracknell[4]	Non-Executive Director	7/7	–	–	2/3	4/4
Mary Kerrigan[5]	Non-Executive Director	7/7	4/4	–	–	–
Kalpana Shah	Non-Executive Director	7/7	7/7	8/8	–	–
Retired in 2023						
Andy Parsons	Executive Director	7/7	–	–	–	–
Paul Bishop[6]	Non-Executive Director	3/4	4/4	3/3	1/1	–
Ian Cormack[7]	Non-Executive Director	2/2	–	1/3	1/1	2/2
Additional meetings held		6	2	0	4	1

1 Mark Godson was appointed as a Director on 1 December 2023.
2 Mary Phibbs was appointed as a Director and member of the Group Audit Committee, GRCC and Remuneration Committee on 5 January 2023. She was appointed as a member of the Nomination and Governance Committee on 9 May 2023.
3 Jim Brown was appointed as a Director on 1 November 2023.
4 Michelle Cracknell was unable to attend the Nomination and Governance Committee meeting on 23 November 2023 due to prior commitments.
5 Mary Kerrigan was appointed as a member of the Group Audit Committee on 9 May 2023.
6 Paul Bishop retired as a Director, Chair of the Group Audit Committee, and member of the GRCC and Nomination and Governance Committee at the conclusion of the AGM on 9 May 2023. He was immediately reappointed as a Director and Chair of the Group Audit Committee until he retired as a Director on 12 July 2023. He was unable to attend the Board meeting on 6 July 2023 due to prior commitments.
7 Ian Cormack retired as a Director at the conclusion of the AGM on 9 May 2023. He was unable to attend the GRCC meetings in January 2023 due to prior commitments.

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 Group Chair and the Board, which includes bringing all governance matters to the attention of the Board and delivering a programme of Board and Board 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, and 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 made a significant contribution to Just in 2023 and remain committed to ensuring the long-term sustainable success of the business.

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 Company's Directors serve as Directors of any FTSE 100 companies.

COMPOSITION, SUCCESSION AND EVALUATION

Board composition and succession planning

As at the date of this report, the Board comprised the Group Chair who was independent on appointment, two Executive Directors and five independent Non-Executive Directors, including the Senior Independent Director.

Biographical details of the Directors of the Company as at the date of this report can be found on pages 72 to 74.

A list of Directors who have served throughout the year up to the date of this report can be found in the Directors' report on pages 120 to 121.

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 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 who were appointed 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.

Directors' induction

On appointment, all Directors receive a formal and tailored induction to enable each of them to effectively contribute to the Group's strategy and wider initiatives from the outset. The induction is tailored through discussion with the Group Chair and the Group Company Secretary, and takes into consideration existing expertise and any prospective Board or Board Committee roles.

The Directors who joined the Board in 2023 received induction packs comprising a broad range of information including corporate governance documents, Board and Board Committee meeting papers and minutes, and a detailed overview of strategic, financial and operational plans and priorities, and risk management, compliance and regulatory information. Introductory meetings were held with members of the Board and Group Executive Committee, the Group Company Secretary and key senior managers across the Group. A high-level overview of the induction programme provided to Jim Brown following his appointment as a Director on 1 November 2023 is provided in the table below.

Non-Executive Director induction programme for Jim Brown

Areas covered	Sessions by
Just's purpose, strategy, culture and business model	Group Chair Group Chief Executive Officer Managing Directors of each Business Unit
Financial performance and capital requirements	Group Chief Financial Officer
Risk management, internal controls, assurance, compliance and regulatory developments	Group Risk and Compliance Committee Chair Group Chief Risk Officer Director of Compliance
Investments, sustainability and net zero transition	JRL and PLACL Investment Committees' Chair Group Chief Risk Officer (Executive Sponsor for Sustainability)
Cyber security and operational resilience	Group Chief Digital Information Officer Chief Information Security Officer
Operations	Retail Operations and Underwriting Director
Remuneration and colleagues	Remuneration Committee Chair Group Chief People Officer
Corporate governance and Board operations	Group Chair Group Company Secretary

GOVERNANCE IN OPERATION continued

Training and Development

As part of the annual Board effectiveness review, the Group 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 as beneficial.

DIVERSITY, EQUITY, INCLUSION AND BELONGING

The Board is fully committed to promoting diversity, equity, inclusion and belonging at Board and senior management level as well as throughout the Group. The Board has in place a Diversity, Equity, Inclusion and Belonging Policy which sets out the Board's broader diversity strategy and plans alongside Just's approach to the diversity of the Board, Board Committees and the Group Executive Committee. While new appointments will be based on skill, experience and knowledge, careful consideration will also be given to diversity. The Board continues to satisfy the diversity targets set by the FTSE Women Leaders and Parker reviews, and Listing Rules as described in more detail in the Nomination and Governance Committee report. In accordance with the Code requirements, the Board has considered its composition and 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.

ASSESSING BOARD AND BOARD COMMITTEE EFFECTIVENESS

The Board monitors and improves performance by reflecting on the continuing effectiveness of its activities, the quality of its decisions, and by considering the individual and collective contribution made by each Board member. This is assessed annually through the Board evaluation process. The 2023 Board and Board Committee evaluation was facilitated by an external consultant, Boardroom Review Limited, who has no other connection with the Company or Director. The methodology of the 2023 review was aligned with the 2022 internal review and structured to allow the identification of new focus areas. In line with prior years, the effectiveness review also covered the regulated life companies' Boards.

Thematic priorities for review were established by Boardroom Review Limited in discussion with the Group Chair and Group Company Secretary. The external consultant reviewed meeting papers and supporting material, conducted one-to-one interviews with Board members and the Group Company Secretary, and hosted a workshop at which the conclusions of the review were discussed and actions agreed.

The Nomination and Governance Committee monitored progress against the actions agreed following the 2022 review and concluded that good progress had been made to address the areas that required further attention as summarised in the table below.

Progress against 2022 evaluation findings

Focus areas	Actions taken during 2023
Board and Board Committee succession planning	The composition of the Board and Board Committees, including the preferred number of Non-Executive Directors were considered by the Group Chair and the Nomination and Governance Committee during the year. The Committee's recommendations were approved by the Board, which led to various changes to the composition of the Board and Board Committees as covered in more detail in the Chair's governance overview. Emergency (up to six months), Medium (six months to a year) and Long-Term contingency planning of the key roles of Group Chair, Senior Independent Director and Chairs of the Board Committees, was considered by the Group Chair and Nomination and Governance Committee, with an update presented to the Board by the Group Chair on the agreed actions.
Management information	There continued to be a strong focus on streamlining and enhancing management information provided in papers to the various Board Committees. Independent views were sought and presented to the Board and Board Committees on specialist areas including House Prices, Economics, and Consumer Duty requirements.
Training	A comprehensive and tailored training programme was provided to the Board and its Board Committees in 2023, which covered various topical themes and technical matters, including the new IFRS 17 insurance accounting standard, climate risk, Consumer Duty requirements, collateral management, and the Internal Model.
Business development	The Business Development team now provides competitor analysis and market share information to the Board and Board Committees to support the wider Board in-depth reviews.

2023 Board evaluation findings

The findings of the Board evaluation were positive, with progress thought to have been achieved across a number of areas considered in previous reviews. Areas which scored well included the clarity of strategic purpose, the relationship between the Group Chair, Non-Executive Directors and the Group Chief Executive Officer, and the Directors' contribution to the development of the Group's strategy and growth ambitions.

The review concluded that the Board, its Committees and individual Directors continue to operate effectively and demonstrate a high level of skills, knowledge and experience. The findings further affirmed strong Board composition, with good levels of diversity and mix of tenure which has brought new perspectives to the Board in its discussions and decision making.

Various opportunities for improvement and refinement were identified as set out in the table below. 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.

Focus areas	Commentary and actions for 2024
Board administration	In line with the continued growth ambitions of the Group, a reassessment of the administration of the Board agenda is required to facilitate sufficient time for the Board to debate and constructively challenge strategic matters. As part of this reassessment, regard is also to be given to the inclusion of the outcomes from debates on proposals that are held prior to their presentation to the Board. **Agreed actions by the Board:** • Reassess the administration of the Board timetable and agenda to ensure sufficient time is allocated to the presentation of strategic initiatives. • Ensure that Board papers sufficiently detail the debate and challenge that has taken place through the development process of Board proposals.
Culture	The Board acknowledged the importance of ensuring the ongoing alignment of culture to the Group's purpose. In order to continue to fulfil its oversight responsibilities, it was agreed that the reporting should be revisited and enhanced, where appropriate, to ensure the Board continues to receive the appropriate level of information to enable it to effectively assess and monitor culture. **Agreed actions by the Board:** • At least bi-annually, the Board are to discuss the Group's management of culture, with a key focus on topics such as the results from employee surveys.
Effective control environment	It was acknowledged that as the business continues to grow, it is important to ensure that the control environment and three lines of defence remain effective, and it was agreed that they should be closely monitored to assess whether they remain effective. **Agreed actions by the Board:** • A nested meeting of the Group Audit Committee and GRCC is to be held to discuss the control environment and ensure that all areas remain effective and interconnected. • Consider the recent changes to the Code and oversee the implementation of additional processes and procedures, where required, to ensure compliance by 1 January 2025.

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 the appointments of Executive and Non-Executive Directors;
- the approach to succession planning;
- the Board's policy on diversity, equity, inclusion and belonging; 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 65.

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.

GOVERNANCE IN OPERATION continued

Risk management and internal control systems

The Board, with the assistance of the Group Audit Committee and GRCC, and support from the Risk and Group Internal Audit functions, as appropriate, monitored the Group'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 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.

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, can be found in the Group Audit Committee report.

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 GRCC. The Committee is also responsible for the oversight of compliance and regulatory matters. Information regarding the composition of the Committee, its responsibilities and a review of its activities during the year can be found in the Group Risk and Compliance Committee report. Additional information on the management of risks can be found in the Risk management report on pages 64 to 69.

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 2023, 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 JRL are writing premiums for Defined Benefit de-risking solutions, Guaranteed Income for Life solutions, the Secure Lifetime Income product, and residential lifetime mortgage solutions in the UK, and the servicing and administration of in-force policies. PLACL's principal activities focus on the orderly run-off of life assurance products and annuities, and writing new Care annuities in the UK.

Boards

Operating the life companies' Boards on a nested basis with the Board ensures the Group 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 for JRL and PLACL business 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 respective Board. The matters reserved for the JRL and PLACL Boards are reviewed at least annually to ensure that they reflect best practice and are 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 of financial reporting and internal controls, and to ensure compliance 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 set aside, where appropriate, to consider matters specific to the 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 delegated responsibilities of each Committee, are reviewed and approved by the JRL and PLACL Boards at least annually. 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 the oversight of 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 the 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 GRCC to consider investment risk related matters.

The terms of reference, which set out the scope and delegated responsibilities of each Committee, are reviewed and approved by the JRL and PLACL Boards at least annually.

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 one Executive Director. There were four scheduled Board meetings held during the year as well as a strategy day. Additional meetings were held to oversee the implementation of the Consumer Duty programme of activities. 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 ("JRML") and Partnership Home Loans Limited ("PHLL"), is the origination and administration of loans secured by residential mortgages. Each Board comprises three Non-Executive Directors and two Executive Directors. Four scheduled meetings were held during the year and additional meetings were held to oversee the implementation of the Consumer Duty programme of activities. The matters reserved for the JRML and PHLL Boards have been documented and approved by the respective Boards.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

JOHN HASTINGS-BASS
Chair, Nomination and Governance Committee

I am pleased to present my report on behalf of the Nomination and Governance Committee (the "Committee") for the year ended 31 December 2023.

This report outlines the key areas of focus and activities carried out by the Committee during the year.

ROLE

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.**

MEMBERSHIP

John Hastings-Bass	Chair
Michelle Cracknell	Independent Non-Executive Director
Mary Phibbs	Senior Independent Director

At the conclusion of the Company's Annual General Meeting ("AGM") on 9 May 2023, Paul Bishop and Ian Cormack retired as members of the Committee. Mary Phibbs was appointed as a member of the Committee on 9 May 2023.

Committee meeting attendance can be found on **P82**.
Biographies of Committee members can be found on **P72–73**.

REVIEW OF THE YEAR

The Committee held three scheduled meetings during the year. A key focus was Director appointments and succession planning for the Board and its Committees, including the orderly transition of the Board as the longer-serving Non-Executive Directors retired and new Directors were appointed. Director inductions, Board effectiveness and an assessment of the Non-Executive Directors' skills and capabilities were also areas of focus during the year. The Committee also monitored developments in governance and considered and agreed various enhancements to its governance and oversight responsibilities for the future.

The Group Chief Executive Officer and Group 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.

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 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 regularly considers the composition and balance of the Board and Board Committees with the objective to ensure that the Board's collective experience, expertise, diversity and cultural alignment are aligned with the Group's longer-term strategy.

Mark Godson was appointed as the Group Chief Financial Officer on 1 December 2023, replacing Andy Parsons who retired on 31 December 2023. Further details on the appointment process for Mark Godson are included overleaf.

Two new independent Non-Executive Directors were appointed in 2023, Mary Phibbs and Jim Brown, and longer-serving Non-Executive Directors, Paul Bishop and Ian Cormack, retired as Directors. Following a comprehensive search process, Mary Phibbs was appointed as an independent Non-Executive Director on 5 January 2023 and took over the role of Senior Independent Director at the conclusion of the AGM on 9 May 2023. External search firm, Teneo, which has no other connection to the Company or any Director, was engaged to support the recruitment.

During the year, the Committee considered the Board and Board Committees' structure, including Directors' skills, experience and capabilities, and diversity, and concluded that a further Non-Executive Director should be appointed. Following an extensive search utilising the services of Teneo, and after concluding fitness and propriety checks, Jim Brown was appointed as an independent Non-Executive Director and member of the Group Risk and Compliance Committee ("GRCC"), Remuneration Committee, and JRL and PLACL Investment Committees, on 1 November 2023. Jim has considerable experience in the retail financial services industry and strong stakeholder management skills, and he brings excellent technical abilities and experience of digitisation, which are key attributes to complement the existing skills, experience and capabilities of the Board. Other changes to Board Committee membership, which were recommended by the Committee and subsequently approved by the Board, are outlined in the Chair's governance overview.

BOARD SKILLS, KNOWLEDGE AND EXPERIENCE

Following various Board changes during the year, the Committee considered the skills, knowledge and experience of each Board member, which is summarised in the skills and expertise matrix at the end of this report. The assessment of the Board's skills and areas of expertise feeds into succession planning and the ongoing recruitment of Non-Executive Directors, with action being taken to address areas highlighted for strengthening.

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 core business of the Group. 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.

Tailored induction programmes were provided for Mark Godson, Mary Phibbs and Jim Brown during the year. An overview of Just's approach to Directors' inductions is contained in the Governance in Operation report. 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

During 2023, the Committee remained active in its consideration of Non-Executive Director succession, which has led to various changes to the Board composition. The Board monitors the tenure of the Directors to ensure that it plans sufficiently in advance for an orderly succession of 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 2023 including the appointment of Mark Godson as Group Chief Financial Officer, and Conor Breslin joined Just in early 2024 as the new Group Chief Digital Information Officer.

DIVERSITY, EQUITY, INCLUSION AND BELONGING

The Board's strategy reinforces Just's commitment to drive progress on all aspects of diversity, equity, inclusion and belonging with a pledge to build a culture at Just that has diversity, equity, inclusion and belonging at its core. The Board Diversity, Equity, Inclusion and Belonging Policy was reviewed by the Committee during the year and updated to reflect the Board's commitment to recognise and embrace the benefits of diverse Board Committees in line with updates to the requirements of Listing Rule 9.8.6. The Board Diversity, Equity, Inclusion and Belonging Policy outlines our commitment to hiring and developing diverse talent at all levels of the organisation.

APPOINTMENT OF MARK GODSON AS GROUP CHIEF FINANCIAL OFFICER

The Chair, assisted by the Senior Independent Director, Group Chief Executive Officer and Group Chief People Officer, led the process that resulted in the appointment of Mark Godson as the Group Chief Financial Officer.

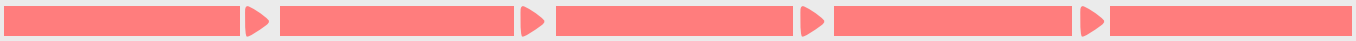
An in-depth market mapping exercise was undertaken by Russell Reynolds Associates ("RRA") to identify potential candidates in the market who were suitable for the role specification provided. RRA, which has no connection to the Company or any Director, produced a diverse longlist of candidates. The Committee requires search firms to ensure that longlists and shortlists are balanced from a diversity and inclusion perspective.

Following a number of first stage interviews, a shortlist of candidates undertook a leadership assessment exercise, which included a detailed interview process against the Just values and the technical and leadership competencies for the role.

The Committee considered the suitability of the preferred candidate for the role and recommended the appointment of Mark Godson, which was subsequently approved by the Board on 5 July 2023.

A tailored induction programme has been provided to Mark to ensure an orderly transition of the role from Andy Parsons who stepped down as the Group Chief Financial Officer on 1 December 2023 and retired as a Director on 31 December 2023.

BOARD RECRUITMENT AND SUCCESSION PROCESS



STAGE 1
Confirm objective of the process and the role specification

STAGE 2
Engage an external recruitment firm and set out process

STAGE 3
Assess how the specification can be met through a longlist

STAGE 4
Review technical and cultural fit to agree a shortlist

STAGE 5
Identify the preferred candidate to recommend to the Board

As at 31 December 2023, the Board met the three targets on Board diversity set out in Listing Rule 9.8.6. The Senior Independent Director is a woman and one Non-Executive Director is from a minority ethnic background. As set out in a table on diversity in the Directors' report on page 123, 50% of the Board and 20% of Executive Management are women.

The Committee fully supports Just's commitment to all aspects of diversity, including gender, race, sexuality, neurodiversity and disability, and welcomes the Group's strong progress with respect to gender and ethnic diversity since signing up to the Women in Finance Charter and Race at Work Charter.

EFFECTIVENESS

Board and Committee effectiveness

The annual review of Board effectiveness was facilitated by an independent external consultant, Boardroom Review Limited. The Committee considered and approved the proposed facilitator and the format and timeline of the evaluation exercise. Further information about the review and the conclusions can be found in the Chair's governance overview and Governance in Operation report.

The Committee conducted a review of individual Director effectiveness. This included considering their independence, length of service, other time commitments, attendance at regular and ad-hoc meetings, and feedback from the Group Chair on his assessment of their overall performance and effectiveness. The Senior Independent Director carried out the review for the Group Chair.

NOMINATION AND GOVERNANCE COMMITTEE REPORT continued

Independence and time commitment

In assessing the Non-Executive Directors' independence, the Committee noted the Code requirements, which states that the following circumstances may impair independence:

- serving more than nine years as a Non-Executive Director;
- has been an employee of the Company within the last five years;
- has had a material business relationship with the Company within the last three years;
- has received additional remuneration from the Company;
- has close family ties; and
- holds cross directorships with other Directors.

The Committee concluded that the independence of the Non-Executive Directors was not impaired. 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.

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 proprietary 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, balance of skills, knowledge and experience of the Board as well as taking into consideration the requirements of the UK Listing Rules.

The Committee and the Board believe 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, 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 monitored proposed changes to the Code and considered the potential implications to reporting requirements. It considered best practice around Director appointments and agreed on various enhancements to future recruitment processes.

PRIORITIES FOR THE YEAR AHEAD

The focus of the Committee for the year ahead is to strengthen the effectiveness of the Board's governance and oversight framework including continued enhancements to its oversight of Consumer Duty and sustainability matters. It will revisit the Board's role in the oversight of Just's culture and consider whether there are any opportunities to enhance future reporting to the Board. The Committee will also oversee the implementation of any changes required to Just's governance processes to ensure compliance with the new requirements in the Code published in January 2024.

On behalf of the Nomination and Governance Committee.

JOHN HASTINGS-BASS
Chair, Nomination and Governance Committee
7 March 2024

BOARD SKILLS AND EXPERTISE TO SUPPORT LONG-TERM SUCCESS

The skills and expertise matrix below sets out a high level of skills and experience that the Non-Executive Directors have assimilated outside of their Board role at Just. The collective position is enhanced by the innate differences in approach and thinking styles, which results from the diverse background and experience of each individual as set out in their biographies on pages 72 to 74.

■ Core skills ■ Secondary skills

	John Hastings-Bass	Jim Brown	Michelle Cracknell	Mary Kerrigan	Mary Phibbs	Kalpana Shah
Sectoral Experience						
Insurance / Financial Services	■	■	■	■	■	■
Actuarial			■	■	■	■
Pensions	■		■	■	■	■
Equity Release	■	■	■	■	■	■
Functional Expertise						
Customer Experience	■	■	■	■	■	■
Digital / Fintech	■	■	■	■	■	
Finance / Audit / Accounting	■	■	■	■	■	■
Mergers and Acquisition	■	■	■	■	■	■
Remuneration	■	■	■	■	■	■
Risk Management	■	■	■	■	■	■
Sustainability	■	■	■	■	■	■
Other						
Financial Services Regulation	■	■	■	■	■	■
Listed Board Experience	■	■	■	■	■	■

GROUP AUDIT COMMITTEE REPORT

MARY PHIBBS
Chair, Group Audit Committee

"I am pleased to present my report on behalf of the Group Audit Committee ("the Committee") for the year ended 31 December 2023. This report outlines the main activities and areas of focus during the year."

ROLE

The Committee is responsible for assisting the Board in discharging its responsibility for 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 responsible for the oversight of the work and effectiveness of the Group Internal Audit function and the external auditors.

The Committee considers the above matters from the perspective of the Company and each of the Group's principal 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 alongside other Committees, in particular the Group Risk and Compliance Committee ("GRCC"), with close co-operation 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.**

MEMBERSHIP

Mary Phibbs	Chair
Mary Kerrigan	Independent Non-Executive Director
Kalpana Shah	Independent Non-Executive Director

Paul Bishop retired as a Director and Chair of the Committee on 12 July 2023. From the conclusion of the Company's Annual General Meeting on 9 May 2023, Mary Kerrigan was appointed as a member of the Committee.

Committee meeting attendance can be found on **P82**.
Biographies of Committee members can be found on **P72–74**.

REVIEW OF THE YEAR

This is my first report as Chair of the Committee at Just Group. Firstly, I would like to thank my predecessor, Paul Bishop, for his commitment to the role before stepping down on 12 July 2023 when I took over. I have been a member of the Committee since 5 January 2023, and am pleased to have taken over as Committee Chair. I was also pleased to welcome Mary Kerrigan who joined as a member of the Committee with effect from 9 May 2023.

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 and includes 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.

The Committee held nine meetings during the year. 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 and met privately with each of the Group Chief Financial Officer, Director of Group Internal Audit, and the external auditor without executive management being present during the year to give them the opportunity to discuss any matters confidentially. The Committee received briefing sessions throughout the year on a number of relevant areas including Solvency II, implementation of the new IFRS 17 insurance accounting standard, longevity, and property assumptions, all of which were led by management's subject matter experts.

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 had decided to focus on. Regular reporting was received from Group Internal Audit and the external auditor as outlined later in this report.

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

Financial reporting

In 2023 and to date in 2024, the Committee:

- oversaw the implementation of the IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments" accounting standards by the Group and its insurance subsidiaries;
- reviewed the changes in the Group's accounting policies for insurance contracts, including associated significant judgements;
- reviewed the transition approach applied on adoption of IFRS 17 including the restatement of the opening balance sheet and 2022 results;
- reviewed the existing 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 they are to be disclosed within the Annual Report and Accounts;
- reviewed the changes in APMs and KPIs on adoption of IFRS 17;
- considered the findings from the FRC's thematic review of IFRS 17;
- reviewed the assumptions critical to assessing the value of assets and liabilities, in particular insurance liabilities and LTMs;
- 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 2023;
- reviewed 31 December 2023 Group Annual Report and Accounts and the half-year statements to 30 June 2023;

GROUP AUDIT COMMITTEE REPORT continued

- assessed whether the Group Annual Report and Accounts, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's performance, business model and strategy, and concluded that they were; and
- oversaw the preparation and reviewed the Group's 2023 Solvency II reporting including the Group-wide Solvency and Financial Condition Report ("SFCR"), the Summary Group and Solo Regular Supervisory Report 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 constructive challenge and professional scepticism that its role required throughout the year.

The Committee was pleased to advise the Board that the judgements and assumptions were appropriate and that the Group Annual Report and Accounts were fair, balanced and understandable, and provided the necessary information for shareholders to assess the Group's position, prospects, business model and strategy.

Accounting standards

The new accounting standard for insurance contracts "IFRS 17" was introduced during 2023 following the successful implementation and transition from the previous standard IFRS 4. The Committee reviewed draft disclosures of IFRS 17 data in the IFRS 17 updates released in February and July 2023, and the Group Interim announcement and Group Annual Report and Accounts. The Committee also monitored the resilience of 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 2023 Group Annual Report and Accounts, and how these were addressed, are set out in the following table.

SIGNIFICANT JUDGEMENTS	APPROACH	ACTION BY THE COMMITTEE
IFRS 17 transitional approach	In determining the transitional approach for the Group's in-force insurance contracts on adoption of IFRS 17, an assessment of impracticability of applying the fully retrospective approach was performed.	The Committee reviewed management's impracticability assessment and concluded that it was appropriate to apply the fully retrospective approach only for insurance contracts written after 1 January 2021. The fair value approach will be applied to insurance contracts written prior to 2021.
Selection of discount rate for insurance and reinsurance contracts	Judgement was applied in determining the approach for selection of the rate used to discount insurance contracts. This included selecting the appropriate reference portfolio of investment assets.	The Committee reviewed the methodology approach for discount rates applied on adoption of IFRS 17. The Group has elected to calculate discount rates based on a top-down approach using a reference portfolio of the actual investments backing the insurance contracts net of reinsurance and also on allowance for deductions for credit risk. On policy inception the contractual service margin ("CSM") is calculated based on the yields from a reference portfolio of the current target portfolio mix in accordance with the investment strategy. Interest is accreted on the CSM using a weighted average discount rate curve.
Determination of coverage units	Determination of coverage units for the release of CSM to profit and loss involved assessment of the pattern of delivery of insurance services over the terms of insurance contracts.	The Committee reviewed the methodology approach for determination of coverage units on adoption of IFRS 17. The Group weights coverage units across different phases on contracts using the probability of the policy being in force in each time period. Coverage units are based on annuity payments for pensioners and investment returns for deferred DB scheme members.
Calibration of the risk adjustment	The risk adjustment for non-financial risk is calibrated based on management's judgement of the level of compensation that the Group requires in exchange for bearing the risk of uncertainty associated with selling insurance contracts over the policy term.	The Committee has reviewed the assessment by management. It agreed that the calibrated risk adjustment was appropriate. The risk adjustment applies a 70% level of confidence that the longevity, expense and insurance contract specific operational risks will be covered by the liabilities when viewed over the lifetime of the contracts.
Financial assets – valuation method	For financial assets not held in an active market and where a listed price is not available, determination of the appropriate valuation method requires judgement.	The Committee noted that for illiquid assets such as commercial mortgages, infrastructure loans and long income real estate, an assessment of the extent of use of unobservable inputs in the valuation is made and management has applied appropriate judgement in determining the valuation technique.

SIGNIFICANT JUDGEMENTS	APPROACH	ACTION BY THE COMMITTEE
Measurement model for Lifetime Mortgages	A key feature of Just's Lifetime Mortgages ("LTMs") is the No-Negative Equity Guarantee (NNEG). Determination of the appropriate measurement model to measure the fair value of these contracts requires significant judgement.	The Committee noted that in line with industry practice, the Group continues to apply a variant of the Black-Scholes option pricing formula with real-world assumptions to determine the fair value of the NNEG component of LTMs. The Group has selected 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.
Longevity assumptions	Assumptions regarding the length of time that Retirement Income and LTM customers are expected to live are key assumptions when valuing the Group's insurance liabilities and LTM assets.	Longevity assumptions are a key area of focus for the Board and the Committee. The expected impact on future mortality rates over the short and long term was considered. Mortality experience has been highly volatile and at times significantly higher in aggregate than expected since March 2020 because of the COVID-19 pandemic. There is some evidence that the outlook is stabilising; with insights emerging since mid-2021 strongly suggesting that the pandemic will have enduring, direct and indirect influences on future mortality experience. From 31 December 2023, the explicit allowance for the impact of the pandemic on future mortality experience was revised to reflect the change in the Group's estimates in light of the emerging evidence of the future impacts of COVID-19 infections and continuing and likely long-lasting disruption to healthcare services.
Property assumptions used to value the Group's Lifetime Mortgages	The values of the Group's LTMs are reliant on a range of assumptions, of which the key ones are future house price growth and house price volatility. These assumptions determine the expected shortfall of the house value compared with the outstanding LTM balance on redemption that is covered by the NNEG which is given to all LTM customers.	The Committee reviewed the key assumptions including detailed analysis from management. Whilst there is uncertainty over the extent of short-term property valuation changes, 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 2022 year end.
Solvency II Matching adjustment / IFRS Credit default assumptions	The matching adjustment is a mechanism prescribed in the Solvency II Directive that allows the Group to adjust the relevant risk-free interest rate term structure for the calculation of a best estimate of a portfolio of eligible insurance obligations. Under IFRS, the Group reduces gross yields by a credit default assumption to allow for both expected and unexpected credit default losses.	The Committee concluded it was appropriate for the IFRS methodology to remain unchanged from the 2022 year end.
Valuation of residential ground rents	Judgement was applied in determining the appropriate adjustment to the market value of the Group's portfolio of residential ground rents in light of the uncertainty introduced by the Government consultation regarding residential ground rents.	The Committee reviewed management's assessment of the estimated impacts of the range of scenarios described in the Government's consultation regarding residential ground rents, and the possibility of an outcome other than one of the five options considered. The Committee considered management's approach to estimating the fair value of the Group's investment in residential ground rents and reviewed the disclosure within the Annual Report in light of the significant uncertainty regarding the conclusion of the consultation. The Committee concluded that the adjustment to the fair value in light of the uncertainty was appropriate and was satisfied with the disclosures made.

GROUP AUDIT COMMITTEE REPORT continued

Alternative performance measures

The Committee reviewed the changes in APM and KPIs on adoption of IFRS 17. The Committee considered the APMs and KPIs and concluded that they were 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 and the FRC.

Going concern

As part of the assessment of going concern and longer-term viability for December 2023, the Committee considered factors including a fall in property prices from the business plan, additional downgrades, a reduction in interest rates, and other uncertainties which may impact the Group including a scenario of the worst case outcome of peppercorn rent from the Government consultation regarding the restriction of ground rent for existing residential leases.

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 and liquidity stresses; eligible own funds being in excess of minimum capital requirements in stressed scenarios; further credit downgrades and property fall sensitivity; interest rate sensitivity; availability of Transitional Measures on Technical Provisions ("TMTP") recalculation; 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 2023 and the forecast regulatory solvency position calculated on a Solvency II basis, which includes adverse scenarios.

Regulatory reporting oversight

The Committee received regular updates on the Group's regulatory reporting matters, including the oversight and preparation of the Group's annual SFCR.

The Committee has responsibility for overseeing the recalculation of TMTP. During the year, it reviewed and approved changes to the TMTP methodology for inclusion in the SFCR at 31 December 2023 to reflect refinements in the methodology. There was regular engagement with the PRA on the changes proposed to the TMTP and other matters affecting reporting during the year.

The implementation of Solvency II in practice has continued to evolve and is expected to do so in the future. Following the UK's withdrawal from the European Union, the UK Government has been working with regulators to adapt the UK's financial services regulatory framework to the UK's position outside of the EU. Reforms to Solvency II, to be known as Solvency UK, will be delivered through a combination of legislation and PRA rules.

The Committee reviewed the changes to the Solvency II position arising from the reform to Risk Margin, legislation for which came into force as of December 2023.

Following the issue of major consultations in 2023 by the PRA on simplification and flexibility in CP12/23 and investment flexibility, including matching adjustment, in CP19/23, the corresponding policy statements are expected to be issued in the first half of 2024. Once the policy statements are published, the Committee will consider if any changes are required to the Solvency II position.

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 implementation of the new General Ledger, Financial Reporting Controls Framework and Treasury transformation and automation initiatives, which together, were designed to enhance controls and create scalable Finance systems that deliver increased value for the business.

EXTERNAL AUDIT

Appointment

The Company's external auditor is PwC. 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 fourth 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 2024 Annual General Meeting on 7 May 2024 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 reviewed regular reports from PwC and 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 between the lead audit engagement partner and the Chair of the Committee on a regular basis.

In 2023 and to date in 2024, the Committee:

- reviewed the 2023 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;
- received an update from the external auditor on their review of year two of mandatory reporting under the UK Listing Rules, the Task Force on Climate-related Financial Disclosures ("TCFD");
- 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 2023 Annual Report and Accounts and any non-audit services;
- considered the minimum standards for Audit Committees, noting the focus on greater market diversity; 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 received a detailed audit plan from PwC, identifying its assessment of the key risks. For the 2023 reporting period the significant risks identified were broadly in line with those in 2022. The key risks identified were: Valuation of insurance liabilities (mortality assumptions, expense assumptions, credit default assumptions, and judgements and models relating to the implementation of IFRS 17), valuation of level 3 investments, recoverability of investments in subsidiaries by the Company, calculation of the Solvency II matching adjustment, management override of controls and fraud in revenue recognition. The significant judgements made in connection with these risks are set out in the table on pages 92 and 93.

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 2023 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 and delivered effectively. The Committee concluded that PwC had demonstrated a depth of knowledge, as well as an appreciation of complex issues, whilst providing constructive, independent and objective challenge to management.

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 £3.2m (2022: £3.7m). The value of non-audit services during the year amounted to £0.74m (2022: £0.7m), comprising:

	£m
Audit-related assurance services (interim review & Subscription to PwC Viewpoint accounting manual)	0.2
Audit of the Solvency Financial Condition report ("SFCR")	0.54

The ratio of non-audit services to audit services fees was 1:5.3. Non-audit services of £0.54m were provided during 2023 in relation to the audit of the SFCR. A further £0.2m of non-audit services were provided in relation to the review of the Group's interim report and Just subscription to PwC's Viewpoint accounting manual.

Non-audit services for 2023 were similar to the previous year. The non-audit services were 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 received and reviewed written confirmation that PwC had 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 had also concluded that the independence was 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 also appointed other accountancy firms to provide certain non-audit services in connection with internal audit, controls, governance, tax and regulatory advice, and with regard to the implementation of IFRS 17. An analysis of auditor remuneration is shown in note 3 to the consolidated financial statements. The Committee approved PwC's remuneration and terms of engagement for 2023 and remained satisfied with the audit quality and that PwC continued 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, Compliance and Actuarial Assurance, which oversee the first line, ensuring 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 Group 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 that are overseen by the appropriate Management Committees; 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.

GROUP AUDIT COMMITTEE REPORT continued

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 included updates on audit activities, progress of the Internal Audit plan, the results of all audits with a particular focus on any unsatisfactory audits, and the action plans to address those areas. Monitoring and reviewing the scope, extent and effectiveness of the activity of the Group Internal Audit team was regularly reviewed by the Committee.

In 2023, the Committee:

- continued to oversee the Group Internal Audit function with the Director of Group Internal Audit reporting directly to the Committee Chair;
- held private discussions with the Director of Group Internal Audit during the year;
- approved the appointment of an acting Head of Internal Audit while the Group undergoes recruitment of a permanent replacement of the Director of Group Internal Audit who left the Group on 31 December 2023;
- considered and remained satisfied that the Group Internal Audit function remained appropriately resourced;
- oversaw the engagement of EY and Grant Thornton to work with the Group Internal Audit function on the combined internal audit assurance work to complete the audit plan for 2023;
- 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;
- reviewed and approved the Just Group Internal Audit Independence and Objectivity Policy;
- reviewed and approved the Just Group Internal Audit Charter, which is available to view on the Group's website; and
- reviewed and approved the Internal Audit calendar for 2023.

Outside the formal Committee process, the Committee Chair regularly met with the Director of Group Internal Audit and is accountable for the setting and appraisal of their 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 those actions.

The Chartered Institute of Internal Auditors' standards require that an External Quality Assessment ("EQA") of the Internal Audit function is carried out every three to five years. The Committee oversaw the appointment of Deloitte LLP who performed an EQA in May 2023 which assessed the function against the Chartered Institute of Internal Auditors' standards with an overall rating of Partially Conforms, which judged practices to have deviated from the Standards, but the deficiencies did not preclude the Internal Audit function from performing its responsibilities. A quality assurance and improvement plan was developed by the Group Internal Audit function with a number of deliverables already completed or in progress. The Committee continues to receive regular updates on achievement of agreed milestones.

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 received regular updates on any concerns identified and, where appropriate, what action had been taken to address the issues raised. The Committee received a report on two whistleblowing disclosures received during the year which related to potential fraud and regulatory-related concerns. The Committee noted the steps taken by the Group Company Secretary to investigate the concerns and considered whether the framework remained fit for purpose, from which it was satisfied that there were no material issues.

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

On behalf of the Group Audit Committee

MARY PHIBBS
Chair, Group Audit Committee
7 March 2024

GROUP RISK AND COMPLIANCE COMMITTEE REPORT

KALPANA SHAH
Chair, Group Risk and Compliance Committee

I am pleased to present my report on behalf of the Group Risk and Compliance Committee (the "Committee") for the year ended 31 December 2023. This report outlines the key areas of focus and main activities carried out during the year.

ROLE

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 an important 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. The Committee also oversees regulatory compliance matters.

The Committee is responsible for considering the above matters from the perspectives of the Company and each of the Group's life companies, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"), as well as from the perspective of any other Group entity as appropriate. The Committee works closely with other committees, in particular the Group, JRL and PLACL Audit Committees, and the JRL and PLACL Investment Committees. The cross membership between Board Committees promotes a good understanding of issues and efficient communication.

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

MEMBERSHIP

Kalpana Shah	Chair
Jim Brown	Independent Non-Executive Director
John Hastings-Bass	Chair of the Board
Mary Phibbs	Senior Independent Director

At the conclusion of the Company's Annual General Meeting on 9 May 2023, Paul Bishop and Ian Cormack retired as members of the Committee. Mary Phibbs and Jim Brown were appointed as members of the Committee on 5 January 2023 and 1 November 2023, respectively.

Committee meeting attendance can be found on **P82**.
Biographies of Committee members can be found on **P72–74**.

REVIEW OF THE YEAR

Eight scheduled meetings were convened during 2023. Four of the 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. A further two scheduled meetings were held on a nested basis with the JRL and PLACL Investment Committees ("Nested meetings"). The purpose of the Nested meetings is to review investment activities to ensure they are within risk appetite, and to consider and challenge any proposed changes to the investment risk frameworks.

The Chair of the JRL and PLACL Boards, 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 and the Board concluded that the Committee was effective. 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 assesses its compliance with its terms of reference annually.

The Committee follows an annual rolling forward agenda with various standing items considered throughout the year in addition to other focus areas as outlined in more detail in the next section. A report from the Group Chief Risk Officer is considered at six scheduled meetings, and a report from the Director of Financial Risk outlining investment risk-related concerns is reviewed at each scheduled Nested meeting. Own Risk and Solvency Assessment ("ORSA") reports and updates, compliance oversight reports, conduct and customer risk dashboards, and updates on regulatory developments and cyber security risk strategy are received on a quarterly basis or more frequently 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 proposed changes during the course of the year.

GROUP RISK AND COMPLIANCE COMMITTEE REPORT continued

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 received reports on activity to enhance the documentation of the control environment over core risks (other than financial reporting) to ensure the Group's activities continue to evolve in line with leading practice. Separate updates on the financial reporting controls 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, the Risk Function and Group Internal Audit provided an update on the completeness of key controls and an outline of the assurance activities that were being undertaken throughout 2023 to assess the effectiveness of the overall controls framework. The findings of this assessment will be presented to the Committee in 2024 including any concerns that require further attention.
RISK CULTURE	During the year, the Committee received an update on risk culture which included management information on the key risk indicators and observations from the Group Risk function, which facilitated a constructive discussion on positive developments and areas requiring more focus by the business. Work is underway to determine how the Group's culture and people metrics and associated key performance indicators need to be developed to explicitly reflect the delivery of good customer outcomes under Consumer Duty regulation. The Committee will consider the outcomes of this work and the reporting requirements in 2024. The Committee received updates on risk events and breaches, and considered the controls assurance processes in place to investigate risk events during the year. The Committee was satisfied that, overall, there is a healthy risk culture of reporting risk events and breaches, and that processes are in place to address any weaknesses identified as part of ongoing monitoring and oversight.
ORSA	The Own Risk and Solvency Assessment (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 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 main risks it faces. The Committee considered the Group's readiness to operate effectively in an uncertain environment, the sustainability of the Group's business model and Just's ability to recover from various stress events. It considered and agreed recommendations from the Risk function to enhance the ability of the Group to address and withstand the risks identified and they will be monitored to ensure they are implemented effectively. The Committee also received regular updates on the Group's evolving risk profile for review and discussion throughout the year. This included an in-depth review of the operational risk appetite tolerances and key risk indicators to ensure that the measurement of risk was appropriate and reflected the size and growth ambitions of Just. Further details of the Group's principal risks can be found on pages 66 to 69.
RECOVERY AND RUN-OFF PLANS	The Committee receives 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 2023, 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 the impact on capital and liquidity. When considering the main execution risks of the Run-Off Plan, the Committee was supportive that the scenarios were 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	Following a comprehensive review in 2022, the Committee considered the continued appropriateness of the capital, liquidity and operational risk appetites, against which the Business Plan and strategy are assessed, and concluded that the overarching risk appetite statements and overall risk limits should remain unchanged in 2023. The Committee agreed to change the risk preference for traded (derivatives and securities financing) counterparty risks to align it with similar risks, which was subsequently approved by the Group Board. The Committee considered the completeness, adequacy and consistency in approach applied to the operational risk appetite statements, and approved proposed changes to the risk taxonomy and categories, which will be reflected in the enterprise risk management framework in 2024. During the year, the Committee reviewed the challenges and lessons learnt in managing the dynamic relationship between Solvency II capital and IFRS equity exposures to protect shareholder value, including a case study on interest rate management. The discussions led to a proposal to set appetites for financial risks to IFRS equity under IFRS 17. The Committee was supportive of the proposal, which was subsequently approved by the Group Board.
INVESTMENT RISK OVERSIGHT	The Nested meetings of the Committee considered proposed changes to the investment risk frameworks and investment limits during the year. There was also a discussion on the risks related to the purchase of gilts to support interest rate management of Solvency and IFRS metrics, and how these risks were mitigated. A focus area in 2023, which will continue in 2024, is the oversight of the ongoing development of enhanced credit risk metric measures to support portfolio management and regulatory developments more effectively.

MATTERS CONSIDERED	HOW THE COMMITTEE ADDRESSED THE MATTER
OPERATIONAL RESILIENCE	
OPERATIONAL RESILIENCE FRAMEWORK	The Committee considered a self-assessment, which described Just's operational resilience at a specific date and included an overview of lessons learnt from testing that had been conducted, and future remediation and test plans scheduled to ensure ongoing operational resilience. As part of this review, the Committee considered and agreed changes to the impact tolerances for various important business services to ensure they are reasonable for the Group to operate safely and soundly to protect our customers in the event of a material disruption to business operations.
CYBER SECURITY AND DATA PROTECTION	During the year, the Committee enhanced its oversight of the Group's information security strategy, including cyber security, and kept abreast of the steps being taken to attain an industry recognised accreditation for information security management. In addition to receiving regular reporting on cyber security developments, the Committee engaged on data risks, with particular focus on the risks associated with the use of third party administrators, and it considered the steps taken by Just to ensure that appropriate governance oversight processes and controls are in place to mitigate the risks. The Committee also considered changes to the information security and data protection key risk indicators which were made to ensure they remain appropriate for the identification and measurement of these risks.
SUSTAINABILITY	
CLIMATE CHANGE	During 2023, the Nested meetings of the Committee received updates on the Responsible Investment Framework and the transition plan to meet the climate-related commitments set by the Group Board, including the specific target for scope 3 emissions to reduce by 50% by 2030 and achieve net zero by 2050. 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. This will remain an important focus area for the Committee in 2024 and beyond. During the year, the Committee also considered responsibilities for the management and oversight of sustainability. The Committee noted that there was appropriate accountabilities and oversight across the various environmental, social and governance elements of the sustainability framework to manage and mitigate sustainability-related risks.
SOLVENCY II	
INTERNAL MODEL	The Committee received an update on the Internal Model validation plan and developments in 2023 including risks to their delivery. Proposed changes to the approach taken by PLACL to calculate its regulatory capital requirement, which was aligned with the Group's view of the underlying risk to PLACL, were considered and recommended to the Board for approval. As part of the approval process, the Committee considered the governance process followed when developing the proposed changes, regulatory expectations and the Group Chief Risk Officer's opinion on the proposals. The Committee also received a report from the Group Chief Actuary, which summarised the validation work carried out on the JRL Internal Model during the year and conclusions of the validation performed. The report also summarised the validation work on the proposed changes to the calculation of PLACL's regulatory Solvency Capital Requirement carried out in 2023 and outlined further work planned for 2024.
COMPLIANCE, CONDUCT AND REGULATORY RISK	
COMPLIANCE OVERSIGHT	In 2023, the Committee received regular updates on the Group's oversight of prudential and conduct risks, and financial crime issues. It also approved the compliance monitoring programme, including various changes requested throughout the year, and provided oversight of the findings from the reviews completed during the year. The Committee considered findings from various regulatory thematic reviews including the FCA's review of advice processes for lifetime mortgages and noted the actions being taken to ensure the Group continues to meet regulatory expectations.
CONDUCT AND CUSTOMER RISK	The Committee regularly reviews and challenges management's view of conduct and customer risks across the Group. During the year, the Committee continued to provide oversight on the programme of work to update the conduct and customer risk framework to ensure that consumer outcomes are properly considered. The conduct and customer risk dashboard presented to the Committee has evolved to include a number of new metrics and there will be further enhancements in 2024 to reflect evolving Consumer Duty requirements.
REGULATORY RISK	The Committee receives regular updates on general and specific regulatory developments relevant to the Group and the actions being undertaken by management in response. During 2023, there continued to be a high level of regulatory activity as covered in more detail in principal risks and uncertainties on page 67.

On behalf of the Group Risk and Compliance Committee

KALPANA SHAH
Chair, Group Risk and Compliance Committee
7 March 2024

DIRECTORS' REMUNERATION REPORT

MICHELLE CRACKNELL
Chair, Remuneration Committee

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2023.

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 Committee is made up of Michelle Cracknell, John Hastings-Bass, Jim Brown and Mary Phibbs. Jim Brown was appointed an 1 November 2023.

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.**

MEMBERSHIP

Michelle Cracknell	Chair
John Hastings-Bass	Chair of the Board
Mary Phibbs	Senior Independent Non-Executive Director
Jim Brown	Independent Non-Executive Director

At the conclusion of the AGM on 9 May 2023, Ian Cormack retired as a member of the Committee and Michelle Cracknell was appointed Chair.

The Committee comprises three independent Non-Executive Directors and the Group Chair, who was independent on appointment.

Committee meeting attendance can be found on **P82**.
Biographies of Committee members can be found on **P72–74**.

UNDERLYING OPERATING PROFIT[1]

£377M

2022: £257m

IFRS PROFIT/(LOSS) BEFORE TAX

£172M

2022: £(494)m

NEW BUSINESS PROFIT[1]

£355M

2022: £266m

ORGANIC CAPITAL GENERATION[1]

£126M

2022: £139m

RETURN ON EQUITY[1]

13.5%

2022: 10.3%

1 Alternative performance measure.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

This is my first report as chair of the Remuneration Committee at Just Group. Firstly, I would like to thank my predecessor, Ian Cormack, for his commitment to the role before stepping down at the 2023 AGM when I took over the role. I have been an Non-Executive Director since 1 March 2020 and member of the Committee since 14 May 2020, and was pleased to take over as Committee Chair with effect from the conclusion of the 2023 AGM.

The Company's directors' remuneration policy was renewed at that AGM with over 95% of shares voted in favour, both for the new policy and for the annual advisory vote on the Remuneration report.

In terms of Company performance during 2023, the business has faced a number of challenges as a result of an uncertain global and domestic macro-economic climate, heightened geo-political uncertainty and domestic monetary policy undertaken by the Bank of England 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 2023.

Shareholder funded sales in 2023 were up 24% to £3.9bn, driven by growth in DB sales which were up 17% to £3.0bn. This was as a result of completing 80 DB deals which is well ahead of the 56 transactions in 2022. Underlying operating profit increased by 47% helped by higher new business and in-force profit, and lower financing costs.

Alongside the good progress being made on the financial business priorities, the Group has continued to build strong engagement levels as reported in the colleagues and culture section page 50, 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).

Committee meeting attendance can be found on page 82. Biographies of Committee members can be found on pages 72 to 74. We have shared the work of the Committee and information on remuneration with Board members and colleagues throughout the year. Sessions with colleagues 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 2023

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;
- approval of the grant of the 2023 awards and performance conditions under the Long Term Incentive Plan ("LTIP");
- approval of the grant of share options under the all-employee Sharesave scheme ("SAYE");
- assessment of the performance of the Executive Directors against the 2023 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 2024;
- 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 2023

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 2023, the strategic measures within the scorecard for the Group STIP were changed to reflect the focus on profitable and sustainable growth. 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 2023. David Richardson and his team have delivered a strong set of results in 2023, demonstrated by the STIP outturn of 100% 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 2023 of 4.5% for the CEO and the CFO, against an average increase received by other employees (excluding promotions and joiners shortly prior to year end of 6.0%. 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.

It was decided that no one-off payments should be made in relation to cost of living in 2023. This was in response to the support provided in 2022 and the sharp fall in the rate of inflation. The business did however continue to provide support to employees in short-term financial difficulty in the form of access to salary advances and interest-free loans.

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 106 details the targets and outcomes relating to 2023. For performance in 2023 the Committee approved awards for David Richardson at 90% and Andy Parsons at 80% 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 outturn. 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.

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 2023. 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 107.

Financial performance measure	New business profit	Underlying operating profit	New business strain
Weighting	40%	30%	30%
Outturn	£355m	£377m	0.9%
Achievement	40%/40%	30%/30%	30%/30%

Strategic performance measure		Customer	People
Achievement[1]		(0.9)%	1.9%
Adjustment		–	–
Aggregate Scores	Corporate outturn	100.0%	
	Moderated outturn	100.0%	

Outturn	Award level	Difference from maximum[2]
David Richardson	90%	-10%
Andy Parsons	80%	-20%

1 The strategic performance measures did not affect the financial outturn of 100% due to reaching the limit on the corporate outturn of 100%.

2 Outturn includes the impact of personal performance, see page 107.

DIRECTORS' REMUNERATION REPORT continued

Long Term Incentive Plan

As reported in last year's report, in March 2023, awards under the LTIP were made to David Richardson and Andy Parsons over shares worth 200% and 175% of base salary respectively. These LTIP award measures included organic capital generation at a weighting of 15%, total shareholder return ("TSR") performance compared with the constituents of the FTSE 250 at 25%, return on equity at 45% and environmental, social and governance ("ESG") performance at 15% of the LTIP.

The LTIP awards made in 2021 are due to vest in March 2024 with reference to performance to 31 December 2023. The TSR performance condition was achieved at 100%, the adjusted EPS condition was achieved at 100%, and organic capital generation was achieved at 95%. Therefore 98% of the 2021 LTIP awards will vest in March 2024.

The Committee felt that outturns under the LTIP in respect of 2023 were appropriate and did not exercise discretion.

CHANGE OF CFO

During the year, Andy Parsons decided to retire as our CFO. He continued in role until 1 December 2023 when he was succeeded by Mark Godson. Andy continued to serve on the Board and as an Executive Director until his retirement on 31 December 2023.

Andy continued to receive his normal remuneration for 2023 and, on retirement, is regarded as a good leaver under our remuneration policy. He receives a bonus for 2023 in the normal way (including 40% being deferred into shares for a further three years) and will retain his outstanding LTIP and Deferred Bonus share awards until their normal maturity with the LTIP awards subject to performance assessment at that time. Consistent with good practice, the LTIP awards will be further reduced to reflect time pro-rating for the period not worked. He will also be required to retain shares for a period of two years post-retirement in accordance with the policy. He has not received any termination payments.

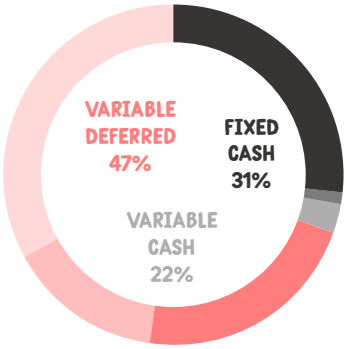
Mark Godson joined the Group as CFO Designate on 6 November 2023 and joined the Board and became CFO with effect from 1 December 2023. His package is set moderately below that of his predecessor's with a starting salary of £400,000 and from 2024 onwards a bonus and LTIP opportunity of 150% of salary (compared with 150% and 175% respectively for his predecessor). It is anticipated that his salary and LTIP opportunity will increase as he becomes more experienced in his role.

IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2024

The policy was approved at the 2023 AGM with 95% support from shareholders and is felt to continue to serve the Company well. 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.

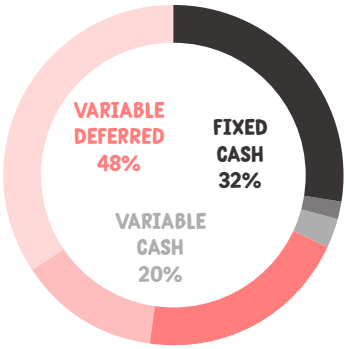
The Committee agreed that David Richardson would receive a salary increase with effect from 1 April 2024 of 10%. He has now served as CEO for five years and is considered high performing and fully experienced. At the time of his appointment it was envisaged that his salary would be aligned with that of his predecessor (£680k in 2019) as he grew into the role. The impact of COVID slowed down the Committee's decision which has been implemented now to reflect the strong financial footing which the Company has achieved. As Mark Godson had only recently joined the Company, he was not considered for a similar increase. The CEO's increase is above 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 4.5%, with individual increases varying within a range, depending on a number of factors. Having considered both external benchmark data and relative pay levels across the Company, the Committee considers this increase to be appropriate.

SUMMARY OF REMUNERATION FOR DAVID RICHARDSON IN RESPECT OF 2023



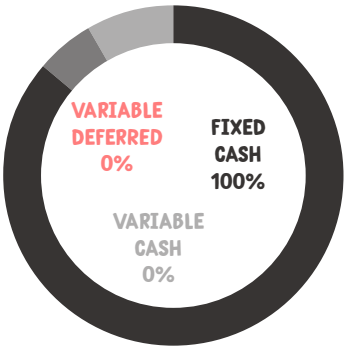
	(£000)
Salary	630
Benefits	28
Pension	63
STIP – cash	515
STIP – deferred	344
LTIP	776

SUMMARY OF REMUNERATION FOR ANDY PARSONS IN RESPECT OF 2023



	(£000)
Salary	437
Benefits	24
Pension	44
STIP – cash	318
STIP – deferred	212
LTIP	540

SUMMARY OF REMUNERATION FOR MARK GODSON IN RESPECT OF 2023



	(£000)
Salary	63
Benefits	4
Pension	6

The remuneration figures for Mark Godson are from his appointment date as CFO Designate on 6 November 2023.

A decision was taken not to take a tiered approach to budget allocation for this year's pay review. This was in response to the improving economic situation, notably slowing inflation. Whilst the potential for an economic downturn persists due to ongoing geo-political uncertainty the case to revert to a flat approach was deemed appropriate. The Committee have increased the organic capital generation target for 2021 due to IFRS17 and strategic costs. The organic capital targets for the 2022 and 2023 targets have also been increased to reflect IFRS17 and strategic costs and in addition the 2022 organic capital outturn will be adjusted to reflect the ambitious growth targets set by the board and the impact on organic capital generation.

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.

The Committee anticipates making awards under the LTIP over shares worth 200% of salary to David Richardson and 150% of salary to Mark Godson in 2024.

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 2024, there have been some changes to measures:

- We have replaced Organic Capital Generation with Cash Generation so that this metric aligned to strategic objectives is not constrained by new business growth.
- Including the investment emissions target which aligns to an already existing external commitment made by Just. The main impact that Just can make on the environment is through its investments.

For the 2024 STIP performance year, there will continue to be three performance measures focusing on profitable growth. The Committee has approved the following:

- Group STIP: The structure remains unchanged from 2023.
- For the Business units: A new additional adjuster has been approved for 2024, which is to now have a strategic customer measure for each business unit. The bonus pool is to be created based on 50% of Group performance, and 50% on the performance of the respective business unit. The business unit performance is calculated by applying the business unit financial performance modifiers first and then this is further adjusted by the +/-15% business unit strategic customer modifiers. If the business unit outturn is already at maximum this can only be a neutral or downward adjustment.

Chair'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 resolution at the AGM on the Directors' Remuneration Report (excluding policy summary).

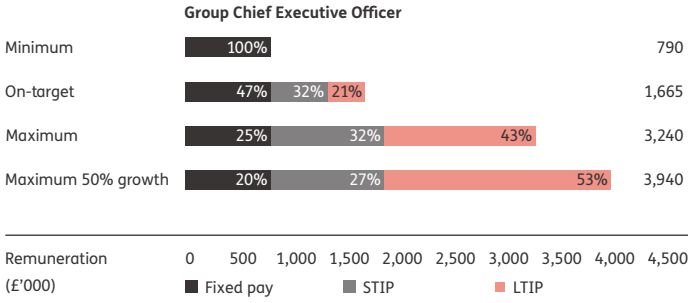
MICHELLE CRACKNELL
Chair, Remuneration Committee
7 March 2024

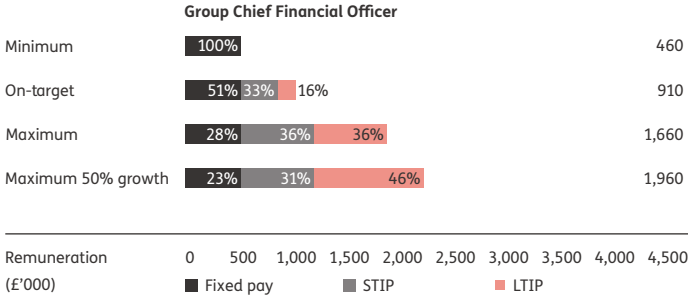
COMPONENTS OF REMUNERATION

Illustration of 2024 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 37.5% 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 150% 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 150% of salary for the CEO and CFO respectively) and 50% share price growth on the LTIP





Considering the policy

The Committee continues to consider the policy against 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.

DIRECTORS' REMUNERATION REPORT continued

As set out in the UK Corporate Governance Code, the 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 2024 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. Putting customers first is central to Just's mission and the Remuneration Committee ensures that its pay programs are consistent with this objective and do not inadvertently encourage participants to behave contrary to this core value.

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 Committee engaged with its largest shareholders and the main proxy advisory firms as part of the policy renewal process.

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

ANNUAL REPORT ON REMUNERATION

This report describes the 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 2023.

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)

	Salary/fees		Taxable Benefit		STIP		LTIP[3,4]		Pension		Other[5]		Total		Total fixed remuneration		Total variable remuneration	
£000	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
David Richardson	630	606	28	30	859	685	776	1,352	63	61	–	–	2,356	2,734	721	697	1,635	2,037
Andy Parsons	437	421	24	26	530	476	540	940	44	42	177	296	1,752	2,201	682	489	1,070	1,712
Mark Godson[1]	63	–	4	–	–	–	–	–	6	–	–	–	73	–	73	–	–	–
Paul Bishop[2]	42	80	–	–	–	–	–	–	–	–	–	–	42	80	42	80	–	–
Jim Brown[2]	10	–	–	–	–	–	–	–	–	–	–	–	10	–	10	–	–	–
Ian Cormack[2]	30	85	–	–	–	–	–	–	–	–	–	–	30	85	30	85	–	–
Michelle Cracknell	74	60	1	1	–	–	–	–	–	–	–	–	75	61	75	61	–	–
John Hastings-Bass	200	200	–	1	–	–	–	–	–	–	–	–	200	201	200	201	–	–
Mary Kerrigan[7]	75	69	1	–	–	–	–	–	–	–	–	–	76	69	76	69	–	–
Mary Phibbs[2]	75	–	1	–	–	–	–	–	–	–	–	–	76	–	76	–	–	–
Kalpana Shah	80	80	–	–	–	–	–	–	–	–	–	–	80	80	80	80	–	–

1 Mark Godson was appointed as Executive Director of the Company with effect from 1 December 2023 and his remuneration for 2023 represents his salary, benefits and pension from when he joined the Group as CFO Designate on 6 November 2023.

2 Jim Brown was appointed as a Non-Executive Director of the Company with effect from 1 November 2023 and his remuneration for 2023 represents his fees from this date. Mary Phibbs was appointed as a Non-Executive Director of the Company with effect from 5 January 2023 and her remuneration for 2023 represents her fees from this date. Ian Cormack and Paul Bishop stepped down from the Board as Non-Executive Directors on 9 May 2023 and 12 July 2023 respectively. Their remuneration for 2023 represents fees up to these dates.

3 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 2023 amounts in the table represent the outcome of the 2021–2023 LTIP scheme. This scheme was earned but did not vest during 2023. The estimate of value vesting represents vesting of 98% of maximum based on achievement of performance conditions. For the purposes of valuation, the amounts have been estimated based on a share price of £0.7921 (the average share price from 1 October to 31 December 2023) plus any dividend equivalents on that scheme. This estimate will be updated to reflect the actual valuation in next year's report. The share price used for this estimate represents a decrease of 15.1% when measured against the share price at the time of grant of £0.9331.

4 The 2022 amounts in the table represent the 2020–2022 LTIP scheme and the value has been updated since the estimate reported in the 2022 ARA to reflect the actual share price of £0.8360 at the time of vesting of that scheme and also updated to include the dividend equivalents on that scheme.

5 'Other' relates to Buy-out awards negotiated as part of Andy Parsons' joining and paid to him in 2022 and 2023. 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. The 2023 value includes the 210,129 shares released to him on 31 March 2023, for nil consideration at a market price of £0.8430.

DIRECTORS' REMUNERATION REPORT continued

2023 FIXED PAY (AUDITED)

Base salaries

David Richardson and Andy Parsons each received a salary increase in 2023 of 4.5%, increasing their salaries to £636,500 and £442,000 respectively. On appointment Mark Godson's salary was £400,000. The salaries of the wider employee population were reviewed, and increases were awarded selectively within a budget of 6%.

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 2023 are as detailed in the table below. These remain unchanged from 2019.

£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.

2023 EXECUTIVE DIRECTORS' SHORT TERM INCENTIVE PLAN (AUDITED)

The 2023 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. The personal performance of David and Andy against strategic objectives is outlined on page 107. Based on the personal performance achievements the Committee distributed a bonus of 90% of maximum and 80% of maximum to David and Andy respectively.

In line with our policy, 40% of the 2023 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	90% of maximum	515	344	435
Andy Parsons	80% of maximum	318	212	268

1 The estimated number of shares deferred under the DSBP were determined using the average closing share price between 1 October 2023 and 31 December 2023, being £0.79. 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 2023 STIP was as follows:

Core bonus (balanced scorecard)

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
New business profit	40%	£242m	£273m	£305m	£355m	40%
Underlying operating profit	30%	£256m	£290m	£325m	£377m	30%
New business strain	30%	3.0%	2.0%	1.5%	0.9%	30%
Total						100%

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.

As explained earlier in the report, the non-financial performance measures did not affect the financial outturn of 100% due to reaching the limit on the corporate outturn of 100%. The bonus metrics led 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. Andy and David 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 as a result of personal performance and the bonus 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. Remuneration policy is designed to encourage a positive approach to risk management. 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 90%	Key achievements
DAVID RICHARDSON	
Business Performance and Business Model development	Business performance was outstanding; topline growth was very strong and well controlled, with strong pricing discipline maintained throughout the year. This led to increased profit and low new business capital strain which supports our sustainable growth strategy.
Operational Performance and Modernisation	Key modernisation goals were met in 2023, in particular in the DB business. Major improvements were made to our Finance systems in parallel with an IFRS 17 implementation.
Talent, Engagement and Belonging	Substantial improvements were achieved in all engagement focus areas identified from the 2022 all-staff engagement survey (Environment, Wellbeing, Growth), leading to the Proud to Work at Just score increasing from 80% to 83%. The senior leadership team was further strengthened which will support achievement of the future ambitions of the Group.
Regulatory Developments	Good progress has been made against the key regulatory priorities of the PRA and the FCA, including meeting the requirements of Consumer Duty.

Strategic personal objective 80%	Key achievements
ANDY PARSONS	
Deliver the Business Plan	Delivered the Group Business Plan in 2023 to achieve sales, new business profit, ROE, cost and capital generation targets. Maintained solvency ratio at a strong level and improved its resilience to macroeconomic shocks.
Develop the Market to Improve Shareholder Value	Developed market messaging and key KPI's to showcase value and growth potential in the business, in particular, as we transitioned to IFRS 17.
Finance Transformation	Safely delivered and embedded IFRS 17. Embedded newly developed top down financial controls framework and implemented improved Finance Systems.
People Leadership	Continued to build talent, capability and succession across Finance, Legal and Company Secretariat teams, developing and delivering against a clear organisational design and people plan to develop each area.

DIRECTORS' REMUNERATION REPORT continued

VESTING OF LTIP AWARDS WITH A PERFORMANCE PERIOD ENDING IN 2023 (AUDITED)

2021 awards

The 2021 LTIP award performance period ended on 31 December 2023. The award is forecast to vest at 98% on 24 March 2024 based on capital generation, adjusted earnings per share growth and relative TSR performance and performance against targets over the three-year period ending 31 December 2023.

	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	24/03/2021	Nil-cost options	959,704	98%	£31,130	940,509	£744,977
Andy Parsons	24/03/2021	Nil-cost options	667,131	98%	£21,640	653,788	£517,865

1 The value shown is based on the three month average share price to the year end, being £0.7921. This value will be trued up to reflect the actual share price at vesting in next year's single total figure table.

Summary of performance

Measure	Weighting	Target	Vesting
Organic capital generation including management actions	37.5%	Below £156m	0%
		Threshold: £156m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £448m	100%

Actual Organic capital generation £427m; vesting outcome 35.5%

Measure	Weighting	Target	Vesting
Solvency ratio underpin to the capital metric	n/a*	Below 150%	0%
		Threshold: 150%	As per capital metric outturn

* An underpin is applied to the organic capital generation metric. This metric will only vest if the solvency ratio is above 150%.

Actual 197%

Measure	Weighting	Target	Vesting
Adjusted earnings per share growth[1]	37.5%	Below 3% p.a. average	0%
		Threshold: 3% p.a. average	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 10% p.a. average or above	100%

Actual Adjusted EPS growth 16% average; vesting outcome 37.5%

Measure	Weighting	Target	Vesting
Relative TSR vs. FTSE 250	25%	Below median	0%
		Threshold: Median	25%
		Between median and upper quartile	Between 25% and 100% on a straight-line basis
		Maximum: Upper quartile or above	100%

Actual Relative TSR Upper quartile; vesting outcome 25%

Total Actual Vesting Outcome 98%

1 Adjusted EPS is calculated as underlying 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 £5m, thereby reducing operating profit to £372m and the number of shares to 1,031m, resulting in an adjusted EPS of 36.1 pence.

The Committee have increased the organic capital generation target for 2021 due to the change in definition of strategic costs. The organic capital targets for the 2022 and 2023 targets have also been increased to reflect the new strategic costs definition and in addition the 2022 organic capital outturn will be adjusted to reflect the ambitious growth targets set by the board and the impact on organic capital generation.

The use of UOCG in the 2022 LTIP has also been reviewed by the Remuneration Committee. Given the success in delivering capital self-sufficiency ahead of schedule, the Company has been able to write new business at a higher level than envisaged when first approving the targets. For the 2022 LTIP we adopted UOCG. As such the Committee is proposing to exercise discretion at the 2022 award vesting in 2025 and remove the impact of such additional business without making the satisfaction of the targets any easier to achieve.

2023 LTIP AWARDS GRANTED (AUDITED)

The following awards were made to the Executive Directors in 2023:

	Date of grant	Type of award	Face value at time of grant[1]	Number of shares	End of performance period
David Richardson	23 March 2023	Nil-cost options	£1,273,000 (200% of salary)	1,543,030	31 December 2025
Andy Parsons	23 March 2023	Nil-cost options	£773,499 (175% of salary)	937,575	31 December 2025

1 The actual share price calculated as the average price over the five days preceding the grant was £0.825.

Performance conditions and targets applying to the 2023 LTIP awards

Condition	Weighting	Target	Vesting
Organic capital generation (including management actions)	15%	Below £80m	0%
		Threshold: £80m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £230m	100%
Relative TSR vs. FTSE 250	25%	Below median	0%
		Threshold: Median	25%
		Between median and upper quartile	Between 25% and 100% on a straight-line basis
		Maximum: Upper quartile or above	100%
Return on equity	45%	Below 8% p.a. average	0%
		Threshold: 8% p.a. average	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 12% p.a. average or above	100%
ESG – investment into sustainable assets over the three-year period	7.5%	Below £330m	0%
		Threshold £330m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £825m	100%
ESG – net zero by 2025 (with offset)[1]	7.5%	Below Threshold	0%
		Threshold: Net zero with 10% offset	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: Net zero with 8% offset	100%

1 Scope 1, 2 and business travel

DIRECTORS' REMUNERATION REPORT continued

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 2023	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]	2,503,673	3,894,415	980,576	–	200%	376%
Andy Parsons[3]	1,299,460	2,450,512	667,909	–	200%	296%
Mark Godson[4]	–	–	–	–	200%	0%
Paul Bishop[5]	36,754	–	–	–	n/a	n/a
Jim Brown[6]	118,000	–	–	–	n/a	n/a
Ian Cormack[7]	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	61,715	–	–	–	n/a	n/a
Mary Phibbs[8]	–	–	–	–	n/a	n/a
Kalpana Shah	–	–	–	–	n/a	n/a

1 Based on the average closing price of £0.7921 between 1 October 2023 and 31 December 2023.
2 Included in David Richardson's 2,503,673 beneficially owned shares at 31 December 2023 are 334,172 shares, which were financed by way of a company loan, of which £437k was outstanding as at 31 December 2023. 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 retired from the Board on the 31st December 2023 and his shareholding guideline is shown is at the end of his appointment.
4 Mark Godson was appointed to the Board on 1 December 2023.
5 Paul Bishop retired from the Board on 12 July 2023. His share interest shown is at the end of his appointment.
6 Jim Brown was appointed to the Board on 1 November 2023.
7 Ian Cormack retired from the Board on 9 May 2023. His share interest shown is at the end of his appointment.
8 Mary Phibbs was appointed to the Board on 5 January 2023.

There have been no changes in the Directors' interests in shares in the Company between the end of the 2023 financial year and the date of this Annual Report.

DIRECTORS' OUTSTANDING INCENTIVE SCHEME INTERESTS (AUDITED)

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

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

Date of grant	Exercise price	Interest as at 31/12/2022	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 31/12/2023	Vesting date	Expiry date
LTIP										
23 Mar 2023	Nil	–	1,543,030	–	–	–	–	1,543,030	23 Mar 2026	23 Mar 2033
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	–	–	1,588,734	119,583	1,588,734	–	23 Mar 2023	23 Mar 2030
DSBP										
23 Mar 2023	Nil	–	325,475	–	–	–	–	325,475	23 Mar 2026	23 Mar 2033
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	–	501,548	–	23 Mar 2023	23 Mar 2030

1 2020 LTIP and DSBP were exercised on 12 April 2023 at a price of £0.922.

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

Date of grant	Exercise price	Interest as at 31/12/2022	Granted in the year	Dividend shares accumulating at vesting	Vesting in the year	Lapsed in the year	Exercised/ released in the year[1,2]	Interest as at 31/12/2023	Vesting date	Expiry date
LTIP[1]										
23 Mar 2023	Nil	–	937,575	–	–	–	–	937,575	23 Mar 2026	23 Mar 2033
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	–	–	1,104,396	83,127	1,104,396	–	23 Mar 2023	23 Mar 2030
DSBP										
23 Mar 2023	Nil	–	226,068	–	–	–	–	226,068	23 Mar 2026	23 Mar 2033
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 AWARDS[2]										
20 Mar 2020 (II)	Nil	210,129	–	–	210,129	–	210,129	–	31 Mar 2021–23	n/a

1 2020 LTIP was exercised on 31 March 2023 at a price of £0.8363.
2 As detailed in the 2019 Directors' Remuneration report, the final tranche of the 20 March 2020 (II) buy-out award vested on 31 March 2023 and 210,129 shares were released to Andy on such day for nil consideration and at a market price of £0.8363.

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 3.45% (10% in 10 years under the all shares plans) and 2.68% (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 2023.

As set out in the Committee Chair's statement, Andy Parsons retired from the Company on 31 December 2023. He ceased to be a Director upon retirement, having stepped down as CFO on 1 December 2023. He was paid his normal remuneration to that date and received no termination payments. Consistent with the remuneration policy, he was regarded as a good leaver and so retained and deferred share bonus awards which will be released on normal maturity and similarly retained his outstanding LTIP awards which will also be retained to normal maturity and performance assessment. The LTIP awards will be further reduced to reflect time pro-rating for the period not worked. He will also be required to retain shares for two-years' post-cessation in accordance with the remuneration policy.

PAYMENTS TO PAST DIRECTORS (AUDITED)

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 2023. He exercised and sold all his 2015 DSBP nil-cost options of 85,267 shares on 17 August 2023 at a market price of £0.801.

DIRECTORS' REMUNERATION REPORT continued

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
Mark Godson	6 November 2023	6 months	6 months
Andy Parsons	1 January 2020	6 months	6 months

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 months' 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	
Michelle Cracknell	1 March 2020
John Hastings-Bass	13 August 2020
Mary Kerrigan	1 February 2022
Mary Phibbs	5 January 2023
Kalpana Shah	1 March 2021
Jim Brown	1 November 2023

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.

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 2023 AGM held on 9th May, shareholders were asked to vote on the Directors' Remuneration report for the year ended 31 December 2022 and the Directors' Remuneration policy. 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 (2023 AGM)	807,852,479	95%	41,928,546	5%	80,500
To approve the Directors' Remuneration policy (2023 AGM)	810,331,240	95%	39,534,784	5%	5,501

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 2023 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, 56% of the workforce (including the Executive Directors) participate in a common bonus plan (which led to an outturn of 90% for 2023). 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.

Summary of the remuneration structure for employees below Executive Director

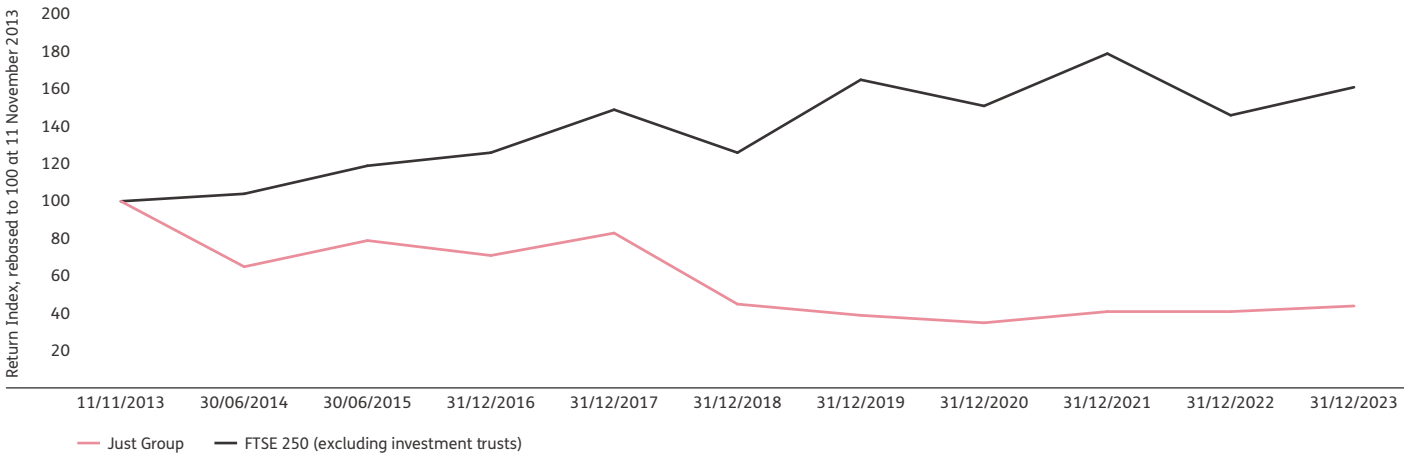
Element	Policy approach
BASE SALARY	To attract and retain key employees we pay salaries which deliver market competitive total remuneration. We take into account the following when determining the base salary: the size of the role and its scope, the required skills, knowledge and experience, relevant pay in terms of the wider organisation and market comparative data. For 2023, the average salary increase (excluding promotions and joiners shortly prior to year end) for all employees awarded in April 2023 was 6.0%. 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 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 2023, 65 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 in 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.



DIRECTORS' REMUNERATION REPORT continued

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								
	2014	2015	2016[1]	2017	2018	2019[2]	2019[2]	2020	2021	2022	2023
Chief Executive	RC	RC	RC	RC	RC	RC	DR	DR	DR	DR	DR
Total remuneration (£000)	1,196	1,357	2,630	2,369	2,507	438	1,440	1,541	1,577	2,470	2,356
STIP (% of maximum)	63%	89%	97.5%	95.0%	91.2%	0%	83.1%	85%	80%	75%	90%
LTIP (% of maximum)	n/a	n/a	39.5%	50.0%	50.0%	50.0%	50.0%	19.75%	31.8%	93%	98%

1 The year ended 31 December 2016 covered 18 months following the change of year end from 30 June. The total single figure of remuneration for the 12 month period ended 31 December 2016 was £1,870,000.

2 Rodney Cook ("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 fifth 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
2023	Option A	62 : 1	38 : 1	21 : 1
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

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.

2 The total pay and benefits for the role of CEO in 2019 was calculated using Rodney Cook's base salary, benefits and pension contributions for the four months to 30 April 2019 and David Richardson's base salary, benefits and pension contributions for the remainder of the year, full year 2019 annual bonus and 2017 LTIP award which vests based on performance to 31 December 2019.

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 was 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. The reduction between 2022 and 2023 represents the 6% average payrise for employees.

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 2023.

£000	Total pay and benefits	Salary component of total pay
25th percentile	38	31
50th percentile	62	34
75th percentile	111	78
Group Chief Executive	2,356	630

The Group Chief Executive Officer was paid 38 times the median employee in 2023. 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 2019 and 2023, compared to that for the average employee of the Group (on a per capita (FTE) basis).

	Percentage change between 2022 and 2023			Percentage change between 2021 and 2022			Percentage change between 2020 and 2021			Percentage change between 2019 and 2020		
	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus	Base salary	Benefits	Annual bonus
Average employee[1]	9.5%	5.9%	24.3%	5.9%	1.1%	-2.8%	2.5%	2.2%	-7.4%	4.6%	4.8%	0.5%
Executive Directors												
David Richardson	3.9%	3.0%	24.1%	1.5%	1.2%	-4.4%	1.0%	-2.0%	-6.0%	8.9%	2.7%	11.9%
Andy Parsons	3.9%	2.7%	24.1%	1.5%	1.0%	-4.4%	0.0%	-51.0%	0.0%	n/a	n/a	n/a
Mark Godson	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors												
Paul Bishop[4]	0.0%	n/a	n/a	0.0%	n/a	n/a	0.0%	n/a	n/a	1.60%	n/a	n/a
Jim Brown	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ian Cormack[4]	0.0%	n/a	n/a	0.0%	n/a	n/a	0.0%	n/a	n/a	n/a	n/a	n/a
Michelle Cracknell[5]	25.0%	n/a	n/a	0.0%	n/a	n/a	0.0%	n/a	n/a	n/a	n/a	n/a
John Hastings-Bass[2]	0.0%	n/a	n/a	0.0%	n/a	n/a	0.0%	n/a	n/a	n/a	n/a	n/a
Mary Kerrigan	0.0%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mary Phibbs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Kalpana Shah[3]	0.0%	n/a	n/a	0.0%	n/a	n/a	n/a	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 2023 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 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.
4 Ian Cormack retired from the Board on 9 May 2023 and Paul Bishop retired from the Board on 12th July 2023.
5 Michelle Cracknell was appointed Chair of the Remuneration Committee on 9th May 2023, her fees for 2023 have been adjusted to reflect a full year appointment.

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 2023	Year ended 31 December 2022	% difference
Total personnel costs (£m)	127	106	20%
Dividends paid (£m)	19	16	19%

Implementation of the remuneration policy in 2024 for Executive Directors (unaudited)

Element	Policy approach	
BASE SALARY	David Richardson, CEO: £700,000	
	Mark Godson CFO £400,000	
	David Richardson's salary increased by 10% from 1 April 2024, compared to 4.5% for the wider workforce.	
	Mark Godson's salary will not be increased in 2024	
NON-EXECUTIVE DIRECTORS FEES	Board Chair	£230,000
	Basic fee	£ 65,000
	Additional fee for Senior Independent Director	£ 10,000
	Additional fee for Committee Chair, Risk and Audit Committees	£ 20,000
	Additional fee for Committee Chair, all other Committees	£ 15,000
	The Remuneration Committee have also decided to award a 15% increase (£30,000) in fees to the Chair. This increase is to align the chairs compensation with that of his peers. The Board has also decided to increase the general NED fee by £5,000 to £65,000. There have been no changes to the base fee since 2015 and this is to account for changes in market rate and inflation.	
BENEFITS AND PENSIONS	The Executive Directors will receive a benefits allowance of £20,000 for 2024 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.	

DIRECTORS' REMUNERATION REPORT continued

Element	Policy approach
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 2024 will be determined by a balanced scorecard of performance against financial and strategic measures. The financial measures are: • 40% based on new business profit measure • 30% based on underlying operating profit • 30% based on new business strain 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.

LONG TERM INCENTIVE PLAN ("LTIP")

Awards will be made over shares with a face value of 200% and 150% of salary in 2024 to the CEO and CFO respectively. The awards made in 2024 will be subject to the conditions below, calculated over the three financial years to 31 December 2026, and will be subject to a further two-year post-vesting holding period.

Performance conditions and targets applying to the 2024 LTIP awards

Condition	Weighting	Target	Vesting
Cash Generation	15%	Below £291m	0%
		Threshold: £291m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £341m	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 10% p.a. average	0%
		Threshold: 10% p.a. average	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 15% p.a. average or above	100%
ESG – investments emissions reduction by 2026	15%	Below 38%	0%
		Threshold: 38%	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 50%	100%

APPROVAL

This report was approved by the Board of Directors on 7 March 2024 and signed on its behalf by:

MICHELLE CRACKNELL
Chair, Remuneration Committee
7 March 2024

SUMMARY OF THE DIRECTORS' REMUNERATION POLICY

The following is a copy of the main table from the Directors' Remuneration Policy approved at the 2023 AGM. The full policy on Directors' Remuneration can be found in the 2022 Annual Report on pages 98 to 103.

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.

DIRECTORS' REMUNERATION REPORT continued

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 STIP[1].	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 shares 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 LTIP[1].	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 150% 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 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.

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
SHARE INCENTIVE PLAN ("SIP")	Encourages employee share ownership and therefore 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.
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 2023.	Not applicable.

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

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2023.

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 risk, 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.

STRATEGY AND FUTURE DEVELOPMENTS

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 36.

Commentary on the Group's strategy and performance in the financial year ended 31 December 2023 and likely future developments is included in the Strategic report. Our approach to stakeholder engagement, including our Section 172 statement, can be found in the Strategic report.

GOVERNANCE

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	Page 225
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 waiver of dividends	Share plans – page 122
Shareholder waiver of future dividends	Share plans – page 122
Agreements with controlling shareholders	Not applicable

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's Articles of Association can be found at **www.justgroupplc.co.uk/about-us/governance.**

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 consideration of the Group's business plan approved by the Board; the projected liquidity position of the Company and the Group; ongoing impacts of economic stresses; current financing arrangements and contingent liabilities; a range of forecast scenarios with differing levels of new business, and associated additional capital requirements to write anticipated levels of new business; and a scenario of the worst case outcome peppercorn rent from the Government consultation regarding the restriction of ground rent for existing residential leases.

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, before and after management actions within the Group's control, which considers the possible impact 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. In addition, the results of extreme residential 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.

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.

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 65.

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, Group Chair
- Paul Bishop (retired on 12 July 2023)
- James Brown (known as Jim Brown) (appointed on 1 November 2023)
- Ian Cormack (retired on 9 May 2023)
- Michelle Cracknell
- Mark Godson (appointed on 1 December 2023)
- Mary Kerrigan
- Andrew Parsons (known as Andy Parsons) (retired on 31 December 2023)

- Mary Phibbs (appointed on 5 January 2023)
- David Richardson
- Kalpana Shah

Paul Bishop retired at the conclusion of the Annual General Meeting ("AGM") of the Company on 9 May 2023. He was immediately reappointed to continue as a Non-Executive Director and Chair of the Group's Audit Committees ("Audit Chair") until the regulatory authorisation process for Mary Phibbs to take over the role of Audit Chair had completed. This arrangement provided continuity and ensured a smooth transition in the operation of the Group's Audit Committees. Paul subsequently retired as a Director on 12 July 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 2024 AGM.

Secretary

Simon Watson is the Group Company Secretary of Just Group plc and can be contacted at the Company's Registered Office, details of which are on page 230.

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 them 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 116.

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 financial year ended 31 December 2023 will be held at 10.00 am on Tuesday 7 May 2024 at 1 Angel Lane, London EC4R 3AB. More information about the 2024 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 and the Company for the year ended 31 December 2023 and are shown on pages 137 to 224.

The Board is recommending a final dividend for the year ended 31 December 2023 of 1.50 pence per ordinary share (2022: 1.23 pence). Subject to approval by shareholders at the Company's 2024 AGM, the Company will pay the final dividend on 15 May 2024 to shareholders on the register of members at the close of business on 12 April 2024.

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 2024 AGM.

SHARE CAPITAL

Ordinary share capital

As at 31 December 2023, 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 2023 was 85.90 pence.

Further information relating to the Company's issued share capital can be found in note 23.

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 if the Group fails to comply with other minimum capital requirements applicable to it. Only if a trigger event occurs would any Bonds convert into ordinary shares. The holders of the Bonds do not have the right or option to require conversion of the Bonds. On a change of control, the Bonds may also be convertible into equity in an entity other than the Company where the acquiror is an approved entity (being an entity which has in issue ordinary share capital which is listed or admitted to trading on a regulated market) and the new conversion condition (as set out therein) is satisfied. Otherwise the Bonds may be written down to zero.

DIRECTORS' REPORT continued

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 2006 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 2006, 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 2023 AGM held on 9 May 2023:

- to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £69,246,862;
- to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £10,387,029 and further granted an additional power to disapply pre-emption rights representing a further 10% only to be used in specified circumstances;
- to make market purchases of up to an aggregate of 103,870,293 ordinary shares, representing approximately 10% of the Company's issued ordinary shares as of 14 March 2023; 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 2023 and 2022 can be found in note 23. No shares were purchased by the Company during the year.

The Directors propose to renew these above-mentioned authorities at the 2024 AGM for a further year.

Other securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Restrictions on transfer of shares and voting

The Company's Articles of Association do not contain any specific restrictions on the size of a holding or on the transfer of shares, except that certain restrictions may from time to time be imposed by laws and regulations (for example, 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 of 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 can 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 Group plc Long Term Incentive Plan ("LTIP"), the Just Group plc Deferred Share Bonus Plan ("DSBP"), Just Group plc Sharesave Scheme ("SAYE"), and the Just Retirement Group plc Share Incentive Plan ("SIP"). Details of these plans are set out in the Directors' Remuneration report.

The rules for the Company's LTIP, DSBP and SAYE were adopted by shareholders at the 2023 AGM. They each have a ten year life expiring in May 2033. The SIP does not have an expiry date.

Awards under the LTIP, DSBP and SAYE are satisfied by using either newly issued shares or shares purchased in the market, which are 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 2023, no ordinary shares of 10 pence each were issued to employees in satisfaction of the exercise of share options under the SAYE (2022: 165,888). No shares were issued to the EBT or to employees in respect of other plans during the year (2022: nil).

Substantial shareholdings

The table below shows the holdings of the major shareholders in the Company's ordinary issued share capital, as at 31 December 2023 and as at 7 March 2024, as notified in accordance with the provisions of Chapter 5 of the FCA's Disclosure Guidance and Transparency Rules. It should be noted that these holdings may have changed since the Company was notified. However, notification of any change is not required until the next notable threshold is crossed.

Shareholder	**Ordinary shareholdings at 31 Dec 2023**	**% of capital**	Ordinary shareholdings at 7 Mar 2024[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
Ameriprise	**48,341,471**	**4.65**	48,341,471	4.65
Janus Henderson Group plc	**52,407,563**	**5.04**	52,407,563	5.04
Schroders plc	**52,147,535**	**5.02**	52,147,535	5.02
Lombard Odier	**–**	**–**	51,361,808	4.94
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
Credit Suisse Group AG	**40,054,845**	**3.86**	40,054,845	3.86

1 The last practicable date prior to publication of the Annual Report.

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.

Modern slavery

The Directors are committed to combatting modern slavery and human trafficking in all its forms and Just takes a zero tolerance approach to modern slavery within our workforce and the same is expected from suppliers. In compliance with Section 54(1) of the Modern Slavery Act 2015, the Company's modern slavery statement, approved by the Board, is available to view on our website at **www.justgroupplc.co.uk**.

EMPLOYEES

Equal opportunities employment

Just 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 those who are neurodivergent or have a disability, and any reasonable adjustments are made as required during the recruitment process to ensure all applicants have the same opportunity to demonstrate their skills. 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

A key priority for Just in 2023 was to harness the power of our highly talented and engaged colleagues to deliver strong business growth, supporting our purpose of helping people achieve a better later life. 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 led by our leadership team, regular emails to all colleagues, videos and news items on our intranet.

We regularly monitor the engagement of our colleagues and their views on matters that are important to them. During the year, colleagues were asked to complete a full and pulse employee engagement survey, and we combine the insights from the surveys with informal approaches, such as gathering feedback via word of mouth.

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 offering employee share plans to 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

As at 31 December 2023, Just employed 645 males (55%), 536 females (45%) and <1% under other categories. We have increased gender diversity at senior levels (global grade 14+, making up the 13% most senior of Just employees) by three percentage points to 33% and, in 2023, we achieved our target as a signatory to the Women in Finance Charter that 33% of our senior leaders are female. As a signatory to the Race at Work Charter, 19% of our senior leaders are from a Black, Asian and minority ethnic background in line with our commitment to ensuring our workforce is representative of the ethnic composition of the wider UK population. Of the Group Executive Committee and their direct reports, 37% are female and 15% 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 2023, the reference date, in accordance with the Listing Rules requirements. Details of the Board's diversity, equity, inclusion and belonging policy and targets can be found in the Nomination and Governance Committee report.

Gender diversity	Number of Board members	Percentage of the Board (%)	Number of senior positions on the Board[1]	Number in executive management[2]	Percentage of executive management (%)
Men	4	50	3	8	80
Women	4	50	1	2	20
Other categories	0	0	0	0	0
Not specified/prefer not to say	0	0	0	0	0
Ethnic background					
White British or other White	7	87.5	4	9	90
Mixed/multiple Ethnic Groups	0	0	0	0	0
Asian/Asian British	1	12.5	0	1	10
Black/African/Caribbean/Black British	0	0	0	0	0
Other ethnic group including Arab	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 Group Chair, Senior Independent Director, Group Chief Executive Officer and Group Chief Financial Officer.

2 Executive Management, as defined by the Listing Rules and in line with the Code requirements, comprises members of the Group Executive Committee and the Group Company Secretary. The number of males and females in senior management positions in accordance with the Companies Act 2006 definition (includes executive directors of the Group's subsidiary undertakings but excludes directors of the parent company) was 10 (83%) and 2 (16.7%) respectively as at 31 December 2023.

The Company is committed to building a diverse workforce and inclusive culture, and we collect data to monitor our progress in achieving our diversity targets. The data collected for the purposes of making this disclosure was received from the Directors on a voluntary basis. The data of our Executive Management and wider workforce is captured via the Company's internal HR system on a voluntary basis. Further information on colleagues, culture and diversity can be found in the Colleagues and culture report.

DIRECTORS' REPORT continued

AUDITOR

Disclosure of information to the auditor

Each Director of the Company at the date of this Directors' report has confirmed that, so far as they are aware, there is no relevant audit information of which the Company's external auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves 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 of the Group. A resolution to reappoint PwC will be proposed at the forthcoming AGM in 2024. An assessment of the effectiveness and recommendation for reappointing PwC can be found in the Group Audit Committee report.

RESEARCH AND DEVELOPMENT

The Group is involved in a range of innovative projects and programmes, which are designed to support the fulfilment of our strategic objectives. A number of these projects and programmes are referred to in the Strategic 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 40 to 49. Information on the Group's greenhouse gas emissions is set out in the Sustainability and 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 and property lease arrangements. None of these agreements are considered significant in terms of their impact on the Group's business as a whole. All the Company's employee share incentive plans contain provisions relating to a change of control. Outstanding awards would typically vest and become exercisable. This is subject to satisfying any performance conditions, and normally with an additional time-based pro-rata reduction where performance conditions apply, and with approval from the Remuneration Committee.

Financial instruments

The Group does not currently apply hedge accounting although it applies asset and liability matching and hedging strategies to limit its exposure to interest rate risk and market risk arising from the Group's financial instruments and insurance contracts. In addition, in 2023, the Group acquired UK sovereign gilts that act as an economic hedge to liabilities that are not sensitive to interest rate movements. Details of the Group's exposure to risk management are included in the Strategic report and note 34 to the financial statements. Details of the derivatives held for risk management purposes are included in note 30 to the financial statements.

Overseas branches

The Company does not have any overseas branches within the meaning of the Companies Act 2006.

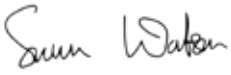
Political donations

No political donations were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2022: nil).

POST BALANCE SHEET EVENTS

Details of post balance sheet events are set out in note 39 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
7 March 2024

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable UK 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 in conformity with the requirements of the Companies Act 2006.

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 and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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 and Group's transactions, and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group, and enable them to ensure that the 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 comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their 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 profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and 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 the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, 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

MARK GODSON
Group Chief Financial Officer
7 March 2024

INDEPENDENT AUDITORS' REPORT

to the members of Just Group plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Just Group plc's 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 2023 and of the Group's profit and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with 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 the Statement of financial position of the Company as at 31 December 2023; 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, comprising material accounting policy information and other explanatory information.

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 3, 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 De-risking Solutions, Guaranteed Income for Life Solutions, Lifetime Mortgages and 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 Group 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 an audit of specific account balances for a further five 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).
- Valuation of insurance contract liabilities and reinsurance assets and liabilities - Implementation of IFRS 17: Judgements, new models and data flows (Group).
- Recoverability of the Company's investments in Group undertakings (Company).

Materiality

- Overall Group materiality: £26,722,500 (2022: £21,778,000) based on 1% of Total Equity plus net of tax contractual service margin ("CSM").
- Overall Company materiality: £12,760,000 (2022: £12,852,000) based on 1% of Total Equity.
- Performance materiality: £20,042,000 (2022: £16,333,500) (Group) and £9,570,000 (2022: £9,639,000) (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.

Valuation of insurance contract liabilities and reinsurance assets and liabilities - Implementation of IFRS 17: Judgements, new models and data flows is a new key audit matter this year. In addition, the key audit matters on annuitant mortality assumptions, credit default and expense assumptions have been updated to reflect changes as a result of IFRS 17 implementation. Disclosure of the expected impact of initial application of IFRS 17 'Insurance Contracts' in accordance with IAS 8, which was a key audit matter last year, is no longer included because IFRS 17 has been fully implemented for the current period so this key audit matter has been replaced by the new key audit matter on implementation of IFRS 17 noted above. 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 1.5 IFRS 17 accounting policies and note 26 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 annuitant mortality assumptions, credit default risk assumptions and expense assumptions as these are considered the most significant and judgemental. Adoption of IFRS 17 in the accounting period involves additional uncertainty around certain judgements. These have been considered separately in the key audit matter on IFRS 17 implementation as well as part of the ongoing key audit matters post transition below.	We performed the following audit procedures to test the valuation of insurance contract liabilities (including best estimate liabilities, risk adjustment and contractual service margin): • Tested the design and, where applicable, operating effectiveness of the 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 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 prior audits (in 2020 and 2022), 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. We have also performed supplementary model testing performed as part of the IFRS 17 implementation (see IFRS 17 implementation key audit matter below). In addition to this, we performed procedures over changes in the models and examined the analysis of change in modelled results, to assess whether the model continues to operate as expected; • Tested the derivation of the current, new business and annual locked in discount rates used to discount the insurance contract liabilities; and • 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 (where available and applicable). Further testing was also conducted on the annuitant mortality, credit default and expense assumptions as set out below.

INDEPENDENT AUDITORS' REPORT continued

to the members of Just Group plc

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 1.5 IFRS 17 accounting policies and note 26 Insurance contracts and related reinsurance.* Annuitant mortality assumptions are an area of significant management judgement due to the inherent uncertainty involved. Annuity liabilities are sensitive to the choice of best estimate annuitant mortality assumptions due to the large volume of annuity business. The best estimate annuitant mortality assumption has two main components: **Base mortality assumptions** This part of the assumption is mainly driven by internal experience analyses, but judgement is also required. For example, in determining the most appropriate granularity at which to carry out the analysis; the time window used for historic experience, or whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis. **Rate of future mortality improvements** This part of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. The extent to which mortality rates may remain elevated in future, as a result of COVID-19 and other trends in the UK, is subject to considerable uncertainty. Judgement is required in estimating the allowance for expected high future mortality rates in the long term. The Continuous Mortality Investigation Bureau 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. **Risk adjustment for longevity risk** In addition, under IFRS 17, an allowance for risk in excess of the best estimate and representing the view of compensation for non-financial risk that management required is held (known as the risk adjustment). The primary component of the risk adjustment is annuity mortality risk and the selection of the distribution and associated stresses is a matter of judgement.	We performed the following audit procedures to test the annuitant mortality assumptions (including base mortality assumptions, rate of future mortality improvements and the risk adjustment): • Tested the reasonableness of the methodology used to perform the annual experience studies and the exclusion of 2020-2022 data when deriving base mortality rates. This involves the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience; • For a sample, agreed experience analysis data used to source documentation; • 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 any expert judgments used in the development of the mortality improvement assumptions, including the selection and parameterisation of the CMI model (e.g. the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages); • Assessed management's adjustments to uplift the future mortality rates in relation to the long term impacts of COVID-19 and other trends in the UK. This included the selection and calibration of the drivers of these potential trends; • Assessed management's risk adjustment methodology relative to the compensation required by management for non-financial risk, including the selected confidence level and calibration, as well as testing management's controls over the processes; and • Compared the annuitant mortality assumptions selected by management against those adopted by peers using our independent annual benchmarking survey of assumptions (to the extent available). Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities – Credit default assumptions (Group) *Refer to Group Audit Committee Report, Accounting policy 1.5 IFRS 17 accounting policies and note 26 Insurance contracts and related reinsurance.* The discount rate for calculating the insurance contract liabilities (future cash flows and risk adjustment) is determined in IFRS 17 using a 'top-down' approach. In this approach the discount rate is set using the yield on a reference portfolio of assets (based on the actual assets held) with explicit deductions for both expected and unexpected credit default risk. The credit default assumptions are also used to determine the locked-in discount rate based on the target asset mix for new business written in the period (applicable to the contractual service margin). This is a key audit matter because the Group's asset portfolio includes a material amount of illiquid assets for which the determination of credit default assumptions, including consideration of expected and unexpected default risk, requires a greater level of expert judgement.	We performed the following audit procedures to test the credit default assumptions: • Tested the methodologies used to derive the assumptions (including expected and unexpected risk) with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience; • Tested significant assumptions used by management against market observable data (to the extent available and relevant) and our experience of market practices. We have also considered the impact of current economic conditions on levels of expected and unexpected credit default risk; • Tested controls in respect of management's review of internal credit ratings which includes Credit Committee oversight and review and challenge over asset managers ratings; • Tested controls over management's analysis of change in discount rate (including credit default assumptions); • Assessed the impact of the recent Leasehold and Freehold Reform Bill and the associated consultation on potential restrictions to the level of residential ground rents on the credit ratings for residential ground rent assets and ensured this was reflected in credit default risk assumptions; • Tested the implementation of the credit default assumptions within the various tools used for current and locked-in discount rates for new business written in the period; and • Compared the assumptions selected against those adopted by peers using our independent annual benchmarking survey of assumptions (to the extent available). Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk to be appropriate.
Valuation of insurance contract liabilities – Expense assumptions (Group) *Refer to Group Audit Committee Report, Accounting policy 1.5 IFRS 17 Accounting policies and note 26 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 project costs and future inflation. 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: • Evaluated the design and, where applicable, tested the operating effectiveness of controls related to the expense assumption 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), expected future improvements in efficiency, and the allocation of expenses between acquisition and maintenance and to products. This assessment also considered the appropriateness of the treatment of non-discretionary project spend where we expect these costs to be included in the ongoing cost base; • 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; and • 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. Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.

INDEPENDENT AUDITORS' REPORT continued

to the members of Just Group plc

Key audit matter	How our audit addressed the key audit matter
Valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages ("LTMs") (Group) *Refer to Group Audit Committee Report, Accounting policy 1.6 IFRS 9 Financial Instruments and note 20 Fair value of financial assets and liabilities.* The valuation of investments classified as Level 3 is typically based on either inputs into a valuation model or observable prices for proxy positions. This is inherently complex and requires the use of significant management judgement. Furthermore, the balances are material to the financial statements. The most significant Level 3 asset class is LTMs. The setting of voluntary redemptions (persistency), as well as key economic assumptions, applied in the valuation of LTMs (including current property values, house price inflation and volatility) are impacted by the uncertainty in the current economic environment. Other Level 3 assets material to the financial statements comprise investments in commercial mortgages, long income real estate (which includes residential ground rents) and other illiquid debt instruments. Specifically on residential ground rents, the valuation could be impacted by the UK government's Leasehold and Freehold Reform Bill and the associated consultation on potential restrictions to the level of residential ground rents, issued on 9 November 2023.	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 comparison to management's internal valuations. For a sample of other illiquid assets, we performed the following procedures: • Engaged our valuation experts to assess the reasonableness and appropriateness of the internal 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. In response to the recent Leasehold and Freehold Reform Bill and the associated consultation on potential restrictions to the level of residential ground rents, we have: • Assessed the appropriateness of the judgements made in determining the impact of the consultation on the valuation of the loans secured on residential ground rent assets; • Ensured that sufficient consideration was given to a range of likely outcomes of the consultation and subsequent changes in legislation; • Challenged management on the stresses and changes in credit ratings applied; and • Assessed and reviewed the associated disclosures given the inherent uncertainty resulting from the consultation. We performed the following audit procedures to test the valuation of Lifetime Mortgages: • Tested the design and, where applicable, operating effectiveness of the controls in place over the determination of the valuation of LTMs, including those relating to model inputs, model operation and extraction and consolidation of results from the valuation models; • Tested the design and, where applicable, the operating effectiveness of controls related to the data used in the modelling of Lifetime Mortgages; • For a sample of mortgages, agreed data used in the modelling of LTMs to policyholder documentation; • Assessed the appropriateness of the methodology, models and assumptions used against recognised actuarial practices, including any changes made during the year, taking into account the impact of current economic conditions; • Performed testing over the actuarial model calculations. We placed reliance on our model baselining carried out as part of the 2020 audit, 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 2023, we performed additional procedures over changes in the model, baselined an additional sample of loans and tested the analysis of change in modelled results, to assess whether the model continues to operate as expected; • 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, and taking into account the impact of current economic conditions; • Assessed the appropriateness of current property prices derived using Automated Valuation Model; • Tested the key judgements involved in the preparation of the manually calculated components of the asset balance, and the accuracy of the calculations; and • Evaluated the Group's historic data used to prepare the Group's mortality, morbidity and voluntary redemptions experience analysis, taking into account the impact of current economic conditions for voluntary redemptions together with industry data on expectations of future mortality improvements and assess whether this supports the assumptions adopted. Based on the work performed and the evidence obtained, we consider the valuation of Level 3 assets to be appropriate.

Key audit matter

Valuation of insurance contract liabilities and reinsurance assets and liabilities - Implementation of IFRS 17: Judgements, new models and data flows (Group)

Refer to Group Audit Committee Report and Accounting policy 1.3 Adoption of IFRS 17.

IFRS 17 became effective for periods beginning on or after 1 January 2023, replacing International Financial Reporting Standard 4, 'Insurance Contracts'. As a result, the Group has adopted IFRS 17 in these financial statements.

International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("IAS 8") requires that when the impact of adopting a new accounting standard would be material to the financial statement comparatives, these comparatives should be restated. As a result, the 2022 opening balance sheet and the 2022 comparatives have been restated in order to comply with the requirements of IFRS 17.

Transition to IFRS 17 introduces significant changes to the recognition, measurement and presentation of (re-)insurance contract liabilities (or assets), and requires significant judgement to estimate the impact on 1 January 2022 (the transition date) and 31 December 2022 comparative period. IFRS 17 adoption has resulted in a significant reduction in the Group's accumulated profit at the transition date (£0.9bn). 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;
- The CSM amortisation approach for deferred annuities;
- Assessment of the expense assumptions (an ongoing key audit matter post transition);
- Assessment of the credit default assumptions (an ongoing key audit matter risk post transition); and
- Calibration of risk adjustment for longevity risk (an ongoing key audit matter post transition).

New models and processes are also required in order to calculate the transition balance sheet, in addition to changes to end-state models and processes following transition. In particular, the key audit matter relates to:

- The implementation of the Just IFRS 17 CSM engine ("JACI 17");
- The new data transfers introduced by the implementation of JACI 17 and the general ledger (including appropriate mapping of the models to the general ledger); and
- The enhancements to policyholder and transaction data to the unit of account level as required by IFRS 17.

Consideration is required as to whether the models and processes developed adequately incorporate the methodology and have been through an appropriate governance and review process.

How our audit addressed the key audit matter

We performed the following procedures to audit the transition to IFRS 17:

- Assessed the implementation methodology for compliance with the requirements of IFRS 17 and market practice;
- Assessed the impracticability of adopting the fully retrospective approach to measure the transition CSM prior to 2021;
- Tested the calibration, methodology and models to measure the fair value at the transition date (for contracts incepting prior to 2021), including assessing the calibration and methodology relative to market data (to the extent available and relevant) and independently replicating certain aspects of management's models;
- Tested the transition balances for business written from 2021 onwards (measured using the fully retrospective approach) relative to previously audited IFRS 4 liabilities and new business operating profit;
- Assessed the appropriateness of the approach to amortise the CSM relative to the requirements of IFRS 17 and market practice, including the approach to weight the insurance and investment-return services for deferred annuities;
- Assessed management's risk adjustment methodology relative to the compensation required by management for non-financial risk (as set out in the ongoing significant key audit matter post transition relating to annuitant mortality);
- Assessed the allowance for expected and unexpected credit risk as part of discount rate assumptions to measure the future cash flows at transition (as set out in the ongoing key audit matter post transition);
- Assessed the expense assumptions used to measure the future cash flows at transition (as set out in the ongoing key audit matter post transition);
- Tested the derivation of current and locked-in discount rates, including the selection of the reference portfolio and the weightings applied to determine the locked-in rates;
- Tested the CSM engine by assessing the calculation methodology against the IFRS 17 requirements, examining management's baseline testing relative to our independent test cases, and independently replicating the calculation of a sample of the steps in the analysis of change. We also performed model change testing over any subsequent developments by management;
- Tested developments made to the existing cash flows models to incorporate IFRS 17 functionality;
- Tested reconciliations to confirm the completeness and accuracy of data transfers in the new data flows introduced as a result of IFRS 17;
- Tested the appropriateness of the IFRS 17 data enhancements in the general ledger and JACI 17, including the allocation of (re-)insurance contracts to groups (portfolios, annual cohorts and profitability categories); and
- Assessed the transition date and 31 December 2022 comparative period disclosures for compliance with IFRS 17.

Based on the audit procedures performed and evidence obtained, we consider the judgments applied, new models and data flows implemented for transition to IFRS 17, and related disclosures to be appropriate.

INDEPENDENT AUDITORS' REPORT continued

to the members of Just Group plc

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 Group undertakings is significant and in excess of the net asset value 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 investments in Group undertakings 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 31 December 2023, 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; • Considered the consistency of the assumptions used in the cash flows with those used in other areas such as the going concern assessment and recoverability of deferred tax assets; • 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; and • 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, where necessary. 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.

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 De-risking Solutions, Guaranteed Income for Life Solutions, Lifetime Mortgages and 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 five 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 91% coverage of consolidated total assets, 98% coverage of consolidated total liabilities and 93% coverage of consolidated profit 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 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, where the value of investments may be affected over time based on market expectations.

We have assessed the risks of material misstatement to the Annual Report as a result of climate change and concluded that for the year ended 31 December 2023, 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 2023.

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	£26,722,500 (2022: £21,778,000).	£12,760,000 (2022: £12,852,000).
How we determined it	1% of Total Equity plus net of tax contractual service margin ("CSM")	1% of Total Equity
Rationale for benchmark applied	In determining our materiality, we considered financial metrics alongside additional non-financial factors such as nature of the entity, its industry and the economic environment. The engagement team has considered the primary focus of the users of the financial statements, including shareholders, policyholders and regulators and has determined that an equity based benchmark would be the most appropriate given the primary focus of the users of the financial statements continues to be the capital position of the Group. In addition, the income statement is driven largely by balance sheet movements in insurance contract liabilities for long-term products. Total equity plus net of tax CSM is considered an indication of the valuation of the current in-force business as it reflects the in-force profits to be released over the duration of the existing contracts.	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 £3,900,000 and £20,100,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

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% (2022: 75%) of overall materiality, amounting to £20,042,000 (2022: £16,333,500) for the Group financial statements and £9,570,000 (2022: £9,639,000) 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 £1,336,000 (Group audit) (2022: £1,100,000) and £700,000 (Company audit) (2022: £700,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessed the impact of severe, but plausible, downside scenarios which removed certain actions which are not necessarily within management's control; including the impact of the UK Government's Leasehold and Freehold Reform Bill and the associated consultation on potential restrictions to the level of residential ground rents, issued on 9 November 2023;
- Assessed the impact of the factors outlined in Note 35, which could erode the Group's capital resources and / or the quantum of risk to which the Group is exposed;
- Assessed liquidity of the Group and Company, including the Group's ability to pay policyholder obligations, suppliers and creditors as amounts fall due;
- Assessed the ability of the Group and the Company to comply with covenants; and
- Reviewed the disclosures included in the financial statements, including the Basis of Preparation.

INDEPENDENT AUDITORS' REPORT continued

to the members of Just Group plc

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. 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 2023 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;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- 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.

INDEPENDENT AUDITORS' REPORT continued

to the members of Just Group plc

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 four years, covering the years ended 31 December 2020 to 31 December 2023.

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

7 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Insurance revenue	2	**1,555**	1,325
Insurance service expenses	3	**(1,396)**	(1,196)
Net expenses from reinsurance contracts	4	**(41)**	(30)
Insurance service result		**118**	99
Interest income on financial assets measured at amortised cost	5	**54**	–
Other investment return	5	**2,119**	(5,189)
Investment return		**2,173**	(5,189)
Net finance (expenses)/income from insurance contracts	6	**(2,006)**	4,823
Net finance income/(expenses) from reinsurance contracts	7	**108**	(91)
Movement in investment contract liabilities		**(2)**	3
Net investment result		**273**	(454)
Other income		**21**	14
Other operating expenses	3	**(104)**	(93)
Other finance costs	8	**(122)**	(57)
Share of results of associates accounted for using the equity method	36	**(14)**	(3)
Profit/(loss) before tax	9	**172**	(494)
Income tax (expense)/credit	10	**(43)**	132
Profit/(loss) for the year		**129**	(362)
Profit/(loss) attributable to:			
Equity holders of Just Group plc		**129**	(362)
Profit/(loss) for the year		**129**	(362)
Total comprehensive income/(loss) attributable to:			
Equity holders of Just Group plc		**129**	(362)
Total comprehensive income/(loss) for the year		**129**	(362)
Basic earnings/(loss) per share (pence)	14	**11.3**	(36.3)
Diluted earnings/(loss) per share (pence)	14	**11.2**	(36.3)

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

Year ended 31 December 2023	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners' equity £m	Non-controlling interest £m	Total £m
At 1 January 2023		**104**	**95**	**938**	**(354)**	**783**	**322**	**1,105**	**(2)**	**1,103**
Profit for the year		**–**	**–**	**–**	**129**	**129**	**–**	**129**	**–**	**129**
Total comprehensive income for the year		**–**	**–**	**–**	**129**	**129**	**–**	**129**	**–**	**129**
Contributions and distributions										
Dividends	15	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**	**–**	**(19)**
Interest paid on Tier 1 notes (net of tax)	25	**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**	**–**	**(12)**
Share-based payments		**–**	**–**	**5**	**(3)**	**2**	**–**	**2**	**–**	**2**
Total contributions and distributions		**–**	**–**	**5**	**(34)**	**(29)**	**–**	**(29)**	**–**	**(29)**
At 31 December 2023		**104**	**95**	**943**	**(259)**	**883**	**322**	**1,205**	**(2)**	**1,203**

Year ended 31 December 2022	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings[1] £m	Total shareholders' equity £m	Tier 1 notes £m	Total owners' equity £m	Non-controlling interest £m	Total £m
At 1 January 2022 – previously reported		104	95	944	977	2,120	322	2,442	(2)	2,440
Impact of adoption of new accounting standards[2]		–	–	–	(944)	(944)	–	(944)	–	(944)
At 1 January 2022 – restated		104	95	944	33	1,176	322	1,498	(2)	1,496
Loss for the year		–	–	–	(362)	(362)	–	(362)	–	(362)
Total comprehensive loss for the year		–	–	–	(362)	(362)	–	(362)	–	(362)
Contributions and distributions										
Dividends	15	–	–	–	(15)	(15)	–	(15)	–	(15)
Interest paid on Tier 1 notes (net of tax)	25	–	–	–	(14)	(14)	–	(14)	–	(14)
Share-based payments		–	–	(6)	4	(2)	–	(2)	–	(2)
Total contributions and distributions		–	–	(6)	(25)	(31)	–	(31)	–	(31)
At 31 December 2022		104	95	938	(354)	783	322	1,105	(2)	1,103

1 Includes currency translation reserve of £1m (31 December 2022: £1m).
2 See note 1.2.2.

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

	Note	31 December 2023 £m	31 December 2022 (restated) £m	1 January 2022 (restated) £m
Assets				
Intangible assets	16	**41**	47	45
Property and equipment	17	**22**	22	14
Investment property	18	**32**	40	70
Financial investments	19	**29,423**	23,352	24,682
Investments accounted for using the equity method	36	**149**	194	–
Reinsurance contract assets	26	**1,143**	776	716
Deferred tax assets	21	**406**	449	304
Current tax assets		**4**	6	30
Prepayments and accrued income		**12**	11	6
Other receivables		**60**	33	21
Cash available on demand	22	**546**	482	510
Assets classified as held for sale		**–**	–	3
Total assets		**31,838**	25,412	26,401
Equity				
Share capital	23	**104**	104	104
Share premium	23	**95**	95	95
Other reserves	24	**943**	938	944
Retained earnings		**(259)**	(354)	33
Total equity attributable to shareholders of Just Group plc		**883**	783	1,176
Tier 1 notes	25	**322**	322	322
Total equity attributable to owners of Just Group plc		**1,205**	1,105	1,498
Non-controlling interest	36	**(2)**	(2)	(2)
Total equity		**1,203**	1,103	1,496
Liabilities				
Insurance contract liabilities	26	**24,131**	19,647	23,086
Reinsurance contract liabilities	26	**125**	121	165
Investment contract liabilities	27	**35**	33	34
Loans and borrowings	28	**686**	699	774
Other financial liabilities	29	**5,588**	3,669	721
Other provisions		**3**	1	1
Accruals and deferred income		**47**	43	43
Other payables	31	**20**	96	81
Total liabilities		**30,635**	24,309	24,905
Total equity and liabilities		**31,838**	25,412	26,401

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 7 March 2024 and were signed on its behalf by:

MARK GODSON
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Cash flows from operating activities			
Profit/(loss) before tax		**172**	(494)
Property revaluation loss	17	**–**	1
Depreciation of property and equipment	17	**2**	4
Share of results from associates		**14**	3
Amortisation of intangible assets	16	**3**	2
Impairment of intangible assets	16	**3**	–
Share-based payments		**1**	(3)
Interest income	5	**(1,104)**	(638)
Interest expense	8	**122**	57
Net (increase)/decrease in financial investments		**(6,068)**	3,063
Increase in net reinsurance contracts		**(363)**	(105)
Increase in prepayments and accrued income		**(1)**	(5)
Decrease/(increase) in other receivables		**3**	(13)
Increase/(decrease) in insurance contract liabilities		**4,484**	(3,439)
Increase/(decrease) in investment contract liabilities		**2**	(1)
Increase in accruals, provisions and deferred income		**16**	1
Increase in net derivative liabilities and financial liabilities		**1,849**	1,340
(Decrease)/increase in other payables		**(75)**	10
Interest received		**1,075**	402
Taxation received		**6**	16
Net cash inflow from operating activities		**141**	201
Cash flows from investing activities			
Additions to internally generated intangible assets	16	**–**	(4)
Acquisition of property and equipment	17	**(3)**	(4)
Disposal of property	17	**1**	3
Acquisition of subsidiaries		**–**	(197)
Net cash outflow from investing activities		**(2)**	(202)
Cash flows from financing activities			
Decrease in borrowings (net of costs)	28	**(26)**	(76)
Dividends paid	15	**(19)**	(15)
Coupon paid on Tier 1 notes	15	**(16)**	(17)
Interest paid on borrowings		**(48)**	(57)
Payment of lease liabilities – principal		**(1)**	(3)
Net cash outflow from financing activities		**(110)**	(168)
Net increase/(decrease) in cash and cash equivalents		**29**	(169)
Foreign exchange differences on cash balances		**2**	4
Cash and cash equivalents at 1 January		**1,656**	1,821
Cash and cash equivalents at 31 December		**1,687**	1,656
Cash available on demand		**546**	482
Units in liquidity funds		**1,141**	1,174
Cash and cash equivalents at 31 December	22	**1,687**	1,656

The Consolidated Statement of Cash Flows for year ended 2022 includes corrections to the restatements previously included within the interim financial statements.

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. MATERIAL 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.

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 and the accounting for the remeasurement of insurance and reinsurance contracts as required by IFRS 17. Values are expressed to the nearest £1m.

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 these financial statements.

This assessment includes the consideration of the Group's business plan approved by the Board; the projected liquidity positions 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 a range of "worst case" 1-in-200 year historic liquidity events. The Group liquid resources includes the Parent Company's 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 at the end of 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 2023 was 24%. 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 years' 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 including residential ground rents, mortality, and risk-free rates. In addition more extreme stresses and scenarios have been considered, including a scenario where of the worst case outcome of peppercorn rent from the Government consultation regarding restriction of ground rent for existing residential leases, and also a reverse property stress. The Group continued to be a going concern with the addition of the extreme peppercorn scenario and also in the scenario of a property price fall of 40%. Eligible own funds exceeded the minimum capital requirement in all stressed scenarios described above.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.2. New accounting standards and new material accounting policies

1.2.1. Adoption of new and amended accounting standards

The Group has adopted two new accounting standards, with effect from 1 January 2023:

- 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. IFRS 17 was approved for adoption by the UK Endorsement Board in May 2022.

  IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4, "Insurance Contracts".
- 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 previously met the relevant criteria for, and 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 has applied IFRS 9 commencing 1 January 2023, with comparative periods restated.

  IFRS 9 is applicable to financial assets and financial liabilities and covers the classification, measurement, impairment and derecognition of financial assets and liabilities together with a new hedge accounting model.

The comparative figures in the financial statements have been restated on the adoption of the standards. The impact on the opening statement of financial position for the earliest presented period (1 January 2022) is disclosed in note 1.2.2.

Material accounting policy choices on the adoption of the new standards (IFRS 17 and IFRS 9) are included in note 1.5 and note 1.6 respectively.

On the transition date, 1 January 2022, the Group has:

- identified, recognised, and measured each group of gross insurance contracts and associated reinsurance contracts, as if IFRS 17 had always applied unless impracticable (refer to note 1.3). Where the Group has concluded that the fully retrospective approach is impracticable, it has applied the fair value approach (refer to note 1.4) on transition;
- derecognised 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;
- presented reinsurance balances separately depending on whether they are in an asset or liability position at a portfolio level (previously at a treaty level), and reinsurance deposits previously classified as financial instruments are included within the value of reinsurance contracts;
- recognised allowance for expected credit losses (ECL) on financial assets which are measured at amortised cost, on the adoption of IFRS 9; and
- recognised any resulting net difference in retained earnings net of any related tax adjustments.

The change in tax law enabling spreading of the tax recovery of the deferred tax asset created at implementation of IFRS 17 over a period of 10 years was enacted on 10 November 2022. The deferred tax asset at the transition date has been deemed fully recoverable based on projections of future business activity.

The following amendments to existing standards have been adopted by the Group and do not have a significant impact on the financial statements:

- IAS 1 "Presentation of financial statements" – Amendments in respect of disclosures of accounting policies.
- IAS 8 "Accounting policies" – Amendments in respect of the definition of accounting estimates.
- IAS 12 "Income taxes" – Amendments in respect of deferred tax related to assets and liabilities arising from a single transaction.
- IAS 12 "Amendments in respect of International tax reform" – Pillar two model rules.

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 – Amendments in respect of the classification of liabilities as current or non-current (effective 1 January 2024).

1. MATERIAL ACCOUNTING POLICIES continued

1.2.2. Impact of adoption of new accounting standards

Statement of financial position

The Statements of financial position reported at 31 December 2021 (the transitional balance sheet presented on 1 January 2022 for the cumulative impacts of the adoption of new accounting standards) and 31 December 2022 (the comparative balance sheet) have been restated as follows:

Restatement of the transitional Statement of financial position (1 January 2022)

	31 December 2021 (as reported) £m	Reclassification adjustments £m	Measurement adjustments £m	1 January 2022 (restated) £m
Assets				
Intangible assets	120	–	(75)	45
Property and equipment	14	–	–	14
Financial investments measured at fair value through profit or loss	24,682	–	–	24,682
Reinsurance contract assets (previously reinsurance assets)	2,808	(2,128)	36	716
Deferred tax assets	–	(6)	310	304
Current tax assets	30	–	–	30
Prepayments and accrued income	76	(70)	–	6
Other receivables (previously insurance and other receivables)	35	(13)	(1)	21
Other assets	583	–	–	583
Total assets	28,348	(2,217)	270	26,401
Equity				
Share capital	104	–	–	104
Share premium	95	–	–	95
Other reserves	944	–	–	944
Retained earnings	977	–	(944)	33
Total equity attributable to shareholders of Just Group plc	2,120	–	(944)	1,176
Tier 1 notes	322	–	–	322
Total equity attributable to owners of Just Group plc	2,442	–	(944)	1,498
Non-controlling interest	(2)	–	–	(2)
Total equity	2,440	–	(944)	1,496
Liabilities				
Insurance contract liabilities (previously insurance liabilities)	21,813	(57)	1,330	23,086
Reinsurance contract liabilities (previously reinsurance liabilities)	275	6	(116)	165
Investment contract liabilities	34	–	–	34
Other financial liabilities	2,866	(2,145)	–	721
Deferred tax liabilities	5	(5)	–	–
Other payables (previously insurance and other payables)	93	(12)	–	81
Other liabilities	822	(4)	–	818
Total liabilities	25,908	(2,217)	1,214	24,905
Total equity and liabilities	28,348	(2,217)	270	26,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

Restatement of the comparative Statement of financial position at 31 December 2022

	31 December 2022 (previously reported) £m	Reclassification adjustments £m	Measurement adjustments £m	31 December 2022 (restated) £m
Assets				
Intangible assets	104	–	(57)	47
Property and equipment	22	–	–	22
Financial investments measured at fair value through profit or loss	23,477	(125)	–	23,352
Investments accounted for using the equity method	194	–	–	194
Reinsurance contract assets (previously reinsurance assets)	2,287	(1,598)	87	776
Deferred tax assets	93	–	356	449
Current tax assets	6	–	–	6
Prepayments and accrued income	85	(74)	–	11
Other receivables (previously insurance and other receivables)	324	(289)	(2)	33
Other assets	522	–	–	522
Total assets	27,114	(2,086)	384	25,412
Equity				
Share capital	104	–	–	104
Share premium	95	–	–	95
Other reserves	938	–	–	938
Retained earnings	721	–	(1,075)	(354)
Total equity attributable to shareholders of Just Group plc	1,858	–	(1,075)	783
Tier 1 notes	322	–	–	322
Total equity attributable to owners of Just Group plc	2,180	–	(1,075)	1,105
Non-controlling interests	(2)	–	–	(2)
Total equity	2,178	–	(1,075)	1,103
Liabilities				
Insurance contract liabilities (previously insurance liabilities)	18,332	(336)	1,651	19,647
Reinsurance contract liabilities (previously reinsurance liabilities)	306	7	(192)	121
Investment contract liabilities	33	–	–	33
Other financial liabilities	5,250	(1,581)	–	3,669
Deferred tax liabilities	–	–	–	–
Other payables (previously insurance and other payables)	263	(167)	–	96
Other liabilities	752	(9)	–	743
Total liabilities	24,936	(2,086)	1,459	24,309
Total equity and liabilities	27,114	(2,086)	384	25,412

The reclassification adjustments are:

- the inclusion of insurance receivables and payables balances as cash flows in the measurement of insurance and reinsurance contracts;
- the aggregation of reinsurance deposit backed liabilities with reinsurance contract assets, previously recognised in 'Other financial liabilities';
- the presentation of reinsurance contracts as an asset / liability based on the net position of all contracts within a portfolio, rather than the previous IFRS 4 treatment which was recognised on an individual contract basis; and
- in addition to the reclassifications as a result of adopting IFRS 17 and IFRS 9, a further reclassification of £23m has been made in respect of future funding commitments as a derivative forward which was previously incorrectly accounted for gross within investment assets and the funding commitment in other payables. There is no impact on net assets of this revised classification. The impact on 1 January 2022 is not material.

1. MATERIAL ACCOUNTING POLICIES continued

- The following table summarises the impact of reclassification and impact on cash flows:

	Note	Reclassification adjustments £m
Financial investments	19	(125)
Other financial liabilities – Derivatives	30	(23)
Other payables	31	148
Statement of cash flows – net decrease in financial investments		148
Statement of cash flows – increase in other payables		(148)

IFRS 17 represents a significant change from the previous measurement requirements contained in IFRS 4. The measurement adjustments are:

- For insurance and reinsurance contracts principally:
  - discount rates, which include allowance for expected and unexpected credit default risks instead of the prudent allowance for credit default risk in IFRS 4;
  - risk adjustment for non-financial risk, a new concept required by IFRS 17 compared to the prudent margins required by IFRS 4; and
  - Contractual Service Margin ("CSM"), which is a significant conceptual change from IFRS 4, whereby profits are recognised over the term of insurance and reinsurance contracts rather than at point of sale.
- The derecognition of present value in force business intangible assets.
- Accounting for the associated tax impacts of the measurement adjustments.

The impact of implementation of IFRS 9 has been minor, with the recognition of an expected credit loss adjustment of £1m in the opening balance sheet.

Impact on Statement of comprehensive income

The Statement of comprehensive income has been re-presented for the year ended 31 December 2022 to reflect the changes in the opening balance sheet at 1 January 2022. The transitional requirements of IFRS 17 do not require a reconciliation between the previous format of profit or loss and the new format of profit or loss.

Except for note 5 on net investment gains/(losses) from financial assets, notes 2 to 7 of the financial statements are newly required by the adoption of IFRS 17.

Impact on earnings per share

The loss per share for the year ended 31 December 2022 (both basic and diluted) has been restated to 36.30 pence per share from 23.70 pence per share as a result of the adoption of the standards.

1.3. Adoption of IFRS 17

1.3.1. Insurance and reinsurance contracts – determination of transitional amounts

The transition approach on initial adoption of IFRS 17 for the calculation of the contractual service margin was determined for groupings of insurance and reinsurance contracts either using the:

a) fully retrospective approach – the contractual service margin at inception is calculated based on initial assumptions when groupings of contracts were incepted, and rolled forward to the date of transition as if IFRS 17 had always been applied; or the

b) fair value approach – the fair value CSM is calculated as the difference between the fair value of the insurance (or reinsurance contracts) and the value of the fulfilment cash flows at the date of transition.

The following table summarises the approaches outlined in 1.3.3 and 1.4 below in order to transition from the previous standard, IFRS 4, to IFRS 17:

	31 December 2021 (as reported) £m	Reclassification adjustments £m	Measurement adjustments £m	1 January 2022 (restated) £m
Insurance contract liabilities				
– Fully retrospective approach (1.3.3)	2,284	(8)	335	2,611
– Fair value approach (1.3.4)	19,529	(49)	995	20,475
Total insurance contract liabilities	21,813	(57)	1,330	23,086
Reinsurance contracts				
Reinsurance contract assets				
– Fair value approach (1.3.4)	(2,808)	2,128	(36)	(716)
Reinsurance contract liabilities				
– Fully retrospective approach (1.3.3)	33	–	(32)	–
– Fair value approach (1.3.4)	242	6	(84)	165
Reinsurance contract liabilities	275	6	(116)	165
Net reinsurance contract (assets)	(2,533)	2,134	(152)	(551)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.3.2. Inputs used to determine best estimate and risk adjustment (IFRS 17 values) at date of transition for insurance and reinsurance contracts

1.3.2.1. Determination of best estimate and risk adjustment

For insurance and reinsurance contracts where the fully retrospective approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been recognised and measured using the accounting policies set out in note 1.5 from the inception date of the contracts to the date of transition (1 January 2022). For insurance and reinsurance contracts where the fair value approach has been adopted, the best estimate and risk adjustment components of fulfilment cash flows have been determined as at 1 January 2022. The longevity assumptions used are consistent with the basis used in the Just Group plc Solvency and Financial Condition Report as at 31 December 2021.

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 for the relevant products of the Group's insurance subsidiaries Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL").

Product group	Entity	Mortality tables
Individually underwritten Guaranteed Income for Life Solutions ("GIfL")	JRL	Modified E and W Population mortality, with CMI 2019 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions ("GIfL")	PLACL	Modified E and W Population mortality, with CMI 2019 model mortality improvements
Defined Benefit ("DB")	JRL	Modified E and 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 ("DB")	PLACL	Modified E and W Population mortality, with modified CMI 2019 model mortality improvements
Care Plans ("Care") and other annuity products	JRL/PLACL	Modified PCMA/PCFA and with CMI 2019 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E and W Population mortality with CMI 2019 model mortality improvements for other annuity products
Protection	PLACL	TM/TF00 Select

The long-term improvement rates in the CMI 2019 model are 1.5% for males and 1.25% for females. The period smoothing parameter in the modified CMI 2019 model has been set to 7.00. The addition to initial rates ("A") parameters in the model varies between 0% and 0.25% depending on product. All other CMI model parameters are the defaults.

1.3.2.2. Discount rates

All cash flows were discounted using investment yield curves adjusted to allow for expected and unexpected credit risk (refer to note 1.5 and note 26(b).

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 adjustment from LTMs, which included a combination of the NNEG guarantee and the additional reduction to future house price growth rate, was 61bps in JRL and 68bps in PLACL.

The discount rates used to calculate the value of the best estimate and risk adjustment for the groups of contracts applying the fair value approach were determined based on a reference portfolio as at the transition date.

The discount rates used for the determination of the fulfilment cash flows (and the locked-in rates for the contracts transitioning to IFRS 17 under the fair value approach) were:

	JRL DB / GIfL	PLACL Care	PLACL DB / GIfL
1 year	2.6%	0.8%	2.7%
5 years	3.0%	1.1%	3.0%
10 years	2.9%	1.0%	2.9%
20 years	2.8%	1.0%	2.9%
30 years	2.7%	0.9%	2.8%

1. MATERIAL ACCOUNTING POLICIES continued

1.3.3. Fully retrospective approach

On transition to IFRS 17, the Group has applied the fully retrospective approach unless it has concluded it is impracticable (see notes 1.3.4 and 1.3.5). The Group has applied the fully retrospective approach on transition for all insurance contracts issued on or after 1 January 2021 and prior to the 1 January 2023 effective date. For all contracts issued after 1 January 2021, the Group has applied the accounting policies described in note 1.5 for the measurement and recognition of insurance and reinsurance contracts and used the quantitative inputs described in note 1.3.2 to determine the best estimate and risk adjustment.

The locked-in discount rates for the 2021 cohort, which have been determined on a fully retrospective basis are:

	JRL GIfL	JRL DB	PLACL Care
1 year	2.2%	2.2%	0.8%
5 years	3.1%	2.7%	1.1%
10 years	3.2%	2.7%	1.0%
20 years	2.9%	2.4%	1.0%
30 years	2.7%	2.4%	0.9%

For all groups of insurance and associated reinsurance contracts issued prior to this, the fair value approach has been applied (see notes 1.3.4 and 1.4).

1.3.4. Fair value approach

Where the Group has concluded that the fully retrospective approach is impracticable, it has applied the fair value approach on transition for all groups of insurance and associated reinsurance contracts. For each legal entity, fair value basis cohorts have been grouped across multiple underwriting years into a single unit for each product type and reinsurance treaty for measurement purposes, which is the unit of account applied. The fair value approach was selected as the modifications allowed by the modified retrospective approach were not deemed to be sufficient to enable that approach to be adopted.

The assumptions, models and the results of the determination of the fair value of the insurance and reinsurance contracts under this approach are explained in note 1.4.

1.3.5. Impracticability assessment

IFRS 17 requires firms to apply the Standard 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, the Group 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 IAS 8 "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.

Impracticability of application of risk adjustment on the fully retrospective approach (insurance contracts)

The most significant issue identified was the absence of an approved Group Risk Adjustment framework, policy and methodology prior to 2021, with any target setting to prior year information representing the application of hindsight which is prohibited by the Standard.

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 risk differs to any of the risk-based allowances adopted for either existing regulatory or statutory reporting purposes. A new framework and policy have been defined and implemented to measure the risk adjustment.

The 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, the Group 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 the 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.

The Group has assessed whether other information used in previous reporting cycles, including pricing for new business, could be used to determine the risk adjustment, but has concluded that none of these alternatives would be an appropriate proxy for the risk adjustment. 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.

Therefore, the Group has concluded that the fully retrospective approach is impracticable prior to 2021 in respect of risk adjustment as it would require the use of hindsight.

Impracticability assessment for reinsurance contracts held

The risk adjustment for reinsurance contracts held in IFRS 17 reflects the "amount of risk being transferred" to the reinsurer, therefore where the risk adjustment for insurance contracts is impracticable then, by definition, the reinsurance risk adjustment is also impracticable.

Approach adopted

After considering the severity of these factors, the Group concluded that it was impracticable to determine the value of insurance and reinsurance contracts on a fully retrospective approach basis for those years of business transacted prior to 2021.

As a result of this impracticality, the IFRS 17 standard allows an accounting policy choice of the fair value approach or modified retrospective approach from which the Group elected to apply the fair value approach.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.4. Determination of fair value

1.4.1. Fair value principles

The Group has used the principles contained in IFRS 13 "Fair Value Measurement" except the principles relating to demand features, to determine the fair value of the insurance and reinsurance contracts.

The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability).

For certain assets and liabilities, observable market transactions or market information may be available. For other assets and liabilities, such as insurance obligations and associated reinsurance agreements, observable market transactions and market information are not widely available. There is no active market for the transfer of insurance liabilities and associated reinsurance between market participants and therefore there is limited market observable data. Although there may be transactions for specific books of annuity business, the profile of the cash flows and nature of the risks of each book of business is unique to each, with key inputs underlying the price of these transactions not being widely available public knowledge, and therefore it is not possible to determine a reliable market benchmark from these transactions.

When a price for an identical asset or liability is not observable, the Group measures fair value using an alternative valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Because fair value is a market-based measurement, it is determined using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

The initial determination of the fair value was calculated on a gross and net of reinsurance basis. The fair value of the reinsurance contracts was then determined based on the difference between the gross and net of reinsurance results.

In arriving at the definition of a "market participant" the Group has assumed the following:

- a similar monoline, rather than a multi-product line insurer;
- the portfolios are transferred as closed books of business;
- transferral of the associated reinsurance contracts currently in place, as these would be expected to transfer at the point of sale alongside the underlying insurance contracts; and
- treatment of the business under a Solvency II Internal Model approach including a matching adjustment as it is expected that a market participant would adopt this approach. This is regardless as to whether the business as part of the Group today has an internal model and/or applies the matching adjustment.

The measurement of the fair value of insurance contracts and associated reinsurance contracts have therefore been classified in terms of the financial reporting fair value hierarchy as Level 3.

1.4.2. Aggregation of contracts for the determination of fair value

The Group has aggregated contracts issued more than one year apart when determining groups of insurance and reinsurance contracts under the fair value approach at transition as permitted by IFRS 17. For the application of the fair value approach, the Group has used reasonable and supportable information available at the transition date in order to identify groups of insurance and reinsurance contracts.

All insurance contracts which are valued at the date of transition using the fair value transition method have been allocated to the "any remaining contracts" profitability grouping (refer to note 1.5.3).

1.4.3. Overview of the fair value approach applied

The fair value approach adopted by the Group calculates the theoretical premium (market premium approach) required by a market participant to accept insurance liabilities. The quantification of the premium required for the gross insurance liabilities and the associated reinsurance contracts was determined separately.

The market premium required at the transition date has been determined as follows:

- the premium required to earn the target rate of return on capital ("RoC") on reserves held in respect of Solvency II Best Estimate Liability, Risk Margin and Solvency Capital Requirements, adjusted for associated Solvency II Transitional Measure on Technical Provisions (TMTP) benefits for the relevant pre-2016 business;
- the level of Solvency Capital assumed to be required has been determined as 140% of the solvency capital required under Solvency II regulations, being based on an external benchmark of a market participant's requirement for a closed book of business (refer to note 1.4.4.2); and
- the target Return on Capital has been determined as 8%, being based on an external benchmark of a market participant's target return for a closed book of business (refer to note 1.4.4.3).

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 were 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 used in industry for the valuation of insurance business.

1. MATERIAL ACCOUNTING POLICIES continued

1.4.4. Principal inputs used to determine fair value

1.4.4.1. Best estimate and risk margin

The estimates for the best estimate and the risk margin are determined on a basis consistent with Solvency II. The inputs used for JRL are based on its Internal Model, and for PLACL are based on the assumed results that would be derived from its internal model. An allowance for Solvency II TMTP benefits on relevant pre-2016 business is reflected within the valuation.

The longevity assumptions used for the determination of the best estimate and risk margin are consistent with the basis used in the Just Group plc Solvency and Financial Condition Report as at 31 December 2021.

The discount rate assumption used for the determination of JRL and PLACL best estimate liabilities is the prescribed Solvency II risk-free rate term structure including a Matching Adjustment ("MA") based upon the JRL asset portfolio as at 31 December 2021.

1.4.4.2. Solvency Capital Requirement ("SCR") coverage ratio

The target SCR coverage ratio assumed for the determination of fair value at the date of transition is based on a market participant view for a closed book of business. A target ratio of 140% is assumed in the fair value calculation after consideration of the current ranges quoted by similar peers, notably those principally operating closed books of business in the market and other publicly available data. The fair value calculated is based on the purchase of the insurance contracts liabilities and the associated reinsurance agreements and does not include a premium associated with writing new business.

1.4.4.3. Return on Capital – Weighted Average Cost of Capital ("WACC")

The fair value measurement guidance within IFRS 13 requires that the Return on Capital assumption should be based upon a Weighted Average Cost of Capital ("WACC") applicable to a "generic" market participant, rather than the Group's specific WACC. Consequently, an appropriate market participant WACC is computed for the Group's business based on debt and equity cost of capital for companies that have closed books of insurance business, using input from brokers, and the cost of external debt sourced from an external pricing provider.

The market participant WACC determined was 8% and is applied to all books of business irrespective of the expected duration of the underlying schemes.

1.4.5. Summary of fair value results

The following table summarises the fair value of insurance and reinsurance contracts determined at the 1 January 2022 transition date.

	Fair value £m	Estimate of present value of future cash flows £m	Risk adjustment £m	Contractual service margin £m
Insurance contract liabilities	20,475	18,343	905	1,227
Reinsurance contract assets	716	546	115	54
Reinsurance contract liabilities	(165)	(677)	395	119
Net reinsurance contracts (asset)	551	(131)	510	173
Insurance contract liabilities – net of reinsurance	19,924	18,474	395	1,054

The amounts previously reported under IFRS 4 on 1 January 2022 for insurance contract liabilities and net reinsurance contracts, where the fair value approach to transition has been adopted was £19,529m and £2,566m respectively. Disclosure of the fair value component of the transition approach can be found in note 1.3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.4.6. Sensitivities

The following table provides sensitivities to changes in key inputs used to determine the fair value of net insurance contract liabilities. Figures shown in the table represent the estimated impact on the fair value of each sensitivity in isolation. The SCR coverage ratio and Return on Capital sensitivities can be interpreted as the corresponding impact on the contractual service margin. However, the Matching Adjustment sensitivity may not display the same relationship as there may be linkages between the asset portfolio referenced by a market participant in the calculation of the fair value and the asset portfolio underlying the calculation of IFRS 17 best estimate and risk adjustment liabilities. This linkage has not been allowed for in the sensitivity.

	Insurance contract liabilities (increase)/ decrease £m	Reinsurance contract (net) increase/ (decrease) £m	Insurance contract liabilities net of reinsurance (increase)/decrease £m
Reported balances	20,475	(551)	19,924
SCR coverage ratio			
+10%	103	(25)	78
-10%	(103)	25	(78)
Return on capital			
+1%	177	(60)	117
-1%	(201)	68	(133)
Matching adjustment			
+10bps	(49)	2	(47)
-10bps	50	(2)	48

1.5. IFRS 17 Accounting policies

The Group uses the General Measurement Model to measure all insurance and reinsurance contracts and consequently does not apply the Variable Fee Approach or the Premium Allocation Approach to the measurement of any of its liabilities. IFRS 17 is only applied to insurance and reinsurance contracts and not to any other ancillary agreements which represent the provision of distinct non-insurance services including LTM servicing as part of reinsurance arrangements, see note 34(c)(iii).

1.5.1. 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 in JRL and Linked endowment contracts and term-certain GIfL contracts in the South African business are classified as investment contracts as there is limited transfer of longevity risk. Capped Drawdown contracts are no longer marketed by JRL. IFRS 17 includes an election to treat lifetime mortgages as either as financial instruments or insurance contracts, Just has chosen to report lifetime mortgages as financial assets, measured at FVTPL in accordance with IFRS 9.

1.5.2. Recognition

The Group recognises a group of insurance contracts issued from the earliest of the following dates (point of sale):

- The date of the beginning of the insurance coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group becomes due.
- The date when facts and circumstances indicate that the group to which an insurance contract will belong is onerous.

Premiums are considered to be due and the Group is “on risk” only after a contract with a policyholder has been completed. New contracts are added to the annual cohort group when they are issued, provided that all contracts in the Group are issued in the same financial year.

Reinsurance is recognised from the start of the period during which the Group receives coverage for claims arising from the reinsured portions of the underlying insurance contracts. From time to time the Group may transact reinsurance coverage in respect of underlying contracts already in force, in which case recognition is from the date of the reinsurance contract.

The Group recognises a group of contracts acquired as part of a business transfer as at the date of acquisition.

1. MATERIAL ACCOUNTING POLICIES continued

1.5.3. Level of aggregation

Within each legal entity, the Group identifies portfolios of insurance contracts which comprise contracts that are subject to similar risks, and are managed together. Risks included in this assessment comprise both risks transferred from the policyholder and other business risks. For this purpose, Defined Benefit (DB), Guaranteed Income for Life (GIfL), and Care contracts have been determined to represent a single portfolio that is managed together and subject to primarily longevity and financial risk. Minor products including the small protection portfolio that is in run-off have been included in the same portfolio on the grounds of immateriality.

The single annual portfolio for reporting purposes is divided into three groups:

- contracts that are onerous on initial recognition, if any;
- contracts that have no significant likelihood of becoming onerous, if any; and
- any remaining contracts in the portfolio.

Contracts within the single portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group. This applies to contracts issued in the UK that are required by regulation to be priced on a gender-neutral basis.

All GIfL and Care contracts are evaluated based on the margins that individual contracts contribute when measured on a gender-neutral basis. The Group has evaluated that these contracts all fall into the remaining contracts grouping in the current year. DB contracts are allocated either to the grouping of those contracts that have no significant likelihood of becoming onerous, or the remainder, based on whether contracts are Solvency II capital generative at inception. Each group of insurance contracts is further divided by year of issue for calculation of the CSM. The resulting groups represent the level at which the recognition and measurement accounting policies are applied. The groups are established on initial recognition and their composition is not reassessed subsequently.

Reinsurance treaties are allocated to portfolios depending on whether they transfer longevity and financial (inflation and/or investment) risk or longevity risk alone. The Group has also concluded that both JRL and PLACL hold portfolios of reinsurance contracts that transfer only longevity risk, and that JRL holds a portfolio that transfers longevity risk and financial risks. Reinsurance CSM is computed separately for each reinsurance treaty for each underwriting year.

1.5.4. Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the current reporting period under which the Group has a substantive obligation to provide services or be compelled to pay reinsurance premiums, or can compel reinsurers to pay claims.

1.5.5. Initial measurement

On initial recognition, the Group measures a group of profitable insurance contracts as the total of:

- the fulfilment cash flows; and
- the CSM, if a positive value.

Fulfilment cash flows include payments to policyholders and directly attributable expenses including investment management expenses. Investment management expenses are considered to be directly attributable if they are in respect of investment activities from which the expected investment returns are considered in setting the price at outset for the policyholder benefits.

Fulfilment cash flows, which comprise estimates of current and future cash flows, are adjusted to reflect the time value of money and associated financial risks, and a risk adjustment for non-financial risk. These calculations are maintained at contract level for GIfL and Care business, and at DB scheme member level. Insurance acquisition cash flows which are included in fulfilment cash flows at point of sale are costs incurred in the selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group of contracts belongs.

The risk adjustment for non-financial risk for a group of insurance contracts is the compensation required for bearing uncertainty regarding the amount and timing of the cash flows that arise from non-financial risk. The measurement of the fulfilment cash flows of a group of insurance contracts does not reflect non-performance (own credit) risk of the Group.

The detailed policies and methodologies used for the determination of the discount rate and the risk adjustment are included within note 26(b).

The CSM of a group of insurance contracts represents the unearned profit that the Group will recognise as it provides services under those contracts. A group of insurance contracts is not onerous on initial recognition if the total of the fulfilment cash flows, any derecognised assets for insurance acquisition cash flows, and any cash flows arising at that date is a net inflow. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

If the total of the fulfilment cash flows is a net outflow, then the CSM grouping of contracts is considered to be onerous. The full value of the fulfilment cash flows is recognised as an insurance liability, and the net outflow recognised as a loss component in profit or loss on initial recognition. Reversals of loss components following re-projection of future cash flows are recognised in profit or loss only to the extent that they reverse the loss previously recorded in profit or loss, with any further amounts recognised on the balance sheet by creation of a CSM. The value of the run-off of the loss component as policyholder benefits are paid is excluded from insurance revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.5.6. Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises:

- the fulfilment cash flows that relate to services that will be provided under the contracts in future periods; and
- any remaining CSM at that date.

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Outstanding balances due from or to policyholders and intermediaries are also included within this balance.

Payments of annuities made before due dates owing to the timing of non-working days are included within insurance contract liabilities.

The CSM of each group of contracts is calculated on a cumulative year to date basis, rather than being locked in at each interim reporting period.

For insurance contracts, the carrying amount of the CSM at the end of each period is the carrying amount at the start of the period, adjusted for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition of the group of contracts;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in the profit or loss account and creates a loss component; or
  - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss account;
  - the changes are due to financial risk in policyholder cash flows compared with expectations, for example inflation; and
- the amount recognised as insurance revenue in respect of services provided in the period.

Changes in fulfilment cash flows that relate to future services and accordingly adjust the CSM comprise:

- premium adjustments, such as DB true-ups (which can be both positive and negative) to the extent that they relate to future coverage;
- changes in estimates of the present value of future cash flows in the liability for remaining coverage, except for those that relate to the effects of the time value of money, benefit inflation, financial risk and changes therein; and
- changes in the risk adjustment for non-financial risk that relate to future services.

Adjustments to CSM for changes in fulfilment cash flows are measured at the discount rates determined at initial recognition, i.e. are calculated using "locked-in" discount rates. The allowance for benefit inflation within the CSM calculation uses the locked-in inflation assumptions prospectively, with actual inflation experience recognised in the period up to the measurement date. The effect of changes to the related best estimate and risk adjustment balances caused by changes in discount rates and benefit inflation are recognised as insurance finance income or expenses within the profit or loss account.

The standard requires that the CSM is recognised in profit and loss over the period of the contracts issued. The recognition of amounts in profit and loss is based on coverage units which represent the services that are received by the customers.

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 annuitants.

By their nature, coverage units 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 uses the probability of the policy being in force in each time period for weighting the disparate types of coverage units. 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.

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 of annuitants.

1. MATERIAL ACCOUNTING POLICIES continued

1.5.7. Reinsurance contracts

The Group applies consistent accounting policies to measure reinsurance contracts as it does for the underlying contracts. Measurement of the estimates of the present value of future cash flows uses assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment within the future cash flows for risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk represents the amount of the risk transferred by the Group to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts represents the net cost or net gain on purchasing reinsurance. Reinsurance contracts cannot be onerous. The initial CSM is measured as the equal and opposite amount of the total of the reinsurance fulfilment cash flows recognised in the period including any cash flows arising at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase, the cost is recognised immediately in profit or loss as an expense.

The level of aggregation for CSM calculation purposes is at annual cohort level for each treaty. The existing treaties for which the deposit back arrangements were reported separately as financial liabilities prior to adoption of IFRS 17 are included within the value of the associated reinsurance contracts under IFRS 17. Reinsurance contracts are presented in the Statement of financial position based on whether the portfolios of reinsurance contracts are an asset or liability. The Group has identified that, for each entity, it has two portfolios of reinsurance contracts based on whether or not the underlying contracts transfer financial risk in addition to longevity risk.

The carrying amount of the reinsurance CSM at the end of each period is the carrying amount at the start of the year, adjusted for:

- the CSM of reinsurance ceded in the period;
- interest accreted on the CSM during the period, measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, except to the extent that a change results from a change in fulfilment cash flows allocated to a group of underlying insurance contracts that does not adjust the CSM of the group of underlying contracts, in which case the change is recognised in profit or loss;
- any reinsurance recovery, or reversal thereof, recognised in connection with a loss component on underlying contracts calculated based on the reinsurance quota share; and
- the amount representing either the cost or gain of services received from reinsurance in the period.

The allowance for benefit inflation within the CSM calculation uses the locked-in inflation assumptions prospectively, with actual inflation experience recognised in the period up to the measurement date.

The coverage units for the release of the reinsurance CSM in profit and loss are based on the “variable leg” reinsurance claim cash flow values.

1.5.8. Derecognition and contract modification

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled. It also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

The Group transacts two main types of contract modification which are not normally expected to result in derecognition as they do not result in changes to profitability groupings or accounting treatment:

- transition of DB schemes from buy-in to buy-out is anticipated within the original contracts and are therefore not treated as modifications;
- from time to time, fee charging terms and quota shares are amended within reinsurance treaties however these do not have a significant impact on the accounting for the treaties.

On the derecognition of a contract from within a group of contracts, the fulfilment cash flows, CSM and coverage units of the group are adjusted to reflect the removal of the contract that has been derecognised.

1.5.9. Presentation

The Group only writes types of annuity insurance business which are similar in risk profile and are managed together. The small protection portfolio, which is in run-off, is considered immaterial and is aggregated with the annuity business and reported as a single portfolio.

The Group holds proportional reinsurance cover that is designed to be similar in longevity risk profile to the underlying contracts. The proportional reinsurance cover is reported in separate portfolios depending on whether or not treaties transfer financial risk. Aggregated reinsurance portfolio balances may be either assets or liabilities in the statement of financial position.

Income and expenses from insurance contracts are presented separately from income and expenses from reinsurance contracts. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis as “net expenses from reinsurance contracts” in the insurance service result.

The Group has elected to disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.5.9.1. Insurance revenue

The Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides coverage or other services under groups of insurance contracts through the payment of annuities and expenses. Repayment of investment components do not represent provision of services.

In addition, the Group allocates a portion of premiums that relate to recovery of insurance acquisition cash flows to each period in a systematic way based on CSM coverage units. The Group recognises the allocated amount as insurance revenue and an equal amount as insurance service expenses.

The proportion of the CSM account balance recognised as insurance revenue in each period is based on the proportion of insurance contract services provided in the period compared with the value of services expected to be provided in future periods. The proportion of CSM is based on "coverage units" which represent the quantity of insurance coverage provided by the contracts in the group, determined by considering for each contract the quantity of benefits provided and its expected coverage duration. Further information on the calculation of CSM is given in note 1.5.6.

Policyholder cash flows that may occur regardless of an insurance event are deemed to be "investment components" or other non-insurance components (such as a premium refund) or a combination. This includes the guarantees that the Group offers to policyholders which provide for annuity payments to continue after death until the policy reaches a predetermined anniversary of its start date (the guarantee period), tax-free cash payments that DB scheme members may select at retirement, and payments on surrenders and transfers to other retirement schemes. All investment components are regarded as non-distinct as they only exist as a result of the underlying insurance contract, and are measured consistently with future insurance cash flows included in the Estimate of present value of future cash flows.

The value of payments made within investment components and other non-insurance payments are excluded from both insurance revenue and expenses.

1.5.9.2. Insurance service expenses

The Group recognises insurance service expenses arising from groups of insurance contracts issued comprising incurred claims (excluding repayments of investment components); maintenance expenses; amortisation of insurance acquisition cash flows; and the impact of changes that relate to either past service (changes in fulfilment cash flows relating to the liability for incurred claims) or future service (loss component).

1.5.9.3. Loss component

The Group establishes a loss component of the liability for remaining coverage for onerous groups of insurance contracts, if any. The Group writes only single premium contracts which are generally profitable, and hence loss components are not expected to occur. The loss component represents the amount of fulfilment cash outflows that exceed the premium income, and hence are excluded from insurance revenue. Loss components are recognised in the statement of comprehensive income within insurance service expenses when they occur. The balance sheet disclosures in note 26 present the allocation between the loss component and the liability for remaining coverage excluding the loss component, if any. This run-off of the loss component element of the liability for remaining coverage is determined based on coverage units (as used for CSM amortisation) such that the loss component is nil at the end of the contracts.

Once a loss component is established, changes in estimates of cash flows relating to future services are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

1.6. IFRS 9 Financial instruments

1.6.1. Summary of impact of adoption of IFRS 9

1.6.1.1. Financial assets

The Group classifies financial assets on the basis of both the business model for which the portfolio is held and the contractual cash flow characteristics of the financial asset. The Group's business model is to manage the financial assets and liabilities which back its net insurance contract fulfilment cash flows 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 ("FVTPL"). On the adoption of the standards (IFRS 17 and IFRS 9), the Group has elected to apply the option contained in paragraph 8A in IFRS 17 to recognise and measure Lifetime Mortgages, including the No Negative Equity Guarantee component, as financial instruments in terms of IFRS 9, rather than as insurance contracts.

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 the existing financial assets measured at amortised cost has not had a material impact on Group shareholders' funds.

During 2023, the Group has acquired a portfolio of sovereign gilts which it has classified at amortised cost due to the Group's intention to collect solely payments of principal and interest. Further details have been provided in note 19 Financial Investments.

1.6.1.2. Financial liabilities

IFRS 9 retains the requirements in IAS 39 for the classification and measurement of financial liabilities, and hence there are no changes required in this area.

1.6.1.3. Hedge accounting

The Group does not currently apply hedge accounting and therefore was not impacted by the requirements of IFRS 9.

1. MATERIAL ACCOUNTING POLICIES continued

1.6.1.4. Classification of financial assets and financial liabilities on adoption of IFRS 9

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 31 December 2022. There has been no significant change in the measurement basis (either FVTPL or amortised cost) as a result of the adoption of IFRS 9, nor is there a change to the carrying amount of financial instruments on the opening balance sheet presented as at 1 January 2022.

2022	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 £m	New carrying amount under IFRS 9 £m
Financial assets				
Financial investments				
– Derivative assets	FVTPL (held for trading)	FVTPL (mandatory)	2,277	2,277
– Residential mortgages	FVTPL (designated)	FVTPL (mandatory)	5,306	5,306
– All other financial investments	FVTPL (designated)	FVTPL (business model)	15,769	15,769
Other receivables	Loans and receivables	Amortised cost	34	33
Cash available on demand	Loans and receivables	Amortised cost	482	482
Financial liabilities				
Investment contract liabilities	FVTPL (designated)	FVTPL (accounting mismatch)	33	33
Loans and borrowings	Amortised cost	Amortised cost	699	699
Other financial liabilities				
– Derivative liabilities	FVTPL (held for trading)	FVTPL (mandatory)	3,046	3,046
– Other financial liabilities	Amortised cost	Amortised cost	623	623
Other payables	Amortised cost	Amortised cost	96	96

Amounts reported in this table include the amounts reported as at 31 December 2022 in the 2022 financial statements adjusted for the reclassifications of certain balances as required by IFRS 17.

1.6.2. Classification of financial assets and financial liabilities

The Group classifies its financial assets into either the Amortised Cost or FVTPL measurement categories. The Group measures its financial assets according to the business model applied. This reflects how the Group manages financial assets either in order to solely collect the contractual cash flows from assets (measured at amortised cost), or collect both the contractual cash flows and cash flows arising from the sale of assets (measured at FVTPL).

Business model – measurement of financial investments at FVTPL

Financial investments which back the net insurance fulfilment cash flows are classified as part of the fair value business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed, and how managers are compensated. To ensure that the contractual cash flows from the financial assets are sufficient to settle those liabilities, the Group undertakes significant buying and selling activity on a regular basis to rebalance its portfolio of assets and to meet cash flow needs as they arise. Investments are measured at fair value with any gains and losses recognised in Investment return in the Consolidated statement of comprehensive income. Transaction costs are recognised in Other operating expenses when incurred.

The Groups' investments in Lifetime Mortgages, which contain No Negative Equity Guarantees, are included in financial investments measured at FVTPL.

Derivative instruments

All derivative instruments, both assets and liabilities are classified as FVTPL in accordance with IFRS 9. All derivatives are carried as assets when the fair value is positive and liabilities when the fair values are negative. The Group does not use hedge accounting.

Amortised cost

The Group has classified bank balances and other receivables at amortised cost. These financial assets are eligible for this measurement as they contain payments of solely payments of principal and interest and are not held for trading purposes.

In addition, the Group has purchased a distinct portfolio of sovereign gilts where the purpose of holding the instruments is to collect solely payments of principal and interest. This portfolio is managed separately from the assets that are held to back the insurance contract fulfilment cash flows (net of reinsurance), financial liabilities measured at amortised cost, and equity balances. The Group has policies and procedures which define the framework for when disposals of these gilts can occur, which is expected to be in extremely limited circumstances.

Transaction costs incurred on financial assets measured at amortised cost are capitalised to the underlying instrument and are included in the determination of the effective rate of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.6.3. 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. Forward contracts to enter into investments at a contracted date some time in the future are not recognised until the settlement date; prior to that a derivative forward contract is recognised. 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 IFRS 9 derecognition criteria for transferred financial assets are met. The criteria include assessment of rights and obligations to the cash flows, an assessment of the transfer of substantially all the risks and rewards of ownership and an assessment of whether the Group has retained control of the investment.

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. Where non-cash collateral pledged continues to be recognised by the Group but the counterparty is permitted to sell or re-pledge the collateral, the non-cash collateral assets are classified separately within the Financial instruments note. In the current year these include the new portfolio of amortised cost gilts (See note 19).

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 IFRS 9 recognition/derecognition criteria. An assessment is made of the contractual terms, including consideration of the Group's exposure to the economic benefits. See note 34(c)(iii) for further details.

1.6.4. Investment return

Net investment (losses)/gains on financial assets consists of interest receivable for the year and realised and unrealised gains and losses on financial assets and liabilities at FVTPL. Net investment (expense)/ revenue is presented in the Statement of comprehensive income based on the classification of the financial assets.

Interest income is recognised as it accrues on the effective interest method and is reported separately for each classification of financial instruments.

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 measured at fair value through profit or loss 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.

1.6.5. Use of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. If there is no active established market for an investment, the Group applies an appropriate valuation technique as described below.

Determining the fair value of financial investments when the markets are not active

The Group holds certain financial investments which are not quoted in active markets and include loans secured by residential mortgages, derivatives and other illiquid 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.

Fixed-maturity 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 treated as Level 3 under the fair value hierarchy. 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.

The financial investments measured at fair value are classified into the three-level hierarchy described in note 20 on the basis of the lowest level of inputs that are significant to the fair value measurement of the financial investment concerned.

1. MATERIAL ACCOUNTING POLICIES continued

1.6.6. Financial assets measured at amortised cost

Financial assets held at amortised cost are measured using the effective interest rate method and are impaired using an expected credit loss model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition.

At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. 12 months of expected credit losses are recognised within expenses in the Consolidate statement of comprehensive income and netted against the financial asset in the Consolidated statement of financial position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward-looking information. The most significant categories of financial assets held at amortised cost for the Group are its portfolio of investments in sovereign gilts (see note 19) and cash available on demand. Investments are reclassified from performing to under-performing when coupons become more than 30 days past due, in line with the presumption set out in IFRS 9, or when the financial institution is no longer considered to be investment grade by the rating agents. Due to the nature of the investment in sovereign gilts, the Group concludes that these investments are low credit risk and there has been no significant deterioration in credit risk in the investments.

1.6.7. Investment contract liabilities

Investment contracts are measured at fair value through profit or loss in accordance with IFRS 9. 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.

1.6.8. 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. There is no change in accounting for loans and borrowings on adoption of IFRS 9.

1.6.9. Other financial liabilities

Except for derivative financial liabilities, all other financial liabilities are held at amortised cost and measured using the effective interest rate method.

1.7. Material accounting policies and the use of judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Consolidate statement of comprehensive income, Consolidated statement of financial position, other primary statements and Notes to the financial statements. The adoption of IFRS 17 and IFRS 9 by the Group has resulted in changes to significant accounting estimates and judgements.

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. Sensitivities of investments and insurance contracts to reasonably possible changes in significant estimates and assumptions are included in notes 20(d) and 26(h) respectively.

The major areas of judgement used as part of accounting policy application are summarised below.

Note	Item involving judgement	Critical accounting judgement
1.3	Method of transition in the adoption of IFRS 17	The Group has concluded that is impracticable to apply the fully retrospective approach to all insurance and reinsurance contracts prior to 1 January 2021 and has elected to adopt the fair value approach to these contracts.
1.5	Selection of method to determine the discount rate for insurance and reinsurance contracts	The Group has elected to apply the top-down approach for the determination of discount rates. Discount rates are determined based on a reference portfolio of assets and allow for deductions for credit risk (both expected and unexpected). The reference portfolio consists of the actual asset portfolio backing the net of reinsurance best estimate liabilities and risk adjustment and is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio where necessary. No adjustment for liquidity differences between the reference portfolio and the liabilities is made. For calculation of the CSM at the inception of contracts, discount rates are based on the yields from a reference portfolio assumed to be represented by the current target portfolio mix based on the latest investment strategy. A weighted average discount rate curve is used for accreting interest on the CSM and for calculating movements in the CSM due to changes in fulfilment cash flows relating to future service. This separate "locked-in" discount rate curve, is determined for each annual cohort at the end of the cohort's first year and then does not change throughout the remainder of life of the group of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

Note	Item involving judgement	Critical accounting judgement
1.5, 26	Calibration of risk adjustment for insurance contract liabilities and reinsurance assets and liabilities	IFRS 17 requires that the future cash flows are adjusted by the risk adjustment for non-financial risk. The risk adjustment for non-financial risks reflects the adjustment to the best estimate cash flows required to provide a 70% level of confidence that longevity, expense and insurance contract specific operational risks will be covered by the liabilities when viewed over the lifetime of the contracts. This judgement represents the level of compensation that the Group requires for bearing the uncertainty regarding the amount and timing of the cash flows that arises from non-financial risk and is used as a core parameter within the Group's pricing framework when assessing the profitability of new business. The reinsurance risk adjustment represents the extent to which non-financial risks are transferred to reinsurers and is measured using the same calibrations as applied to the underlying contracts.
1.5, 26	Subsequent measurement of CSM for insurance contracts	The CSM is recognised at point of sale based on the value of the fulfilment cash flows, including directly attributable acquisition expenses. The CSM is recognised in profit and loss over the terms of services provided to policyholders (coverage units). Coverage units will vary depending on the type of service provided. The Group uses 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 of Defined Benefit policies, investment return service coverage units are represented by the return on the funds backing the future cash flow liability in this accumulation phase. Insurance service in this phase is considered insignificant. • In the guaranteed phase of Defined Benefit and Guaranteed Income for Life policies, when payments outwards are being made regardless of any insurance event, investment return service is represented by the payments to annuitants. • In the life contingent phase of all policies, insurance service is represented by payments to annuitants, as confirmed by the IASB Interpretation Committee ("IFRIC") during 2022.
1.6.3	Financial assets – valuation method	Assessment of fair value hierarchy for financial investments, which considers the market observability of valuation inputs. Where the market is not active, such as for illiquid assets including commercial mortgages, infrastructure loans and long income real estate, management applies judgement in selecting the appropriate valuation technique.
1.6	The selection of an appropriate measurement model to determine the fair value of loans secured by residential mortgages which includes the no-negative equity guarantees	The Group has selected and used a variant of the Black-Scholes option pricing formula with real world assumptions to determine the fair value of the no-negative equity guarantee component of the fair value of loans secured by residential mortgages. The Group has selected to use real world assumptions instead of risk neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach. This selected measurement approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions.

Note	Item involving estimate	Critical estimates and assumptions
1.4	Determination of the fair value of insurance and reinsurance contracts issued prior to 1 January 2021	The Group has determined the fair value of these insurance contracts on 1 January 2022. The critical assumptions used as part of the determination of fair value included the selection of an appropriate weighted average cost of capital, the appropriate level of solvency capital required, and the selection of the asset portfolio to determine the discount rate. A comprehensive description of the approach applied, and the inputs used in the determination of fair value can be found in note 1.4.

1. MATERIAL ACCOUNTING POLICIES continued

Note	Item involving estimate	Critical estimates and assumptions
1.5, 26	Measurement of insurance contract liabilities – present value of future cash flows	The critical estimates used in measuring insurance liabilities include the projected future annuity payments and the cost of administering payments to policyholders. The Group considers any maintenance expenses to be directly attributable if they are required to be incurred to enable the insurance entities to continue to operate as insurance companies maintaining the contracts in force. The key assumptions used in the determination of future cash flows are the mortality and annuity escalations assumptions and the level and inflation of costs of administration. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Maintenance expenses are determined from expense analyses and are assumed to inflate at market-implied rates. Further detail can be found in note 26(b). The present value of future cash flows are discounted based on discount rates as at the valuation date.
1.5, 26	Determination of discount rate for insurance and reinsurance contracts	Discount rates for gross insurance contract liabilities are based on the yield of a reference portfolio after deducting allowances for expected and unexpected credit default losses. Factors that may affect future levels of defaults, including historic trends and current spread levels, are closely monitored when determining deductions for credit risk.
1.5, 26	Measurement of the fulfilment cash flows arising from reinsurance arrangements	The critical estimates used in measuring the value of reinsurance assets and liabilities include the projected future cash flows arising from the reinsurers' share of the Group's insurance liabilities including the risk adjustment. The key assumptions used in the valuation include discount rates and mortality experience, as described above, and assumptions around the reinsurers' ability to meet their claims obligations. Consistent discount rates are used for calculation of reinsurance CSM as used for the underlying business. In instances where reinsurance cover is in place when underlying contracts are written, the reinsurance CSM is calculated using discount rates as at the start of the relevant treaty notice period. In instances where reinsurance is transacted subsequently to the underlying business being written, the reinsurance CSM is calculated using discount rates as at the start date of the reinsurance treaty. Allowance is made for reinsurer credit default risk within the expected cash flows based on the net balance held with the reinsurer after allowing for collateral arrangements.
1.6, 20(a), 20(d)	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantee	The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, future house prices, 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 swap curve and used to discount the mortgage cash flows.
20(a)	Measurement of fair value of other illiquid financial investments	Assumptions based on unobservable inputs are used in the measurement of the fair value of financial investments where there is not a quoted price available and limited market activity. The fair value is estimated using valuation techniques including discounted cash flows and pricing from asset managers. The assumptions used in making this significant estimate include management's expectations regarding credit spreads for determining the discount rate for such investments including residential ground rents.
20	Determination of the appropriate adjustment to the value of residential ground rents as a result of the publication of the government consultation.	The Group has considered the proposals set out in the government consultation regarding potential restrictions to the level of residential ground rents and has also considered the alternative proposal put forward by the ABI. In determining the fair value of residential ground rents the Group has concluded that it is appropriate to include an allowance for increased uncertainty and this has been made by making adjustments to the rating framework to reflect the Group's estimate of the impact that a third party would consider. Specifically by adjusting two key parameters in the ratings model, the amortisation benefit and the cap rate, for the purposes of providing a valuation overlay. The valuation of residential ground rents is adjusted to reflect an expected increase in credit spread. The increased spread would also increase the credit risk deduction for defaults. These adjustments have been applied to the valuation of IFRS insurance contract liabilities by increasing the credit risk deduction for defaults to reflect a lower rating and hence the valuation of liabilities. Further information regarding management's consideration of the impact on the valuation of residential ground rents as a result of Government consultation can be found in note 20(d)(v).
1.18, 21	Recoverability of deferred tax	The adoption of IFRS 17 has created tax losses on transition which can be offset against future taxable profits. The Group has assessed that these tax losses will be fully recoverable based on the Group's five-year business plan and projection thereafter.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.8. 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:

- it has power over the investee;
- it is exposed, or has rights, to variable returns from its involvement with the investee; and
- 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.

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.

1.9. 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.

The results of operating segments that do not meet the Reportable segment criteria within IFRS 8 "Operating segments" are not disclosed. 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.

1.10. 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 immaterial and are accounted for through other comprehensive income.

1.11. Finance costs

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.

1.12. 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 increase 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. MATERIAL ACCOUNTING POLICIES continued

1.13. Intangible assets

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.

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 15 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.

The useful economic life and the method used to determine the cost of intangible acquired in a business combination is as follows:

Intangible asset	Estimated useful economic life	Valuation method
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
PrognoSys™	12 years
Software	3 years

1.14. Property 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 Consolidated statement of comprehensive income.

All other property 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 and equipment are as follows:

Property 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

1. MATERIAL ACCOUNTING POLICIES continued

1.15. 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 JPUT. Although the Group obtained control of the JPUT, 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.

1.16. 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 19).

1.17. 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.

1.18. 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. The principal temporary differences arise from the transitional tax adjustments resulting from the implementation of IFRS 17. In November 2022, provision was made in UK tax law to spread the impact of transition to IFRS 17 over a period of 10 years.

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.

The deferred tax assets and liabilities are measured using substantively enacted corporation tax rates based on the timings of when they are expected to reverse.

2. INSURANCE REVENUE

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Contractual service margin recognised for services provided	**156**	120
Change in risk adjustment for non-financial risk for risks expired	**11**	13
Expected incurred claims and other insurance service expenses	**1,369**	1,184
Recovery of insurance acquisition cash flows	**19**	8
Total	**1,555**	1,325

Insurance revenue measured by transition type:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Fully retrospective approach and General measurement model applied since inception	**310**	150
Fair value measurement at the date of transition	**1,245**	1,175
Total	**1,555**	1,325

Contractual service margin recognised

The contractual service margin ("CSM") release of £156m (2022: £120m) is based on the coverage units, at cohort level, representing services provided in the year as a proportion of current and future coverage units, (see note26(f)). The increase compared with 2022 reflects the inclusion of an additional year's cohort of business, and the increase in the CSM balance in 2023 as a result of favourable changes in estimates of future cash flows following demographic assumption changes.

The CSM release represents 6.0% (2022: 5.8%) of the CSM reserve balance immediately prior to release.

Change in risk adjustment for non-financial risk for risks expired

The risk adjustment release of £11m (2022: £13m) represents the value of the release of risk as insurance coverage expires.

Expected incurred claims and other insurance service expenses

This amount represents the expected claims and maintenance expense cash flows in the period based on the assumptions within the opening liability for future cash flows excluding the value of investment components and other non-insurance cash flows.

As the business continues to grow and mature, more of the Group's claims payments are for policies that are beyond guarantee periods. This together with the increase in business mix towards DB business results in an increase in expected claims and expenses recorded as part of insurance revenue.

Recovery of insurance acquisition cash flows

Acquisition costs are deducted from the CSM at point of sale, with the result that as the CSM release is recognised in the income statement, there will be an implicit allowance for acquisition costs made each year over the life of contracts. The amount recognised in each period represents the portion of past and current acquisition expenses in respect of insurance contracts that are allocable to the current period based on the services provided (coverage units). Insurance revenue and insurance service expenses are grossed up by this annual value of acquisition expenses so that the full value of the premium is recognised as insurance revenue over the lifetime of contracts.

The growth in the value in the year to £19m (2022: £8m) reflects the inclusion of an additional new business cohort. Only the cohorts measured on a fully retrospective basis at transition to IFRS 17 and cohorts of business written since transition (i.e. underwriting years 2021 onwards) have insurance acquisition cash flows. The recovery percentage recognised in the period is consistent with the CSM release percentages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

3. INSURANCE SERVICE EXPENSES

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Incurred expenses			
Claims		**1,332**	1,153
Commission		**29**	55
Personnel expenses and other	12	**127**	106
Investment expenses and charges		**93**	44
Depreciation of equipment		**2**	4
Impairment of intangible assets		**3**	–
Amortisation of intangible assets		**3**	2
Audit costs		**4**	4
Other costs		**71**	37
IFRS 17 treatment of acquisition costs			
Amounts attributable to insurance acquisition cash flows		**(183)**	(124)
Amortisation of insurance acquisition cash flows		**19**	8
		1,500	1,289
Represented by:			
Actual claims and maintenance expenses		**1,377**	1,188
Amortisation of insurance acquisition cash flows		**19**	8
Insurance service expenses		**1,396**	1,196
Other operating expenses		**104**	93
Total		**1,500**	1,289

Total expenses, including claims costs, recognised in profit and loss in the period amounted to £1,500m (2022: £1,289m), of which £1,396m (2022: £1,196m) are attributed to provision of insurance services, and £104m (2022: £93m) of other operating expenses. The actual insurance claims and expenses of £1,377m (2022: £1,188m) compared with an expected value of £1,369m (2022: £1,184m), included within insurance revenue.

Other operating expenses of £104m (2022 £93m) represent expenses of the Group's non-insurance business of £38m (2022: £30m), development and strategic expenses of £34m (2022: £22m), and other costs of £32m (2022: £41m) which are mainly investment acquisition related expenses not attributed to insurance contracts in force. The reduction in commission costs and addition in investment expenses reflects the switch in investment strategy from LTMs towards other illiquid investments.

These figures are stated after adjustments for:

- reduction of claims to exclude investment components and other non-insurance cash flows as noted above for insurance revenue; and
- acquisition expenses incurred in the period are treated as a deduction when calculating the CSM, with only the portion related to the current period service provision included in profit or loss.

3. INSURANCE SERVICE EXPENSES continued

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

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Auditor remuneration		
Fees payable for the audit of the Parent Company and consolidated accounts	**676**	616
Fees payable for other services		
The audit of the Company's subsidiaries pursuant to legislation	**2,555**	3,042
Audit-related assurance services	**792**	705
Other assurance services	**–**	48
Other non-audit services not covered above	**1**	1
Total	**4,024**	4,412

Fees payable for the audit of the Company's subsidiaries pursuant to legislation includes fees of £789,000 (2022: £1,700,000) 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.

4. NET EXPENSES FROM REINSURANCE CONTRACTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Contractual service margin recognised for services received	**27**	25
Change in risk adjustment for non-financial risk for risk expired	**4**	5
Expected net settlements and reinsurance expenses	**27**	12
Actual net settlements and reinsurance expenses	**(17)**	(12)
Total	**41**	30

Contractual service margin recognised for services received

The CSM release for reinsurance contracts is recognised based on coverage units in a similar manner to the CSM in respect of the underlying contracts. For reinsurance swaps, the coverage units are calculated based on the cash flows of the floating (receiving) leg only.

Change in reinsurance risk adjustment for non-financial risk for risk expired

The reinsurance risk adjustment is based on the floating leg cash flows, and hence the behaviour of the risk adjustment, including its release, is similar to the movement on the underlying contracts that are reinsured.

Actual vs. Expected incurred reinsurance claims and other reinsurance service expenses

Actual reinsurance claims and expenses of £17m (2022: £12m) were lower than the expected value of £27m (2022: £12m) as a result of reductions in longevity experience during the year.

5. INVESTMENT RETURN

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest income on assets designated on initial recognition at FVTPL	**806**	473
Interest income on assets mandatorily measured at FVTPL: LTMs	**244**	165
Interest income on assets at amortised cost	**54**	–
Movement in fair value of financial assets designated on initial recognition at FVTPL	**424**	(3,143)
Movement in fair value of financial assets mandatorily measured at FVTPL: LTMs	**278**	(1,578)
Movement in fair value of financial assets mandatorily measured at FVTPL: Derivatives	**365**	(1,106)
Foreign exchange gains/(losses) on amortised cost assets	**2**	–
Total	**2,173**	(5,189)

Interest income and change in valuation of investments is reported separately for assets classified in a portfolio at FVTPL and assets classified in an amortised cost portfolio. The majority of the Group's investments are classified at FVTPL; a separate amortised cost portfolio of sovereign gilts was entered into during the year as explained in note 1.6.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

6. NET FINANCE (EXPENSES)/INCOME FROM INSURANCE CONTRACTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest accreted	**(1,317)**	(607)
Effect of changes in interest rates and other financial assumptions	**(622)**	5,544
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**(67)**	(114)
Total	**(2,006)**	4,823

Interest accreted

Interest accreted of £1,317m (2022: £607m) represents the effect of unwinding of the discount rates on the future cash flow and risk adjustment components of the insurance contract liabilities and the effect of interest accretion on the CSM. The increase of accretion in the current period compared with the prior year reflects the impact of higher discount rates at the start of 2023 compared with the start of 2022, combined with growth in the size of the insurance portfolio.

The future cash flows and risk adjustment are interest rate sensitive and represent 90% of the total value of insurance contract liabilities. The CSM is measured using historic "locked-in" discount rate curves. The majority of the CSM arises from the fair value approach on transition to IFRS 17 which is measured using the locked-in discount rate curve as at 1 January 2022. This curve is upward sloping in the early years which, combined with an increasing CSM balance attributable to new business and demographic assumption changes, has resulted in increased accretion.

Effect of changes in interest rates and other financial assumptions

The principal economic assumption changes adversely impacting the movement in insurance liabilities during the year of £(622)m (2022: £5,544m gain) relate to discount rates and inflation. The CSM is held at locked-in discount rates and benefit inflation, and hence the effect of the increase in interest rates experienced in the year applies only to the future cash flows and the risk adjustment components of the insurance contract liabilities.

It is expected that amounts recognised in "investment return" will broadly offset the "net finance (expense)/income from insurance contracts". The principal driver for these amounts recognised in the Consolidated statement of comprehensive income observed over the year is the changes in the value of the investment assets and net insurance liabilities due to changes in interest rates.

During 2023, the Group created a portfolio of investments that are expected to be held to maturity, and which are valued at amortised cost rather than at fair value. As a result, the valuation of these assets is not sensitive to interest rate movements.

The amounts recognised in profit and loss will not completely offset for a number of reasons, including:

- the term structures for financial investments held and net insurance liabilities are not identical;
- the existence of surplus assets held on the balance sheet which do not back insurance liabilities and the value of which are subject to changes in interest rates; and
- the deduction of a credit default allowance from the interest rate used to value insurance liabilities.

Insurance liabilities for inflation-linked products, most notably Defined Benefit business, and expenses on all products are impacted by changes in future expectations of Retail Price Inflation (RPI), Consumers Price Inflation (CPI), Linked Price Indexation (LPI) and earnings inflation.

The relationship between changes in key inputs used in determining the value of net insurance liabilities and financial assets is explained in note 26(h).

Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition

The difference in the measurement of changes in estimates relating to future coverage at current discount rates of £136m (2022: £99m) compared to locked-in rates of £203m (2022: £213m), amounting to a £67m loss (2022: £114m loss), is recognised within net finance expenses. Significant assumption changes in estimates mainly relates to the demographic basis change on a gross of reinsurance basis.

7. NET FINANCE INCOME/(EXPENSES) FROM REINSURANCE CONTRACTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest accreted	**34**	15
Effect of changes in interest rates and other financial assumptions	**32**	(169)
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**49**	63
Effect of changes in non-performance risk of reinsurers	**(7)**	–
Total	**108**	(91)

Interest accreted for reinsurance

The interest accretion on reinsurance balances of £34m (2022: £15m) represents the unwind of discounting across the components of the reinsurance contracts balance, namely the future cash flows, risk adjustment and CSM. The future cash flows and CSM amount may be in either an asset or liability position.

Effect of changes in interest rates and other financial assumptions

Consistent with the underlying business, the principal economic assumption changes impacting the movement in reinsurance liabilities relate to discount rates and inflation.

Effect of measuring changes in estimates at current and locked-in rates

The CSM is valued using economic parameters locked-in at point of sale. During the year, the impact of £49m (2022: £63m) on reinsurance is from demographic assumption changes alone.

8. OTHER FINANCE COSTS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Interest payable on subordinated debt (loans and borrowings)	**49**	54
Interest payable on repurchase agreements	**70**	–
Other interest payable	**3**	3
Total	**122**	57

Interest payable on loans and borrowings has reduced as a result of the repurchase of Tier 2 debt in October 2022 and 2023. The amortised cost Gilt portfolio was funded by repurchase agreements; interest on these is recorded in Other finance costs above.

9. 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, Lifetime Mortgage advances and other illiquid assets.

The advisory and Destination retirement revenue streams of the professional services business, HUB, represents the other two operating segments. The HUB operating segments are not currently sufficiently significant to disclose separately 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, GIfL, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

9. SEGMENTAL REPORTING continued

Underlying operating profit

The Group reports underlying operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that underlying operating profit, which represents a combination of both the future profit generated from new business written in the year and additional profit emerging from the in-force book of business, provides a better view of the development of the business. Moreover, the net underlying CSM increase is added back when calculating the underlying operating profit as the Board considers the value of new business is significant in assessing business performance. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on the financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of acquisition costs. New business profits are based on valuation of investment returns as at the date of quoting for new business whereas the CSM on new business is computed as at the date of inception of new contracts. Profits arising from the in-force book of business represent an expected return on surplus assets of 4% (2022: 2% H1, 3% H2), the expected unwind of allowances for credit default and the release of the risk adjustment.

Underlying operating profit excludes the impairment and amortisation of intangible assets arising on consolidation, and strategic expenditure, since these items arise outside the normal course of business in the year. Underlying operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes, including on surplus assets and on assets assumed to back new business, and gains and losses on the revaluation of land and buildings, are also disclosed outside underlying operating profit.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business profits	**355**	**–**	**355**	266	–	266
CSM amortisation[1]	**(62)**	**–**	**(62)**	(61)	–	(61)
Net underlying CSM increase[2]	**293**	**–**	**293**	205	–	205
In-force operating profit[3]	**185**	**6**	**191**	153	3	156
Other Group companies' operating results	**–**	**(22)**	**(22)**	–	(16)	(16)
Development expenditure	**(16)**	**(1)**	**(17)**	(14)	(1)	(15)
Finance costs	**(84)**	**16**	**(68)**	(87)	14	(73)
Underlying operating profit	**378**	**(1)**	**377**	257	–	257
Operating experience and assumption changes[4]	**52**	**–**	**52**	104	–	104
Adjusted operating profit/(loss) before tax	**430**	**(1)**	**429**	361	–	361
Investment and economic movements	**106**	**(14)**	**92**	(557)	20	(537)
Strategic expenditure	**(8)**	**(9)**	**(17)**	(7)	–	(7)
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	**28**	**(12)**	**16**	28	(12)	16
Adjusted profit/(loss) before tax	**556**	**(36)**	**520**	(175)	8	(167)
Deferral of profit in CSM[5]	**(348)**	**–**	**(348)**	(327)	–	(327)
Profit/(loss) before tax	**208**	**(36)**	**172**	(502)	8	(494)

1 CSM amortisation represents the net release from the CSM reserve into profit as services are provided. The figures are net of accretion (unwind of discount), and the release is computed based on the closing CSM reserve balance for the period.

2 Net underlying CSM increase excludes the impact of using quote date for profitability measurement. Just recognises contracts based on their completion dates for IFRS 17, but bases its assessment of new business profitability for management purposes on the economic parameters prevailing at the quote date of the business.

3 In-force operating profit represents profits from the in force portfolio before investment and insurance experience variances, and assumption changes. It mainly represents release of risk adjustment for non-financial risk and of allowances for credit default in the period, investment returns earned on shareholder assets, together with the value of the CSM amortisation.

4 Operating experience and assumption changes represent changes to cash flows in the current and future periods valued based on end of period economic assumptions.

5 Deferral of profit in CSM represents the total movement in the CSM in the year. The figure represents CSM recognised on new business, accretion of CSM (unwind of discount), transfers to CSM related to changes to future cash flows at locked-in economic assumptions, less CSM release in respect of services provided.

The reconciliation of the non-GAAP new business profit to the new business contractual service margin (IFRS measure) is included in the Additional financial information.

9. SEGMENTAL REPORTING continued

Additional analysis of segmental profit or loss

Revenue, depreciation of property and equipment, and amortisation of intangible assets are materially all allocated to the insurance segment. The interest adjustment in respect of Tier 1 notes in the other segment represents the difference between interest charged to the insurance segment in respect of Tier 1 notes and interest incurred by the Group in respect of Tier 1 notes.

Product information analysis

Additional analysis relating to the Group's products is presented below:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Defined Benefit De-risking Solutions ("DB")	**2,999**	2,567
Guaranteed Income for Life contracts ("GIfL")[1]	**894**	564
Retirement Income sales (shareholder funded)	**3,893**	3,131
Defined Benefit De-risking partnering ("DB partnering")	**416**	259
Retirement Income sales	**4,309**	3,390
Premium adjustments to in-force policies	**(27)**	–
Net change in premiums receivable	**212**	(276)
Premium cash flows (note 26(c))	**4,494**	3,114

1 GIfL includes UK GIfL, South Africa GIfL and Care Plans.

Drawdown and Lifetime Mortgage ("LTM") products are accounted for as investment contracts and financial investments respectively in the Consolidated statement of financial position. An analysis of the amounts advanced during the year for these products is shown below:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
LTM advances	**186**	538
Drawdown deposits and other investment products	**12**	14

10. INCOME TAX

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Current taxation		
Adjustments in respect of prior periods	**–**	9
Total current tax	**–**	9
Deferred taxation		
Deferred tax recognised for losses in the current period	**(2)**	(129)
Origination and reversal of temporary differences	**6**	(4)
Adjustments in respect of prior periods	**3**	(9)
Tax relief on the transitional adjustment on IFRS 17 implementation	**34**	–
Remeasurement of deferred tax – change in UK tax rate	**2**	1
Total deferred tax	**43**	(141)
Total income tax recognised in profit or loss	**43**	(132)

Further disclosure of the tax impacts of the adoption of IFRS 17 on 1 January 2023 is disclosed in note 21.

The deferred tax assets and liabilities at 31 December 2023 have been calculated based on the rate at which they are expected to reverse. 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.

A deferred tax asset of £341m has been recognised on the adoption of IFRS 17 Insurance Contracts on 1 January 2023, which is expected to be fully recoverable. Deferred tax has been recognised at 25%, reflecting the rate at which the deferred tax asset is expected to unwind.

In accordance with Paragraph 4A of IAS 12 "Income taxes", the Group has not recognised nor disclosed information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group does not currently expect the effect of the Pillar Two legislation to have a material impact on the tax position in future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

10. INCOME TAX continued

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Profit/(loss) on ordinary activities before tax	**172**	(494)
Income tax at 23.5% (2022: 19%)	**40**	(94)
Effects of:		
Expenses not deductible for tax purposes	**2**	2
Remeasurement of deferred tax – change in UK tax rate	**2**	1
Impact of future tax rate on tax losses	**–**	(34)
Adjustments in respect of prior periods	**3**	–
Other	**(4)**	(7)
Total income tax recognised in profit or loss	**43**	(132)

Income tax recognised directly in equity

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Current taxation		
Relief on Tier 1 interest	**(4)**	–
Total current tax	**(4)**	**–**
Deferred taxation		
Relief on Tier 1 interest	**–**	(3)
Relief in respect of share-based payments	**–**	(1)
Total deferred tax	**–**	(4)
Total income tax recognised directly in equity	**(4)**	(4)

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 2023 includes tax relief arising from amortisation of transitional balances of £3m (2022: £3m).

IFRS 17 Insurance Contracts was adopted during the year. Cumulative differences arising between IFRS 17 and the previous accounting standards (IFRS 4), which represent the differences in retained profits previously reported and impact of the adoption of the standard, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten-year period from 1 January 2023. The tax charge for the year to 31 December 2023 includes current tax relief arising from amortisation of transitional balances of £32m.

11. 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 £5m (2022: £5m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2022: nil). The aggregate net value of share awards granted to the Directors in the year was £3m (2022: £2m), calculated by reference to the average closing middle-market price of an ordinary share over the five days preceding the grant. Two Directors exercised share options during the year with an aggregate gain of £3m (2022: two Directors exercised options with an aggregate gain of £1m).

12. 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 2023 Number	Year ended 31 December 2022 Number
Directors	**11**	10
Senior management	**142**	124
Staff	**1,052**	990
Average number of staff	**1,205**	1,124

The aggregate personnel costs were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Wages and salaries	**104**	86
Social security costs	**11**	10
Other pension costs	**6**	4
Share-based payment expense	**6**	6
Total	**127**	106

13. 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 £6m (2022: £4m).

Employee share plans

The Group operates a number of employee share option plans. Details of those plans are as follows:

Long Term Incentive Plans ("LTIP")

The Group has made awards under the LTIP to Executive Directors and other senior managers. Awards granted prior to 9 May 2023 were granted under the Just Retirement Group plc 2013 Long Term Incentive Plan. Awards granted since 9 May 2023 are granted under the Just Group plc Long Term Incentive Plan. 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, with the exception for good leavers in respect of awards granted after 9 May 2023 which are exercisable until the first anniversary of the vesting date. The majority of options granted are also 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 2023 Number of options	Year ended 31 December 2022 Number of options
Outstanding at 1 January	**25,935,723**	22,403,125
Granted[1]	**9,544,856**	8,563,671
Forfeited	**(2,902,296)**	(1,149,299)
Exercised	**(6,573,503)**	(2,679,669)
Expired	**–**	(1,202,105)
Outstanding at 31 December	**26,004,780**	25,935,723
Exercisable at 31 December	**4,546,466**	4,740,542
Weighted-average share price at exercise (£)	**0.85**	0.81
Weighted-average remaining contractual life (years)	**1.14**	1.09

1 Includes 294,437 options granted on 14 September 2023 under the Just Group plc Long Term Incentive Plan. All other options granted under the Just Retirement Group plc 2013 Long Term Incentive Plan.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. EMPLOYEE BENEFITS continued

During the year to 31 December 2023, awards of LTIPs were made on 23 March 2023, 30 March 2023 and 14 September 2023. 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	£0.77
Option pricing models used	Black–Scholes, Stochastic, Finnerty
Share price at grant date	£0.84
Exercise price	Nil
Expected volatility – TSR performance	41.34%
Expected volatility – Other performance	44.36 – 44.43%
Expected volatility – holding period	37.52% – 37.60%
Option life	3 years + 2 year holding period
Dividend yield	HUB LTIP awards – 2.05%, Other – Nil
Risk-free interest rate – TSR performance	3.44%
Risk-free interest rate – holding period	3.25% – 3.41%

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 market performance condition, such as Total Shareholder Return ("TSR"), expected volatility has been calculated using historic volatility of the Company, and for each company in the TSR comparator group, over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant. For awards not subject to a market performance condition, expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the expected award term immediately prior to the date of the 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.

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 2023 Number of options	Year ended 31 December 2022 Number of options
Outstanding at 1 January	**5,998,639**	5,788,003
Granted	**1,278,872**	1,313,916
Forfeited	**(273,206)**	–
Exercised	**(1,603,924)**	(1,103,280)
Outstanding at 31 December	**5,400,381**	5,998,639
Exercisable at 31 December	**1,661,999**	1,652,826
Weighted-average share price at exercise (£)	**0.83**	0.83
Weighted-average remaining contractual life (years)	**0.85**	0.84

The exercise price for options granted under the DSBP is nil (2022: nil).

13. EMPLOYEE BENEFITS continued

During the year to 31 December 2023, awards of DSBPs were made on 23 March 2023. 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	£0.84
Option pricing model used	Black–Scholes
Share price at grant date	£0.84
Exercise price	Nil
Expected volatility	45.43%
Option life	3 years
Dividend yield	Nil
Risk-free interest rate	Nil

Expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the expected award term immediately prior to the date of the grant.

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 2023		Year ended 31 December 2022	
	Number of options	**Weighted-average exercise price £**	Number of options	Weighted-average exercise price £
Outstanding at 1 January	**12,918,140**	**0.45**	14,779,553	0.44
Granted	**3,910,005**	**0.67**	1,924,649	0.71
Forfeited	**(646,127)**	**0.56**	(791,758)	0.46
Cancelled	**(442,187)**	**0.71**	(526,561)	0.59
Exercised	**(7,794,942)**	**0.38**	(2,337,700)	0.50
Expired	**(91,501)**	**0.92**	(130,043)	0.79
Outstanding at 31 December	**7,853,387**	**0.60**	12,918,140	0.45
Exercisable at 31 December	**231,646**	**0.50**	233,954	0.59
Weighted-average share price at exercise (£)	**0.84**		0.72	
Weighted-average remaining contractual life (years)	**1.97**		1.22	

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

	2023 Number of options outstanding	2022 Number of options outstanding
£0.38	**2,043,899**	9,949,082
£0.52	**217,744**	395,051
£0.67	**3,647,050**	–
£0.71	**1,380,653**	1,718,536
£0.74	**562,516**	787,780
£1.07	**–**	66,166
£1.18	**1,525**	1,525
Total	**7,853,387**	12,918,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

13. EMPLOYEE BENEFITS continued

During the year to 31 December 2023, awards of SAYEs were made on 18 April 2023. 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	£0.38
Option pricing model used	Black–Scholes
Share price at grant date	£0.89
Exercise price	£0.67
Expected volatility – 3-year scheme	47.78%
Expected volatility – 5-year scheme	50.32%
Option life	3.37 or 5.37 years
Dividend yield	1.95%
Risk-free interest rate – 3-year scheme	3.65%
Risk-free interest rate – 5-year scheme	3.62%

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.

14. 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.

Earnings for the purposes of determining earnings per share and diluted earnings per share is calculated by adjusting the profit or loss attributable to ordinary equity holders of the Company for amounts in respect of the RT1 notes. This is based on the judgement that the rights associated with the RT1 notes are similar to preference shares. Adjustments include coupon payments and any gains/losses on redemption.

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Earnings £m	**Weighted-average number of shares million**	**Earnings per share pence**	Earnings £m	Weighted-average number of shares million	Earnings per share pence
Profit/(loss) attributable to equity holders of Just Group plc	**129**	**1,032**	**–**	(362)	1,032	–
Coupon payments in respect of Tier 1 notes (net of tax)	**(12)**	**–**	**–**	(14)	–	–
Profit/(loss) attributable to ordinary equity holders of Just Group plc (basic)	**117**	**1,032**	**11.3**	(376)	1,032	(36.3)
Effect of potentially dilutive share options[1]	**–**	**17**	**–**	–	–	–
Diluted profit/(loss) attributable to ordinary equity holders of Just Group plc	**117**	**1,049**	**11.2**	(376)	1,032	(36.3)

1 The weighted-average number of share options for the year ended 31 December 2022 that could have potentially diluted basic earnings per share in the future but are not included in diluted EPS because they would be anti dilutive was 23.3 million share options.

15. DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid in the year were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Final dividend		
Final dividend in respect of prior year end (1.23 pence per ordinary share, paid on 17 May 2023)	**13**	10
Interim dividend		
Interim dividend in respect of current year end (0.58 pence per ordinary share, paid on 4 October 2023)	**6**	5
Total dividends paid	**19**	15
Coupon payments in respect of Tier 1 notes[1]	**16**	17
Total distributions to equity holders in the period	**35**	32

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 2023, the Directors proposed a final dividend for 2023 of 1.50 pence per ordinary share (2022: 1.23 pence) and together with the interim dividend of 0.58 pence per ordinary share paid in 4 October 2023 amounting to £22m (2022: £18m) in total. Subject to approval by shareholders at the Company's 2024 AGM, the dividend will be paid on 15 May 2024 to shareholders on the register of members at the close of business on 12 April 2024, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2024.

16. INTANGIBLE ASSETS

	Acquired intangible assets				
Year ended 31 December 2023	Goodwill £m	Intellectual property £m	PrognoSys™ £m	Software £m	Total £m
Cost					
At 1 January 2023 (restated)	35	2	6	29	72
At 31 December 2023	**35**	**2**	**6**	**29**	**72**
Amortisation and impairment					
At 1 January 2023 (restated)	(1)	(1)	(3)	(20)	(25)
Impairment	**–**	**–**	**–**	**(3)**	**(3)**
Charge for the year	**–**	**–**	**(1)**	**(2)**	**(3)**
At 31 December 2023	**(1)**	**(1)**	**(4)**	**(25)**	**(31)**
Net book value at 31 December 2023	**34**	**1**	**2**	**4**	**41**
Net book value at 31 December 2022 (restated)	**34**	**1**	**3**	**9**	**47**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

16. INTANGIBLE ASSETS continued

Year ended 31 December 2022 – (restated)	Acquired intangible assets				
	Goodwill £m	Intellectual property £m	PrognoSys™ £m	Software £m	Total £m
Cost					
At 1 January 2022	35	2	6	25	68
Additions	–	–	–	4	4
At 31 December 2022	35	2	6	29	72
Amortisation and impairment					
At 1 January 2022	(1)	(1)	(3)	(18)	(23)
Charge for the year	–	–	–	(2)	(2)
At 31 December 2022	(1)	(1)	(3)	(20)	(25)
Net book value at 31 December 2022	34	1	3	9	47
Net book value at 31 December 2021	34	1	3	7	45

The amortisation and impairment charge is recognised in other operating expenses in profit or loss.

Impairment testing

The Group's goodwill of £34m at 31 December 2023 represents the following:

- £33m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the Holding Company of Just Retirement Limited ("JRL"); and
- £1m recognised on the 2018 acquisition of HUB Pension Consulting (Holdings) Limited.

The majority of the goodwill has been allocated to the cash-generating unit of Just Retirement (Holdings) Limited and its subsidiaries. The recoverable amounts of goodwill have been determined from the value-in-use of the cash generating unit.

	2023	2022
Period on which management approved forecasts are based	**5 years**	5 years
Discount rate (pre-tax)	**11.4%**	12.7%

The value-in-use of the cash-generating unit 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. 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 allocated to the cash-generating unit 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.

17. PROPERTY AND EQUIPMENT

Year ended 31 December 2023	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2023	10	11	9	15	45
Acquired during the year	**–**	**1**	**–**	**2**	**3**
Disposals	**–**	**–**	**–**	**(1)**	**(1)**
At 31 December 2023	**10**	**12**	**9**	**16**	**47**
Depreciation and impairment					
At 1 January 2023	–	(10)	(6)	(7)	(23)
Depreciation charge for the year	**–**	**(1)**	**–**	**(1)**	**(2)**
At 31 December 2023	**–**	**(11)**	**(6)**	**(8)**	**(25)**
Net book value at 31 December 2023	**10**	**1**	**3**	**8**	**22**
Net book value at 31 December 2022	10	1	3	8	22

Year ended 31 December 2022	Freehold land and buildings £m	Computer equipment £m	Furniture and fittings £m	Right-of-use assets £m	Total £m
Cost or valuation					
At 1 January 2022	11	10	6	7	34
Acquired during the year	–	1	3	8	12
Revaluations	(1)	–	–	–	(1)
At 31 December 2022	10	11	9	15	45
Depreciation and impairment					
At 1 January 2022	–	(9)	(6)	(5)	(20)
Eliminated on revaluation	1	–	–	–	1
Depreciation charge for the year	(1)	(1)	–	(2)	(4)
At 31 December 2022	–	(10)	(6)	(7)	(23)
Net book value at 31 December 2022	10	1	3	8	22
Net book value at 31 December 2021	11	1	–	2	14

Included in freehold land and buildings is land of value £2m (2022: £2m).

The Group'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 Group. 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 £1m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £4m (2022: £4m) and buildings of £4m (2022: £4m).

Right-of-use assets are property assets leased by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

18. INVESTMENT PROPERTY

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**40**	70
Net loss from fair value adjustment	**(8)**	(30)
At 31 December	**32**	40

Investment properties are leased to commercial 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 cash flows):

	2023 £m	2022 £m
Within 1 year	1	1
Between 1 and 2 years	1	1
Between 2 and 3 years	1	1
Between 3 and 4 years	1	1
Between 4 and 5 years	1	1
Later than 5 years	127	128
Total	132	133

19. FINANCIAL INVESTMENTS

The Group's financial investments that are measured at fair value through the profit or loss are either managed within a fair value business model, or mandatorily measured at fair value. The Group's financial investments that are measured at amortised cost are held within a business model where the intention of holding the instruments is to collect solely payments of principal and interest.

During the course of 2023, the Group purchased – in several transactions – nominal Gilts with a total value of ~£2.5bn with maturities between 10 and 30 years and the average weighted yield of ~4.2% (at the time of purchase). The purchase of these Gilts was financed through repurchase operations ("repos"). At the inception, repo maturities were from 12 to 21 months. The purpose of this purchase was to reduce the duration gap between the Solvency II and the IFRS exposure (Gilts were booked under the amortised cost basis under the IFRS).

The table below summarises the classification of the Group's financial assets and liabilities.

		Fair value		
31 December 2023	Amortised cost £m	Mandatory £m	Designated £m	Total £m
Cash available on demand	**546**	–	–	**546**
Financial investments	**2,549**	**8,058**	**18,816**	**29,423**
Other receivables	**60**	–	–	**60**
Total financial assets	**3,155**	**8,058**	**18,816**	**30,029**
Underlying assets				
– Investment contracts	–	–	**35**	**35**
– Other	**3,155**	**8,058**	**18,781**	**29,994**
Total financial assets	**3,155**	**8,058**	**18,816**	**30,029**
Investment contract liabilities	–	–	**35**	**35**
Loans and borrowings	**686**	–	–	**686**
Other financial liabilities	**3,101**	**2,487**	–	**5,588**
Other payables	**20**	–	–	**20**
Total financial liabilities	**3,807**	**2,487**	**35**	**6,329**

19. FINANCIAL INVESTMENTS continued

31 December 2022 (restated)	Amortised cost £m	Fair value Mandatory £m	Fair value Designated £m	Total £m
Cash available on demand	482	–	–	482
Financial investments	–	7,583	15,769	23,352
Other receivables	33	–	–	33
Total financial assets	515	7,583	15,769	23,867
Underlying assets				
– Investment contracts	–	–	33	33
– Other	515	7,583	15,736	23,834
Total financial assets	515	7,583	15,769	23,867
Investment contract liabilities	–	–	33	33
Loans and borrowings	699	–	–	699
Other financial liabilities	623	3,046	–	3,669
Other payables	96	–	–	96
Total financial liabilities	1,418	3,046	33	4,497

Analysis of financial investments

	2023 £m	2022 (restated) £m
Units in liquidity funds	**1,141**	1,174
Investment funds	**495**	421
Debt securities and other fixed income securities	**13,654**	11,353
Deposits with credit institutions	**706**	908
Loans secured by residential mortgages	**5,681**	5,306
Loans secured by commercial mortgages	**764**	584
Long income real estate[1]	**779**	247
Infrastructure loans	**1,113**	948
Other loans	**164**	134
Derivative financial assets	**2,377**	2,277
Total investments measured at FVTPL	**26,874**	23,352
Gilts – subject to repurchase agreements	**2,549**	–
Total investments measured at amortised cost	**2,549**	–
Total financial investments	**29,423**	23,352

1. Includes £176m residential and £603m commercial ground rents. For further information on residential ground rents see note 1.7.

The majority of investments included in debt securities and other fixed income securities are listed investments.

Units in liquidity funds comprise wholly of units in funds which invest in 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 £706m (2022: £892m) 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.

As explained in note 1.2.2, financial investments are restated by £125m in respect of future funding commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

This note explains the methodology for valuing the Group's financial assets and liabilities 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 significant 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 including those about risk.

The sensitivity of Level 3 investments to reasonably possible alternative assumptions for unobservable inputs used in the valuation model that could give rise to significant changes in the fair value of the assets is included in section (d). The sensitivities in this note 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 assets 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 26(h).

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 score by Bloomberg's pricing service (BVAL), the investments are classified as Level 3 as are assets valued internally.

Debt securities and financial derivatives which 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, long income real estate, infrastructure loans, private placement debt securities, investment funds, investment contract liabilities, and other loans.

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

(b) Analysis of assets and liabilities held at fair value according to fair value hierarchy

	2023				2022 (restated)			
	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	**1,135**	**6**	**–**	**1,141**	1,170	4	–	1,174
Investment funds	**–**	**97**	**398**	**495**	–	83	338	421
Debt securities and other fixed income securities	**4,941**	**5,799**	**2,914**	**13,654**	3,844	5,904	1,605	11,353
Deposits with credit institutions	**706**	**–**	**–**	**706**	892	16	–	908
Loans secured by residential mortgages	**–**	**–**	**5,681**	**5,681**	–	–	5,306	5,306
Loans secured by commercial mortgages	**–**	**–**	**764**	**764**	–	–	584	584
Long income real estate	**–**	**–**	**779**	**779**	–	–	247	247
Infrastructure loans	**–**	**–**	**1,113**	**1,113**	–	–	948	948
Other loans	**–**	**41**	**123**	**164**	–	22	112	134
Derivative financial assets	**–**	**2,377**	**–**	**2,377**	–	2,277	–	2,277
Financial investments	**6,782**	**8,320**	**11,772**	**26,874**	5,906	8,306	9,140	23,352
Investment property	**–**	**–**	**32**	**32**	–	–	40	40
Fair value of financial assets held at amortised cost								
Gilts – subject to repurchase agreements (fair value)	**2,614**	**–**	**–**	**2,614**	–	–	–	–
Total financial assets and investment property	**9,396**	**8,320**	**11,804**	**29,520**	5,906	8,306	9,180	23,392
Liabilities held at fair value								
Investment contract liabilities	**–**	**–**	**35**	**35**	–	–	33	33
Derivative financial liabilities	**–**	**2,473**	**14**	**2,487**	–	3,004	42	3,046
Fair value of financial liabilities at amortised cost								
Obligations for repayment of cash collateral received (fair value)	**511**	**21**	**–**	**532**	593	30	–	623
Loans and borrowings at amortised cost (fair value)	**–**	**694**	**–**	**694**	–	704	–	704
Repurchase obligation (fair value)	**–**	**2,569**	**–**	**2,569**	–	–	–	–
Total financial liabilities	**511**	**5,757**	**49**	**6,317**	593	3,738	75	4,406

Other than freehold land and buildings disposed of in 2022, there are no non-recurring fair value measurements in either period.

(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. Transfers between levels arise from changes in the pricing sources. During the year there were the following transfers between levels:

- Transfers from Level 2 to Level 1 as a result of improved pricing sources £1,492m (2022: £1,422m)
- Transfer from Level 1 to Level 2 due to a fall in pricing quality £279m (2022: £368m)
- Transfers from Level 3 to Level 2 as a result of improved pricing sources £15m (2022: £123m)
- Transfer from Level 2 to Level 3 due to a fall in pricing quality £157m (2022: nil)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

(d) Level 3 assets and liabilities measured at fair value

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value. The sensitivities disclosed in this note only consider the impact of the change in these assumptions on the fair value of the investment assets. Some of these sensitivities would also impact the yield on assets and hence the valuation discount rate used to determine the insurance contract liabilities. For some of these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 26(h).

Year ended 31 December 2023	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Long income real estate £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m
At 1 January 2023	**338**	**1,605**	**5,306**	**584**	**247**	**948**	**112**	**–**	**(33)**	**(42)**
Purchases/advances/deposits	**56**	**1,195**	**186**	**256**	**529**	**138**	**17**	**–**	**(12)**	**–**
Transfers to Level 2	**–**	**142**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Sales/redemptions/payments	**4**	**(116)**	**(342)**	**(110)**	**(4)**	**(50)**	**–**	**–**	**1**	**23**
Recognised in profit or loss in Investment return										
– Realised gains and losses	**–**	**–**	**122**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Unrealised gains and losses	**–**	**93**	**164**	**32**	**7**	**72**	**(16)**	**–**	**–**	**5**
Interest accrued	**–**	**(5)**	**245**	**2**	**–**	**5**	**10**	**–**	**–**	**–**
Change in fair value of liabilities recognised in profit or loss	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**9**	**–**
At 31 December 2023	**398**	**2,914**	**5,681**	**764**	**779**	**1,113**	**123**	**–**	**(35)**	**(14)**

Year ended 31 December 2022 (restated)	Investment funds £m	Debt securities and other fixed income securities £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Long income real estate £m	Infra-structure loans £m	Other loans £m	Derivative financial assets £m	Investment contract liabilities £m	Derivative financial liabilities £m
At 1 January 2022	233	1,450	7,423	678	190	993	90	8	(34)	(9)
Purchases/advances/deposits	107	699	539	92	217	233	–	–	(14)	–
Transfers to Level 2	–	(123)	–	–	–	–	–	–	–	–
Sales/redemptions/payments	(18)	(101)	(543)	(135)	(11)	(22)	(14)	–	12	–
Disposal of a portfolio of LTMs[1]	–	–	(751)	–	–	–	–	–	–	–
Recognised in profit or loss in Investment return										
– Realised gains and losses	–	–	(87)	(2)	–	–	–	–	–	–
– Unrealised gains and losses	16	(304)	(1,434)	(49)	(149)	(258)	36	(8)	–	(33)
Interest accrued	–	(16)	159	–	–	2	–	–	–	–
Change in fair value of liabilities recognised in profit or loss	–	–	–	–	–	–	–	–	3	–
At 31 December 2022	338	1,605	5,306	584	247	948	112	–	(33)	(42)

1 In February 2022 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £751m. The transaction was 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.

(i) Investment funds

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity.

Principal assumptions underlying the calculation of investment funds classified as Level 3

Discount rate

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 10% (2022: 7.0%).

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES 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
2023	**(10)**
2022	(9)

(ii) 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
2023	**(293)**
2022	(138)

(iii) 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 capped at the net sale proceeds of the property. A key judgement is with regard to the calculation approach used. The Black 76 variant of the Black-Scholes option pricing model has been used 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 in recent years represented market prices specific to the characteristics of the underlying portfolios of loans sold, in particular: loan rates; loan-to-value ratios; 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

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 determine 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 26(b).

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 3.6% (2022: 3.9%).

Mortality

Mortality assumptions have been derived with reference to England and Wales population mortality using the CMI 2022 (2022: 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 and wider UK mortality trends, updated from that which applied at 31 December, 2022. Further details of the matters considered in relation to mortality assumptions at 31 December 2023 are set out in note 26(b).

Property prices

The approach in place at 31 December 2023 is to calculate the value of a property by taking the latest Automated Valuation Model "AVM" result, 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 2023, 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% (2022: 3.3%), with a volatility assumption of 13% per annum (2022: 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 the COVID-19 pandemic and a higher interest and inflation rate economic environment on the UK property market. House price reductions have been experienced across much of the UK over the year, albeit these have been more modest than some forecasts for the period. As such, 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 2022. 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 (2022: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2022: 0.6% and 6.8%).

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% (2022: 3.2%) and for loans held within PLACL is 3.3% (2022: 3.5%). 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 over the period, both in reference to the average spread on the back book of business.

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

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 +10%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
2023	**(5)**	**(15)**	**(3)**	**(83)**	**(50)**	**(34)**	**19**	**(49)**
2022	(5)	(14)	(4)	(75)	(49)	(32)	20	(48)

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. The mortality improvement sensitivity applies a multiplicative adjustment to improvement rates.

The impact on insurance liabilities of sensitivities to mortality is included in note 26(h).

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.

(iv) 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
2023	**(27)**
2022	(19)

(v) Long income real estate

Long income real estate is valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumptions underlying the calculation of long income real estate

In determining the credit spreads for the valuation of residential ground rents, the Group has taken a market participant approach, which requires consideration of the assumptions, including those about risk, that a market participant would make at the balance sheet date for valuing such assets. The Group notes the significant uncertainty regarding the outcome of the Government consultation regarding restriction of residential ground rents as explained on page 67 and has included an adjustment to the valuation of its residential ground rents portfolio to reflect this uncertainty in the fair value that a market participant would be willing to exchange such assets at the balance sheet date.

The value of these assets has been adjusted to reflect an expected increase in credit spread and consequential increase the credit risk deduction for defaults.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES continued

Sensitivity analysis

Reasonably possible alternative assumptions for long income real estate are a +100 basis point change in credit spreads. Given the ongoing Government consultation regarding residential ground rents, the Group has performed additional sensitivity analysis over the residential ground rents within the long income real estate portfolio. The sensitivity of residential ground rents to more significant adverse changes in credit quality has been evaluated in light of the potential scenarios proposed in the Government consultation. An additional sensitivity has been performed under the scenario that the credit rating of the Group's holding in residential ground rents reduces to BBB.

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:

Long income real estate net increase/(decrease) in fair value (£m)	Credit spread +100bps	Residential ground rent downgraded to BBB
2023	**(158)**	**(11)**
2022	(78)	N/A

(vi) Infrastructure loans

Infrastructure loans are valued using discounted cash flow analyses.

Principal assumptions underlying the calculation of infrastructure loans classified at 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:

Infrastructure loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2023	**(78)**
2022	(72)

(vii) 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 at 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

The sensitivity of fair value to changes in credit spread assumptions in respect of other loans is not material.

(viii) 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 based on a curve where 6.88% is the one-year rate and 5.47% is the five-year rate (31 December 2022: 5.67%).

Sensitivity analysis

The sensitivity of fair value to changes in the discount rate assumptions in respect of investment contract liabilities is not material and is linked to the value of the contract.

21. DEFERRED TAX ASSETS

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Transitional tax relief on adoption of IFRS 17	**307**	341
Tax losses and other	**98**	108
Transitional tax on adoption of IFRS	**1**	1
Land and buildings	**–**	(1)
Total	**406**	449

The impact on deferred tax from implementation of IFRS 17 of £356m is represented by creation of a £341m deferred tax asset in respect of transitional tax relief, and elimination of a £15m deferred tax liability in respect of purchased value of in force. The transitional tax relief will be recognised over a period of ten years commencing 1 January 2023.

The movement in the net deferred tax balance was as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 (restated) £m
Net balance at 1 January	**449**	304
Recognised in profit or loss	**(43)**	141
Recognised in equity	**–**	4
Net balance at 31 December	**406**	449

The group has unrecognised deferred tax assets of £6m (2022: £6m).

The net balance of deferred tax at 1 January 2022 has been restated by £310m due to the adoption of IFRS 17 Insurance Contracts. On 13 November 2022, the tax authorities agreed that the tax impact from the restatement of prior year profits recognised as a result of the IFRS 17 transitional adjustment should be spread over a period of ten years. The deferred tax asset created on transition to IFRS 17 represents tax previously paid on profits under IFRS 4.

Deferred tax assets have been recognised because it is probable that these assets will be recovered. Deferred tax assets principally comprise of the transitional tax asset of £307m recognised on the gross IFRS 17 transitional adjustment of £1,228m and the deferred tax asset of £91m recognised on the balance of tax losses carried forward of £364m, which can used to offset taxable future profits of group entities.

22. CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash available on demand	**546**	482
Units in liquidity funds	**1,141**	1,174
Cash and cash equivalents in the Consolidated statement of cash flows	**1,687**	1,656

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 19). Liquidity funds do however meet the definition of cash equivalents for the purposes of disclosure in the Consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

23. SHARE CAPITAL AND SHARE PREMIUM

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
At 1 January 2023	**1,038,702,932**	**104**	**95**
At 31 December 2023	**1,038,702,932**	**104**	**95**
At 1 January 2022	1,038,537,044	104	95
In respect of employee share schemes	165,888	–	–
At 31 December 2022	1,038,702,932	104	95

The Company does not have a limited amount of authorised share capital.

24. OTHER RESERVES

	2023 £m	2022 £m
Merger reserve	**597**	597
Reorganisation reserve	**348**	348
Revaluation reserve	**3**	3
Share held by trusts	**(5)**	(10)
Total	**943**	938

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.

25. TIER 1 NOTES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**322**	322
At 31 December	**322**	322

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £3m.

During the year, interest of £16m was paid to holders of the Tier 1 notes (2022: £17m). The Tier 1 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 Tier 1 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 funds. 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.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE

	31 December 2023 £m	31 December 2022 (restated) £m
Gross insurance liabilities	**24,131**	19,647
Reinsurance contract assets	**(1,143)**	(776)
Reinsurance contract liabilities	**125**	121
Net reinsurance contracts	**(1,018)**	(655)
Net insurance liabilities	**23,113**	18,992

Insurance liabilities and reinsurance assets and liabilities include valuation of the Best estimate of the present value of future cash flows, the Risk adjustment for non-financial risk and the Contractual service margin. A summary of the movement in insurance liabilities and net reinsurance contracts is presented below.

	Year ended 31 December 2023			Year ended 31 December 2022 (restated)		
	Gross £m	Net Reinsurance £m	Net £m	Gross £m	Net Reinsurance £m	Net £m
Best estimate	**17,030**	**76**	**17,106**	20,574	257	20,831
Risk adjustment	**674**	**(399)**	**275**	1,023	(603)	420
CSM	**1,943**	**(332)**	**1,611**	1,489	(205)	1,284
Net opening balance	**19,647**	**(655)**	**18,992**	23,086	(551)	22,535
CSM recognised for services provided	**(156)**	**27**	**(129)**	(120)	25	(95)
CSM accretion	**79**	**(12)**	**67**	41	(6)	35
Other movements in the CSM	**583**	**(173)**	**410**	533	(146)	387
Release from risk adjustment	**(11)**	**4**	**(7)**	(13)	5	(8)
Other movements in risk adjustment	**261**	**(197)**	**64**	(336)	199	(137)
Movements in best estimate	**3,728**	**(12)**	**3,716**	(3,544)	(181)	(3,725)
Net closing balance	**24,131**	**(1,018)**	**23,113**	19,647	(655)	18,992
Best estimate	**20,758**	**64**	**20,822**	17,030	76	17,106
Risk adjustment	**924**	**(592)**	**332**	674	(399)	275
CSM	**2,449**	**(490)**	**1,959**	1,943	(332)	1,611
Net closing balance	**24,131**	**(1,018)**	**23,113**	19,647	(655)	18,992

The detailed movements analysis of insurance liabilities and reinsurance assets and liabilities are presented in note 26 (c) and (d) respectively. The movements include the CSM split between contracts under the Fair Value Approach ("FVA") and the General Measurement Model ("GMM") including those measured under the Fully Retrospective Approach ("FRA") at transition to IFRS 17.

(a) Terms and conditions of insurance and reinsurance contracts

The Group's long-term insurance contracts, written by the Group's life companies JRL and PLACL, include Retirement Income (Defined Benefit, Guaranteed Income for Life, and Care Plans), and whole of life and term protection insurance.

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 estimation process used in determining insurance liabilities involves projecting future annuity payments and the cost of maintaining the contracts.

The Group uses reinsurance as an integral part of its risk and capital management activities.

New business is reinsured via longevity swap and quota share arrangements as follows:

- GIfL was reinsured using longevity swap reinsurance at 90% during 2023.
- Care new business was not reinsured in 2023.
- DB was reinsured using longevity swap reinsurance at c.90% and a small proportion was reinsured using quota share reinsurance in 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

In-force business is reinsured under longevity swap and quota share treaties.

The reinsurance on JRL GIfL in-force business is as described for new business, noting the following differences in proportion reinsured:

- Business written between 1 January 2016 and 31 December 2019 is reinsured at 100% following a change implemented in 2020 for in-force policies, which increased the reinsurance coverage from 75% to 100%.
- Business written prior to March 2015 is not reinsured; business written from March to December 2015 is reinsured at 45%.

The reinsurance on JRL DB written:

- Between 1 January 2016 and 30 June 2019 is reinsured at 100% following a change implemented in 2019 for in-force policies, which increased the reinsurance coverage from 55% for underwritten schemes and 75% for non-underwritten schemes.
- Between 1 July 2019 and 31 December 2022 is reinsured at 90% for non-underwritten schemes and 75% for underwritten schemes, and a small proportion was reinsured using quota share reinsurance in 2022 and 2020.

The reinsurance arrangements above are subject to collateral arrangements in order to mitigate the credit risk created by such contracts. Collateral arrangements for both quota share and longevity swap treaties are described in note 34(c)(iii).

(b) Measurement of insurance contracts

The Group's long-term insurance contracts include retirement annuities, namely Defined Benefit and Guaranteed Income for Life products, and annuities to fund care fees (immediate needs and deferred).

The value of insurance contracts in the financial statements comprises the following components:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows;
- a risk adjustment for non-financial risk; and
- a contractual service margin.

(i) Estimates of future cash flows

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events. When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs, including investment expenses, that are incurred when fulfilling contracts. The valuation of future policyholder payments is by its nature inherently uncertain, and is based on recognised mortality assumptions as described below.

Insurance acquisition cash flows, and other costs that are incurred in fulfilling contracts, comprise both direct costs and an allocation of fixed and variable overheads. These may include costs incurred in providing the required level of benefits; policy administration and maintenance costs; transaction-based taxes and levies directly associated with the insurance contract; payments by the insurer in a fiduciary capacity to meet tax obligations incurred by the policyholder, and related receipts; costs the entity will incur performing investment activities to the extent the entity performs that activity to enhance benefits from insurance coverage for policyholders; and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. Other costs are recognised in profit or loss as they are incurred.

(ii) Mortality assumptions

Mortality assumptions have been set by reference to appropriate standard mortality tables. These tables have been adjusted to reflect the future mortality experience of the policyholders, taking into account the medical and lifestyle evidence collected during the underwriting process, premium size, gender and the Group's assessment of how this experience will develop in the future. The assessment takes into consideration relevant industry and population studies, published research materials, and management's own industry experience.

The expected impact on future mortality rates over the short and long term has been considered. Mortality experience has been volatile and at times significantly higher in aggregate than expected since March 2020 due to the COVID-19 pandemic. There is some evidence that the outlook is stabilising with insights emerging suggesting that the pandemic will have enduring direct and indirect influences on future mortality experience.

At 31 December 2022, we considered it appropriate to make an explicit allowance in the Group's assumptions for the impact of the pandemic on future mortality experience. From 31 December 2023, the explicit allowance was revised to reflect the change in our estimates in light of the emerging evidence of the future impacts of COVID infections and continuing and likely long-lasting disruption to healthcare services. This explicit allowance involved a mortality uplift of +6.1% over 2024–2026, +4.0% over 2027–36 and +2.2% over 2037–53, leading to higher assumed rates of mortality improvements over the short to medium term relative to our view prior to the pandemic. Further, it was considered appropriate to make adjustments to the Group's assumptions on current mortality rates as the Office for National Statistics released revised population estimates based on the 2021 Census that suggested that historical mortality rates for older lives had been understated. The mortality uplift applies uniform multipliers to mortality ages across all ages.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

The Group will continue to follow closely the actual impact of COVID-19 on mortality and separately consider direct and indirect future impacts of the pandemic. The Group will consider the conclusions of such analysis, alongside assessment of other factors influencing mortality trends, in keeping its assumptions under regular review.

The standard tables which underpin the mortality assumptions are summarised in the table below.

Product group	Entity	2023	2022
Individually underwritten Guaranteed Income for Life Solutions	JRL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements**	Modified E and W Population mortality, with CMI 2021 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions	PLACL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements**	Modified E and W Population mortality, with CMI 2021 model mortality improvements
Defined Benefit	JRL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements. Medically underwritten unchanged from 2022**	Modified E and W Population mortality, with CMI 2021 model mortality improvements. Medically underwritten unchanged from 2021
Defined Benefit	PLACL	**Modified E and W Population mortality, with CMI 2022 model mortality improvements**	Modified E and W Population mortality, with CMI 2021 model mortality improvements
Care Plans and other annuity products	PLACL	**Modified PCMA/PCFA or modified E and W Population mortality with CMI 2022 model mortality improvements**	Modified PCMA/PCFA or modified E and W Population mortality with CMI 2019 model mortality improvements
Protection	PLACL	**Unchanged from 2022**	TM/TF00 Select

The long-term improvement rates in the CMI 2022 model are 1.5% for males and 1.25% for females (2022: 1.5% for males and 1.25% for females). The period smoothing parameter in the modified CMI 2022 model has been set to 7.0 (2022: 7.0). The addition to initial rates ("A") parameter in the model varies between 0% and 0.25% depending on product (2022: between 0% and 0.25% depending on product). A 0% weighting has been given to 2022 CMI mortality experience (2022: n/a for CMI 2021 model). All other CMI model parameters are the defaults (2022: other parameters set to defaults).

(iii) Discount rates

All cash flows are discounted using investment yield curves adjusted to allow for expected and unexpected credit risk. For non-lifetime mortgage assets, this adjustment is comprised of an element based upon historic default experience and an element based upon current spread levels where both elements are relevant to the asset in question. The yields on lifetime mortgage assets are derived using the assumptions described in note 20 with an additional reduction to the future house price growth rate of 50bps (2022: 50bps) allowed for. The yields on residential ground rents are derived using the assumptions described in note 20(d)(v) and the adjustments set out in note 1.7 in light of the uncertainty introduced by the announcement of the government consultation regarding these investments.

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 adjustment from LTMs, which included a combination of the NNEG and the additional reduction to future house price growth rate, was 58bps for JRL (2022: 58bps) and 69bps for PLACL (2022: 69bps).

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"). A weighted average of these discount rate curves is determined for the purpose of calculating movements in the CSM relating to each group of contracts.

Separate weighted average discount curves are calculated for each new business product line. The point of sale discount curves are weighted by the value of projected claims payments.

At each valuation date, the estimate of the present value of future liability cash flows and the risk adjustment for non-financial risks are discounted based on the yields from a reference portfolio consisting of the actual asset portfolio backing the net of reinsurance best estimate liabilities and risk adjustment. The reference portfolio is adjusted in respect of new contracts incepting in the period to allow for a period of transition from the actual asset holdings to the target portfolio where necessary. Typically, this period of transition can be up to six months but is dependent on the volume of new business transactions completed.

The target asset portfolio seeks to select the appropriate mix of assets to match the underlying net insurance contract liabilities. The target asset portfolio consists of listed bonds, unlisted illiquid investments and loans secured by residential mortgages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

The tables below set out rates at certain points on the yield curves used to discount the best estimate liability and risk adjustment reserves as at 31 December together with the weighted average discount rates applied to the new business cohorts for the principal insurance product lines. The discount rates used for the gross insurance and reinsurance contracts at the year end date are consistent, having been based on a single investment portfolio for each legal entity. The discount rates used for locking-in the CSM for the new business cohort are based on the interest rates applicable on the first day of the reinsurance treaty notice periods for reinsurance and the dates of recognition for underlying business. For 2022 and 2023 the reinsurance rates are not materially different to the gross insurance discount rates. As such only the rates for underlying business are presented below.

Discount rate – insurance contracts JRL

	2023			2022 (restated)		
	Valuation rate at 31 December	**New business cohort (Locked-in rates)**		Valuation rate at 31 December	New business cohort (Locked-in rates)	
	All products	**GIfL**	**DB**	All products	GIfL	DB
1 year	**6.9%**	**7.1%**	**7.0%**	6.6%	5.4%	5.6%
5 year	**5.5%**	**6.5%**	**6.3%**	6.3%	4.9%	5.3%
10 year	**5.4%**	**6.2%**	**6.0%**	5.9%	4.5%	4.9%
20 year	**5.5%**	**6.0%**	**5.9%**	5.8%	4.5%	4.8%
30 year	**5.5%**	**5.9%**	**5.6%**	5.6%	4.5%	4.7%

Discount rates have been disclosed in aggregate and have not been split according to their profitability groupings.

Discount rate – insurance contracts PLACL

	2023	2022 (restated)
	Valuation rate at 31 December	Valuation rate at 31 December
	GIfL/DB	GIfL/DB
1 year	**6.8%**	6.6%
5 year	**5.5%**	6.3%
10 year	**5.4%**	5.9%
20 year	**5.5%**	5.7%
30 year	**5.5%**	5.5%

Care new business forms an immaterial part of the Group's insurance contract liabilities and therefore not shown in the table above.

(iv) Inflation

Assumptions for annuity escalation are required for RPI, CPI and LPI 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, using a mark to model basis for LPI inflation, taking into account any escalation caps and/or floors applicable. This methodology is unchanged compared to the previous period.

For the purposes of calculating movements in the CSM relating to each group of contracts, for JRL separate weighted average inflation curves for each index are calculated and locked-in for each annual cohort. The inflation curves from each day are weighted by the business volumes completed on that day to which that inflation variant applies.

(v) Future expenses

Assumptions for future costs of maintaining policies are set with reference to analysis of the existing expense base and actual fees payable under the contracts for those services outsourced. The assumptions cover both the direct and indirect costs of maintaining policies. The JRL GIfL maintenance expense assumption used was £25.37 per plan (2022: £23.98), and the JRL DB maintenance assumption used was £68.49 per scheme member (2022: £62.73). The PLACL GIfL maintenance expense assumption used was £28.85 per plan (2022: £28.42), and the PLACL DB maintenance assumption used was £203.50 per scheme member (2022: £207.49).

Assumptions for future policy expense levels are determined from the Group's recent expense analyses and incorporate an annual inflation rate allowance of 3.6% (2022: 3.90%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation. The annual inflation rate allowance is regarded as a financial assumption and therefore all changes in expense inflation rates are recognised in the profit or loss account.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(vi) Risk adjustment

The best estimate liability represents the present value of future net cash outflows to settle claims and expenses quantified at the 50th percentile confidence interval. The risk adjustment for non-financial risk is determined to reflect the compensation that the Group requires for bearing longevity, expense, and insurance-contract specific operational risks. The risk adjustment represents an additional reserve held that increases the ultimate time horizon confidence interval by 20% up to the 70th percentile and amounts to £0.3bn (2022 £0.3bn) net of reinsurance. Based upon the latest risk adjustment calibration exercise, a 5% increase in the ultimate run-off confidence interval would increase the net of reinsurance risk adjustment by c£0.1bn (2022: c£0.1bn).

The Group determines the risk adjustment for non-financial risk using a "value at risk" technique. The primary non-financial risks allowed for are longevity and expenses, which is consistent with the primary life underwriting risks allowed for in Solvency II reporting. On an annual basis, the Group uses the probability distributions of the future net of reinsurance cash flows from insurance contracts on a one-year time horizon as used within JRL's internal model for Solvency II reporting for the aforementioned non-financial risks, which are then converted to ultimate horizon distributions in order to determine stress parameters at the target percentile. The risk adjustment in PLACL uses the same risk adjustment stress factors as determined for JRL as these represent the compensation the Group requires in light of there being no standalone PLACL internal model for Solvency II reporting. Financial risks are reflected as adjustments to discount rates (by comparison, both financial and non-financial risks are included in the Solvency II SCR).

The risk adjustment for non-financial risk is then calculated as the excess of the value at risk at the target confidence level percentile over the expected present value of the future cash flows. The Group targets an ultimate confidence interval at the 70th percentile. At the point of calibration, this calibration represents an approximately one-in-ten year stress on a one-year basis. The calibration is carried out on an annual basis ahead of the financial reporting year end, therefore the actual confidence interval as at the valuation date may differ slightly, for example, due to economic movements in the intervening period.

The Group's IFRS risk adjustment for non-financial risk is considered by management to provide an economic view of the profitability of new business and is therefore used for pricing purposes as well as representing the basis used within the new business profits KPI.

The confidence level is targeted on a net of reinsurance basis as this reflects how insurance risk is managed by the Group. The reinsurance risk adjustment represents the amount of risk being transferred by the holder of the reinsurance contract to the issuer of that contract. Reinsurance contracts held by the Group transfer longevity risk proportional to the underlying insurance contract. Consequently, the same risk adjustment stresses for this non-financial risk are applied to both gross and reinsurance contracts to determine the respective risk adjustment for each. Expense and operational risks are not transferred to reinsurers as part of the reinsurance contract held by the Group and hence there are no stresses applied for these in the reinsurance risk adjustment.

Allowance is made for diversification between risks within legal entities, but not between the different legal entities within the Group.

(c) Movements analyses – insurance contracts

(i) Insurance contracts analysis of remaining coverage

Year ended 31 December 2023	Liability for remaining coverage £m	Incurred claims £m	Total £m
Opening insurance contract liabilities balance (restated)	(19,720)	73	(19,647)
Changes in the statement of comprehensive income			
Insurance revenue	**1,555**	**–**	**1,555**
Insurance service expenses			
– Incurred claims and directly attributable expenses	**–**	**(1,377)**	**(1,377)**
– Amortisation of insurance acquisition cash flows	**(19)**	**–**	**(19)**
	(19)	**(1,377)**	**(1,396)**
Insurance service result	**1,536**	**(1,377)**	**159**
Investment component	**233**	**(233)**	**–**
Net finance expenses from insurance contracts	**(2,006)**	**–**	**(2,006)**
Exchange rate movements	**26**	**–**	**26**
Total changes in the statement of comprehensive income	**(211)**	**(1,610)**	**(1,821)**
Cash flows			
Premiums received	**(4,494)**	**–**	**(4,494)**
Claims and other insurance service expenses paid, including investment components	**–**	**1,648**	**1,648**
Insurance acquisition cash flows	**183**	**–**	**183**
Total cash flows	**(4,311)**	**1,648**	**(2,663)**
Closing insurance contract liabilities balance	**(24,242)**	**111**	**(24,131)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Year ended 31 December 2022 (restated)	Liability for remaining coverage £m	Incurred claims £m	Total £m
Opening insurance contract liabilities balance	(23,154)	68	(23,086)
Changes in the statement of comprehensive income			
Insurance revenue	1,325	–	1,325
Insurance service expenses			
– Incurred claims and directly attributable expenses	–	(1,188)	(1,188)
– Amortisation of insurance acquisition cash flows	(8)	–	(8)
	(8)	(1,188)	(1,196)
Insurance service result	1,317	(1,188)	129
Investment component	292	(292)	–
Net finance expenses from insurance contracts	4,823	–	4,823
Exchange rate movements	(8)	–	(8)
Total changes in the statement of comprehensive income	6,424	(1,480)	4,944
Cash flows			
Premiums received	(3,114)	–	(3,114)
Claims and other insurance service expenses paid, including investment components	–	1,485	1,485
Insurance acquisition cash flows	124	–	124
Total cash flows	(2,990)	1,485	(1,505)
Closing insurance contract liabilities balance	(19,720)	73	(19,647)

Liabilities for remaining coverage represent the present value of cash flows due for payment in future years adjusted for non-financial risk, together with the value of unamortised CSM. This balance includes guarantee period payments due in future years (together with related CSM) regardless of whether or not the guarantees have crystallised.

Incurred claims represent the value of annuity payments due in the current year. Payments of annuities in advance, notably where due dates fall on non-working days, are treated as prepaid incurred claims.

There were no material loss components during the year.

Insurance service result
Insurance revenue and insurance service expenses are explained in more detail in notes 2 and 3 respectively.

Investment component
Investment component represents the value of payments due to annuitants in the year that fall within guarantee periods. These payments are made to annuitants or their beneficiaries regardless of any insurance event and are excluded from insurance revenue and insurance service expenses.

Transfer payments and tax-free cash paid to DB scheme members at retirement are treated by the Group as non-insurance cash flows, not relating to any insurance event, and are therefore also included as investment component and also excluded from insurance revenue and insurance service expenses.

This is further explained in accounting policy note 1.5.9.1.

Net finance expenses from insurance contracts
Net finance expenses are explained in note 6.

Exchange rate movements
Exchange rate movements of £26m in 2023 (2022: £8m) reflect the impact of change in converting the reserves of Just Retirement South Africa into sterling at year end exchange rates.

Cash flows
Premiums received and claims paid represent the cash flows received from, and paid to, policyholders in the year respectively. Insurance acquisition cash flows represent the costs of acquiring new business incurred in the year.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(ii) Insurance contracts analysed by measurement component

Year ended 31 December 2023	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin: Contracts under FRA and GMM £m	Contractual service margin: Contracts under FVA £m	Total £m
Opening insurance contract liabilities balance (restated)	(17,030)	(674)	(589)	(1,354)	(19,647)
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	–	–	47	109	156
Change in risk adjustment for non-financial risk for risk expired	–	11	–	–	11
Experience adjustments	(8)	–	–	–	(8)
Changes that relate to future service					
Contracts initially recognised in the year	542	(162)	(380)	–	–
Changes in estimates that adjust the CSM	292	(89)	(53)	(150)	–
Insurance service result	826	(240)	(386)	(41)	159
Net finance expenses from insurance contracts	(1,917)	(10)	(37)	(42)	(2,006)
Exchange rate movement	26	–	–	–	26
Total changes in the statement of comprehensive income	(1,065)	(250)	(423)	(83)	(1,821)
Cash flows					
Premiums received	(4,494)	–	–	–	(4,494)
Claims and other insurance service expenses paid, including investment components	1,648	–	–	–	1,648
Insurance acquisition cash flows	183	–	–	–	183
Total cash flows	(2,663)	–	–	–	(2,663)
Closing insurance contract liabilities balance	(20,758)	(924)	(1,012)	(1,437)	(24,131)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Year ended 31 December 2022 (restated)	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin: Contracts under FRA and GMM £m	Contractual service margin: Contracts under FVA £m	Total £m
Opening insurance contract liabilities balance (restated)	(20,574)	(1,023)	(262)	(1,227)	(23,086)
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service provided	–	–	18	102	120
Change in risk adjustment for non-financial risk for risk expired	–	13	–	–	13
Experience adjustments	(4)	–	–	–	(4)
Changes that relate to future service					
Contracts initially recognised in the year	469	(149)	(320)	–	–
Changes in estimates that adjust the CSM	172	41	(16)	(197)	–
Insurance service result	637	(95)	(318)	(95)	129
Net finance income/(expenses) from insurance contracts	4,420	444	(9)	(32)	4,823
Exchange rate movement	(8)	–	–	–	(8)
Total changes in the statement of comprehensive income	5,049	349	(327)	(127)	4,944
Cash flows					
Premiums received	(3,114)	–	–	–	(3,114)
Claims and other insurance service expenses paid, including investment components	1,485	–	–	–	1,485
Insurance acquisition cash flows	124	–	–	–	124
Total cash flows	(1,505)	–	–	–	(1,505)
Closing insurance contract liabilities balance	(17,030)	(674)	(589)	(1,354)	(19,647)

Changes that relate to current service
CSM recognised in the period is computed based on the provision of benefits based on the policy as outlined in note 1.5.6 and note 2 Insurance revenue. Change in risk adjustment for non-financial risk for risk expired is also explained in note 2. Experience adjustments represent the difference between the expected value of claims and expenses projected as at the start of the year included in insurance revenue, and the actual value of claims and expenses due in the year included in insurance service expense. The experience adjustment of £(8)m in 2023 (2022: £(4)m) should be viewed in the context of £1,648m (2022: £1,485m) of claims and expenses paid, and reflected investment management expenses in excess of amounts held within the opening reserve as the Group pursued a strategy of investing in higher yielding illiquid assets; mortality experience was favourable.

Changes that relate to future service
Contracts initially recognised in the year

The value of contracts initially recognised in the year is presented in note 26(e).

Changes in estimates that adjust the CSM

Changes in estimates that adjust the CSM represent changes in projected future years cash flows that arise from experience in the period and non-economic assumption changes, measured at locked-in discount rates.

In 2023, the £292m release from estimate of present value of future cash flows mainly reflected the improvement to longevity assumptions and was offset by a £89m increase in the risk adjustment reserve following the recalibration of risk stress parameters at the year end. The 2022 results also included an improvement to longevity assumptions which was the main driver behind the increase in estimate of present value of future cash flows of £172m; the recalibration of the risk adjustment lead to a £41m release at locked in discount rates.

Net finance (expenses)/income from insurance contracts
Total net finance expenses from insurance contracts of £2,006m in 2023 compared with net finance income of £4,823m in 2022, with the year on year change driven by the decrease in yields experienced in 2023 which followed the substantial increase in 2022. The net finance expense represents a combination of unwind of discount rates and impact of changes in discount rates for the Estimate of present value of future cash flows and Risk adjustment, and unwind of discount rates alone for the CSM, which is measured using locked-in discount rates.

The £79m of accretion of CSM (discount unwind of which £37m was in FRA/GMM cohorts and £42m in FVA cohorts) in 2023 compared with £41m in 2022, with the increase reflecting a combination of higher discount rates applicable to the 2023 cohort and an increase on prior years due to the upwards shape of the yield curves for earlier years.

Cash flow items are described in the previous section.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(d) Movements analysis – reinsurance contracts

(i) Reinsurance contracts analysis of remaining coverage

Year ended 31 December 2023	Remaining coverage £m	Incurred claims £m	Total £m
Opening reinsurance contract asset (restated)	769	7	776
Opening reinsurance contract liability (restated)	(114)	(7)	(121)
Net opening balance	655	–	655
Changes in the statement of comprehensive income			
Reinsurance expenses	**(857)**	**–**	**(857)**
Claims recovered	**–**	**816**	**816**
Net expenses from reinsurance contracts	**(857)**	**816**	**(41)**
Net finance expenses from reinsurance contracts	**108**	**–**	**108**
Total changes in the statement of comprehensive income	**(749)**	**816**	**67**
Cash flows			
Premiums paid	**1,196**	**–**	**1,196**
Claims received	**–**	**(900)**	**(900)**
Total cash flows	**1,196**	**(900)**	**296**
Closing reinsurance contract asset	**1,136**	**7**	**1,143**
Closing reinsurance contract liability	**(34)**	**(91)**	**(125)**
Net closing balance	**1,102**	**(84)**	**1,018**

Year ended 31 December 2022 (restated)	Remaining coverage £m	Incurred claims £m	Total £m
Opening reinsurance contract asset	700	16	716
Opening reinsurance contract liability	(159)	(6)	(165)
Net opening balance	541	10	551
Changes in the statement of comprehensive income			
Reinsurance expenses	(599)	–	(599)
Claims recovered	–	569	569
Net expenses from reinsurance contracts	(599)	569	(30)
Net finance expenses from reinsurance contracts	(91)	–	(91)
Total changes in the statement of comprehensive income	(690)	569	(121)
Cash flows			
Premiums paid	804	–	804
Claims received	–	(579)	(579)
Total cash flows	804	(579)	225
Closing reinsurance contract asset	769	7	776
Closing reinsurance contract liability	(114)	(7)	(121)
Net closing balance	655	–	655

Liabilities for remaining coverage represent the present value of reinsurance cash flows due for payment in future years adjusted for non-financial risk, together with the value of unamortised CSM.

Incurred claims represent the value of net reinsurance settlements on longevity swaps, facultative reinsurance, and other reinsurance arrangements during the period.

As noted in note 1.5.3, reinsurance contracts in each legal entity are allocated to either a portfolio of treaties transferring longevity and inflation risks, or a portfolio transferring longevity risk alone. Portfolios may be in either net asset or liability positions including CSM.

Within the table above, the value of fixed legs of longevity swaps are presented as Reinsurance expenses and Premiums paid, and the value of floated legs of longevity swaps are presented as Claims recovered and Claims received.

The net expenses from reinsurance contracts in 2023 of £41m (2022: £30m) are explained in note 4.

Premiums paid of £1,196m in 2023 mainly represented new quota share premiums of £397m and current year fixed leg values on longevity swaps of £761m (2022: £246m and £525m respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(ii) Reinsurance contracts analysed by measurement component

Year ended 31 December 2023	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin		Total £m
			Contracts under FRA and GMM £m	Contracts under FVA £m	
Opening reinsurance contract asset (restated)	589	80	32	75	776
Opening reinsurance contract liability (restated)	(665)	319	88	137	(121)
Net opening balance	(76)	399	120	212	655
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	–	–	(7)	(20)	(27)
Change in risk adjustment for non-financial risk for risk expired	–	(4)	–	–	(4)
Experience adjustments	(10)	–	–	–	(10)
Changes that relate to future service					
Contracts initially recognised in the year	(168)	131	37	–	–
Change in estimates that adjust the CSM	(200)	64	63	73	–
Net (expenses)/income from reinsurance contracts	(378)	191	93	53	(41)
Net finance income from reinsurance contracts	94	2	6	6	108
Total changes in the statement of comprehensive income	(284)	193	99	59	67
Cash flows					
Premiums paid	1,196	–	–	–	1,196
Claims received	(900)	–	–	–	(900)
Total cash flows	296	–	–	–	296
Closing reinsurance contract asset	937	106	32	68	1,143
Closing reinsurance contract liability	(1,001)	486	187	203	(125)
Net closing balance	(64)	592	219	271	1,018

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Year ended 31 December 2022 (restated)	Estimate of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contractual service margin		Total £m
			Contracts under FRA and GMM £m	Contracts under FVA £m	
Opening reinsurance contract asset	546	116	–	54	716
Opening reinsurance contract liability	(803)	487	32	119	(165)
Net opening balance	(257)	603	32	173	551
Changes in the statement of comprehensive income					
Changes that relate to current service					
CSM recognised for service received	–	–	(3)	(22)	(25)
Change in risk adjustment for non-financial risk for risk expired	–	(5)	–	–	(5)
Changes that relate to future service					
Contracts initially recognised in the period	(165)	115	50	–	–
Change in estimates that adjust the CSM	(61)	(35)	40	56	–
Net expenses from reinsurance contracts	(226)	75	87	34	(30)
Net finance expenses from reinsurance contracts	182	(279)	1	5	(91)
Total changes in the statement of comprehensive income	(44)	(204)	88	39	(121)
Cash flows					
Premiums paid	804	–	–	–	804
Claims received	(579)	–	–	–	(579)
Total cash flows	225	–	–	–	225
Closing reinsurance contract asset	589	80	32	75	776
Closing reinsurance contract liability	(665)	319	88	137	(121)
Net closing balance	(76)	399	120	212	655

The changes that relate to current service in 2023 of £41m (2022: £30m) are explained in note 4.

The value of contracts initially recognised in the year are explained in note 26(e).

The change in estimates that adjust the CSM recognised in the estimate of present value of future cash flows and risk adjustment in 2023 of £(200)m and £64m respectively represent the reinsurers' share of the equivalent gross changes of £292m and £(89)m respectively explained in note 26(cii).

Net finance income from reinsurance contracts of £108m (2022: £91m expenses) reflect the impact of changes in discount rates and unwinding of discounting. Accretion of the reinsurance CSM was £12m in 2023 compared with £6m in 2022, with the increase reflecting an additional year's cohort and the upwards shape of the yield curve applying to the in-force business, as noted earlier for gross business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

e) New insurance contracts issued and reinsurance contracts held

The tables below present the CSM at point of inception of new contracts sold in the year together with CSM for the related reinsurance:

	2023 £m	2022 (restated) £m
Insurance contracts issued		
Insurance acquisition cash flows	**(183)**	(124)
Estimate of present value of future cash outflows	**(3,580)**	(2,797)
Estimate of present value of future cash inflows	**4,305**	3,390
Estimates of net present value of cash flows	**542**	469
Risk adjustment	**(162)**	(149)
Contractual service margin	**380**	320

The amount recognised in the CSM represents the value of new business acquired in the period valued based on point of sale economic and non-economic assumptions.

Insurance acquisition cash flows are deducted from CSM at point of sale and recognised in Insurance revenue and Insurance services expenses over the life of contracts. The total of £183m in 2023 increased compared with the prior year amount of £124m mainly reflecting growth in business volumes combined with higher investment acquisition costs as the Group has increased its investment in illiquid assets.

The estimate of present value of future cash outflows of £3,580m (2022: £2,797m) represents the present value of claims and maintenance expenses quantified at the discount rates applicable at date of inception of contracts. The expense loading is determined based on incremental marginal costs including overheads that are attributable to the new contracts signed in the current period and does not include costs which have been previously allocated to existing contracts in prior years. The increase reflects the increase in business sold in the year, with premiums receivable increasing from £3,390m in 2022 to £4,305m in 2023.

	2023			2022 (restated)	
	Originated with a positive CSM £m	Originated with a negative CSM £m	Total £m	Originated with a negative CSM £m	Total £m
Reinsurance contracts ceded					
Estimate of present value of future net cash outflows	**(19)**	**(149)**	**(168)**	(165)	(165)
Risk adjustment	**31**	**100**	**131**	115	115
Contractual service margin	**12**	**(49)**	**(37)**	(50)	(50)

A negative reinsurance CSM reflect costs that will be incurred by the Group on entering into the reinsurance arrangement, whereas a positive CSM for reinsurance reflects when a gain is made on entering into a reinsurance contract. Under IFRS 17, reinsurance CSM can be either positive or negative at initial recognition, and then amortised over the life of the underlying contracts based on coverage units.

During 2023 the Group broadened its use of reinsurers for new DB business which resulted in recognition of contracts with positive CSM.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(f) Contractual service margin run-off

The following represents the current view of the run-off of the CSM.

	CSM release before the impact of accretion			After accretion
31 December 2023	Insurance contract liability £m	Net reinsurance £m	Net £m	Net after accretion £m
Within 1 year	**172**	**(31)**	**141**	**61**
1–2 years	**170**	**(30)**	**140**	**67**
2–3 years	**168**	**(30)**	**138**	**68**
3–4 years	**167**	**(30)**	**137**	**72**
4–5 years	**164**	**(30)**	**134**	**74**
5–10 years	**777**	**(149)**	**628**	**363**
10–20 years	**1,247**	**(266)**	**981**	**614**
20–30 years	**724**	**(174)**	**550**	**376**
Over 30 years	**437**	**(114)**	**323**	**264**
Total	**4,026**	**(854)**	**3,172**	**1,959**

	CSM release before the impact of accretion			After accretion
31 December 2022 (restated)	Insurance contract liability £m	Net reinsurance £m	Net £m	Net after accretion £m
Within 1 year	133	(21)	112	55
1–2 years	131	(21)	110	58
2–3 years	129	(20)	109	59
3–4 years	127	(20)	107	61
4–5 years	125	(20)	105	64
5–10 years	584	(95)	489	308
10–20 years	928	(166)	762	523
20–30 years	515	(105)	410	304
Over 30 years	274	(62)	212	179
Total	2,946	(530)	2,416	1,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

(g) 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, measured as the expected undiscounted net cash flows.

31 December 2023	Insurance contract liability £m	Reinsurance contract assets £m	Reinsurance contract liabilities £m	Net £m
Less than 1 year	**1,731**	**(73)**	**30**	**1,688**
1–2 years	**1,715**	**(75)**	**31**	**1,671**
2–3 years	**1,697**	**(76)**	**33**	**1,654**
3–4 years	**1,679**	**(76)**	**34**	**1,637**
4–5 years	**1,662**	**(76)**	**35**	**1,621**
5–10 years	**7,971**	**(378)**	**187**	**7,780**
10–20 years	**13,317**	**(659)**	**324**	**12,982**
20–30 years	**8,325**	**(408)**	**86**	**8,003**
Over 30 years	**5,802**	**(253)**	**(130)**	**5,419**
Total value (undiscounted)	**43,899**	**(2,074)**	**630**	**42,455**
Carrying value (discounted)	**21,789**	**(1,039)**	**426**	**21,176**

31 December 2022 (restated)	Insurance contract liability £m	Reinsurance contract assets £m	Reinsurance contract liabilities £m	Net £m
Less than 1 year	1,508	(55)	28	1,481
1–2 years	1,492	(56)	30	1,466
2–3 years	1,473	(56)	30	1,447
3–4 years	1,450	(55)	31	1,426
4–5 years	1,430	(55)	32	1,407
5–10 years	6,800	(265)	157	6,692
10–20 years	11,012	(427)	220	10,805
20–30 years	6,237	(198)	42	6,081
Over 30 years	3,556	(47)	(32)	3,477
Total value (undiscounted)	34,958	(1,214)	538	34,282
Carrying value (discounted)	17,704	(669)	346	17,381

The tables above present the timing and amount of expected future cash flows excluding both current insurance related accruals and prepayments, and the CSM release as presented in Note 26(f). Contractual amounts payable on demand include amounts that DB scheme members may transfer out in the deferred phase prior to retirement of £2,868m at 31 December 2023 (31 December 2022: £1,467m).

(h) 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 20.

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 in fulfilment cash flows than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The sensitivities below cover the changes on all assets and liabilities from the given stress. Parameters that have had limited sensitivity both historically and currently are not included, such as inflation for which the risk is substantially hedged. 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.

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

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 10% for both Retirement Income liabilities and LTMs. This sensitivity applies a multiplicative adjustment to the improvement rates.
Immediate property price fall	The impact of an immediate decrease in the value of properties on loans secured by residential mortgages by 10%
Future property price growth	The impact of a reduction in future property price growth on loans secured by residential mortgages by 0.5%
Future property price volatility	The impact of an increase in future property price volatility on loans secured by residential mortgages 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 of sensitivities

31 December 2023		Insurance contract liabilities £m	Reinsurance contracts (net) held £m	Net insurance contract liabilities £m	Valuation of assets £m	Net impact on profit and loss £m
Interest rate and investments +1%	Fulfilment cash flows	**1,970**	**(77)**	**1,893**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**1,970**	**(77)**	**1,893**	**(1,933)**	**(40)**
Interest rate and investments -1%	Fulfilment cash flows	**(2,366)**	**100**	**(2,266)**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**(2,366)**	**100**	**(2,266)**	**2,316**	**49**
Maintenance expenses +10%	Fulfilment cash flows	**(30)**	**–**	**(30)**	**–**	**–**
	Contractual service margin	**31**	**–**	**31**	**–**	**–**
	Profit/(loss) before tax	**1**	**–**	**1**	**(5)**	**(5)**
Decrease in base mortality by 5%	Fulfilment cash flows	**(327)**	**196**	**(131)**	**–**	**–**
	Contractual service margin	**476**	**(293)**	**182**	**–**	**–**
	Profit/(loss) before tax	**148**	**(97)**	**51**	**(14)**	**37**
Mortality improvements rates +10%	Fulfilment cash flows	**(178)**	**106**	**(72)**	**–**	**–**
	Contractual service margin	**263**	**(172)**	**91**	**–**	**–**
	Profit/(loss) before tax	**85**	**(66)**	**20**	**(3)**	**17**
Immediate fall of 10% in house prices	Fulfilment cash flows	**(46)**	**2**	**(44)**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**(46)**	**2**	**(44)**	**(68)**	**(113)**
Future property price growth reduces by 0.5%	Fulfilment cash flows	**(38)**	**2**	**(36)**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**(38)**	**2**	**(36)**	**(38)**	**(74)**
Future property price volatility increase by 1%	Fulfilment cash flows	**(18)**	**1**	**(17)**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**(18)**	**1**	**(17)**	**(27)**	**(44)**
Voluntary redemptions increase by 10%	Fulfilment cash flows	**(24)**	**1**	**(23)**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**(24)**	**1**	**(23)**	**19**	**(4)**
Credit default allowance – increase by 10bps[1]	Fulfilment cash flows	**(213)**	**9**	**(204)**	**–**	**–**
	Contractual service margin	**–**	**–**	**–**	**–**	**–**
	Profit/(loss) before tax	**(213)**	**9**	**(204)**	**–**	**(204)**

1 Over that included in the discount rate section in note 26(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

26. INSURANCE CONTRACTS AND RELATED REINSURANCE continued

31 December 2022 (restated)		Insurance contract liabilities £m	Reinsurance contracts (net) held £m	Net insurance contract liabilities £m	Valuation of assets £m	Net impact on profit and loss £m
Interest rate and investments +1%	Fulfilment cash flows	1,555	(37)	1,518	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	1,555	(37)	1,518	(1,545)	(28)
Interest rate and investments -1%	Fulfilment cash flows	(1,860)	47	(1,813)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(1,860)	47	(1,813)	1,838	25
Maintenance expenses +10%	Fulfilment cash flows	(28)	1	(27)	–	–
	Contractual service margin	27	–	27	–	–
	Profit/(loss) before tax	(1)	1	–	(5)	(5)
Decrease in base mortality by 5%	Fulfilment cash flows	(269)	157	(112)	–	–
	Contractual service margin	428	(256)	173	–	–
	Profit/(loss) before tax	160	(99)	60	(13)	47
Mortality improvements rates +10%	Fulfilment cash flows	(160)	86	(74)	–	–
	Contractual service margin	253	(155)	98	–	–
	Profit/(loss) before tax	93	(69)	24	(4)	20
Immediate fall of 10% in house prices	Fulfilment cash flows	(59)	3	(56)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(59)	3	(56)	(63)	(119)
Future property price growth reduces by 0.5%	Fulfilment cash flows	(50)	2	(48)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(50)	2	(48)	(37)	(85)
Future property price volatility increase by 1%	Fulfilment cash flows	(25)	1	(24)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(25)	1	(24)	(26)	(49)
Voluntary redemptions increase by 10%	Fulfilment cash flows	(33)	1	(32)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(33)	1	(32)	19	(13)
Credit default allowance – increase by 10bps[1]	Fulfilment cash flows	(170)	5	(165)	–	–
	Contractual service margin	–	–	–	–	–
	Profit/(loss) before tax	(170)	5	(165)	–	(165)

1 Over that included in the discount rate section in note 26(b).

A guide to the sensitivity table is provided below:

Metric	Impact
Fulfilment cash flows	Positive values represent cash inflows or lower cash outflows resulting in reductions in insurance contract liabilities or an increase in reinsurance contracts assets. Negative values represent cash outflows or higher cash outflows resulting in increased insurance contract liabilities or a decrease in reinsurance contracts assets.
Contractual service margin	Positive values represent a reduction in the CSM Negative values represent an increase in the CSM
Profit/(loss) before tax	Profit – increase in pre-tax profit (Loss) – decrease in pre-tax profit Sensitivities can result in an opposite impact on Profit/(loss) before and after allowance for the CSM due to the impact of the use of locked-in rates for the CSM.

27. INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**33**	34
Deposits received from policyholders	**12**	14
Payments made to policyholders	**(1)**	(12)
Change in contract liabilities recognised in profit or loss	**(9)**	(3)
At 31 December	**35**	33

(a) Terms and conditions of investment contracts

The Group has written Capped Drawdown products for the at-retirement market. 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 the 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.

The Group has also written linked endowment contracts and term-certain GIfL contracts for the at-retirement market in South Africa which are classified as investment 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 20(d)(iii) 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.

Our underlying default methodology allows for the impact of credit rating downgrades and changes in spreads and hence we have maintained the same methodology at 31 December 2023. As explained in note 20(d)(viii) the discount rate used for the fixed term annuity product treated as investment business is based on a curve where 6.88% is the one-year rate and 5.47% is the five-year rate (31 December 2022: 5.67%).

28. LOANS AND BORROWINGS

	Carrying value		Fair value	
	2023 £m	2022 £m	2023 £m	2022 £m
£250m 9.0% 10-year subordinated debt 2026 (Tier 2) issued by Just Group plc (£150m principal outstanding)	**152**	174	**164**	188
£125m 8.125% 10-year subordinated debt 2029 (Tier 2) issued by Just Group plc	**126**	122	**127**	130
£250m 7.0% 10.5-year subordinated debt 2031 non-callable for first 5.5 years (Green Tier 2) issued by Just Group plc	**251**	248	**252**	245
£230m 3.5% 7-year subordinated debt 2025 (Tier 3) issued by Just Group plc (£155m principal outstanding)	**157**	155	**151**	141
Total	**686**	699	**694**	704

The £250m 7.0% bond is callable after October 2025. The maturity analysis in note 34(d) assumes it is called at the first possible date.

The Group also has an undrawn revolving credit facility held by the Parent Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

28. LOANS AND BORROWINGS continued

Movements in borrowings during the year were as follows:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
At 1 January	**699**	774
Coupon payments	**(48)**	(44)
Repayment of Just Group plc Tier 2 subordinated debt	**(24)**	(76)
Financing cash flows	**(72)**	(120)
Transfer brought forward interest from accruals	**10**	–
Interest charged at the effective interest rate	**48**	44
Amortisation of issue costs	**1**	1
Non-cash movements	**59**	45
At 31 December	**686**	699

During the year the Company redeemed a further £24m of the 2026 9% Tier 2 subordinated debt (2022: £76m). A loss of £2m (2022: £5m) was recognised on redemption.

29. OTHER FINANCIAL LIABILITIES

	31 December 2023 £m	31 December 2022 (restated) £m
Derivative financial liabilities	**2,487**	3,046
Repurchase obligation	**2,569**	–
Obligations for repayment of cash collateral received	**532**	623
Total	**5,588**	3,669

Derivative financial liabilities are classified as mandatorily FVTPL and are analysed in note 30 below. The restatement of Other financial liabilities including the treatment of reinsurance deposit-back monies under IFRS 17 and commitments for future investments is explained in note 1.2.

As described in note 19, the Group has entered into a number of repurchase agreements whereby a fixed amount is repayable at a certain date. At the inception of these agreements they had durations of between 12 and 21 months. The repurchase agreements are measured at amortised cost in the financial statements. The fair value of these agreements is £2,569m (2022 not applicable).

Obligations to repay cash collateral is measured at amortised cost and there is no material difference between the fair value and amortised cost of the instruments.

30. 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.

	31 December 2023			31 December 2022 (restated)		
Derivatives	Asset fair value £m	Liability fair value £m	Notional amount £m	Asset Fair value £m	Liability fair value £m	Notional Amount £m
Foreign currency swaps	**515**	**857**	**16,607**	413	1,320	12,663
Interest rate swaps	**1,435**	**1,512**	**26,995**	1,408	1,580	13,648
Inflation swaps	**409**	**102**	**5,681**	438	80	4,293
Forward swaps	**4**	**1**	**630**	5	10	546
Total return swaps	**–**	**–**	**–**	13	14	–
Put options on property index (NNEG hedges)	**–**	**14**	**380**	–	19	705
Interest rate options	**–**	**1**	**100**	–	–	–
Investment asset derivatives	**14**	**–**	**–**	–	23	149
Total	**2,377**	**2,487**	**50,393**	2,277	3,046	32,004

As explained in note 1.2.2, derivative liabilities are restated by £23m in respect of future funding commitments.

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss. All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

30. DERIVATIVE FINANCIAL INSTRUMENTS continued

As at 31 December 2023, the Group had pledged collateral of £4,016m (2022: £1,286m), of which £2,614m were gilts measured at amortised cost (2022: nil), £696m were corporate bonds (2022: £394m) and £706m held in deposits (2022: £892m), which continue to be recognised in financial investments in the statement of financial position as the Group retains the significant risks and rewards of ownership.

The Group has received cash collateral of £532m (2022: £623m).

31. OTHER PAYABLES

	31 December 2023 £m	31 December 2022 (restated) £m
Outstanding investment purchases	–	66
Other payables	**11**	21
Lease liability	**9**	9
Total	**20**	96

Other payables are restated for reclassifications as explained in note 1.2.2. As a result of adoption of IFRS 17, all balances within the boundary of IFRS 17 insurance and reinsurance contracts are reclassified within note 26. In addition, as explained in note 1.2.2, outstanding investment purchases at 31 December 2022 are restated by £148m.

32. COMMITMENTS

The Group had £2m of capital commitments at 31 December 2023 in respect of fit-out works to be undertaken during 2024 to the Group's replacement Belfast office (2022: nil).

At 31 December 2023, the Group had £210m unfunded commitments (2022 restated: £148m) primarily related to investments.

33. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2023 (2022: £nil).

34. FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The Group's insurance risks include exposure to longevity, mortality and morbidity and exposure to factors such as levels of withdrawal from lifetime mortgages 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 GIfL 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. Our DB business uses our DB pricing platform and we perform regular insurer price monitoring utilising our bulk quotation service. 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 as part of the portfolio to match 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.

(i) 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 assess longevity risk;
- the use of reinsurance to transfer longevity risk outside the Group. The Group retains oversight of the risks transferred, uses a range of reinsurers and monitors exposures to ensure the Group remains within the reinsurance counterparty risk appetite;
- review and approval of insurance assumptions used by the Board; and
- regular monitoring and analysis of actual experience and expense levels.

(ii) Concentrations of insurance risk

Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk to individual 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

(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, residential property markets, credit spreads, inflation and exchange rates. 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 that 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 premiums 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 IFRS 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.

The following table indicates the earlier of contractual repricing or maturity dates for the Group's significant financial assets.

2023	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,141	–	–	–	–	1,141
Investment funds	97	398	–	–	–	495
Debt securities and other fixed income securities	527	1,625	2,513	8,989	–	13,654
Deposits with credit institutions	706	–	–	–	–	706
Loans secured by residential mortgages	–	–	–	–	5,681	5,681
Loans secured by commercial mortgages	87	378	202	97	–	764
Long income real estate[1]	–	4	–	775	–	779
Infrastructure loans	–	72	246	795	–	1,113
Other loans	1	146	4	13	–	164
Derivative financial assets	48	177	573	1,579	–	2,377
Total investments measured at FVTPL	2,607	2,800	3,538	12,248	5,681	26,874
Gilts – subject to repurchase agreements	–	–	–	2,549	–	2,549
Total investments measured at amortised cost	–	–	–	2,549	–	2,549
Total financial investments	2,607	2,800	3,538	14,797	5,681	29,423

1. Includes residential ground rents of £176m.

34. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

2022 (restated)	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,174	–	–	–	–	1,174
Investment funds	83	338	–	–	–	421
Debt securities and other fixed income securities[1]	675	1,425	2,389	6,864	–	11,353
Deposits with credit institutions	908	–	–	–	–	908
Loans secured by residential mortgages	–	–	–	–	5,306	5,306
Loans secured by commercial mortgages	67	339	125	53	–	584
Long income real estate	–	–	–	247	–	247
Infrastructure loans[1]	–	24	160	764	–	948
Other loans	2	118	6	8	–	134
Derivative financial assets	52	157	322	1,746	–	2,277
Total	2,961	2,401	3,002	9,682	5,306	23,352

1. Restated to correct the treatment of future funding commitments as explained in note 1.2.2.

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 26(h).

(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.

A sensitivity analysis of the impact of residential property price movements is included in note 20(d)(iii) and note 26(h).

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.

(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 including inflation swaps, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

(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. The Group holds a portion of its fixed income investments as loans secured against a variety of types of collateral including but not limited to commercial real estate and commercial ground rents as well as residential ground rents.
- 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 19).
- 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.
- Reinsurance concentration risk: to reduce risk, the Group ensures it trades with a wide range of counterparties to diversify exposures.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited, as well as the balances permitted.
- Credit risk for lifetime mortgages secured on residential property has been considered within "property risk" above.

(i) Credit ratings of financial assets

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:

2023	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	1,135	6	–	–	–	–	1,141
Investment funds	–	–	–	–	–	495	495
Debt securities and other fixed income securities	927	2,283	4,521	5,763	160	–	13,654
Deposits with credit institutions	–	100	425	181	–	–	706
Loans secured by residential mortgages	–	–	–	–	–	5,681	5,681
Loans secured by commercial mortgages	–	–	–	–	–	764	764
Long income real estate[1]	164	20	185	410	–	–	779
Infrastructure loans	64	121	151	764	13	–	1,113
Other loans	–	–	–	–	41	123	164
Derivative financial assets	–	28	1,686	649	–	14	2,377
Gilts – subject to repurchase agreements	–	2,549	–	–	–	–	2,549
Reinsurance[2]	–	264	193	387	–	199	1,043
Other receivables	–	–	–	–	–	60	60
Total	2,290	5,371	7,161	8,154	214	7,336	30,526

1 Includes residential ground rents of £164m rated AAA and £12m rated AA.
2 This is the reinsurance asset position excluding CSM.

34. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

2022 (restated)	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	1,170	–	–	–	4	–	1,174
Investment funds	–	–	–	–	–	421	421
Debt securities and other fixed income securities[1]	698	1,889	3,260	5,105	401	–	11,353
Deposits with credit institutions	–	100	773	20	15	–	908
Loans secured by residential mortgages	–	–	–	–	–	5,306	5,306
Loans secured by commercial mortgages	–	–	–	–	–	584	584
Long income real estate	139	7	37	64	–	–	247
Infrastructure loans[1]	71	97	142	625	13	–	948
Other loans	–	–	–	–	22	112	134
Derivative financial assets	–	–	1,670	607	–	–	2,277
Reinsurance[2]	–	276	195	–	–	198	669
Other receivables	–	–	–	–	–	33	33
Total	2,078	2,369	6,077	6,421	455	6,654	24,054

1 Restated to correct the treatment of future funding commitments as explained in note 1.2.2.
2 This is the reinsurance asset position excluding CSM (2022 restated since initially disclosed).

There are no financial assets that are either past due or impaired. The new amortised cost portfolio of UK Sovereign gilts entered into during the year are investment grade and deemed low credit risk. Lifetime expected credit losses are therefore considered immaterial.

The credit rating for Cash available on demand at 31 December 2023 was between a range of AA- and A (31 December 2022: between a range of AA and BB).

The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

(ii) Offsetting financial assets and liabilities
The Group has no financial assets and financial liabilities that have been offset in the Consolidated statement of financial position as at 31 December 2023 (2022: none).

In the tables below, the amounts of assets or liabilities presented in the Consolidated statement of financial position are offset first by financial instruments that have the right of offset under master netting arrangement or similar arrangements with any remaining amount reduced by cash and securities collateral.

2023	As reported £m	Related financial Instruments[1] £m	Cash collateral[2] £m	Securities collateral pledged £m	Net amount £m
Derivative assets	**2,362**	**(1,917)**	**(376)**	**(67)**	**2**
Derivative liabilities	**(2,471)**	**1,917**	**338**	**211**	**(5)**
Repurchase obligation	**(2,569)**	**–**	**–**	**2,569**	**–**

2022 (restated)	As reported £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 represent 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

34. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

(iii) Significant reinsurance collateral arrangements

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.

The Group has received deposits from reinsurers that are recognised as part of the cash flows from the reinsurance contract and are included in the measurement of reinsurance balances within note 26. Whereas 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 ring-fenced 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 ring-fenced 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 ring-fenced for issued lifetime mortgage quotes agreed by the reinsurer, it is also not recognised as an asset by the Group.
- The Group has agreements with two reinsurers whereby assets equal to the reinsurers' full obligation under the treaties are deposited into ring-fenced collateral accounts of notes/shares issued through the dedicated Investment vehicles. The investments in these vehicles are restricted only for the purpose of these reinsurance agreements. 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 reinsurers also deposit cash into a bank account held legally by the Group to fund reinsurance claims but as this cash is ring-fenced for the reinsurers purpose, it is also not recognised as an asset by the Group.

	2023 £m	2022 £m
Deposits held in trust	**787**	569

The collateral that is not recognised in the Consolidated statement of financial position does not represent a cash flow within the IFRS 17 contract boundaries. The Group is exposed to a minimal amount of reinsurance counterparty default risk in respect of reinsurance arrangements and calculates an allowance for counterparty default in the reinsurance future cash flows accordingly. At 31 December 2023, this liability totalled £8m (2022: £2m).

(d) Liquidity risk

Liquidity risk is the risk of loss because the Group does not have sufficient suitable assets available to meet its financial obligations as they fall due.

The Group is exposed to liquidity risk as part of its business model and its desire to manage its exposure to inflation, interest rates and currency risks.

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;
- higher than expected funding requirements on existing LTM contracts, or lower redemptions than expected; and
- ensuring financial support can be provided across the Group.

Liquidity risk is managed by holding assets of a suitable maturity, collateral eligibility 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 insurance liabilities including any pension commencement lump sum payments can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching.

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. Borrowers are able to redeem mortgages, albeit with payment of an early redemption charge. The mortgage assets themselves are considered illiquid, as they are not readily saleable due to the complexity of valuation and the lack of a market in which to trade them.

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. Short-term stresses, periods from one day up to and including one month, take into account market volatility and focus on the worst observed movements over the last 40 years. Cash flow forecasts include an assessment of the impact to a range of scenarios including 1-in-200 shocks on the Group's long-term liquidity and the minimum cash and cash equivalent levels required to cover enhanced stresses. During 2022 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.

34. FINANCIAL AND INSURANCE RISK MANAGEMENT continued

Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.00% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

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:

2023	Within one year or payable on demand £m	One to five years £m	Five to ten years £m	Over ten years £m	Total £m
Investment contract liabilities	**7**	**38**	**–**	**–**	**45**
Subordinated debt	**47**	**598**	**285**	**–**	**930**
Derivative financial liabilities	**1,463**	**4,273**	**5,725**	**17,642**	**29,103**
Repurchase obligation	**2,178**	**478**	**–**	**–**	**2,656**
Obligations for repayment of cash collateral received	**532**	**–**	**–**	**–**	**532**
Other payables (excluding lease liability)	**11**	**–**	**–**	**–**	**11**

2022 (restated)[1]	Within one year or payable on demand £m	One to five years £m	Five to ten years £m	Over ten years £m	Total £m
Investment contract liabilities	8	31	–	1	40
Subordinated debt[1]	49	495	465	–	1,009
Derivative financial liabilities[1]	907	4,328	4,534	13,345	23,114
Obligations for repayment of cash collateral received	623	–	–	–	623
Other payables (excluding lease liability)[1]	87	–	–	–	87

1 2022 is restated on transition to IFRS 17. In addition subordinated debt is restated to exclude the Restricted Tier 1 equity instrument. Derivatives are restated to report the amounts on an undiscounted basis. Derivatives and other payables are restated to correct the treatment of future funding commitments as explained in note 1.2.2.

35. CAPITAL

Group capital position

The Group's estimated capital surplus position at 31 December 2023 was as follows:

	Solvency capital requirement		Minimum Group Solvency capital requirement	
	2023[1, 2] £m	2022[1, 2] £m	**2023 £m**	2022[2] £m
Eligible own funds	**3,104**	2,757	**2,572**	2,152
Capital requirement	**(1,577)[3]**	(1,387)	**(462)[3]**	(388)
Excess own funds	**1,527[3]**	1,370	**2,110[3]**	1,764
Solvency II Capital coverage ratio	**197%[3]**	199%	**557%[3]**	555%

1 Solvency II capital coverage ratios as at 31 December 2023 and 31 December 2022 include a formal recalculation of TMTP.
2 2023 regulatory position is estimated. 2022 regulatory position is reported as included in the Group's Solvency and Financial Condition Report as at 31 December 2022.
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.

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 are:

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

35. CAPITAL continued

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, that is greater than new business strain.

The Group regularly assesses a wide range of actions to improve the capital position and resilience of the business. To improve resilience, the Group purchased long-term gilts during 2023 to reduce the Group's capital exposure to interest rate risk.

In managing its capital, the Group undertakes stress and scenario testing to consider the Group's capacity to respond to a series of relevant financial, insurance, or operational shocks or changes to financial regulations should future circumstances or events differ from current assumptions. The review also considers mitigating actions available to the Group should a severe stress scenario occur, such as raising capital, varying the volumes of new business written and a scenario where the Group does not write new business.

EVT Compliance

At 31 December 2023, Just passed the PRA EVT with a buffer of 1.1% (unaudited) over the current minimum deferment rate of 3.0% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2022, the buffer was 1.5% (unaudited) compared to the minimum deferment rate of 2.0%.

Regulatory developments

The Group has applied to the PRA to include the PLACL lifetime mortgages in the matching adjustment portfolio (via a securitisation) and to calculate the PLACL SCR using the internal model. Subject to PRA approval, we expect to report PLACL on an internal model basis from 31 December 2024. The Group implemented changes related to Risk Margin reform at 31 December 2023, in line with legislation. The impact of this is included in the reported results.

On 9 November 2023, the Government published a consultation seeking views on capping the maximum ground rent that residential leaseholders can be required to pay. The consultation set out five options including capping ground rents at a peppercorn. The Group is closely monitoring the Government consultation and the impact of this on the Group's £176m portfolio of residential ground rents. As explained in the Business Review on page 28 an adjustment has been included in the estimated Solvency II position to reflect the impact on the value of the asset portfolio, technical provisions and on the SCR.

As part of the further proposed UK Solvency II reforms, the Group responded to the PRA consultation relating to matching adjustment and investment flexibility in January 2024. In advance of the PRA publishing the final Policy Statement ahead of the anticipated implementation date of 30 June 2024, we are preparing for implementation and assessing the potential financial impact.

36. GROUP ENTITIES

In accordance with the requirements of the Companies Act 2006, information regarding the Group's related undertakings at 31 December 2023 are disclosed below. Related undertakings comprise subsidiaries, joint ventures, associates and other significant holdings.

	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%

36. GROUP ENTITIES continued

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Indirect subsidiary continued			
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[5]	Holding company	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[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]
White Rock Insurance (Gibraltar) PCC Limited	Protected cell company	Gibraltar	100%
Pineyard Unit Trust	Unit trust	Jersey	100%
Associate			
TP2 Unit trust	Unit trust	Guernsey	60%
Comentis Ltd	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

36. 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:
Office G01, Big Bay Office Park
16 Beach Estate Boulevard, Big Bay
Western Cape 7441

Jersey office (PAG):
44 Esplanade
St Helier
Jersey JE4 9WG

Portsmouth office:
Building 3000, Lakeside North Harbour
Portsmouth
Hampshire PO6 3EN

Consolidated structured entities

The Group holds an investment in a cell of a Protected Cell Company, White Rock Insurance (Gibraltar) PCC Limited, 913 Europort, Gibraltar, GX 11 1AA. 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.

The Group holds a controlling interest in a Jersey Property Unit Trust (JPUT), Pineyard Unit Trust, Pineyard Trustee 1 Limited, 47 Esplanade, St Helier, Jersey JE1 0BD. 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, which the Trust is not permitted to dispose except on termination, and as such the investment by the Group does not represent a business combination (see note 18). 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.

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 long income real estate.

As at 31 December 2023 the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, is shown below:

	2023 £m	2022 £m
Loans secured by commercial mortgages	**764**	584
Long income real estate	**779**	247
Asset backed securities	**7**	7
Investment funds	**495**	399
Liquidity funds	**1,141**	1,174
Total	**3,186**	2,411

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, or intend to do so.

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.

The Group has no material non-controlling interests; the loss attributable to non-controlling interests in the year was £0m (2022: £0m).

Associates

The Group holds a 60% equity stake in a Guernsey Property Unit Trust (GPUT) "TP2 Unit Trust", M&G (Guernsey), PO Box 156, Dorey Court, Admiral Park, St. Peter Port, Guernsey GY1 4EU.

The GPUT 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 GPUT 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.

All other associates are immaterial.

36. GROUP ENTITIES continued

Summarised financial information for associates

Summarised balance sheet – GPUT	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Assets		
Financial investments	**244**	212
Trade and other receivables	**–**	52
Cash and cash equivalents	**3**	6
Total assets	**247**	270
Equity		
Partners capital	**327**	327
Retained earnings	**(80)**	(57)
Total equity	**247**	270

Reconciliation to carrying amount	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Net assets brought forward – GPUT	**270**	275
Loss for the period	**(23)**	(5)
Net assets at 31 December – GPUT	**247**	270
Group's share – GPUT	**148**	193[1]
Group's share – Other associates	**1**	1
Carrying amount of associates	**149**	194

Summarised statement of comprehensive income – GPUT	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Fair value loss on financial investments	**(15)**	**(5)**
Payments to unitholders	**(8)**	–
Loss for the period	**(23)**	(5)

1 The Group's share of the GPUT in the prior year included £30m related to recovery of Stamp Duty Land Tax by the GPUT on behalf of the Group, which was settled in 2023.

37. RELATED PARTIES

The Group has related party relationships with its key management personnel and subsidiary undertakings detailed in note 36.

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 2023 £m	Year ended 31 December 2022 £m
Short-term employee benefits	**3**	3
Share-based payments	**2**	2
Total	**5**	5

In addition there are loans owed by Directors of £0.4m (2022: £0.4m) which accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

38. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is the ultimate Parent and Controlling Party of the Group.

39. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2023, the Directors proposed a final dividend for 2023 of 1.50 pence per ordinary share (2022: 1.23 pence), amounting to £22m (2022: £18m) in total. Subject to approval by shareholders at the Company's 2024 AGM, the dividend will be paid on 15 May 2024 to shareholders on the register of members at the close of business on 12 April 2024, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2024.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

for the year ended 31 December 2023

Year ended 31 December 2023	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m	Tier 1 notes £m	Total £m
At 1 January 2023	**104**	**93**	**290**	**476**	**963**	**322**	**1,285**
Profit for the year	**–**	**–**	**–**	**22**	**22**	**–**	**22**
Total comprehensive income for the year	**–**	**–**	**–**	**22**	**22**	**–**	**22**
Contributions and distributions							
Dividends	**–**	**–**	**–**	**(19)**	**(19)**	**–**	**(19)**
Interest paid on Tier 1 notes (net of tax)	**–**	**–**	**–**	**(12)**	**(12)**	**–**	**(12)**
Share-based payments	**–**	**–**	**5**	**(5)**	**–**	**–**	**–**
Total contributions and distributions	**–**	**–**	**5**	**(36)**	**(31)**	**–**	**(31)**
At 31 December 2023	**104**	**93**	**295**	**462**	**954**	**322**	**1,276**

Year ended 31 December 2022	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total shareholders' equity £m	Tier 1 notes £m	Total £m
At 1 January 2022	104	93	296	442	935	322	1,257
Profit for the year	–	–	–	61	61	–	61
Total comprehensive loss for the year	–	–	–	61	61	–	61
Contributions and distributions							
Dividends	–	–	–	(15)	(15)	–	(15)
Interest paid on Tier 1 notes (net of tax)	–	–	–	(14)	(14)	–	(14)
Share-based payments	–	–	(6)	2	(4)	–	(4)
Total contributions and distributions	–	–	(6)	(27)	(33)	–	(33)
At 31 December 2022	104	93	290	476	963	322	1,285

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

as at 31 December 2023

Company number: 08568957	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments in Group undertakings	2	**855**	849
Loans to Group undertakings	3	**711**	1,000
Property and equipment		**3**	–
Deferred tax		**1**	1
		1,570	1,850
Current assets			
Financial investments	4	**85**	109
Prepayments and accrued income		**1**	1
Loans to Group undertakings	3	**300**	–
Amounts due from Group undertakings		**1**	27
Cash available on demand		**12**	11
		399	148
Total assets		**1,969**	1,998
Equity			
Share capital	5	**104**	104
Share premium	5	**93**	93
Other reserves	6	**295**	290
Retained earnings		**462**	476
Total equity attributable to shareholders of Just Group plc		**954**	963
Tier 1 notes		**322**	322
Total equity		**1,276**	1,285
Liabilities			
Non-current liabilities			
Subordinated debt	7	**689**	703
Lease liability		**2**	–
		691	703
Current liabilities			
Other payables		**2**	10
		2	10
Total liabilities		**693**	713
Total equity and liabilities		**1,969**	1,998

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 £22m (2022: £61m).

The financial statements were approved by the Board of Directors on 7 March 2024 and were signed on its behalf by:

MARK GODSON
Director

STATEMENT OF CASH FLOWS OF THE COMPANY

for the year ended 31 December 2023

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Cash flows from operating activities		
Profit before tax	**30**	62
Impairment of loans to Group undertakings	**2**	–
Share-based payments	**(6)**	(4)
Income from shares and loans to Group undertakings	**(28)**	(78)
Interest income	**(59)**	(52)
Interest expense	**51**	57
Increase in prepayments and accrued income	**–**	(1)
Increase/(decrease) in other payables	**5**	(16)
Taxation received/(paid)	**4**	(3)
Net cash outflow from operating activities	**(1)**	(35)
Cash flows from investing activities		
Decrease/(increase) in financial assets	**4**	(3)
Capital injections in subsidiaries	**–**	(6)
Dividends received	**–**	50
Net cash inflow from investing activities	**4**	41
Cash flows from financing activities		
Decrease in borrowings (net of costs)	**(26)**	(78)
Dividends paid	**(19)**	(15)
Net coupon received on Tier 1 notes	**12**	11
Net interest received on borrowings	**7**	17
Net cash outflow from financing activities	**(26)**	(65)
Net decrease in cash and cash equivalents	**(23)**	(59)
Cash and cash equivalents at start of year	**120**	179
Cash and cash equivalents at end of year	**97**	120
Cash available on demand	**12**	11
Units in liquidity funds	**85**	109
Cash and cash equivalents at end of year	**97**	120

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. MATERIAL 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. Values are expressed to the nearest £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 and subsequently measured at Fair Value Through Profit or Loss ("FVTPL").

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 25 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

2. INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m
At 1 January 2023	**849**
Additions	**6**
At 31 December 2023	**855**
At 1 January 2022	843
Additions	6
At 31 December 2022	849

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 36 to the Group financial statements. Additions to shares in Group undertakings relate to shares issued by Just Retirement Group Holdings Limited and the cost of share-based payments for services provided by employees of subsidiary undertakings to be satisfied by shares issued by the Company. Investments in Group undertakings are assessed annually to assess whether there is any indication of impairment.

As at 31 December 2023, the market capitalisation of the Group at £892m was slightly less than its net assets attributable to equity holders of £897m. 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 2023. 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 2023 for JRL was £513m and for PLACL was £272m. The recoverable amounts for both entities were calculated to be in excess of this amount, indicating that no impairment of the Company's investment in JRL or PLACL was required.

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 11.4% for JRL and 11.1% 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 headroom of the excess of the value-in-use above the cost of investment of JRL and PLACL by 11% and 20% 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.

3. LOANS TO GROUP UNDERTAKINGS

	Loans to Group undertakings £m
At 1 January 2023	**1,000**
Additions	**13**
Less: Loss allowance	**(2)**
At 31 December 2023	**1,011**
At 1 January 2022	1,000
At 31 December 2022	1,000

3. LOANS TO GROUP UNDERTAKINGS continued

Details of the Company's loans to Group undertakings are as follows:

	2023 £m	2022 £m
9.375% perpetual restricted Tier 1 contingent convertible debt (call option in April 2024) issued by Just Retirement Limited in April 2019[1]	**250**	250
9.375% perpetual restricted Tier 1 contingent convertible debt (call option in April 2024) issued by Partnership Life Assurance Company Limited in April 2019 [1]	**50**	50
9.0% 10-year subordinated debt 2026 (Tier 2) issued by Just Retirement Limited in October 2016	**254**	250
8.125% 10-year subordinated debt 2029 (Tier 2) issued by Just Retirement Limited in October 2019	**25**	25
8.2% 10-year subordinated debt 2030 (Tier 2) issued by Just Retirement Limited in May 2020	**103**	100
7.0% 10.5-year subordinated debt 2031 (Tier 2) issued by Just Retirement Limited in November 2020	**76**	75
8.125% 10-year subordinated debt 2029 (Tier 2) issued by Partnership Life Assurance Company Limited in October 2019	**102**	100
7.0% 10.5-year subordinated debt 2031 (Tier 2) issued by Partnership Life Assurance Company Limited in November 2020	**102**	100
5.0% 7-year subordinated debt 2025 (Tier 3) issued by Just Retirement Limited in December 2018	**51**	50
Total	**1,013**	1,000
Less: Loss allowance	**(2)**	–
At 31 December	**1,011**	1,000

1 Included in current assets.

4. FINANCIAL INVESTMENTS

	Fair value (designated)	
	2023 £m	2022 £m
Units in liquidity funds	**85**	109
Total	**85**	109

All financial investments are measured at fair value through the profit or loss and designated as such on initial recognition. All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measured as a whole.

In the fair value hierarchy, units in liquidity funds are all classified as Level 1. 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 2023 is detailed below:

£m	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Total £m
At 1 January 2023	1,038,702,932	104	93	197
At 31 December 2023	**1,038,702,932**	**104**	**93**	**197**
At 1 January 2022	1,038,537,044	104	93	197
Shares issued in respect of employee share schemes	165,888	–	–	–
At 31 December 2022	1,038,702,932	104	93	197

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

6. OTHER RESERVES

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Merger reserve	**300**	300
Share held by trusts	**(5)**	(10)
Total other reserves	**295**	290

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.

7. SUBORDINATED DEBT

Details of the Company's subordinated debt are shown in note 28 to the Group financial statements.

8. RELATED PARTY TRANSACTIONS

(a) Trading transactions and balances

The following transactions were made with related parties during the year:

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
Staff costs, Directors' remuneration, operating expenses and management fees charged	**5**	11
Interest on loan balances charged to Just Retirement Limited	**64**	64
Interest on loan balances charged to Partnership Life Assurance Company Limited	**20**	20
Dividends from Partnership Assurance Group Limited	**–**	50

The following balances in respect of related parties were owed by the Company at the end of the year:

	2023 £m	2022 £m
Others	**(2)**	–

The following balances in respect of related parties were owed to the Company at the end of the year:

	2023 £m	2022 £m
Loan to Just Retirement Limited (including interest)	**759**	760
Loan to Partnership Life Assurance Company Limited (including interest)	**253**	253
Others	**1**	1
Amounts owed for Group corporation tax	**1**	13
Loss allowance	**(2)**	–

A small loss allowance of £2m was recognised in relation to loans to related parties during the year. No loss allowance was recognised in expense in 2022.

(b) Key management compensation

Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 37 to the Group financial statements.

9. COMMITMENTS

The Company had £2m of capital commitments at 31 December 2023 in respect of fit-out works to be undertaken during 2024 to the Group's replacement Belfast office (2022: nil).

ADDITIONAL INFORMATION

The following additional financial information is unaudited.

SOLVENCY II SURPLUS GENERATION

The table below shows the expected future emergence of Solvency II surplus from the in-force book in excess of 100% of SCR over the next 35 years. The amounts are shown undiscounted and exclude Excess Own Funds at 31 December 2023 of £1,527m.

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
2024	221	(60)	161
2025	218	(60)	158
2026	215	(60)	155
2027	212	(60)	152
2028	210	(60)	150
2029	208	(60)	148
2030	205	(60)	145
2031	203	(60)	143
2032	199	–	199
2033	192	–	192
2034	186	–	186
2035	181	–	181
2036	173	–	173
2037	166	–	166
2038	159	–	159
2039	151	–	151
2040	143	–	143
2041	134	–	134
2042	125	–	125
2043	116	–	116
2044 – 2048	457	–	457
2049 – 2053	293	–	293
2054 – 2058	187	–	187

ADDITIONAL INFORMATION continued

SOLVENCY II SURPLUS GENERATION continued

New business contribution

The table below shows the expected future emergence of Solvency II surplus arising from 2023 new business at 100% of SCR over 50 years from the point of sale. It shows the initial Solvency II capital strain in 2023. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(35)
Year 1	15
Year 2	15
Year 3	17
Year 4	19
Year 5	20
Year 6	21
Year 7	23
Year 8	23
Year 9	23
Year 10	23
Year 11	23
Year 12	22
Year 13	21
Year 14	22
Year 15	21
Year 16	21
Year 17	20
Year 18	21
Year 19	20
Year 20	20
Years 21 – 30	194
Years 31 – 40	91
Years 41 – 50	35

Financial investments credit ratings

The sector analysis of the Group's financial investments portfolio by credit rating at 31 December 2023 is shown below:

	Total £m	%	AAA £m	AA £m	A £m	BBB £m	% BBB £m	BB or below £m
Basic materials	149	0.6%	–	5	39	101	1%	4
Communications and technology	1,334	5.6%	125	244	260	700	10%	5
Auto manufacturers	130	0.5%	–	–	115	15	0%	–
Consumer staples (including healthcare)	1,405	5.9%	125	228	660	371	5%	21
Consumer cyclical	197	0.8%	–	8	54	135	2%	–
Energy	378	1.6%	–	114	30	167	2%	67
Banks	1,606	6.7%	84	119	814	589	8%	–
Insurance	735	3.1%	–	208	50	477	7%	–
Financial – other	583	2.4%	95	133	266	89	1%	–
Real estate including REITs	660	2.8%	31	46	279	272	4%	32
Government	1,767	7.4%	317	971	220	259	4%	–
Industrial	543	2.3%	–	65	79	380	5%	19
Utilities	2,637	11.0%	–	106	833	1,686	23%	12
Commercial mortgages	764	3.2%	111	205	212	233	3%	3
Long income real estate[1]	916	3.8%	164	20	185	547	8%	–
Infrastructure	2,473	10.3%	65	173	991	1,231	17%	13
Other	42	0.2%	–	–	42	–	–	–
Corporate/government bond total	16,319	68.1%	1,117	2,645	5,129	7,252	100%	176
Other assets	822	3.4%						
Lifetime mortgages	5,681	23.7%						
Liquidity funds	1,141	4.8%						
Investments portfolio	23,963	100.0%						
Derivatives and collateral	3,083							
Gilts (interest rate hedging)	2,549							
Total	29,595							

1 Includes residential ground rents of £164m rated AAA and £12m rated AA.

NEW BUSINESS PROFIT RECONCILIATION

New business profit is deferred on the balance sheet under IFRS 17. It is the equivalent of the previous new business profit KPI under IFRS 4 and is determined in a similar manner, but uses risk parameters updated for IFRS 17. The effect of these changes is detailed in the reconciliation in the Business Review on page 33.

In addition IFRS 17 introduces clarification regarding the economic assumptions to be used at the point of recognition of contracts for accounts purposes. Just recognises contracts based on their completion dates for IFRS 17, but bases its assessment of new business profitability for management purposes based on the economic parameters prevailing at the quote date of the business. IFRS 17 also introduces a requirement to include the reinsurance CSM in respect of business to be written after the reporting date up until the end of reinsurance treaty notice periods.

	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m (restated)
New business CSM on gross business written	380	320
Reinsurance CSM	(37)	(50)
Net new business CSM	343	270
Impact of using quote date for profitability measurement	12	(4)
New business profit	355	266

INFORMATION FOR SHAREHOLDERS

The following information is unaudited.

ANNUAL GENERAL MEETING

The Company's 2024 Annual General Meeting ("AGM") will be held on Tuesday 7 May 2024 at 10.00 am at 1 Angel Lane, London EC4R 3AB. More information about the 2024 AGM can be found in the Notice of Meeting, which will be made available to shareholders separately.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2023

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1–5,000	**502**	**48.08**	**485,123**	0.05
5,001–10,000	**75**	**7.18**	**571,034**	0.06
10,001–100,000	**212**	**20.31**	**7,414,060**	0.71
100,001–1,000,000	**129**	**12.36**	**49,362,648**	4.75
1,000,001–10,000,000	**102**	**9.77**	**362,346,924**	34.89
10,000,001–20,000,000	**11**	**1.05**	**152,732,929**	14.70
20,000,001 and over	**13**	**1.25**	**465,790,214**	44.84
Totals	**1,044**	**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/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 and dividend mandates online 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

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.

INVESTOR RELATIONS ENQUIRIES

For all institutional investor relations enquiries, please contact our Investor Relations team whose contact details can be found at **www.justgroupplc.co.uk/contact-us**. 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 **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-reports-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 (including, without limitation, climate-related plans and goals). Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'targets', 'continues', 'future', 'outlook', 'potential' 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 longer-term impact from the COVID-19 outbreak or the impact of other infectious diseases, the conflict in the Middle East, 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, 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

The following is unaudited.

DIRECTORS

Non-Executive Directors:
John Hastings-Bass, Group Chair
Mary Phibbs, Senior Independent Director
Jim Brown
Michelle Cracknell
Mary Kerrigan
Kalpana Shah

Executive Directors:
David Richardson, Group Chief Executive Officer
Mark Godson, Group Chief Financial Officer

GROUP COMPANY SECRETARY

Simon Watson

JUST GROUP REGISTERED OFFICE AND REIGATE OFFICE

Enterprise House
Bancroft Road
Reigate
Surrey RH2 7RP
Website: **www.justgroupplc.co.uk**
Tel: +44 (0)1737 233296

Registered in England and Wales number 08568957

CORPORATE BROKERS

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

RBC Capital Markets
100 Bishopsgate
London
EC2N 4AA

AUDITOR

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

CORPORATE LAWYERS

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG

GLOSSARY

Acquisition costs comprise the direct costs (such as commissions and new business processing team costs) of obtaining new business, together with associated indirect costs.

Adjusted operating profit before tax this is the sum of the new business profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and financing costs. The Board believes the combination of both future profit generated from new business written in the year and additional profit from the in-force book of business, provides a better view of the development of the business. The net underlying CSM increase is added back as the Board considers the value of new business is significant in assessing business performance. Adjusted operating profit before tax excludes the following items that are included in profit before tax: strategic expenditure, 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.

Adjusted profit/(loss) before tax an APM, this is the profit/(loss) before tax before deferral of profit in CSM and includes non operating items (investment and economic movement, strategic expenditure, and interest adjustment to reflect IFRS accounting for Tier 1 notes as equity).

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.

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.

Cash Generation underlying organic capital generation before the impact of new business strain.

Confidence interval the degree of confidence that the provision for future cash flows plus the risk adjustment reserve will be adequate to meet the cost of future payments to annuitants.

Contractual Service Margin ("CSM") represents deferred profit earned on insurance products. CSM is recognised in profit or loss over the life of the contracts.

CSM amortisation represents the net release from the CSM reserve into profit as services are provided. The figures are net of accretion (unwind of discount), and the release is computed based on the closing CSM reserve balance for the period.

Deferral of profit in CSM the total movement on CSM reserve in the year. The figure represents CSM recognised on new business, accretion of CSM (unwind of discount), transfers to CSM related to changes to future cash flows at locked-in economic assumptions, less CSM release in respect of services provided.

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 relates to development of existing products, markets, technology, and transformational projects.

Drawdown (in reference to Just Group sales or products) collective term for investment products including 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 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 profit before tax one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit represents profits from the in-force portfolio before investment and insurance experience variances, and assumption changes. It mainly represents release of risk adjustment for non-financial risk and of allowance for credit default in the period, investment returns earned on shareholder assets, together with the value of the (net) CSM amortisation.

Investment and economic movements 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, Retirement income sales, Underlying organic capital generation, New business profit, Underlying operating profit, IFRS profit before tax, New business strain, Solvency II capital coverage ratio and Tangible net asset value per share.

Lifetime mortgage ("LTM") an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the homeowner has passed away or moved into long-term care.

GLOSSARY continued

LTM notes structured assets issued by a wholly owned special purpose entity, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

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 and interest accrued on financial assets which are measured at amortised cost.

New business margin the new business profit divided by Retirement Income sales (shareholder funded). It provides a measure of the profitability of Retirement Income sales.

New business profit an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of reserves and for future expected cash flows and risk adjustment and allowance for acquisition expenses and other incremental costs on a marginal basis. New business profit is reconciled to adjusted profit before tax, and adjusted profit before tax is reconciled to IFRS profit before tax in the Business Review.

New business strain one of the Group's APMs, representing 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.

Operating experience and assumption changes represents changes to cash flows in the current and future periods valued based on end of period economic assumptions.

Organic capital generation/(consumption) 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.

Pension Freedoms/Pension Freedom and Choice/Pension Reforms the UK government's pension reforms, implemented in April 2015.

Peppercorn rent a very low or nominal rent.

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.

Retail sales (in reference to Just Group sales or products) collective term for GIfL and Care Plan.

Retirement Income sales (shareholder funded) an APM and one of the Group's KPIs and a collective term for GIfL, DB and Care Plan new business sales and excludes DB partner premium. Retirement Income sales (shareholder funded) are reconciled in note 9 to premiums included in the analysis of movement in insurance liabilities in note 26.

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 and expressed as an annualised percentage. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

Risk adjustment for non-financial risk ("RA") allowance for longevity, expense, and insurance specific operational risks representing the compensation required by the business when managing existing and pricing new business.

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.

Strategic expenditure Costs incurred for major strategic investment, new products and business lines, and major regulatory projects.

Tangible net asset value ("TNAV") IFRS total equity attributable to ordinary shareholders, excluding goodwill and other intangible assets, and after adding back contractual service margin, net of tax.

Tangible net asset value per share an APM and one of the Group's KPIs, representing tangible net asset value divided by the closing number of issued ordinary shares excluding shares held in trust.

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 earnings per share 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.

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 strategic expenditure, 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.

Value at Risk a quantification of the extent of possible insurance losses within a portfolio over a specific time frame.

ABBREVIATIONS

ABI – Association of British Insurers

AGM – Annual General Meeting

APM – alternative performance measure

Articles – Articles of Association

CMI – Continuous Mortality Investigation

Code – UK Corporate Governance Code

CP – Care Plans

CPI – consumer prices index

DB – Defined Benefit De-risking Solutions

DC – defined contribution

DSBP – deferred share bonus plan

EBT – employee benefit trust

EPS – earnings per share

ERM – equity release mortgage

ESG – environment, social and governance

EVT – effective value test

FCA – Financial Conduct Authority

FRC – Financial Reporting Council

GDPR – General Data Protection Regulation

GHG – greenhouse gas

GIfL – Guaranteed Income for Life

GIPA – Guaranteed Income Producing Asset

Hannover – Hannover Life Reassurance Bermuda Ltd

IFRS – International Financial Reporting Standards

IP – intellectual property

ISA – International Standards on Auditing

JRL – Just Retirement Limited

KPI – key performance indicator

LCP – Lane Clark & Peacock LLP

LPI – limited price index

LTIP – Long Term Incentive Plan

LTM – lifetime mortgage

MA – matching adjustment

MAR – Market Abuse Regulation

NAV – net asset value

NNEG – no-negative equity guarantee

ORSA – Own Risk and Solvency Assessment

PAG – Partnership Assurance Group

PLACL – Partnership Life Assurance Company Limited

PPF – Pension Protection Fund

PRA – Prudential Regulation Authority

PRI – United Nations Principles for Responsible Investment

PVIF – purchased value of in-force

PwC – PricewaterhouseCoopers LLP

REIT – Real Estate Investment Trust

RPI – retail price inflation

SAPS – Self-Administered Pension Scheme

SAYE – Save As You Earn

SCR – Solvency Capital Requirement

SFCR – Solvency and Financial Condition Report

SID – Senior Independent Director

SIP – Share Incentive Plan

SLI – Secure Lifetime Income

SME – small and medium-sized enterprise

STIP – Short Term Incentive Plan

tCO_2e – tonnes of carbon dioxide equivalent

TMTP – transitional measures on technical provisions

TSR – total shareholder return

Designed and produced by emperor
Visit us at emperor.works

JUST.

THE RETIREMENT SPECIALIST

Just Group plc
Enterprise House
Bancroft Road
Reigate
Surrey RH2 7RP

JUSTGROUPPLC.CO.UK