

JUST.

THE RETIREMENT SPECIALIST

GROWING THE JUST WAY

TUESDAY



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COMPANIES HOUSE

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 achieve our purpose.



INDIVIDUALS

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

[READ MORE ON PG. 4](#)



HOMEOWNERS

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

[READ MORE ON PG. 4](#)

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



PENSION SCHEME TRUSTEES

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

[READ MORE ON PG. 4](#)



COMPANIES

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

[READ MORE ON PG. 4](#)

The Strategic Report has been prepared in accordance with the UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

FEATURE STORIES

INVESTING THE JUST WAY

PAGE 20

INNOVATION THE JUST WAY

PAGE 64

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INVESTMENT CASE

PURPOSE, PROFITABLE AND SUSTAINABLE GROWTH, INNOVATION AND DELIVERY

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

WE HELP PEOPLE ACHIEVE A BETTER LATER LIFE

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

■ [READ MORE ON PG 5](#)

SUSTAINABLE GROWTH - 15% GROWTH TARGET

Our priority is to deliver profitable and sustainable growth. We are investing our increased levels of organic capital generated to reward shareholders by adding value through higher levels of new business volume to deliver sustainable, profitable growth at attractive levels of return. Our target is to deliver 15% growth in underlying operating profit, on average, per annum over the medium term.

■ [READ MORE ON PG 49](#)

“

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

DAVID RICHARDSON
Group Chief Executive Officer

GROWING RETIREMENT MARKETS

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

■ [READ MORE ON PG 10](#)

GROWING SHARE THROUGH INNOVATION AND POSITIVE DISRUPTION

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

■ [READ MORE ON PG 14](#)

LEADING DISTRIBUTION FRANCHISE

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

■ [READ MORE ON PG 14](#)

DELIVERY AND DISCIPLINE

We have developed a strong track record of delivering against our commitments. We achieved capital self-sufficiency more than a year earlier than originally planned, have successfully reduced our property sensitivity ahead of schedule and more than doubled our underlying organic capital generation one year early. We have reduced our cost base and by investing to automate our business processes have become a more efficient company. Investing in our infrastructure and propositions and implementing an illiquid asset investment strategy have contributed towards our profitable and sustainable growth objective and our commitment to becoming carbon net zero. Our disciplined new business franchise delivers market leading financial metrics.

■ [READ MORE ON PG 46](#)

FINANCIAL AND OPERATIONAL HIGHLIGHTS

KEY PERFORMANCE INDICATORS

RETURN ON EQUITY¹**9.4%**

9.7% at 31 December 2020

UNDERLYING ORGANIC CAPITAL
GENERATION¹**£51M**

£18m at 31 December 2020

RETIREMENT INCOME SALES¹**£2,674M**

2020: £2,145m, up 25%

NEW BUSINESS OPERATING PROFIT¹**£225M**

2020: £199m, up 13%

ADJUSTED OPERATING PROFIT BEFORE TAX¹**£238M**

2020: £239m, down less than 1%

UNDERLYING OPERATING PROFIT¹**£210M**

2020: £193m, up 9%

IFRS (LOSS)/PROFIT BEFORE TAX

£(21)M

2020: £237m, down 109%

MANAGEMENT EXPENSES¹**£147M**

2020: £159m, down 7%

IFRS NET ASSETS

£2,440M

2020: £2,490m, down 2%

SOLVENCY II CAPITAL COVERAGE RATIO
(ESTIMATED)²**164%**

156% at 31 December 2020

FINANCIAL STRENGTH AND OTHER INDICATORS

FITCH INSURER FINANCIAL STRENGTH RATING

A+

for Just Retirement Limited (2020: A+)

FITCH ISSUER DEFAULT RATING

A

for Just Group plc (2020: A)

AWARDED FURTHER
RECOGNITION FOR
OUTSTANDING SERVICEFINANCIAL ADVISER:
5 STAR SERVICE AWARDFINANCIAL ADVISER:
5 STAR SERVICE AWARDFINANCIAL ADVISER:
5 STAR SERVICE AWARD

PENSIONS AGE

CONFIRMIT ACE AWARDS

1 Alternative performance measure (see glossary on page 186 for definition). Underlying organic capital generation is reconciled to Solvency II excess own funds on page 53. Return on equity, new business operating profit, management expenses, underlying operating profit, and adjusted operating profit are reconciled to IFRS profit before tax on pages 50 and 52. Retirement Income sales are reconciled to gross premiums written in note 6 to the consolidated financial statements on page 139.

2 Solvency II capital coverage ratio allows for a notional recalculation of transitional measures on technical provisions ("TMTP") at 31 December 2020. In 2021, the ratio includes the estimated impact of the biennial reset of TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

AT A GLANCE

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

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



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

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

ADDRESSABLE MARKET

>£1 TRILLION



INDIVIDUALS: PROVIDING RETIREMENT INCOME

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

MARKET VALUE OF DEFINED
CONTRIBUTION PENSION SAVINGS

>£1 TRILLION



HOMEOWNERS: ACCESSING PROPERTY WEALTH

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

PROPERTY WEALTH OWNED BY PEOPLE AGED 55

>£3.5 TRILLION



CORPORATE CLIENTS: SOLVING PROBLEMS FOR COMPANIES

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

RETIREMENT-FOCUSED
SOLUTIONS

...WITH PRODUCTS AND SERVICES

Competitive position:

 A leader
  Developing


MARKETED PRODUCTS¹

SERVICES

DEFINED BENEFIT DE-RISKING SOLUTIONS ("DB")

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

BENEFIT AND COMPETITIVE POSITION

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



GUARANTEED INCOME FOR LIFE ("GIFL")

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

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



SECURE LIFETIME INCOME ("SLI")

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

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



CARE PLANS ("CP")

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

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



LIFETIME MORTGAGES ("LTM")

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

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



¹ Reported in our Insurance segment.



PROFESSIONAL SERVICES²

SERVICES

HUB GROUP

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



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

BENEFIT AND COMPETITIVE POSITION

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



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

² Reported in our Other segment.

CHAIR'S STATEMENT

GROWING THE JUST WAY

We are delivering profitable and sustainable growth to fulfil our purpose and create value for shareholders.



JOHN HASTINGS-BASS
Chair

ANNUAL GENERAL MEETING 2022

10.00 am
10 May 2022
at Just Group plc
Enterprise House
Bancroft Road
Reigate
Surrey RH2 7RP

I am pleased to introduce Just Group plc's 2021 Annual Report. Our focus in this period shifted to sustainably growing the business after we successfully completed the programme to strengthen our capital position in 2020.

Before commenting on the Company's performance, on behalf of the Board I would like to express our gratitude to Keith Nicholson who retired from the Board at the end of December. Keith was Senior Independent Director of Just Group since its creation, and was part of a team that steered our Group through significant regulatory change. He has provided me with wise counsel, for which I am grateful and he takes with him our best wishes for the future.

OUR PRIORITY IN 2021

The primary focus of our Group in 2021 has been to capture profitable growth opportunities. There are strong structural drivers of growth which make our markets very attractive, including demographics and the appetite of company directors and pension trustees to transfer the risk of operating defined benefit pension schemes to insurance companies. The segments of the market we choose to operate in are growing, which enables us to be selective in the risks we take on, whilst still enabling our Group to achieve double-digit levels of profitable and sustainable growth.

In 2020 we successfully completed the programme to strengthen our capital position and the Board remains content with our position. We have continued with our management actions to reduce our exposure to UK house price movements by selling a portfolio of lifetime mortgages.

During the year we made good progress with the Prudential Regulation Authority ("PRA"), receiving approval to make changes to the Group's Solvency II internal capital model. The UK government is seeking to conclude its Future Regulatory Framework ("FRF") Review to deliver the vision for the sector set out by the Chancellor in his Mansion House speech in July 2021. We are hopeful that the FRF will deliver opportunities for Just Group to increase our investment in the UK economy to drive productivity and contribute to our net zero commitments.

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

DIVIDEND

Having met our commitment to strengthen the Group's capital position by attaining capital self-sufficiency and delivering positive organic capital generation, and following a strong financial operating performance the Board proposes restarting dividends and recommends a final dividend of 1.0 pence per share.

BOARD COMPOSITION AND GOVERNANCE

Following Keith Nicholson's retirement, I am pleased that Ian Cormack has taken up the role of Senior Independent Director and that Kalpana Shah will now Chair the Group Risk and Compliance Committee. Mary Kerrigan was appointed a Director of the Group on 1 February 2022. Mary is already, and will continue to be, a Non-Executive Director of Just's subsidiary life companies, and is Chair of the Investment Committees. John Perks joined the Group on 1 April and became Non-Executive Chair of the Group's subsidiary life companies in May, following the decision by Nick Poyntz-Wright to step down. I'd like to thank Nick for his service to the Group over his six year tenure and his diligent work in ensuring that the policyholders' expectations of the insurance products are met. Kathy Byrne was appointed as a Non-Executive Director of the Group's subsidiary life companies on 1 February 2022 and joined the Investment Committees. You can read more about the Directors of the Company on page 68.

I take great pride in leading the Board and the Group's governance function, and my introduction to the Corporate Governance Report on page 66 provides further information on our governance and decision making processes. I would like to thank the entire Board for their significant contribution, and look forward to working with them in 2022.

CONTRIBUTING TO A MORE SUSTAINABLE FUTURE

We have an important role in helping the world transition towards a sustainable environment and low carbon global economy. We announced a number of new carbon net zero commitments, which builds on the excellent progress already made to reduce the carbon intensity of our business. We've also incorporated a new section into this year's report to provide a better understanding of climate-related risks and opportunities. Our disclosures are consistent with those recommended by the Taskforce on Climate-related Financial Disclosures and you can read more on pages 22 to 29.

I was delighted that Just became the first European insurance company to launch a Sustainability Bond. This follows our pioneering launch of the first Green Bond by a UK insurance company in October 2020. You can read more about this on page 18.

Growing the Just way is a theme our colleagues across the Company want to be active in shaping and the Board has received input from our colleagues before approving the Group's sustainability strategy during this period. We are on an exciting journey as a Company, as an industry, as a country and as individuals. You can read more about our sustainability strategy on page 20 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.

OUR PURPOSE

We are a purpose driven Company with a compelling and credible purpose. Quite simply, we help people achieve a better later life. We achieve this by providing competitive products, services, financial advice and guidance to help our customers achieve security, certainty and provide them with peace of mind in retirement. Our purpose remains as relevant today as it did all those years ago when we created it. It's clear, authentic and it acts as a beacon for colleagues across the entire Group to live the purpose every day. Our customers, existing and prospective, are at the heart of everything we do at Just.

OUTLOOK

The fundamental drivers for growth in our core markets continue to be strong and we have focused our leadership team on driving long-term profitable growth. We have continued to increase the Group's balance sheet resilience by taking actions to reduce our capital sensitivity to residential property exposure. The commercial outlook remains favourable for our Group.

On behalf of the Board, I would like to close by thanking all of our colleagues across the Group for their commitment to providing award winning services to our customers and business partners. I'd also like to thank our business partners who have trusted us to provide outstanding service to their clients. We are growing the Just way, delivering profitable and sustainable growth, fulfilling our purpose and helping contribute to a net zero economy. We are increasingly optimistic about the future.

CHIEF EXECUTIVE OFFICER'S STATEMENT

PURPOSE DRIVEN, FOCUSED ON PROFITABLE SUSTAINABLE GROWTH

2021 has been a significant and positive year in our history. We have built on the foundations we put in place over the previous two years to transform the way that we do business. We are excited about the growth potential for the Group.



DAVID RICHARDSON
Group Chief Executive Officer

**NEW BUSINESS OPERATING
PROFIT**

£225M

2020: £199m

RETIREMENT INCOME SALES

£2,674M

2020: £2,145m

¹ Alternative performance measure, IFRS loss before tax £21.4m (2020: profit before tax £236.7m).

The growth that we have achieved in 2021 is a testament to the success of our transformation. We are investing the increased levels of organic capital generated into writing more new business that delivers profitable and sustainable growth at attractive levels of return to shareholders.

This year we have achieved record new business sales and new business profits and more than doubled our underlying organic capital generation a year ahead of our 2022 target. The results build on our strong track record of delivering on our commitments. In 2020, we achieved capital self-sufficiency more than a year earlier than originally planned. In 2021, we have reduced our Solvency II balance sheet sensitivity to property to a comfortable level and eliminated our cost overruns.

RETIREMENT SALES GROWTH

I am pleased to report that during 2021 we have increased Retirement Income sales by 25% to £2.7bn.

DB sales were up 28% to £1.9bn including two transactions in the over £250m segment. The market is becoming more focused on Buy-out transactions and so our enhanced capability to meet the needs of deferred members has been an important part of this growth; almost 40% of our transactions were DB deferred. Our start to 2022 has been encouraging and we have a £4bn pipeline of potential DB transactions.

In our retail market, sales of £739m were up 16% on 2020 and were 8% higher than the pre-pandemic sales of 2019.

GROWTH AND INNOVATION

We participate in retirement markets that offer long-term structural growth and the capital which we invest in that growth is achieving high levels of return. We are investing in all of these markets, developing our propositions and also innovating to build improved retirement products and services.

OUR PURPOSE AND SUSTAINABILITY

Just has a strong purpose: we help people achieve a better later life. We help our customers achieve security, certainty and peace of mind.

We achieve our goals responsibly and are committed to a sustainable strategy that protects our communities and the planet we live in. The most material impact we can make to reduce carbon emissions will be achieved through the decisions we take with our investment portfolio, which currently exceeds £24bn. We are diversifying these investments, investing in more sustainable assets and reducing the carbon intensity of our entire asset portfolio. We plan to become signatories of The Science Based Targets Initiative ("SBTi") and we are committed to ensure that our investment portfolio will have halved its emissions by 2030 and will be carbon net zero by 2050. You can read more on page 20 and in our new sustainability content available at [justgroupplc.co.uk](https://www.justgroupplc.co.uk).

Our commitment to invest in sustainable assets is underscored by our bond issuance programme. After becoming the first UK insurer to issue a Green Bond in 2020, we continued to be a market innovator by issuing a Sustainability RT1 Bond, the first of its kind in the UK and European insurance sector.

Additionally we are aiming for our operations to be carbon net zero in terms of emissions by 2025. I am very proud that over the last two years we have reduced our operational carbon intensity per employee by 85% and that we have achieved by far the lowest intensity amongst life insurance companies operating in the FTSE 350¹. However, there is still considerably more work to do over the next few years to reach our goal of carbon net zero.

CUSTOMERS

We have ambitious targets to continuously improve the customer experience we deliver and are investing to enhance our digital capabilities. For our business partners this will make Just easier to do business with and provide our customers with more options to engage with us.

COLLEAGUES

During 2021 we successfully transitioned colleagues from homeworking in light of COVID-19, to embracing hybrid ways of working. The skills and commitments of our colleagues across the Group have achieved external recognition from our business partners. We were delighted to be named Company of the Year at the Financial Adviser Service Awards for 2021 in recognition of the outstanding service we have consistently delivered over the past decade. In addition we achieved five star awards in both the Pensions and Protection, and Mortgages categories.

We have a key priority to build a diverse workforce and strengthen our inclusive culture. I am proud that we have increased gender diversity across senior roles by a further three percentage points in 2021. As a signatory to the Women in Finance Charter we have pledged that 33% of our senior leaders will be female by 2023 and during 2021 we have committed to increasing the percentage of senior leaders from a Black, Asian or Minority Ethnic background to 15%, in line with the percentage in the broader UK population. You can read in detail how we have supported our colleagues and achieved our highest ever Best Companies score on page 30.

FINANCIAL PERFORMANCE

Over the last two years we have moved successfully to a profitable and sustainable growth model, as demonstrated by the excellent 25% sales growth which has helped us to grow new business profits by 13%. Adjusted IFRS operating profit is slightly reduced due to a lower assumption change compared to 2020.

Our interest rate hedging programme has successfully protected our solvency capital position, but the rise in interest rates during the year has resulted in an economic loss, which means we have a small overall IFRS loss before tax of £(21)m for 2021.

The strength and resilience of our overall capital position and our ability to improve our underlying capital generation remain extremely important metrics for us. In 2020 we delivered £18m underlying organic capital generation ("UOCG") and set a target to "at least double" this amount by 2022. We have achieved that one year early in 2021 with £51m UOCG, helped by a new business strain of 1.5%. This is a level of capital generation that gives us more choice over capital allocation decisions, including the ability to pay a sustainable dividend. We are pleased to report a Solvency II capital coverage ratio at end 2021 of 164%, up from 156% at end 2020. We continue to be comfortable with our capital coverage.

GEOPOLITICAL VOLATILITY

As I write this report Europe is facing military aggression and we are carefully monitoring events. Our business has very limited direct exposure resulting from the conflict but our thoughts are with the many people impacted.

IN CONCLUSION

During this unprecedented period of the pandemic we are continuing to ensure we live up to our purpose. I am very grateful to my colleagues for their resilience, commitment and adaptability during this period of changing working patterns. With our capital base now strengthened we have shown that we can grow the business sustainably. This means that we are able to help more people achieve a better later life while also rewarding shareholders.

¹ The determination of carbon intensity per employee is based on published information from peer group companies from the UK FTSE 350 for 2020.

MARKET CONTEXT

HELPING CUSTOMERS STRENGTHEN THEIR FINANCIAL RESILIENCE

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

DEFINED BENEFIT DE-RISKING SOLUTIONS

Defined benefit pension schemes have an obligation to pay members a retirement income based on their earnings history and length of employment. Operating these schemes has become more costly for employers and the benefits of providing them have fallen, creating an opportunity for guaranteed income providers to fully or partially de-risk an employer's defined benefit obligations.

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

CURRENT MARKET

The first half of 2021 was slow in comparison to recent years and this resulted in strong competition between insurers for the small and mid-market transactions.

In contrast, new project invitations picked up in the second half which was busy with transactions forecast to exceed £23bn (source: WTW). This volume is greater than the same period in 2019, pre COVID-19, but was achieved without the contribution of the volume of megadeals that characterised that record breaking year.

So in aggregate, 2021 achieved premiums of around £30bn for the full year, a similar total to that achieved in 2020 which was the second busiest on record (source: WTW).

“

Taking the risk out of paying company pensions

OUTLOOK

The structural drivers of growth for the de-risking market are unchanged and the outlook for 2022 and beyond is strong.

There are an estimated £2.3tn of defined benefit liabilities (source: PPF). The Pension Regulator's ("TPR") defined benefit funding code, which is expected to come into force by 2023, is likely to increase demand for pension scheme de-risking, as it seeks to improve funding and reduce reliance on sponsor contributions.

Employee benefit consultants have projected that the market will grow to between £30-50bn per annum until 2025 with the potential for larger volumes thereafter (sources: Aon and LCP). We expect much of this projected growth will be delivered by mega-transactions underpinned by continued demand for small and mid-market transactions.

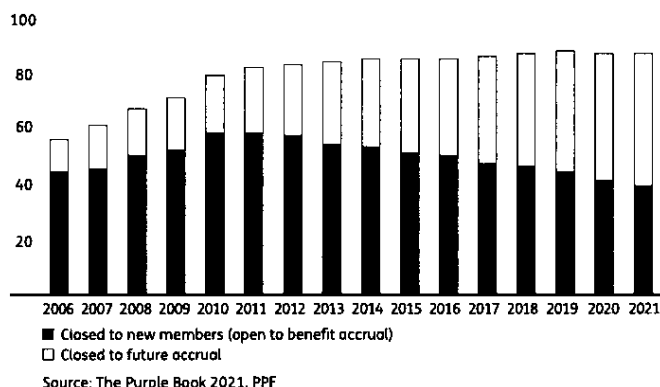
While insurer capacity to write a higher volume of individual transactions is likely to increase in the longer term, over the medium term we believe the demand for de-risking transactions will exceed the supply available.

For the first time, Buy-out has become the preferred long-term ambition for schemes, overtaking self-sufficiency. With improving levels of funding, demand for Buy-outs is anticipated to continue building (source: Aon). As a result, we believe small and medium schemes targeting Buy-out will need to have their data and benefit specifications in good order to secure insurer engagement.

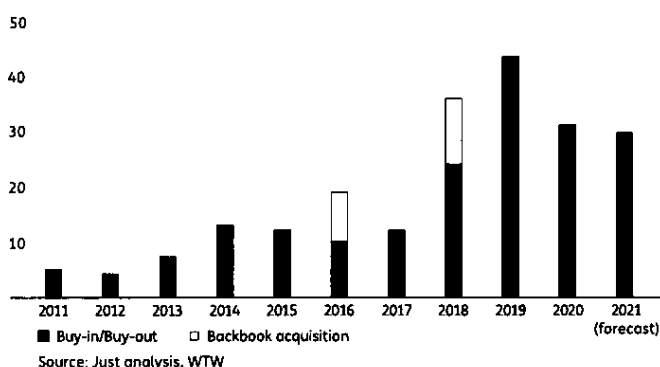
In June 2020 TPR issued guidance for trustees and sponsoring employers considering transacting with a defined benefit superfund model and other similar models. These so-called superfunds are a pension consolidation solution for schemes and sponsors to transfer risk where they cannot achieve a Buy-out from an insurance company.

TPR has also issued guidance for those considering setting up and running a superfund and an assessment process that TPR will use to establish whether an application to establish a superfund has met the required standards. Following assessment and inclusion on the TPR approved list, superfunds will be subject to a further assessment when TPR is notified of an intended transfer into it.

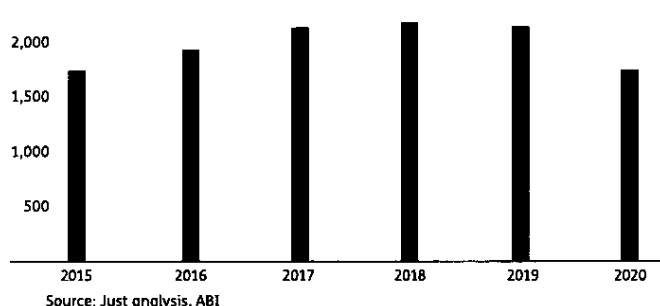
87% OF DEFINED BENEFIT PENSION SCHEMES ARE CLOSED TO NEW MEMBERS AND INCREASINGLY TO FUTURE ACCRUAL (%)



DB DE-RISKING TRANSACTIONS (£BN)



EXTERNAL GIFL MARKET (£M)



Regulation by TPR is outside of the insurance regime and so these new consolidators would not be subject to the more robust capital requirements of the Solvency II regulations. If these new arrangements are regulated as proposed, they would provide a lower cost solution to a Buy-out of liabilities for some pension schemes, albeit with reduced protection for members compared to an insurance solution. This new superfund regime could provide additional competition for parts of the market we target. This won't be clear until the government has introduced legislation to replace the temporary guidance published by TPR.

The first superfund, Clara-Pensions, completed the TPR assessment process in late 2021 and announced they would be ready to transact in 2022. They have been cleared as a provider but are yet to have a transaction approved. At the time of writing, no other superfund has been cleared as a provider.

“

*Providing security
and peace of mind*

Clara-Pensions has stated they will serve as a bridge to Buy-out for schemes with weak or insolvent sponsors and particularly those exiting the pension protection fund assessment. So schemes they secure will eventually come to the insurance market. Not all superfund models may target Buy-out, so these would be competitors for parts of the market we target. However, 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 compete for insurer attention.

The continued attractiveness of pricing offered by insurance companies will be impacted by the availability and ability of insurers to secure high-yielding illiquid assets such as infrastructure debt and lifetime mortgages. The government's reform of the financial services legislation, Future Regulatory Framework (“FRF”) Review, could have a positive impact in making it more efficient and attractive for insurers to invest in a range of illiquid assets.

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, we expect more trustees considering de-risking to seek assurance that ESG considerations underpin the asset choices in insurers' investment portfolios.

INDIVIDUAL RETIREMENT INCOME MARKET

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

MARKET CONTEXT CONTINUED

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 2021 was not published at the time of preparing this report. In 2020 it was 50% unchanged from 2019 (source: ABI).

Continuing developments are driving growth in our addressable market:

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

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

The FCA previously announced they intend to complete further work on the suitability of advice and associated disclosure (known as "Assessing Suitability Review 2"). The review will focus on initial and on-going advice to consumers on taking an income in retirement. At the time of writing this report the FCA had paused this review and not committed to a future date to start the work. This evolving market has changed significantly following the Pension Freedom reforms and the FCA wants to assess the outcomes consumers are receiving. The Governor of the Bank of England has expressed concerns that people may not have the financial resilience to withstand significant asset price volatility and the FCA has expressed concerns that people may not have sufficient sources of sustainable income. These comments and regulatory reviews shine a spotlight on the importance of securing a guaranteed income for life.



*Enabling people to
improve their later-life
living standards*

LIFETIME MORTGAGES

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

The typical lifetime mortgage customer is around 69 years old, has a house valued at around £275,000 and borrows 29% of the property value.

People are becoming increasingly positively disposed to accessing some of the equity in their homes to improve the quality of their later lives or to help their family. The compound annual growth rate of the lifetime mortgage market between 2011 and 2021 was 20.1% and this has attracted new providers to enter the market in the last few years.

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

CURRENT MARKET AND OUTLOOK

Just Group expects Lifetime Mortgages to continue to provide an important, but reducing proportion of the investments it uses to back its Retirement Income new business liabilities. Homeowners aged over 55 are estimated to own property wealth of over £3.5tn (source: ONS). We estimate that the existing industry loan book including interest is just £36bn. Increased competition stemming from the new entrants to the marketplace has increased the availability of product variants, rising from 525 at the end of 2019 to 1,200 at the end of December 2021 (source: Just estimates), in turn resulting in greater product choice and flexibility for customers. The levels of activity in the market during 2021 returned to those observed prior to the pandemic as customers looked to take advantage of the broad range of competitive solutions available.

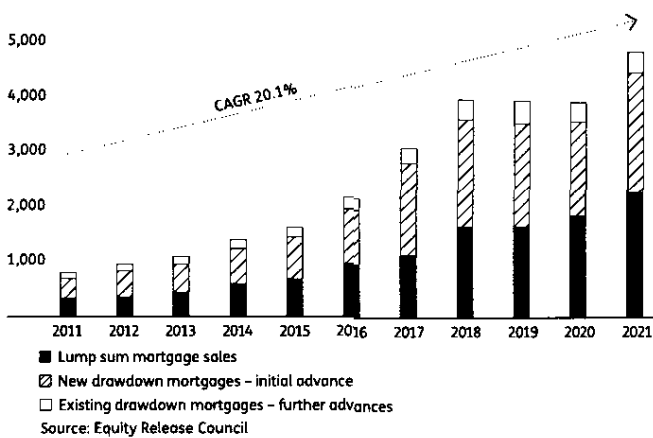
Just Group introduced medical underwriting into a niche segment of the lifetime mortgage market some years ago. This year we have extended it across the Just for You mortgage range. We estimate by collecting medical information and lifestyle factors from applicants, we are able to provide six-in-ten a lower interest rate, or for those who need it, a higher borrowing amount. We believe this will revolutionise how lifetime mortgages are advised. You can read more about our disruptive innovation on page 64.

Just is forecasting that the LTM market will grow to exceed £6bn per annum by the end of 2024, which is a compound annual growth rate of 7.7% from 2021. The primary drivers of growth are:

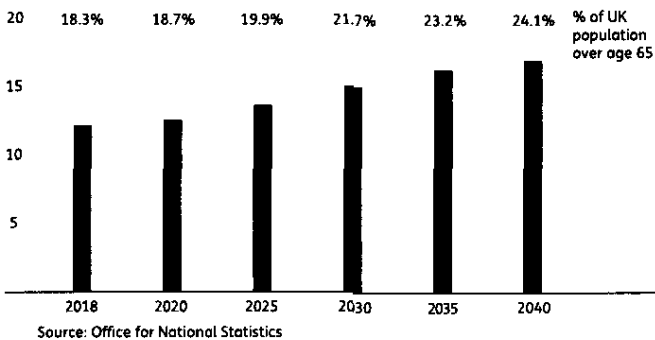
- households wanting to top up their retirement income to improve their standard of living in later life;
- an increase in the number of people with outstanding interest-only mortgages who are entering retirement and require a solution to settle the debt with the existing mortgage company;
- strong demographic growth. The number of people aged 65 and over is forecast to increase from around 12 million today to around 17 million by 2040; and
- strong investment in advertising which results in people becoming aware of LTMs, combined with people becoming more disposed to using some of their housing equity.

In October 2020 the FCA wrote to Chief Executive Officers and board directors of lifetime mortgage lenders and mortgage intermediaries. The FCA set out their view of the key risks these firms pose to their consumers or the markets in which they operate. They outlined their expectations of firms including how firms should be mitigating these key risks. They described their supervisory strategy and programme of work to ensure that firms are meeting the regulators' expectations and that any harms and risks of harm are being remedied and/or mitigated.

LIFETIME MORTGAGE MARKET SIZE AND GROWTH RATE (£M)



NUMBER OF PEOPLE (MILLIONS) AGE 65+



“

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 FCA stated they would be engaging with a number of firms across the industry and that phase of work was due to conclude in May 2021. They committed to write to firms after this date to provide an updated view of the key risks posed by firms in this sector and their supervisory plans. At the time of writing this report, we have not been advised the FCA has started this work.

LONG-TERM CARE SOLUTIONS

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

On 7 September 2021, the UK Prime Minister announced plans to substantially increase funding for health and social care over the next three years (2022-2025), to be funded by a new tax, the Health and Social Care Levy. From October 2023, the government plans 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 will 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 in the new year with the intention that the final regulations and guidance will be published in spring 2022.

CURRENT MARKET AND OUTLOOK

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

- there are currently around 1.6 million people aged 85 or over in the UK – this is the average age at which people go into care homes;
- this is the fastest growing demographic cohort, with its number expected to almost double over the next 25 years, suggesting a rate in excess of 2.6%;
- 40% of all people in the UK aged 65 and over are estimated to have a limiting long-standing illness, which may require care in the future; and
- the recent focus on pressures within the care sector has highlighted the need to plan for care, and any government reform will provide additional focus on the limited number of solutions currently available.

A LEADER IN UK LONG-TERM
CARE FINANCIAL SOLUTIONS FOR

21 YEARS

BUSINESS MODEL

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

GROWTH OPPORTUNITIES:

We have a growing ageing population with evolving needs.

People approaching and in-retirement 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;
- increasing and uncertain care costs;
- not achieving the lifestyle which they could actually afford;
- being invested in inappropriate products and securities; and
- inflation outpacing their savings.

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

THE KEY CHARACTERISTICS OF OUR BUSINESS MODEL:

SPECIALIST FOCUS

RISK SELECTION

PRODUCT INNOVATION

COST DISCIPLINE

SCALABLE OPERATING MODEL

FOCUS ON ORGANIC CAPITAL GENERATION

HOW WE CREATE VALUE:

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

RISK SELECTION

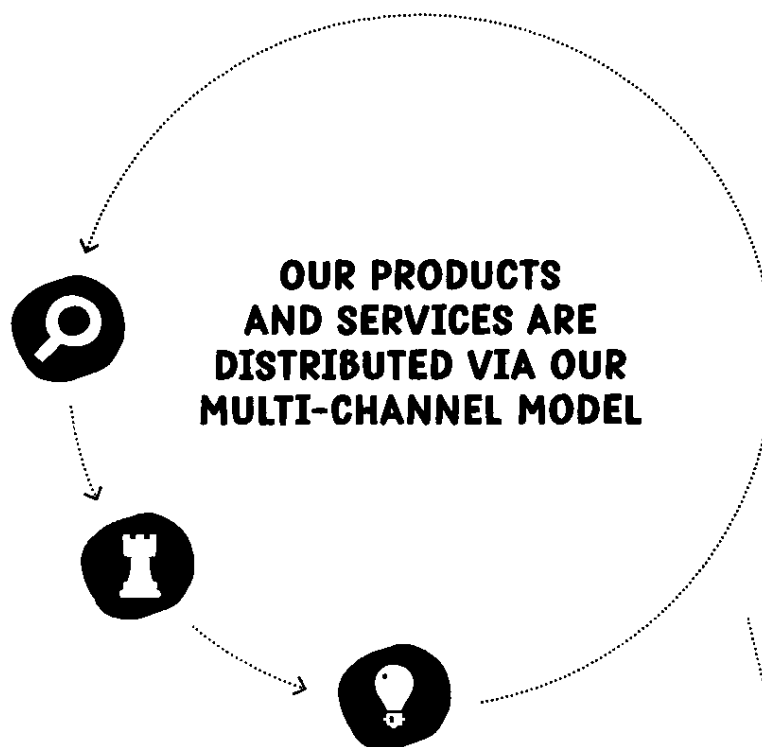
Selecting the right risks and pricing our products appropriately

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

INVESTMENT STRATEGY

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

We invest in private placements, commercial property mortgages and infrastructure loans, as well as investment grade fixed income securities such as government and corporate bonds. We originate lifetime mortgages to provide matching cash flows for longer duration liabilities and to achieve a higher return than liquid financial assets. Read about our sustainable investment strategy on page 20.



🔍 INNOVATION

Innovatively utilising reinsurance tools to improve our capital position

This includes:

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

WHO WE CREATE VALUE FOR:



SHAREHOLDERS

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



CUSTOMERS

We use our medical underwriting to fairly optimise the returns for our customers.



PARTNERS

Corporate clients: we create opportunities and solve problems for companies using our scalable retirement focused solutions.
Trustees and scheme sponsors: we provide member security and de-risk pension liabilities.



COLLEAGUES

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



ENVIRONMENT

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

STRATEGIC PRIORITIES

Over the last three years we have worked hard to ensure we have the right foundations to grow our business, and during 2021 we started to take advantage of that.

1.

2.

After achieving capital self-sufficiency in 2020, we commenced the transition to the next phase in our strategy, growth. 2021 has been a really important year as we reposition our business to achieve our strategic ambitions. We have maintained our focus on capital whilst also strengthening our focus on transformation, growth and innovation across the Group.

IMPROVE OUR CAPITAL POSITION

FOCUS

Maintain a sustainable capital model to maximise opportunities available to us.

2021 PROGRESS

- Capital management actions were delivered. We have further reduced our property exposure through asset portfolio sales.
- We have refreshed the model we use to calculate our capital requirement and received approval to use the model from the PRA.
- We have made an opportunistic early refinancing of some expensive debt to a level commensurate to our credit rating, thus improving underlying capital generation.
- We have eliminated our cost overrun as we shift our business to a leaner and more efficient model.

2022 FOCUS

- This priority will shift to "grow sustainably" as we move into 2022. We intend to take advantage of the multiple growth opportunities available to us whilst being capital generative. We will continue to reduce our property exposure, maintain our focus on capital and seek to grow shareholder returns.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

TRANSFORM HOW WE WORK

FOCUS

Continue to streamline and automate our operations across the business. Evolve our workplace, making it fit for the future.

2021 PROGRESS

- Our modern workplace trial successfully launched this year with upgrades to technology and our working environments.
- We have automated over 30 processes in the year and continue to identify more to convert in the future.
- We are appropriately evolving operations within our business lines and functions to be able to service our customers for the future.

2022 FOCUS

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

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

PRINCIPAL RISKS AND UNCERTAINTIES

- A** Regulatory changes and supervision
- B** Economic environment
- C** Brand and reputation
- D** Pricing and reinsurance
- E** Operational processes and IT systems
- F** Chosen market environment

3.

**GET CLOSER TO OUR
CUSTOMERS AND PARTNERS****FOCUS**

Develop our insight and evolve our customer strategy.

2021 PROGRESS

- We have focused on enhancing the services we provide to new and existing customers. This focus will continue into 2022 and beyond.
- We use customer research and user-centred design techniques to explore the needs of our prospective and current retail customers to determine how we might develop improved customer solutions that solve their needs. This enhanced understanding will further support the intermediaries and partners we work with.

2022 FOCUS

- Enabling stronger relationships with our customers and partners driven by insight.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

4.

**GENERATE GROWTH
IN NEW MARKETS****FOCUS**

Launch our new propositions and enhance our existing services.

2021 PROGRESS

- Our DB business continues to grow and evolve with a new DB partnering contract completed during the year. We are also seeing continued growth in DB deferred and repeat business.
- The second stage of our LTM digitisation programme was completed in 2021. In addition to these service enhancements, we have launched medical underwriting for LTM, ensuring we are using our expertise to provide the best possible outcome for our customers.
- Our Secure Lifetime Income proposition will be expanding onto additional platforms in 2022.
- Our integrated retirement service, Destination Retirement, a financial planning service that gives individuals tailor-made advice about retirement within our HUB Financial Solutions business, is being scaled up, with a significant partnership agreed during 2021 and a number of other key partners in the pipeline as we move into 2022.

2022 FOCUS

- This priority will evolve to "grow through innovation", as we focus on disrupting our markets with our newest propositions.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

5.

**BE PROUD TO
WORK AT JUST****FOCUS**

Deliver a new modern workplace post COVID-19 whilst maintaining engagement.

2021 PROGRESS

- We successfully achieved our Best Companies goal.
- We successfully defined our inclusion measure early in the year to emphasise our commitment and enable us to track progress over time.
- We have further embedded our new ways of working in response to COVID-19 with our modern workplace programme.
- We maintained our focus in critical areas, including leadership communication, facilitating colleagues to stay connected with wellbeing and line manager support.
- We successfully launched our sustainability strategy, welcomed by colleagues across the Group.

2022 FOCUS

- Further strengthening our capabilities across the business whilst driving progress against our diversity and inclusion targets. We will also be focussing on and embedding a consistent culture across the Group.

LINK TO RISKS AND UNCERTAINTIES:

A B C D E F

SUSTAINABILITY AND THE ENVIRONMENT

SUSTAINABILITY THE JUST WAY

The Board approved Just Group's new sustainability strategy during this period. The strategy supports our broader ESG agenda, is aligned to our strategic priorities, our organisational behaviours and helps us fulfil our purpose to help people achieve a better later life.

Our sustainability strategy has three pillars which you can read more about on the opposite page and you can discover more about our sustainability story on our Group website justgroupplc.co.uk.

We have an important role in helping the world transition towards a sustainable environment and low carbon global economy and during this period the Board has made a number of commitments.

OUR COMMITMENT TOWARDS NET ZERO

OPERATIONS

2025

Net zero by 2025

INVESTMENTS/ SUPPLY CHAIN

2050

Net zero by 2050 and
50% reduction by 2030

OUR FOCUS IN 2021

Our operational priority during the year has driven action against two of our pillars.

LEAVING A RESPONSIBLE FOOTPRINT

Our continued focus to build our modern workplace has helped us to deliver another strong performance to reduce our scope 1 and 2 emissions. Our total emissions, including those recorded in scope 3 for our business travel, have reduced by 20%, following a record reduction in the prior reporting period of 75%.

This has been achieved through further decarbonisation of electricity, rightsizing the property portfolio to align with our new hybrid working model and delivering energy efficiency through the introduction of new technology.

We are mindful that hybrid working moves emissions from our office portfolio to our colleagues' homes, and those emissions are not included in this report. We are supporting colleagues to review their own carbon footprint by using Pawprint (see panel).

COVID-19 restrictions have continued to play a role in lowering some of our consumption in 2021, including business travel and print. Power emissions have been less affected as our offices remained accessible throughout the year. As we move towards some normality we aim to take advantage of the positive effects of adapting to remote working and ensure purposeful travel and print.

EMPOWER JUST COLLEAGUES TO FIGHT CLIMATE CHANGE AT WORK, HOME AND BEYOND.

Sustainability is a topic that we know our colleagues care deeply about and that's why as a business we have invested in Pawprint for all colleagues. Through the launch of Pawprint we provide useful tools and resources so that, together, we can make a positive difference to our planet.

Pawprint is an app which helps us make more climate-friendly choices. It helps us to measure, understand and reduce our carbon footprint at work, home and beyond. We can also feed back ideas and thoughts on corporate sustainability initiatives and get involved in individual and team challenges to reduce CO₂ emissions.

MAKING A POSITIVE IMPACT

Our primary activity within this pillar relates to how we invest our customers' circa £25bn pension savings and the associated scope 3 emissions. We've created a detailed section in this report on page 20 to provide more insight into how we are investing responsibly to deliver progress towards achieving our net zero commitments.

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

JUST'S SUSTAINABILITY PILLARS**LEAVING A RESPONSIBLE FOOTPRINT**

We want to leave a better world for future generations, by reducing the impact we have on the world and its natural resources today. Just's goal to be net zero by 2025 in our own emissions and the reductions required to meet that target support this ambition.

**MAKING A POSITIVE IMPACT**

We invest billions of our customers' savings and the choices we make, guided by our Responsible Investment Framework, will have a significant impact to improve the environment. We don't just want to make great choices, we also want to help and influence others to make responsible decisions.

■ **READ MORE ABOUT OUR WORK IN THIS PILLAR IN OUR INVESTMENT STRATEGY SECTION ON PAGE 20.**

**CREATING A FAIR WORLD**

We want to contribute to creating a fair world by ensuring we have a culture that gives customers fair value, outstanding service, simple to understand solutions and advice that is accessible to middle Britain. We want to create an environment where our business activities are responsibly governed and our colleagues feel confident to bring their whole selves to work.

■ **READ MORE ABOUT OUR WORK IN THIS PILLAR IN OUR COLLEAGUES AND CULTURE SECTION ON PAGE 30.**

PERFORMANCE DIGEST

87%

of our purchased electricity is from renewable sources (REGO¹ certified)

↓20%

reduction in location based emissions in 2021

↓42%

reduction in market based emissions in 2021

2,195

Self-declared actions taken by our colleagues to reduce their impact on climate change

↓12%

LED lighting replacement in our Belfast office reduced our electricity consumption by 12%

56%

of our IT surplus materials went into reuse and 44% was recycled

GHG EMISSIONS DATA

Emissions – tCO ₂ e ²	2021	2020 ⁴
Scope 1 (natural gas and fugitive gas ³)	113	97
Scope 2 (purchased electricity location based)	267	335
Scope 3 (business travel)	32	86
Total emissions (location based)	412	518

Intensity ratios	Market based		Location based	
	2021	2020 ⁴	2021	2020 ⁴
tCO ₂ e per gross tCO ₂ e ² written	0.07	0.14	0.15	0.24
tCO ₂ e ² per full time employee	0.17	0.28	0.40	0.48

1 Renewable Energy Guarantees of Origin ("REGO").

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

3 Fugitive emissions are included in reporting for the first time in 2021. Fugitive emissions are based on refrigerant gas escape from onsite chiller systems.

4 Restated – as part of our commitment to continuously improve the quality of carbon data we have altered our methodology for calculating both mileage and taxi carbon.

Methodology We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), and 2021 emission factors from the Department for Business, Energy & Industrial Strategy. The boundary of our emissions reporting is Financial Control, comprising our directly owned and leased offices and building emissions and business travel under our control, including gas, fugitive gas, electricity, car mileage, train travel and flights. We use both a financial emissions intensity metric (tonnes of CO₂e per £m gross premiums written) and an employee intensity metric (tonnes of CO₂e per employee) to normalise our data and provide useful performance indicators. Alphacello Ltd conduct an annual review of Just Group plc's data collation and calculation processes and provides verification of their GHG Emissions Statement. At present, carbon offsets do not form part of our carbon mitigation strategy. We are in the process of setting near and long-term targets aligned with science based target 1.5 degrees trajectory.

SUSTAINABLE INVESTMENT STRATEGY

INVESTING THE JUST WAY

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

Just has developed a Sustainable Investment Framework, to formally integrate environmental, social and governance (“ESG”) considerations into the analysis and decision making processes that underpin the shape of our investment portfolio. Every existing investment and all new investments are reviewed to ensure that they meet our ESG criteria. This regular screening is now an integral part of the credit review process.

INVESTMENT MODEL

The long-term retirement income promises we make to our customers are backed by long-term income producing assets, which are split between liquid public investments and illiquid private investments. We now manage the majority of our public investments in-house. On the illiquid side these are split between the lifetime mortgages that we originate and manage ourselves and the other illiquids that include a diverse range of investments including infrastructure loans, private placements, commercial real estate mortgages, ground rents and income strips. Currently these account for £3.0bn or 12% of our £25bn investment portfolio – but this will increase substantially over time, and in 2021, 23% of our new investments were made into this segment. We have built a panel of 13 specialist external asset managers to source these assets, each carefully selected to focus on particular areas of expertise. The opportunities originated by the managers are then assessed by our in-house investment team who select the most suitable investments to pass through our internal screening process.

GREEN AND SOCIAL INVESTMENT CREDENTIALS, AND A COMPELLING PURPOSE

Just's ESG credentials are already firmly established as a member of the FTSE4Good index series. The Group has been a signatory of the UN Principles of Responsible Investment (“UNPRI”) since September 2018, becoming the first UK asset owner to do so. During 2020, we developed a Sustainable Bond Framework (updated September 2021), which received a second party opinion from Sustainalytics, on the framework's environmental and social credentials.

SUSTAINABILITY BOND

Just Group became the first UK and European insurer to issue a Sustainability Restricted Tier 1 bond. The Group has provided a commitment to invest the gross issuance proceeds of £325m in eligible green and social assets. When combined with the 2020 Green Bond commitment, the Group has committed to allocating a minimum of £575m towards these eligible assets before September 2024. Given the predictable nature of guaranteed income cash flows, life insurers such as Just are ideal providers of long-term project finance.

GREEN AND SOCIAL INVESTMENTS

During 2021, we made strong progress to originate green and social assets via our “manager of managers” investment model. We are delighted to complete the remaining Green Bond commitment a little over a year post issuance, with eligible green assets originated during the year totalling £110m. This comprised further renewable energy investments via solar projects in the UK, US, Spain and Germany, and financing the retro-fit of an existing commercial building in Reading. As an incentive during the design phase, we collaborated with our asset originator to include a coupon step down feature and expect to achieve a green building

Dedicated ESG assets (IFRS valuation basis)	31 Dec 2021 £m	31 Dec 2020 ¹ £m	31 Dec 2019 ¹ £m
Renewable energy – wind	334	381	308
Renewable energy – solar	172	146	67
Local authority	221	221	200
Social housing – private	193	121	92
Green buildings	21	-	-
Eligible under Sustainable Investment Framework	941	869	667
Social housing – public	533	502	106
Emerging market social finance	105	79	53
Total dedicated ESG assets	1,579	1,450	826
Bond portfolio	15,277	12,982	11,860
As % of total bond portfolio	10.3%	11.2%	7.0%

1 Prior year figures have been restated due to re-classification.

certification when complete. In addition, Just Group invested a further £68m in private placement social housing. Further details are available in the inaugural Green/ Sustainability Bond allocation report, which is available alongside the Sustainable Investment Framework at justgroupplc.co.uk/investors/esg.

In parallel, Just has established the Green/Sustainability Bond Forum. The forum's function is to discuss the proposed investments and approve their eligibility towards our bond commitments, to monitor the investment pipeline and to provide progress updates to the Investment Committees.

As investors, Just benefits from further asset diversification, while supporting the transition to a low carbon economy via renewable energy, clean transportation and green building investments. Furthermore, we expect to continue increasing the Group's exposure to social investments including local authority loans, social housing, care facilities, student accommodation, and other areas that have a positive social purpose. We invest in emerging market social finance as a social asset to fund the commodity value chain in second and third world countries, and the transportation of those soft commodities to end markets.

Separately, a significant proportion of our investments are in lifetime mortgages, which fulfil an important social purpose by helping people in later life to release equity from their home to supplement their pension income, finance home adaptations/improvements or to make gifts to support children and grandchildren, typically to finance deposits for a home.

LOOKING TO THE FUTURE

To make successful investments that deliver good economic returns it is important to be proactive to anticipate regulatory requirements, to ensure we protect our reputation and manage our risks. In October 2020, the government announced that it would review certain features of the prudential regulatory regime for insurance firms, known as Solvency II. One of the objectives of this review was to modify the prudential regime to support insurance firms in providing long-term capital to underpin UK economic growth and productivity, including investments that contribute towards the transition to a green economy and infrastructure improvements as part of the government's "Build back better" programme.

Our framework will evolve over time to adapt to changing requirements. During 2021, we refined our investment approach to the mining sector and utilities, with no new investment going forward in companies that use coal for the majority of their power generation. As well as incorporating externally provided ESG ratings on investee companies, we have developed our own internal framework to provide a consistent approach when assessing the responsible credentials of an investment. This scoring system is an input to the investment decision, alongside other factors including fundamental credit quality, pricing and liability matching. You can read about our Responsible Investment Framework and our approach to decarbonising our investment portfolio in the next section of this report on page 26.

CLIMATE CHANGE

To assess, map and mitigate emerging risks, including climate change, we need accurate data and effective measurement systems. To achieve our net zero commitments, we have invested in training to develop the capabilities of our colleagues, developed our organisational capabilities and are evolving our data quality and information sources.

As part of our development work going forward, we continue to explore opportunities to enhance how we exercise our stewardship duties such that we can influence and support market best practice. As part of this, we are identifying opportunities to engage collaboratively and directly with the companies we invest in and are considering other wider market based engagements. Furthermore, we will continue to regularly engage with our external asset managers to monitor and challenge them on the way they consider fundamental and ESG factors as part of their investment decision making process and stewardship activities.



SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK

We launched our sustainability strategy, which includes the approach to climate change, in 2021 with initiatives being developed to deliver our sustainability ambitions.

Alongside its 2021 interim results, Just announced a commitment to reach net zero in its own emissions by 2025 and net zero in all other emissions including our investments by 2050, with an interim target of a 50% reduction by 2030. This commitment is aligned to the road map published by the Association of British Insurers ("ABI") in summer 2021 on behalf of the insurance industry.

The road map is available here abi.org.uk/about-the-abi/sustainability/climate-change-roadmap/.

The sustainability strategy is guided by three key themes: leaving a responsible footprint, making a positive impact and creating a fair world. These themes align to Just's overarching strategic goals to grow sustainably, transform how we work, grow through innovation, get closer to our customers and partners and be proud to work at Just (as shown in table below). The strategy is also aligned to the United Nations Sustainable Development Goals in line with other similar organisations.

OUR PILLARS	OUR COMMITMENT	HOW WILL WE ACHIEVE OUR AMBITION?	LINK TO JUST'S STRATEGIC PRIORITIES
 LEAVING A RESPONSIBLE FOOTPRINT	Attain net zero in our own operations by 2025	Continue to identify areas of efficiency and initiatives to facilitate attainment of the net zero target.	
		Progress steps to decarbonise our investment portfolio.	2. Transform the way we work
	Attain net zero in our scope 3 emissions by 2050	Responsibly manage emissions from business travel and encourage our colleagues to find ways of reducing their own emissions.	
		Encourage reductions in emissions of our supply chain and partners through selection and on-going interaction about their net zero plans.	3. Get closer to our customers and partners
 MAKING A POSITIVE IMPACT	Protect our business	Grow in a sustainable way so Just is able to support customers, colleagues and communities in the future.	
	Invest responsibly	Continue to integrate environmental, social and governance ("ESG") factors into our investment decisions.	4. Generate growth in new markets
	Increase our green financing opportunities	Look for further opportunities to invest in green and social assets.	
	Develop and offer sustainable products	Create sustainable products for existing and new customers.	
	Manage with good governance	Embed sustainability through our business and ensure it is governed to a high standard.	2. Transform the way we work
	Ensure data is well managed and secure	Protect our customers' data privacy with robust standards and controls.	

OUR PILLARS

OUR COMMITMENT

HOW WILL WE ACHIEVE OUR AMBITION?

LINK TO JUST'S STRATEGIC PRIORITIES

CREATING
A FAIR WORLD

Improve diversity and inclusion

Use progressive targets to guide our development of a diverse and inclusive group of colleagues.

Support the health and wellbeing of our colleagues

Maintain focus on the wellbeing of our colleagues and encourage healthy lifestyles and working practices.

Supporting our later life community

Continue our thought leadership, helpful advice to customers and charitable activities.

5. Be proud to work at Just

3. Get closer to our customers and partners

Key sustainability initiatives form part of the Group's strategic execution plan, with progress overseen by our sustainability steering group. The Group intends to become signatories to the Science Based Target initiative ("SBTi") during 2022 to help the focus on our decarbonisation target. The Group's plans to meet our emissions targets are being adapted to align with the methodology set out by SBTi last autumn.

The direct costs of meeting these commitments include £800,000 to upgrade the energy efficiency of our office properties and computer equipment over the next few years, plus an estimated £600,000 a year to invest in planting a tree for each new customer.

TCFD DISCLOSURES

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

Strategy recommendation disclosure (b): A methodology to model the potential financial impacts of climate change on our illiquid credit portfolio has not yet been established for the reasons stated in section headed "Illiquid investments" on page 27. We are in discussion with data providers and expect to have a methodology in place during 2022.

Metric and targets recommendation disclosure (b): At present we are only able to estimate scope 3 emissions for the Group's business travel, for our lifetime mortgage property portfolio and for our liquid bond portfolio where public data is available. The nature of illiquid investments means that the borrowers are not required to disclose their emissions. A methodology will be developed to estimate the emissions for these investments, as well as for our supply chain.

We will keep stakeholders updated on the progress of these methodologies with the aim of reporting consistently against the recommended disclosures as soon as we have reliable data to report on. The TCFD disclosures are in the main included in pages 24 to 29; disclosures related to governance are set out on page 74; disclosures related to the Group's own emissions are on pages 18 to 19; and those relating to risk management are on pages 58 to 63.

CLIMATE CHANGE

Why climate change is important for Just

Just's purpose is to help people achieve a better later life. To fulfil our purpose, Just must ensure its business model is sustainable and resilient to the risks posed by climate change. We also seek opportunities to reduce our impact on the environment and to help our customers and colleagues do the same.

Just has taken steps to embed climate change into our business governance and guidance issued so that climate risks are taken into account in decision making, such as in product development and change initiatives with oversight from second line functions.

As a life insurer we look at risk over the long term and recognise that we need to keep working to understand and manage our climate-related

risks and to take advantage of the opportunities presented. There are many uncertainties about how the impacts of climate change will develop, with future government policy playing a significant role in the coming years. The ways Just could be affected by climate change are interconnected with other sustainability issues.

What climate change means for Just

Our assessment is that our lifetime mortgage and investment portfolios are the areas with the largest potential exposure to climate transition and physical risks.

Transition risks relate to the business impact from government policy developments and market changes as part of the evolution to a low carbon economy. The impacts will depend on the nature and rate of these changes.

Physical risks could arise from the acute impacts of climate change, such as more frequent and intensive floods or gradual chronic impacts such as a rise in sea level.

Lifetime mortgage portfolio

Climate-related factors that cause property values to underperform the market could lead to losses for Just if the outstanding lifetime mortgage exceeds the sale proceeds when the property is sold.

- **Transition risks:** The potential requirement to transition to more energy efficient housing could be a significant influence on our lifetime mortgage portfolio over the coming decade. Sale prices of less energy efficient housing could be affected by the cost of improvements to bring them up to the government's target of energy performance certificate ("EPC") rating C, where this is feasible.
- **Physical risks:** More properties may become exposed to a high flood risk over time unless actions are taken to mitigate the risks. Subsidence may also become more of a concern in some areas than it is at present if there are prolonged droughts.

Credit investment 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 according to the nature and rate of transition to a low carbon economy in their main countries of operation.
- **Physical risks:** These businesses may face higher costs from asset damage and business interruption due to impacts from weather hazards.

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.

POTENTIAL FINANCIAL IMPACT ON JUST

We have assessed the risks to our lifetime mortgage and investment portfolios using information that is available, as explained above. The timescales over which the risks are projected are driven by the availability of data. This understanding of the drivers and potential scale of the risks has provided confidence that the potential for future financial loss appears to be very limited at present.

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK CONTINUED

KEY RISKS TO JUST'S REPUTATION AND ITS LIFETIME MORTGAGE AND INVESTMENT PORTFOLIOS FROM CLIMATE CHANGE

RISK	IMPACT	TYPE	TIMESCALE	MITIGATIONS
MORE STRINGENT ENERGY PERFORMANCE STANDARDS – COMMERCIAL AND RESIDENTIAL PROPERTY	Residential property values may fall below the level of the loan leading to losses For commercial mortgages, the borrower's ability to service and repay the loan could be affected by increased costs due to physical and transition risks	Transition	5-10 years	Potential government assistance for property owners' energy improvement costs. Seek ways of helping lifetime mortgage borrowers improve energy performance standards. Take energy performance ratings into account when lending on lifetime mortgages.
INCREASED IMPACTS AND THREATS FROM FLOODING, SUBSIDENCE AND COASTAL EROSION		Physical	10 years +	Potential government action to protect populated areas. Vary lending policy to avoid vulnerable residential and commercial properties. Structure commercial loans to include key performance indicators for energy efficiency and other climate factors.
GREEN INVESTMENTS BECOME DIFFICULT TO SOURCE OR PRODUCE LOWER YIELDS	Unable to meet Responsible Investment Framework aims while meeting investment return needs	Transition	< 5 years	Increase the range of sources of origination for potential investments. Availability of green investments expected to increase due to government focus.
CREDIT INVESTMENTS SEEN AS EXPOSED TO CLIMATE RISKS LOSE MARKET VALUE	IFRS balance sheet loss. 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 (as described below).
TARGETS FOR REDUCED SCOPE 1 AND 2 EMISSIONS ARE MISSED BY JUST	Reputational damage due to not keeping commitments	Transition	< 5 years	Commit to initiatives required to reduce emissions. Monitor progress closely.
TARGETS FOR REDUCED SCOPE 3 EMISSIONS ARE MISSED BY JUST	Reputational damage due to not keeping commitments	Transition	5-10 years	Pursue Responsible Investment Framework. Monitor progress closely. Manage supply chain emissions.

Regulatory capital requirements are based on a risk measure over a 12 month period. This approach does not readily accommodate the long-term risks associated with climate change, particularly in the absence of any historical data to help assess probabilities and quantification. There is no material impact on the Group as at 31 December 2021. Property transition risks will be driven by government policy, which is unclear at present, and so will be reflected in the Group's Own Risk and Solvency Assessment ("ORSA").

IFRS profit is the realisable value in excess of losses on lifetime mortgages and credit defaults over the life of the contracts. The relatively low loan-to-value lending policy on lifetime mortgages means that material losses are unlikely to crystallise at present. Our projections for the liquid credit portfolio show that bond issuers would experience a relatively small increase in costs due to the combination of climate physical and transition risks in a scenario in which our existing portfolio remained unchanged to the year 2080. These costs could increase the risk of credit rating downgrade for the bond or in extreme cases the risk of default. In practice, this position is purely indicative as, well within this period, the bonds we hold will be redeemed for their nominal value, which will be re-invested in new assets in line with our Responsible Investment Framework mitigating potential losses in the long term.

The Group's climate risk processes focus at present on the modelling and scenario analysis explained on page 27. We will evolve our monitoring and management process, as the available data improves and government policy measures become clearer, to update the tools and processes for managing the risks of climate change to the Group.

OPPORTUNITIES

As part of our sustainability strategy, Just aims to develop innovative products and services to meet customer needs and support a sustainable future. We were the first later life lender to offer a green lifetime mortgage, which incentivises energy efficient homes by offering a discounted interest rate for a loan on a property with a high EPC rating. We will seek to develop further lifetime mortgage products which encourage improved energy performance for the customers' properties.

Through HUB Financial Solutions, the Group's corporate solutions and advisory business, we provide both advised and non-advised services to customers of key strategic partners looking for retirement income and retirement lending. A range of ESG investment funds will be made available to meet the expected customer demand for investing responsibly in ESG-style investment options.

When investing, we take opportunities to engage directly with commercial borrowers to bring about positive climate outcomes – such as by offering better terms on commercial mortgage loans on buildings with excellent energy efficiency. Through our membership of the ABI, we seek to contribute to industry thinking about climate change.

Just does not invest in equities as we require a predictable long-term income from our investment portfolio to provide regular payments to our Guaranteed Income for Life and Defined Benefit customers. Although the Group is unable to use shareholders' votes to influence investee companies' sustainability policies, our corporate bond investments are selected based on the ESG credentials of the issuer, including environmental factors, such as the issuer's transition plan to achieve net zero.

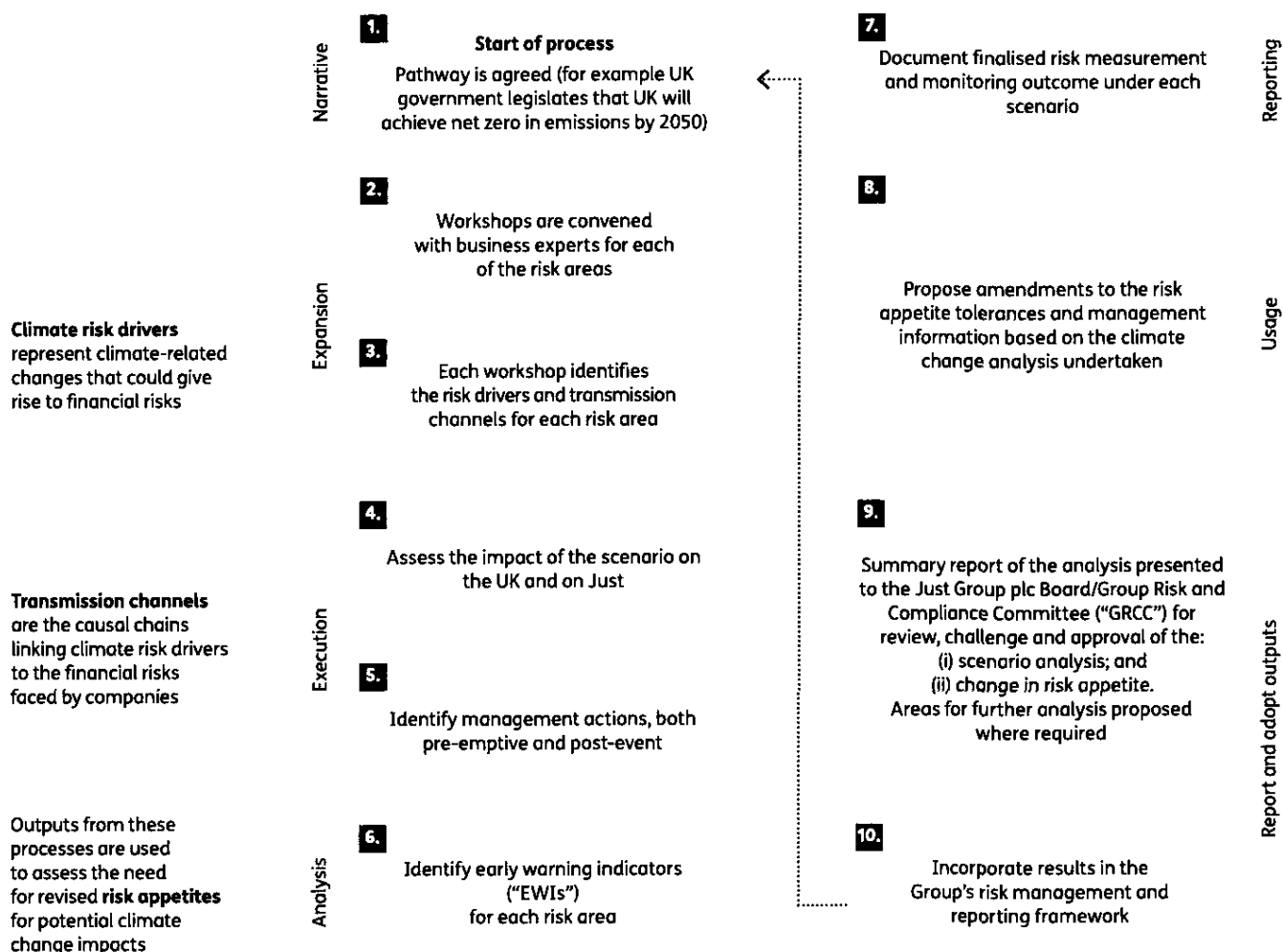
CLIMATE CHANGE PROGRAMME

Over the past couple of years, we have developed our capabilities to manage the opportunities and risks that arise for the Group due to climate change. The project has been sponsored by the Group Chief Risk Officer, who is responsible for climate-related financial risk under the FCA's Senior Managers and Certification Regime and accountable for delivery of the Group's sustainability strategy.

As part of the programme, training was carried out in the summer of 2021 for Board members on climate change and its potential implications for Just, followed by similar sessions for the Group's senior leadership team. Sessions on our sustainability strategy were delivered to colleagues during the year and regular updates will be given going forward.

CLIMATE RISK MANAGEMENT SCENARIO ANALYSIS

Scenario analysis is used to deepen understanding of the risks the Group faces and permit a consideration of a long-term time horizon. Within each scenario events with varying degrees of certainty can be combined, including adoptive behaviours or political action. The iterative process for assessing climate change scenarios is illustrated by the following diagram:



Just's climate scenarios are anchored on two parts: detailed property scenarios (please refer to section headed "Climate risk - Lifetime mortgage portfolio" on page 28) and the wider Network for Greening the Financial System ("NGFS") climate scenarios:

NGFS SCENARIOS	RISK PROFILE	ASSUMPTIONS
Net Zero 2050	Relatively low physical risk combined with relatively high transition risk.	UK, US, EU and Japan reach carbon net zero by 2050. China makes progress in meeting its carbon net zero pledge by 2060. This requires early and stringent implementation of climate policies and innovative techniques but still results in projected 1.5°C rise from pre-industrial average global temperatures.
Nationally Determined Contributions ("NDCs")	Moderate to severe physical risks, but relatively low transition risks.	All pledged policies included even if not yet implemented. Emissions decline but still lead to projected 2.5°C rise.
Divergent Net Zero ("DNZ")	Highest transition risks of all, more acute in consumer sectors than industrial.	Carbon net zero reached by 2050 but with higher costs due to divergent policies with more stringent policies in the transportation and buildings sectors.

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK CONTINUED

Scenario analysis undertaken has adopted the ‘Net Zero 2050’ as the central scenario, with NDC and DNZ as the variant scenarios to test the key risk sensitivity. Transition and physical risks for these scenarios have been examined to better understand Just’s exposure to risks associated with broad areas such as transport and energy supply. Scenario pathways were projected for 50 years to allow transition risks to fully materialise and physical risks to begin to crystallise. The political momentum behind climate change initiatives gave the NDC scenario priority in the analysis. The DNZ scenario was chosen given Just’s exposure to residential properties through lifetime mortgages.

The scenario analysis indicates that the Group’s primary exposure is to transition risk before the carbon net zero 2050 target, with a secondary exposure to physical risk over a more extended timescale. The DNZ scenario associated with higher transition risks is estimated to have the most onerous financial impact on Just (see “Transition risks to property due to climate change” section). However, the methods used to model the impact of climate change are expected to evolve over time, which may change this conclusion.

Areas of climate risk have been categorised and mapped in accordance with their potential impact on Just and event horizon as shown in the chart below. These include transition risks as shown in the key, with risk drivers grouped into themes linked to market changes, political, regulatory and legal developments, and shareholder preferences. While the probability of specific risks differ across risk areas, risk management discussions are more focused on those with greater impact and/or shorter event horizon. EWIs and management actions related to these risks have been identified where appropriate.

CLIMATE RISK – CREDIT INVESTMENT PORTFOLIO

Our climate risk investment strategy for the credit portfolio is based on the following key principles:

- understand the risks to our investments posed by climate change;
- take advantage of opportunities afforded by the transition to a lower carbon economy;
- decarbonise our portfolio at a rate commensurate with the need to compete in the retirement marketplace.

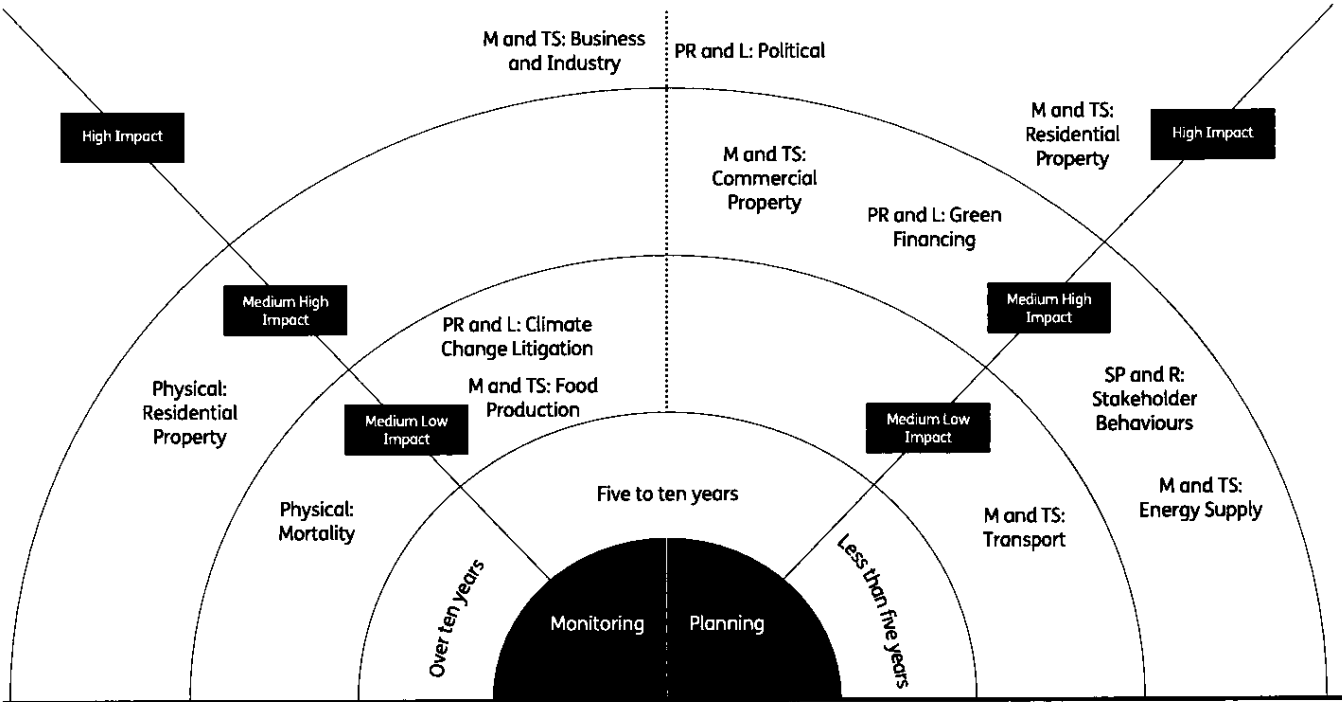
WHAT’S OUR APPROACH TO DECARBONISING OUR INVESTMENT PORTFOLIO?

We have developed a Responsible Investment Framework, which is overseen by the Investment Committees and seeks to manage the risk exposure arising from climate change by:

- increased investment in green assets, such as renewable energy, clean technology and green buildings;
- limiting or excluding investment in fossil fuel-related and mining companies;
- gradually divesting from the liquid corporate bonds with the poorest Climate Value-at-Risk (“CVaR”) scores, including some utility and energy companies over the next ten years;
- seeking opportunities in investments that will benefit from the transition and physical effects of climate change; and
- engaging directly with borrowers where possible to bring about positive climate outcomes.

The rate of decarbonisation of our investment portfolio has to be aligned with the availability of investable stock and the cash flows needed to make income payments to our customers. Investments which are attractive from a climate change perspective are much in demand, leading to a suppression of yields.

CLIMATE RISK AREAS – INITIAL IMPACT ASSESSMENT



Physical: Physical risks M and TS: Market and Transition Shifts PR and L: Political, regulatory and legal SP and R: Shareholder preference and reputation

WHICH METRICS AND TARGETS DO WE USE FOR CLIMATE RISK?

The metrics below are used for our liquid corporate bond 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.

**WARMING POTENTIAL**

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

**CARBON FOOTPRINT**

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

All our investments are assessed using the following BRAYG scale, which includes ESG factors more generally, with climate risk often a strong driver of the score:

- Black – excluded: divestment and no new investment.
- Red – restricted: no new investment.
- Amber – watchlist: invest but monitoring required.
- Yellow – no concerns: investment permitted.
- Green – positive impact: investment encouraged.

WHAT ARE OUR FUTURE PLANS FOR THE CLIMATE RISK MANAGEMENT OF THE CREDIT INVESTMENT PORTFOLIO?

- Identify a suitable data provider for the assessment of climate risks on our illiquid portfolio.
- Introduce a more detailed climate assessment for potential investments to supplement our BRAYG scoring.

LIQUID INVESTMENT BOND PORTFOLIO SCENARIOS

Measurement of climate risk in our liquid corporate bond portfolio, is well advanced. We have partnered with MSCI Carbon Delta to carry out scenario analysis on these assets, for which quantifiable climate data is readily available (public developed market and emerging market corporate bond issuers – about 70% of our liquid investment bond portfolio). The scenario analysis carried out on the portfolio uses projected energy pathways, broadly following a 1.5°C, 2°C or 3°C temperature rise.

It is the borrower's ability to repay their debt that affects us as fixed income investors. Any increased costs to the borrower, through the physical impacts of climate change or transition risks, may affect their ability to meet their debt repayment obligations increasing the risk of default.

Physical climate risk scenarios estimate the costs for businesses from asset damage and business interruption due to impacts from a range of nine weather hazards, including extreme heat, tropical cyclones and heavy snowfall, based on the location of the company's headquarters.

Transition risk scenarios estimate the potential cost impact from the transition to a low carbon economy under the three scenarios using emission reduction targets for the main countries of operation of the investee company.

CLIMATE VALUE-AT-RISK

The CVaR for the debt investment derived using this approach is the aggregate of the CVaR for physical risk and transition risk over the period to 2080. The approach has limitations: the transition risk exposures are estimated without taking account of all the company-specific risk factors; the location of the company headquarters alone is used to assess the physical risk exposure rather than the location of any other business operations; the CVaR numbers are a present value of future costs estimated over a timeframe of nearly 60 years, while our holding period for the bonds is much shorter, and so overestimate the financial costs.

A range of assessments for the liquid corporate bond portfolio, where public data is available, are shown in the table below. These illustrate the additional costs as a result of climate physical and transition risks that may be incurred in our existing bond portfolio if it were to remain unchanged to 2080.

CLIMATE VALUE AT RISK BY 2080 ON LIQUID CORPORATE BOND PORTFOLIO OF COMBINED RISK SCENARIOS

Scenario	Transition 1.5°C rise	Transition 2°C rise	Transition 3°C rise
Physical – base case	-6.0% CVaR -£404m	-4.8% CVaR -£321m	-3.4% CVaR -£225m
Physical – worst case	-7.0% CVaR -£470m	-5.8% CVaR -£387m	-4.4% CVaR -£296m

Results as of 31 December 2021.

This modelling suggests that transition risk may be a more material risk to our liquid bond portfolio issuers than physical risk. A 1.5°C temperature rise produces higher cost impacts because the rate of decarbonisation is the greatest under this scenario. A slower rate of decarbonisation has a lower cost impact even though the assumed rise in temperature is higher.

WARMING POTENTIAL

The potential impact of our liquid corporate bond portfolio, where public data is available, on the climate is illustrated using a warming potential metric over the period to 2100. The purpose of this metric is to guide the portfolio's alignment with future climate goals based on the projected business activities of invested companies. The result for our existing portfolio suggests the bond issuers' emissions are aligned to warming the planet by 3.1°C by 2100 in a scenario aimed at limiting global warming to 2°C.

CARBON FOOTPRINT

The carbon emissions of our liquid corporate bond portfolio (where public data is available) are shown below:

Bond issuers' financed carbon emissions		Carbon emissions (000s CO ₂ e/\$m invested)
Scope 1 + 2 emissions		100
Scope 3 emissions	Downstream	317
	Upstream	111

Results as of 31 December 2021.

The issuer's carbon emissions are apportioned across their shares and bonds (enterprise value including cash). This metric allocates emissions to the investor for each million US dollar of their investment.

The CVaR and warming potential metrics are purely illustrative as they are projecting 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 the uncertainty in the results. The carbon footprint metric reflects the emissions of our current portfolio. We expect each of these metrics to improve as the composition of our investment portfolio changes with time through the application of our Responsible Investment Framework, reducing our exposure to higher carbon companies.

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

Assessing the risks to our illiquid investments is particularly challenging due to the difficulty in obtaining specific data as the borrowers are not subject to disclosure requirements. We are engaging with data providers to help us quantify the physical and transition risks to our illiquid investments such as commercial mortgages, infrastructure debt and

SUSTAINABILITY STRATEGY: TCFD DISCLOSURE FRAMEWORK CONTINUED

local authority loans. The methodologies for these risks are likely to be analogous to those for liquid corporate bonds above and use proxies. However, we expect some of our illiquid assets to exhibit less transitional and physical risk than our liquid bond portfolio where these assets are linked to renewable energy production and energy efficient buildings.

The weighted average life of our commercial mortgage portfolio is about five years, and that of our infrastructure debt investments about 12 years. Given the relatively short duration in each case, the impact of the transition to net zero in emissions is expected to be the dominant risk as the commercial mortgage borrowers meet the expected costs of upgrading the energy efficiency of their properties, for example. Physical climate risk is very unlikely to materialise over these short time frames.

CLIMATE RISK – LIFETIME MORTGAGE PORTFOLIO

Just Group is exposed to property risk on the lifetime mortgages held on our IFRS balance sheet. These lifetime mortgages are secured against residential properties located across the UK. In the event that 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.

Our focus has been on using scenario modelling and portfolio review to assess the transition and physical climate risks to each property and measure the potential impacts on property values. Climate scenarios have been used to support analysis of the Group's exposure over time and considered the following property related risks: coastal erosion, flooding, subsidence and the setting of minimum EPC ratings for residential properties.

Following the standard metric for considering climate change by the global greenhouse gas concentration as measured by the Representative Concentration Pathway ("RCP") levels, the scenarios modelled were at four levels as shown in the table below:

Emissions scenario illustration		Increase in temperature by 2100
RCP2.6	Significant global reduction	1.4 – 3.2°C
RCP4.5	All countries implement Paris Accord	2.1 – 4.2°C
RCP6.0	All signatories implement Paris Accord	2.5 – 4.7°C
RCP8.5	Business continues unchanged	3.4 – 6.2°C

PHYSICAL RISKS TO PROPERTY DUE TO CLIMATE CHANGE

This analysis has enabled us to understand how our exposure to physical risks due to climate change could change over time, assuming no slowing down or mitigation of climate impacts, such as through government action.

Our assessment is that physical risks will have a very small impact on the overall value of properties in the portfolio, up to a 0.2% reduction in total property values by 2080. This projection is based on RCP8.5, the most severe scenario considered as it assumes that no action is taken to reduce emissions.

Of the physical risks to which we are exposed, we expect climate change to have the most material impact on the flood risk. Analysis suggests that our exposure to properties classed as having a high flood risk could increase steadily from 0.3% now to 1.5% by 2080 of properties backing our lifetime mortgages. Under the RCP8.5 scenario, this could mean an additional 200 properties exposed to high flood risk by 2080 out of a portfolio of 62,000 properties.

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

TRANSITION RISKS TO PROPERTY DUE TO CLIMATE CHANGE

Our analysis suggests that transition risk from the move to a low carbon economy could be a more significant exposure in the medium term than physical climate risk. A fast transition via government policy change, particularly in home energy efficiency requirements, is likely to have the most material impact on Just. This impact will be mitigated by the extent to which government softens the blow for homeowners through grants and subsidies.

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.

Our projections suggest that a scenario in which properties were required to transition to better energy efficiency could lead to a 2% reduction in property values in total across our portfolio. The projection is based on assumptions about the cost of improving the energy ratings to a minimum level of C, before allowing for any financial support from government that may become available. This reduction in value would only affect Just in instances where it leads to the property sale price being lower than the loan balance. Any impact would be incremental over a period of years as and when repayable following the customer's death or entry into long-term care.

CLIMATE RISK MANAGEMENT FOR THE PROPERTY PORTFOLIO

All the metrics produced by our scenario analysis are purely illustrative as they project forward the potential climate impacts on our existing property portfolio over the period to 2080. The composition of the property portfolio will change significantly over the years and so the outturn in practice can be expected to be quite different. The metrics are also likely to overestimate the extent of the impacts as no allowance is made for any mitigations, such as future action by the government to improve flood defences.

Our property underwriting assessments already allow for flood and coastal erosion risk. The climate change scenario analysis is being used to improve understanding of how our lending policy and underwriting approach need to evolve to manage any exposure to climate change risk. Key risk indicators for transition risk, such as EPC limits, are being developed and will be tracked. Changes to data collection processes will be used to allow quantification of a wider range of scenarios and reduce the need for assumptions.

CARBON FOOTPRINT

The assumed carbon emissions of our lifetime mortgage property portfolio are shown in the table below:

	tCO ₂ e tonnes per annum
Average emissions per US\$ million of lifetime mortgage balance outstanding	13.1

Based on lifetime mortgage portfolio as at 1 January 2021.

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 95% of the portfolio). The average tCO₂e for each property was 4.61. Total emissions were adjusted for the proportion of the total property value represented by the outstanding loan balance and expressed per US\$ million of the balance. The methodology differs from the Science Based Target Initiative standards for residential mortgages as they do not provide guidance for lifetime mortgages.

INSURANCE RISK

The Group's primary insurance risk exposure is to longevity risk, through products such as our Guaranteed Income for Life product. The insurance risk exposures to climate change are highly uncertain and have not yet been quantified in the Group's risk scenarios. Further development is expected in this area as more research and data becomes available.

In recent decades life expectancy has increased due to medical advances and lifestyle changes, and that the general underlying trend is expected to continue in the future, albeit with some short/medium term disruption through the impact of the COVID-19 pandemic. Most deaths in this country relate to conditions such as heart disease and cancer, with air pollution contributing to only about 5% of all UK deaths. The overall impact of climate change on longevity is likely to be secondary through lifestyle changes rather than direct. Interacting factors, including government policy and individual lifestyle choices, make it difficult to accurately predict the extent to which climate change could impact on longevity, but the impact can reasonably be expected to evolve gradually over the years.

POTENTIAL IMPACTS OF CLIMATE CHANGE ON LONGEVITY RISK**DIRECT IMPACTS**

Temperature variations	Periods of extreme cold or hot weather are likely to lead to a significant increase in deaths, primarily among those in already fragile health. Much of the impact on mortality rates may result from advancing deaths over relatively short periods with a lesser impact on long-term mortality rates. A warmer winter climate in the UK could in time lead to increased longevity.
Reduced air pollution	Reduced pollution from fossil fuels and vehicle emissions from increased use of renewable energy supplies and electric vehicles should lead to improved air quality and with time a reduction in the associated deaths.
More frequent and severe floods and storms	Increased frequency and severity of floods and storms could lead to the loss of lives through lasting localised socio-economic harm or less likely through direct mortality events. The impact may be moderated through risk mitigation or adaptation.

INDIRECT IMPACTS

Lifestyle changes	The transition to a low carbon economy may lead to lifestyle changes, such as lower meat consumption, which could improve life expectancy. However, other lifestyle trends, such as alcohol consumption, could reduce life expectancy.
Global food chain and dietary changes	Increased flooding and drought may cause significant stress to the global food chain. However, a food supply interruption severe enough to materially impact longevity seems unlikely given the UK's developed economy and infrastructure.
Economic conditions	Mortality varies significantly from the lowest to the highest income groups. The economic impact of climate transition risk could reduce wealth overall with a greater impact on lower income groups. Lower economic activity could result in reduced tax revenue potentially impacting government spending on healthcare.
Emergence of new diseases	Diseases, usually more prevalent in warmer conditions, may emerge for which the British population carries no natural protection. However, a well-developed healthcare system means that the occurrence of sustained material deaths in the UK is unlikely.

COLLEAGUES AND CULTURE

WORKING THE JUST WAY

2021 was a year in which we successfully transitioned colleagues, from homeworking in light of COVID-19 to embracing our trial of hybrid ways of working.

Throughout the year we maintained high levels of engagement, with colleagues feeling proud to work at Just. We created new working practices aligned to improved wellbeing, maintained excellent service to our customers, and developed our people to support Just's commercial ambitions.

AWARD WINNING

In 2021 we were named as one of the UK's 100 Best Large Companies to Work For and accredited as a 2 Star organisation, representing outstanding levels of engagement. We were also recognised as one of Financial Services' 30 Best Companies to Work For, London's 75 Best Large Companies to Work For, South East's 100 Best Companies to Work For and Northern Ireland's 10 Best Companies to Work For.

We undertook further work to define our culture and identity of being Just. Everything we do should be delivered sustainably and is underpinned by clear behaviours which we collectively call the Just way.



THREE STRATEGIC PEOPLE PRIORITIES

During the year we maintained our focus on three strategic people priorities to enable the delivery of the Group strategy.

- 1. EMBRACED OUR NEW WAYS OF WORKING TRIAL ALIGNED TO ORGANISATIONAL RESILIENCE.**
- 2. STRENGTHENED TALENT, CAPABILITIES AND INCLUSIVITY.**
- 3. ENSURED COLLEAGUES FELT PROUD TO WORK AT JUST, WITH OUTSTANDING LEVELS OF ENGAGEMENT.**

“

...it is good to see colleagues chatting and collaborating – reminds me why Just is a good place to work

COLLEAGUE COMMENT FROM FEEDBACK KIOSK

EMBRACING OUR NEW WAYS OF WORKING

TRIAL ALIGNED TO ORGANISATIONAL RESILIENCE

From early 2021 we began to plan a trial of new, hybrid ways of working. This commenced in September and incorporated feedback from colleagues across the organisation. At the heart of our approach is our belief that spending some time regularly in the office will help colleagues to collaborate, innovate, learn from one another and network, as well as sustain the great culture we've built at Just. More broadly, we want to supplement the virtual and remote support colleagues have provided to each other over the past two years with real, in-person connections. Working remotely helped to create new relationships and we are building on this to deepen those connections by colleagues spending time together in the office.

Creating new working practices

To support the key reasons to work from the office, our spaces have been reconfigured including offering neighbourhoods for teams to work together, hot desking, break out areas, work coves, phone booths and concentration zones. Desk and car parking booking technology, and the latest digital and cloud technologies have been implemented as part of creating a modern workplace to ensure colleagues have the right tools for the right job at the right time and can seamlessly transition between office and remote working. We have continually gathered feedback on colleagues' experiences of using the new environment – from QR codes at settings which colleagues scanned on their mobiles through to physical feedback kiosks. We adopted an agile test and learn approach to introduce new ways of working for 2022 and beyond.

COLLEAGUES AND CULTURE CONTINUED

“

So far my favourite is meeting room 1.1 in Enterprise House – there are stools, ball-shaped seats and hexagonal tables. It's a perfect room to use for collaborating and workshops...

**COLLEAGUE COMMENT FROM
JUST WAYS OF WORKING EMAIL**

Colleagues sharing their stories

During the first part of 2021 we continued with our very successful Just Connected stories, with content supplied by colleagues to share across the organisation. This more personal form of communication carried on offering glimpses into people's lives – from celebrating Nelson Mandela Day through to gardening for National Allotment Week. To support the launch of our trial of hybrid working, we transitioned these stories to focus more on how colleagues are finding their new normal with hybrid working, and balancing the buzz of the office with getting their heads down at home.

Supporting colleagues' wellbeing

Supporting wellbeing has continued to be a priority and we have appointed an executive member as the wellbeing sponsor. We recognise the role we play as a good employer in supporting colleagues in their work and personal lives. In taking the view that one size doesn't fit all, we offered a range of activities and support around mental, physical, social and financial wellbeing. We have shared these programmes with colleagues in a variety of ways, including Just offers and support emails and some examples of notable activities include:

Just Talk

Just Talk sessions are informal meetings where colleagues share information and knowledge on a range of subjects associated with the characteristics of vulnerability. In a unique blend we invite specialist speakers to share facts and we invite colleagues to talk about their own experience of the subject. Key topics in 2021 were thriving on change, with colleagues sharing their stories openly of managing significant change in their own lives and tips to help colleagues thrive on change, embracing it rather than fearing it. Healthy thinking explored the idea of self-awareness and sharing productive coping strategies for managing our thoughts and feelings. Managing my money offered facts and helpful tips on managing money, with colleagues sharing their personal experiences.

Mental health support

We recognise the toll that the pandemic has taken on colleagues' mental health and have a team of fully trained mental health first aiders. Mental Health Awareness Week was an opportunity to promote a range of resources and events, from an "Understanding food for managing stress" webinar and relevant content on Headspace (known as a gym membership for the mind), through to discounted sportswear from MyActiveDiscounts and our cycle to work scheme. Our employee assistance programme called WeCare is also available to all colleagues, offering a broad range of wellbeing support, and we supplemented this with other activities such as a webinar on "How to sleep in a changed world" to mark World Sleep Day and free weekly online yoga classes.

Financial wellbeing

There are strong links between someone's financial wellbeing and their mental health and we have continued to offer a broad range of financial wellbeing support. In particular, Pension Awareness Day was an opportunity to re-emphasise the importance of colleagues having a clear understanding of their pensions, and aligns with our own purpose of helping people achieve a better later life. Colleagues were invited to join sessions with our workplace pension provider targeted at whether they were early career, required a mid-life MOT or nearing retirement, so that they could gather the most appropriate information for their own situation. In addition, we supplemented our extensive benefit offering through the launch of a new will writing benefit for all colleagues.

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I have to say, the talk with Peter was one of the best things I have seen in 12 years working here – thanks to you and whoever else teed it up – it was really valuable to me and everyone on the call I reckon

**COLLEAGUE COMMENT
FROM JUST TALK SESSION**

STRENGTHENING TALENT, CAPABILITIES AND INCLUSIVITY

We are committed to supporting the personal and professional development of every colleague at Just. Everyone has access to unlimited on-demand learning material and content via our corporate LinkedIn Learning licence. Since we launched LinkedIn Learning in February 2020, 80% of colleagues have activated their accounts, engaging with over 78,000 videos and 3,500 hours of content.

All colleagues complete mandatory e-learning modules to ensure that we comply with regulatory and best practice standards in areas such as General Data Protection Regulation, financial crime and money laundering. We refreshed the content of these modules this year to ensure that it aligned with the latest regulatory requirements.

We also offer a wide range of targeted development opportunities for colleagues across the business. For example, we sponsored 58 actuarial students to achieve qualifications through the Institute and Faculty of Actuaries and supported 11 colleagues to study towards Chartered Insurance Institute qualifications. We also supported 20 colleagues through apprenticeship programmes, utilising our apprenticeship levy.

We continue to invest significantly in leadership and management development programmes and initiatives, recognising the crucial role of people managers particularly in leading productive, engaged and healthy teams. Some examples include:

- Continued to roll out our flagship leadership and management development programmes – Just Lead and Just Engage – with 35 participants in these programmes over the past year. These modular programmes include delivery of content aligned to key learning objectives linked to our leadership standards, as well as individual and group coaching sessions, with plenty of opportunity for peer-to-peer learning.
- 31 people managers from across the business have taken part in the level five leadership and management diploma delivered in partnership with an external learning consultancy.
- We have engaged with external specialists to deliver leadership development sessions for our senior leaders focused on topics including resilience, diversity and inclusion, and storytelling.

We continued to make strong progress with respect to our commitment to building a diverse workforce and an inclusive culture at Just.

Once again, we increased gender diversity at senior levels from 24% to 27% and are on track to deliver against our '33 by 23' pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by 2023. As at the date of this report the percentage of women on our Board has increased to 40% (from 30% in March 2021). Our gender pay gap reduced between 2020 and 2021 – the mean hourly wage was down from 35.8% to 34.4% and the median hourly pay gap reduced from 33.5% to 31.3%. These figures reflect an increasing proportion of women at senior levels in Just.

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

Our progress against our diversity and inclusion ("D&I") strategy and targets is underpinned by a wide range of initiatives with engagement from colleagues across the business. Examples include:

- 30 colleagues have taken part in the actuarial mentoring programme, either as a mentor or a mentee, with ten mentees/mentors in 2019, 2020 and 2021. This programme is primarily designed to support the development and retention of women within the actuarial profession. A further 62 colleagues have taken part in the 30% club cross company mentoring programme, connecting female talent with experienced mentors from outside of our company.

- As part of our executive sponsorship programme, 18 female colleagues were matched with an executive sponsor at Just to provide mentorship, advice and support for their development. Feedback from this programme was excellent: "It has made me step back and consider my own career a bit more, as in think about what I want and think about what I need to get there." We will expand this programme in 2022 to include colleagues from a Black, Asian and Minority Ethnic background.
- Every member of our executive and senior leadership team took part in D&I workshops. The aim of these workshops was to raise awareness and understanding of D&I more broadly and issues around race and ethnicity at work in particular. Participants committed to individual and shared action plans following the workshops.
- We launched a reciprocal mentoring programme whereby colleagues from a Black, Asian and Minority Ethnic background mentor a member of our executive team – once again, to raise the awareness and understanding of our most senior leaders around race and ethnicity issues at work as part of our commitment to the Race at Work Charter.
- Our executives have hosted a series of open sessions called Just perspectives, attended by colleagues from across the business and supported by our employee networks and D&I Champions. These sessions have covered a wide range of D&I topics, including race, disability, LGBT and allyship, menopause and social mobility. These forums have provided an excellent way to engage colleagues across the business on our D&I agenda to build momentum to support progress.
- For the fourth year in a row, we co-hosted a session as part of DiveIn, the festival for diversity and inclusion in the insurance industry. Around 1,450 people attended the session which was hosted and facilitated by Giles Offen and focused on the topic of allyship.

COLLEAGUES FEELING PROUD TO WORK AT JUST, WITH OUTSTANDING LEVELS OF ENGAGEMENT

During the year we continued to communicate and engage with colleagues through a range of mediums – from "Conversations with the Board", via Microsoft Teams (see page 30 for more details on the Board's approach to colleague engagement) and leadership video updates, through to an offsite gathering for hundreds of colleagues and investing in Powprint, our new sustainability partner and eco companion for colleagues.

BestFest

In January we took part in the Best Companies annual survey and were delighted to achieve our highest level of employee engagement since starting to take part in the survey in 2009. In September we recognised this fantastic achievement with a festival style celebration called BestFest. The event was held outside at Lingfield in Surrey with music, games, food, drinks and most importantly our colleagues – some of whom had not seen each other in person for 18 months!



This was a superb event. I am not a social animal but I still really enjoyed myself and mingled with lots of colleagues. Being able to walk around freely and enjoy what was on offer worked really well. 10/10, I wouldn't have changed a thing!!

COLLEAGUE COMMENT FROM FEEDBACK SURVEY

COLLEAGUES AND CULTURE CONTINUED

92%

of colleagues who completed our internal feedback survey agreed that BestFest helped them to informally reconnect face to face with colleagues

730

The average attendance at the town halls was approximately 730 (2020: 700) colleagues, with on average 521 (2020: 650) colleagues completing our pulse surveys which continued to share really positive feedback

82%

Throughout the year, at least 82% (2020: 91%) of colleagues who responded to our internal pulse surveys felt that the town halls were valuable and at least 89% (2020: 94%) felt informed about what was happening in our organisation at that time

Town halls

We held four CEO town halls during 2021 which provided regular opportunities to give business updates and promote two-way communication. After initially having to hold them fully remotely, in October we were able to deliver them in a hybrid manner, with some colleagues joining in person and other colleagues remotely, adding to the interactivity of the sessions. To align with these town halls we held three internal pulse surveys, in addition to taking part in the annual Best Companies survey.

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It was interesting to hear the Board members' personal experiences of culture but more than anything it was great to have access to the Board members like this. I've never worked in a company where employees can directly interact like this with Board members, normally they seem quite removed and distant

EMPLOYEE FEEDBACK FROM CONVERSATION WITH THE BOARD SESSION

Supporting our communities and charities

As part of our approach to sustainability (see page 18), we have continued to recognise our duty to the communities in which we operate, as outlined in our charity and community policy. We raised funds for our corporate charity partner Re-engage, in line with our purpose of helping people achieve a better later life. Activities included a virtual “Around the World in 80 days” sponsored challenge and gifting our apprenticeship levy to Re-engage to train a data analyst for their business. We recognised Dementia Action Week in May, providing training to colleagues to become dementia friends, ran regular charity bingo sessions and the Company supported employee fundraising (half matching their funds up to £500) for a number of charities close to colleagues' hearts, including Cancer Research UK, Battersea Dogs and Cats Home, The Lucy Rayner Foundation and Alzheimer's Society. We also worked with a local domestic abuse charity to furnish their office, allowing them to focus their funds on the vital work they do.

We were delighted to achieve five stars in the Pensions and Protection and Mortgages categories at the Financial Adviser Service Awards for 2021, as well as being awarded Company of the Year. We wanted to recognise this great success, and rather than giving our colleagues a gift as we have in previous years, we decided to purchase one tree for every colleague from EcoTree. As a gift for good, each tree will contribute to the fight against global warming by capturing carbon, and will support biodiversity over its lifetime.

OUR EMPLOYER BRAND

At the heart of being a great place to work is our employer brand, which we've designed to stand out in the market and make us a company that colleagues choose to work for. During 2021 consistently at least 82% of colleagues who took part in our internal pulse surveys said they would recommend working at Just to their friends and families. Our employer brand is aligned to a number of key aspects, such as having a strong social purpose, a flexible, hybrid work environment, a range of growth and development opportunities and a competitive total reward offering.

We continue to see a healthy level of voluntary turnover in 2021 of 11.6% (compared to 7.8% in 2020 when turnover rates across all industries were lower during the pandemic). We have also seen a significant proportion (35%) of vacancies filled by internal candidates. Taken together, these figures reflect our strong employer brand and the growth opportunities that we offer to every colleague at Just. That's why so many of our talented people are committed to developing their careers within Just.

As part of our total reward offering, we have a number of core funded benefits available to all colleagues. These are a group personal pension, group income protection, employee assistance programme, life assurance, single level private medical insurance, health cash plan, Headspace App, childcare vouchers (for those who joined the scheme prior to 4 October 2018) and holiday buy/sell. We also have a range of flexible benefits that colleagues can select at their own cost. These are critical illness cover, partner life assurance, will writing, cycle to work scheme, dental insurance, travel insurance, health screening, MyGymDiscounts and MyActiveDiscounts.

OUR CULTURE AND IDENTITY OF BEING JUST

At the heart of our business is our culture and identity of being Just. How we do things and our behaviours are just as important as what we do and during the year we spent a considerable amount of time distilling this into our culture on a page. Aligned to this, the Group's enterprise-wide risk management strategy enables colleagues to take more effective decisions through a better understanding of risk (see page 58 on Risk management for more information).

Towards the end of the year we held a "Conversations with the Board" session, with three of our Non-Executive Directors, as part of a programme of activity to ensure that the Board directly hears colleagues' views on a variety of topics so that it can feed into their decision making. The theme was the importance of our culture, including the Board's role in guiding our culture and being Just. We had great feedback on the session with 96% of respondents saying that they found the session valuable.

We recognise that in fast changing and uncertain environments our purpose, behaviours and culture provide colleagues with direction and continuity – our north star. Our culture, combined with our strong purpose, is one of our key competitive advantages and can't easily be replicated. Through storytelling we have focused on bringing the words on the page to life, demonstrating all the great examples we have in the business of colleagues delivering sustainably and following the Just way of being dynamic, for the customer, collaborative and always adapting.

“

Underpinning everything is a strong sense of fairness and respect to fellow employees and clients and customers

**EMPLOYEE QUOTE FROM
BEST COMPANIES SURVEY**

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.

OUR STAKEHOLDERS

HOW WE ENGAGE



INDIVIDUALS

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

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



PENSION SCHEME TRUSTEES/FINANCIAL ADVISERS

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

- We convene industry events to bring together trustees, advisers and subject matter experts to encourage dialogue and share knowledge.
- We have individual meetings to understand the specific challenges facing pension scheme trustees.
- We commission surveys and other research to listen to feedback from trustees and advisers.



COLLEAGUES

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

- Directly, day to day through line management and using a variety of communications channels.
- We gather feedback using a range of techniques such as structured surveys and through more informal channels.



INVESTORS

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

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



REGULATORS

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

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



SUPPLIERS

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

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

We recognise the role that each stakeholder group plays in our success and our responsibilities towards them. Building strong stakeholder engagement 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 on pages 40 to 42 within the Section 172 report.

WHAT MATTERS TO THEM

HOW WE HAVE/ARE ADDRESSING THESE CHALLENGES

<ul style="list-style-type: none"> • Security and peace of mind that Just will deliver its promises. • Advice they can trust. • Good value for money. • Product differentiation. • Quality of service delivered. • Reputation of the Company. 	<ul style="list-style-type: none"> • Behave prudently and have strong, effective governance to ensure we will always meet the promises we make to our policyholders. • Continued to invest in our colleagues and infrastructure to ensure we maintain our reputation for service design and delivery, evidenced by our awards for outstanding service (see page 3). • Launched a new medically underwritten Just For You Lifetime Mortgage ("LTM") to offer personalised terms for customers. • Further investment in our Just For You LTM automation initiative including the launch of digital applications via the Just portal for use by advisers. • Offer Destination Retirement, a financial planning service that provides tailor-made advice to individuals starting, or transitioning into, their life after work.
<ul style="list-style-type: none"> • Good value for money. • Financial strength and strong counterparty credentials that deliver security for advisers, trustees and their members. • Reputation of the Company and service quality. • Access to the defined benefit de-risking market for smaller transactions. • Policyholder experience and service quality as many schemes are targeting future buy-out transactions. • A secure asset portfolio with ESG and sustainability at its heart. 	<ul style="list-style-type: none"> • Developed strong asset sourcing capability and medical underwriting that delivers pricing advantage. • Selectively participate in bulk annuity tenders and have deployed our innovative defined benefit partnering solution to preserve capital and help maintain our secure counterparty credentials. • Regular attendance at client trustee Board meetings to update them on their Just buy-in assets. • Hosted a wide range of events for advisers to share knowledge.
<ul style="list-style-type: none"> • The Group having a clear vision and purpose. • Having the opportunity to grow and develop. • Diversity and inclusion. • Wellbeing. • Modern ways of working. • Strong community and environmental credentials. 	<ul style="list-style-type: none"> • CEO quarterly briefing sessions for all colleagues across the Group to reiterate Just's purpose and provide a business update on key initiatives to deliver our strategic priorities and help people achieve a better later life. • Non-Executive Director engagement with colleagues to bring their voice into the boardroom. • Developing colleagues through in-role experience, coaching, mentoring, online learning and training. • Continued to make strong progress with respect to our commitment to build a diverse workforce and an inclusive culture at Just. • Offered support and guidance for our colleagues built around mental, physical, social and financial wellbeing. • Trialled a new, hybrid way of working incorporating feedback from colleagues, to encourage collaboration and innovation, and to sustain Just's culture. • Organised activities to involve colleagues in supporting our corporate charity and launched Pawprint, an app to support colleagues to reduce their own carbon footprint.
<ul style="list-style-type: none"> • Improve returns for shareholders. • Assured regular interest payments and capital protection. • Deliver a sustainable capital model. • Operate in a socially responsible manner including greater Board diversity. 	<ul style="list-style-type: none"> • The Chair met with various shareholders in 2021 to engage on Just's performance and strategic developments, and to discuss any issues or concerns. • Further refined our strategy with clear, specific goals driven by appropriate priorities including a target to achieve greater than 10% return on equity. • Recommended the payment of dividends to shareholders. • Issued a RT1 Sustainable Bond to strengthen Just's broader sustainability credentials. • Continued focus and steps taken during the year to improve Board diversity.
<ul style="list-style-type: none"> • Boards and senior management understand the regulatory objectives, and seek to ensure good consumer outcomes are achieved and policyholder commitments are met. • A culture that supports adherence to the spirit and the letter of regulatory rules and principles. • Foster open and transparent communications with our regulators. • Positive engagement to encourage effective competition and consumer protection which results in better customer outcomes. 	<ul style="list-style-type: none"> • Continued to respond to regulators in a timely and constructive manner and engage directly on any key regulatory matters. • Implemented various material management actions to further reduce residential property exposure. • Active participation in policy development directly with regulators and via trade bodies. • Timely preparation and filing of regulatory returns.
<ul style="list-style-type: none"> • Collaborative relationships with open, honest and transparent communications. • Fair, transparent and objective process and evaluation criteria when bidding for new business. • Fair payment terms which are consistently met within deadlines. 	<ul style="list-style-type: none"> • Our Group procurement and outsourcing policy ensures that tender processes are fair and transparent, and all suppliers receive feedback on submissions. All suppliers are expected to adhere to relevant legislation and regulatory regimes, and to act ethically and with integrity. Risk-based profiling ensures all suppliers receive the relevant level of interaction with Just. • Clearly defined performance metrics are agreed with the supplier at the outset to measure on-going success. • Conflicts of interest checks at on-boarding ensuring advantages are not gained through personal relationships.

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.

On pages 36 to 37 we outline the ways in which we have engaged with key stakeholders, what matters to them and how we have/are addressing these challenges.

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

DIRECTORS' STATEMENT

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

- 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

S172 FACTOR

EXAMPLES OF MATTERS THE BOARD HAS REGARD TO

LONG TERM	<ul style="list-style-type: none"> • Company's purpose • Strategy • Business model • Risks including emerging risks • Key stakeholders • Regulatory framework 	<p>The Board has regard to all our stakeholders when developing and executing our strategy. Our business model is reviewed at least annually taking into consideration our Company's purpose, strategy, key stakeholders and emerging risks, and addressing the changing regulatory environment.</p>
COLLEAGUES	<ul style="list-style-type: none"> • Colleague engagement • Diversity and inclusion • Education and training • Modern workplace • Wellbeing 	<p>Ensuring colleagues feel proud to work at Just, with outstanding levels of engagement, embracing our new ways of working trial aligned to organisational resilience and strengthening our talent, capabilities and inclusivity have been key strategic focus areas for the Board during 2021. Our Colleagues and culture report on pages 30 to 35 details Just's commitment to colleagues' interests, diversity and inclusion, colleague engagement, education and training, wellbeing and building a modern workplace.</p>
BUSINESS RELATIONSHIPS – SUPPLIERS AND CUSTOMERS	<ul style="list-style-type: none"> • Anti-bribery and anti-corruption • Modern slavery • Responsible payment practices • Vulnerable customers 	<p>The Board is committed to fostering the Company's business relationships with suppliers, customers and other stakeholders. Pages 36 to 37 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. Our supplier contracts are being progressively updated to ensure suppliers are committed to ethical business practice with regard to anti-money laundering, anti-bribery and corruption, whistleblowing and anti-slavery and human trafficking laws.</p> <p>Ensuring the fair treatment of vulnerable customers continues to be an important area of focus for the Board. As part of our vulnerable customer programme, the Group vulnerable customer policy was updated and adopted by the Board during the year.</p>
COMMUNITY AND ENVIRONMENT	<ul style="list-style-type: none"> • Community programme • Climate change • Environmental impact • Sustainable investments 	<p>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 has invested in our communities and promoted helping older adults get active for a healthier life through our programme, "Just Get Active".</p> <p>The Board adopted Just's sustainability strategy in 2021 with initiatives being developed to deliver the Group's sustainability ambitions, which includes leaving a responsible footprint. Pages 22 to 23 outline the Group's sustainability strategy and how it aligns with Just's strategic priorities.</p> <p>We understand that we operate in society and it sets its expectations and requirements through legislation and regulation. We receive feedback from stakeholders including our regulators, the PRA and FCA, as well as other relevant bodies. The Board listens actively to them, taking stakeholders' feedback into account when making judgements and taking decisions.</p>
HIGH STANDARDS OF BUSINESS CONDUCT	<ul style="list-style-type: none"> • Just Group brand • Culture and values • Awards and recognition • Internal controls • Whistleblowing 	<p>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. Further work was undertaken in 2021 to define Just's culture and identity. Everything Just and our colleagues do should be delivered sustainably and is underpinned by clear behaviours of always adapting, collaborative, dynamic and for the customer, which we collectively call the Just way.</p> <p>For our suppliers we have a Group procurement and outsourcing policy, ensuring tender processes are fair and transparent and suppliers receive feedback on submissions.</p> <p>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.</p> <p>The Board reviews and approves Just's whistleblowing policy annually. The Group has a dedicated whistleblowing hotline and portal that allows colleagues who suspect fraudulent, illegal or unethical behaviour by co-workers to report the matter through an independent and confidential service.</p>
INVESTORS	<ul style="list-style-type: none"> • General meetings • Shareholder engagement • Dividend policy 	<p>We receive capital investment from shareholders and from debt investors and 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 36 to 37 for the various ways in which we engage with our different investor groups.</p>

SECTION 172 STATEMENT – EXAMPLES OF DECISIONS DURING THE YEAR

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

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
TRANSFORM HOW WE WORK	The Board considered various initiatives to support its strategic priority to transform how we work.	<p>The Board considered and agreed the Group's strategy execution plan for 2021 which included a strategic priority to transform how we work that was supported by a set of key dependencies to deliver in 2021. The key dependencies included delivering a retail transformation programme, a finance transformation programme and modern workplace technology, environment and processes. The Board has committed to invest in transformation and operational improvements to enable the Group to create a business that can scale without adding significant cost.</p> <p>The Directors have provided oversight on these initiatives and regular status updates were received at Board and Board Committee meetings. The implementation of IFRS 17, the new insurance accounting standard, is one of the key focus areas for the year ahead to ensure compliance with the new requirements which are effective from 1 January 2023.</p> <p>As part of the modern workplace programme, the Board engaged on plans to trial new, hybrid ways of working and received updates from senior management on the new working model for Just and how the changes optimise our organisational footprint, and the impact of the programme on our culture.</p>	High standards of business conduct, colleagues
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.	<p>The Board engaged on culture, colleague engagement and wellbeing, and considered the impact that more flexible models of working could have on our culture, which is grounded firmly in our clear and compelling purpose as a business to help people achieve a better later life. The Board also considered the framework for measuring culture, which included active management of performance and promoting individual accountability.</p> <p>Diversity and inclusion remains a key focus area for the Directors both at Board level and the wider workforce. Key initiatives included conducting workshops to raise awareness and understanding of diversity and inclusion more broadly and issues around race and ethnicity at work in particular. Group inclusion measures were also defined during the year. At Board level, the Board diversity policy was reviewed by the Nomination and Governance Committee during the year. In line with the Board succession plan, the percentage of female Directors has increased and currently stands at 40%.</p> <p>During the year, colleagues were invited to attend a series of virtual engagement sessions with Non-Executive Directors branded as "Conversations with the Board", which were framed around various themes and topics including the impact of COVID-19, challenges and opportunities for our business, diversity and inclusion, and our culture where the pay of Executive Directors was discussed and its alignment with the wider workforce. At all sessions, colleagues had the opportunity to provide feedback and ask questions on any matters of interest to them to give the Directors visibility of any hot topics which required the attention of the Board.</p> <p>The Group Chief Executive Officer held a series of virtual and hybrid town halls during 2021 to reiterate the Group's purpose and strategic objectives, and to provide general business updates. Feedback from colleagues on matters such as wellbeing, hybrid working and job satisfaction was gathered through various means including surveys and focus group sessions.</p> <p>During the year, Just was accredited by Best Companies as a 2 star organisation representing outstanding levels of engagement, which is our highest level of employee engagement since starting to take part in the survey in 2009.</p>	Colleagues

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	ST72 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.	<p>Following on from becoming capital self-sufficient in 2020, the Board has focused on further refining the Group's strategy by increasing its growth ambitions, building a sustainable capital model and setting environmental sustainability goals. The Board agreed specific goals driven by appropriate priorities to fulfil its purpose of helping people achieve a better later life.</p> <p>Key actions by the Group during the year included:</p> <ul style="list-style-type: none"> • the sale of a portfolio of lifetime mortgages to further reduce the Group's exposure to UK residential property risk. It also reduces the sensitivity of the solvency capital coverage ratio to movements in UK residential property prices; • expanding Just's proposition in the defined benefit de-risking market to fully meet the needs of deferred members of pension schemes; • building a pipeline of companies for Just's pioneering automated financial advice and integrated retirement service, Destination Retirement, to guide and support customers who need help to structure their financial plans for life after work; • the introduction of medical underwriting on our Just for You Lifetime Mortgage, which revolutionises the lifetime mortgage market by offering customers the ability to secure a more competitive interest rate and/or a higher loan-to-value mortgage; and • progressed plans to expand our Secure Lifetime Income proposition onto an additional platform in 2022. <p>Further information on the Group's strategy can be found on pages 16 to 17.</p>	Long term and investors
DEBT REFINANCING	The Board explored potential opportunities for the Group to reduce the on-going cost of its debt.	<p>Given more favourable market conditions, the Board considered whether it should reorganise the Group's debt and explored various options to determine the most appropriate form of debt reorganisation. As part of its deliberations, the Board considered and concluded that it would like to pursue a sustainability bond classification for a new issue to broaden the Group's sustainability credentials.</p> <p>The Board took into consideration feedback from various investors on the potential opportunity to refinance debt to reduce on-going interest costs, lengthen the duration profile of debt to better match the cash flows in the business and provide underlying organic capital generation.</p> <p>In August 2021, the Board issued a circular to shareholders containing a notice convening a general meeting for the purpose of seeking approval to confer on the Directors the power to allot ordinary shares and grant rights to subscribe for or convert any security into ordinary shares in connection with any issue of Restricted Tier 1 ("RT1") Bonds. The resolutions were approved by shareholders on 31 August 2021. After considering its options, the Board approved its refinancing arrangements, which included the issuance of a new RT1 Bond that was designated as sustainable. The refinancing exercise reduces the pre-tax interest costs of the Group by £12m per annum and improves the Group's Solvency II post-tax organic capital generation by £10m per annum.</p>	Long term and investors, community and environment
DIVIDEND AND CAPITAL MANAGEMENT	The Board considered whether to recommend the payment of a final dividend taking into consideration the key focus on delivering profitable and sustainable growth.	Given the stronger capital position of the Group and its focus on delivering profitable and sustainable growth while generating capital, the Board decided to review the dividend policy and concluded to recommence dividend payments from May 2022. As part of its deliberations on whether to declare a dividend for the year ended 31 December 2021, the Board considered the ability of the Group to continue to generate capital, the impact on its solvency capital ratio, and its stakeholders' views.	Shareholders

SECTION 172 STATEMENT – EXAMPLES OF DECISIONS DURING THE YEAR CONTINUED

AREA OF DECISION	MATTER CONSIDERED	WHAT WE DID	S172 FACTOR/ KEY STAKEHOLDERS
SUSTAINABILITY	The Board considered and adopted the Group's sustainability strategy.	<p>The Board considered and adopted its sustainability strategy with particular focus on embedding a sustainable framework and practices as part of its wider strategy and culture. Following an assessment, the Board committed to 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 Association of British Insurers ("ABI") climate change roadmap. The Board also appointed Steve Melcher, an independent Non-Executive Director, as its lead on sustainability matters. Steve Melcher will challenge and guide management in relation to our targets and wider sustainability trends in his role as lead on sustainability matters in the year ahead.</p> <p>As part of its discussions on strategy, the Board considered how it can align the Group's sustainability activities to its strategic priorities. Engaging colleagues to improve Just's footprint and supporting them to reduce their own footprint are examples of sustainability activities that the Board endorses in alignment with the priority "Be proud to work at Just". Other priorities as part of the Group's sustainability strategy looking forward include determining how to score the carbon footprint of Just's supply chain and how to engage with customers to understand and support their requirements and expectations with regard to climate. Executive Directors' performance-related criteria now include sustainability metrics to ensure their remuneration is aligned with the Company's long-term sustainability strategy.</p> <p>Following the issuance of a Green Bond in 2020, the Group has further strengthened its broader sustainability credentials through the issue of a new RT1 bond which was designated sustainable and it has committed to invest the proceeds in sustainable investments.</p> <p>Each of the Board Committee's terms of reference and Group policies have been reviewed and, where appropriate, specific responsibilities have been included to consider climate change matters and the impact on the Group's targets. Board and Committee papers now include information on the impact of any proposals on the Group's sustainability strategy.</p> <p>The oversight of a climate change project has been a key focus area for the Group Risk and Compliance Committee on behalf of the Board, which focuses on the steps taken to better understand the longer-term climate risks to the Group's investment and property portfolio, and to embed climate risk factors in the risk management framework. This included the addition of a new high level climate risk appetite, which was approved by the Board during the year.</p> <p>Throughout the Annual Report you will find information on climate change and the steps taken by the Group to strengthen its sustainability credentials.</p>	Community and environment, colleagues, customers, suppliers, investors
PROCUREMENT AND OUTSOURCING	The Board considered governance oversight and processes for procurement and outsourcing arrangements.	<p>During the year, the Board considered and approved a new investment governance process, which allows for decisions to be taken in relation to the approval of different types of investment outsourcings based on materiality and risk. The process has due regard to the Group procurement and outsourcing policy, whilst recognising that investment outsourcings are technical and require specialist oversight in a different manner to other outsourcings. The process was developed to recognise and place more emphasis on the key role of the Investment Committees of Just Retirement Limited and Partnership Life Assurance Company Limited in the review and approval process for the Just Group entities entering into third party investment outsourcings. It also aligned the process with the key Prudent Person Principle requirements under the Solvency II Directive.</p> <p>The Board reviewed and approved the updated Group procurement and outsourcing policy, which ensures that high standards of honesty, impartiality and integrity are maintained in our business relationships. Just takes a zero tolerance approach to modern slavery and implements various measures to prevent modern slavery and human trafficking in our supply chain as covered in more detail in the Modern Slavery Statement approved by the Board. The Modern Slavery Statement can be found on the Company's website. In addition, our supplier contracts are being progressively updated to ensure suppliers are compliant with anti-slavery and human trafficking laws.</p>	High standards of business conduct, suppliers and partners

NON-FINANCIAL INFORMATION STATEMENT

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

OUR BUSINESS MODEL

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 on pages 14 to 15 sets out our growth opportunities, how we create value and who we create value for.

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 acting ethically and with integrity in all of our business relationships. We are also mindful and focused on our financial and capital position. This in turn enables us to protect our stakeholders by growing the business sustainably.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

The Board does not currently monitor any non-financial key performance indicators, but it receives reports and management information regarding key non-financial matters such as technology and the investment programme, operational performance and colleagues. The discretionary bonus plan for colleagues uses non-financial metrics to decide part of the bonus pool which the Board and Remuneration Committee review.

	MATERIAL AREA OF IMPACT	POLICIES	POLICY DESCRIPTIONS
1. ENVIRONMENTAL	<ul style="list-style-type: none"> Carbon footprint Use of resources Investments (responsible investing) Impact of the operations of our suppliers 	<ul style="list-style-type: none"> Sustainable Investment Framework (a framework used by our Investment team) Group procurement and outsourcing policy 	<ul style="list-style-type: none"> Sustainable Investment Framework: see the report on sustainability on page 18. Group procurement and outsourcing policy: ensures that high standards of honesty, impartiality and integrity are maintained in our business relationships. It ensures that contractual arrangements with third parties are undertaken with due regard for the associated risks.
2. COLLEAGUES	<ul style="list-style-type: none"> Wellbeing of colleagues, including mental health, fulfilment, work-life balance, career and development opportunities Ensuring our colleagues' actions do not have a detrimental impact on customers, suppliers or other stakeholders 	<ul style="list-style-type: none"> Group charity and community policy Board diversity policy Flexible working policy Group training and competence policy Group fitness and propriety policy Group operational risk policy Group conduct risk policy Group conflicts of interest policy Group whistleblowing policy 	<ul style="list-style-type: none"> Group charity and community policy: see "social" below. Board diversity policy: see the Nomination and Governance Committee report on pages 81 to 83. Flexible working policy: provides support and advice to colleagues regarding our approach to flexible working requests. Group training and competence policy: sets out the standards and requirements to ensure the training and competency framework is effective in mitigating the risk of colleagues lacking the expertise and knowledge required for their role and potentially resulting in poor customer outcomes. Group fitness and propriety policy: sets out a framework for appropriate processes and procedures to ensure compliance with the Senior Managers and Certification Regime. Group operational risk policy: sets out the Group's framework for managing operational risk. Group conduct risk policy: sets out the framework of principles, systems and controls around the management of conduct risk by the Group and encompasses regulatory requirements such as integrity, market conduct, customer interests, communication with customers, skill, care and diligence, and conflicts of interest. Group 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. Group whistleblowing policy: sets out the framework to encourage colleagues to feel safe in raising any suspicions of wrongdoing to the attention of the Board and senior management.

NON-FINANCIAL INFORMATION STATEMENT CONTINUED

	MATERIAL AREA OF IMPACT	POLICIES	POLICY DESCRIPTIONS
3. SOCIAL	<ul style="list-style-type: none"> Volunteering Charity partners Local community engagement 	<ul style="list-style-type: none"> Group charity and community policy 	<ul style="list-style-type: none"> Group charity and community policy: defines the minimum standards for managing opportunities and risks relating to the conduct of charitable and community activities as part of the Group's overall approach to sustainability to support the achievement of our purpose.
4. HUMAN RIGHTS	<ul style="list-style-type: none"> Data protection Modern slavery Impact of our products and services on vulnerable customers 	<ul style="list-style-type: none"> Group procurement and outsourcing policy Modern Slavery Statement Group data protection policy Group vulnerable customer policy 	<ul style="list-style-type: none"> Group procurement and outsourcing policy: see "environmental" above. Modern Slavery Statement: sets out our policies and processes to combat modern slavery in all its forms. Group data protection policy: sets out a framework of high level controls and processes to enable the Group to safeguard personal data and manage the risks of processing personal data to comply with regulatory requirements. Group vulnerable customer policy: defines our approach to ensuring vulnerable customers receive consistently fair treatment across our Group and experience outcomes as good as those of other customers.
5. ANTI-CORRUPTION AND ANTI-BRIBERY	<ul style="list-style-type: none"> Preventing corruption or bribery from happening to, by or on behalf of Just 	<ul style="list-style-type: none"> Group financial crime policy Group compliance policy Gifts and hospitality procedure Group whistleblowing policy 	<ul style="list-style-type: none"> Group 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. Group 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. Group whistleblowing policy: see "colleagues" above.

THE OUTCOME OF OUR POLICIES ON OUR MATERIAL AREAS OF IMPACT

1. ENVIRONMENT

- The direct impact of our operations on the environment is relatively low due to the hybrid ways of working from the office and at home. The Group is UK based with a small operation in South Africa. During the year we set clear and measurable sustainability targets for the Group's operations to be net zero by 2025 and its investments and supply chain to be net zero by 2050, with a reduction of 50% by 2030 in line with the ABI's climate change roadmap. During the year, the Group reduced our office footprint in support of the goal. We also introduced to colleagues Pawprint, our new sustainability partner and eco companion. Pawprint is an app which will help us make more climate-friendly choices, and assist in allowing us to measure, better understand and reduce our carbon footprint at work.
- During the year, the Group progressed its modern ways of working programme with all colleagues able to work from home for part of the week. We will continue to develop our ways of working.
- We are committed to promoting good corporate environmental practice and have ISO 14001:2015 certification.
- The Group continued to invest the proceeds of the Green bond in eligible green projects. Further information can be found on pages 20 to 21. The Group also issued new RT1 capital which was designated sustainable and it has committed to invest the proceeds in sustainable investments. Information about the Green and sustainable bonds, and the investments that the proceeds can be invested in can be found on our website.
- Information about our Investment team and their sustainable investment strategy and framework is included on pages 20 to 21.
- 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 on pages 18 to 19.

2. COLLEAGUES

- Building our organisational resilience, strengthening our talent and capabilities, and ensuring colleagues feel proud to work at Just is a key strategic priority for us.
- The Group has broadened its diversity and inclusion strategy in five areas: increasing diverse representation, particularly at senior levels; strengthening leadership focus and accountability for diversity and inclusion; ensuring all groups have equal opportunity for progression and development; educating on bias and developing an inclusive culture; and fostering belonging through supporting people to be themselves. The Board sponsor for diversity and inclusion is the Group Chief Executive Officer.
- There is an active programme to improve Board diversity in accordance with the Board diversity policy. Further information on this policy and the steps taken to improve Board diversity can be found in the Nomination and Governance Committee report on pages 81 to 83.
- Gender diversity across senior roles has increased by three percentage points to 27% and we remain on track to achieve our pledge as a signatory to the Women in Finance Charter that 33% of senior leaders will be female by 2023. As a signatory to the Race at Work Charter, we have committed to increasing the percentage of senior leaders from a Black, Asian and Minority Ethnic background to 15% by 2024, in line with the percentage in the broader UK population. We have also published our ethnicity pay gap report alongside our gender pay gap report.

- We continued to focus on providing a wide range of wellbeing support and guidance for our colleagues built around mental, physical, social and financial wellbeing. Our current offering includes the support of Mental Health First Aiders and our Employee Assistance Programme ("EAP") called WeCare, which is available to all colleagues offering a broad range of wellbeing support, in addition to free access to our corporate version of the Headspace App, described as a "gym membership for the mind".
- We have policies and provide training to help ensure that our colleagues act ethically and do the right thing in the performance of their work. Our activities to help our colleagues feel proud to work at Just and our compliance policies work together to help mitigate against colleagues acting unethically.
- Our Group whistleblowing policy, and our whistleblowing hotline, encourage colleagues to report any wrongdoing. All such reports are fully investigated and appropriate remedial actions are taken.
- From early 2021 we began to plan a trial of new, hybrid ways of working. This commenced in September and incorporated feedback from colleagues across the organisation. At the heart of our approach is our belief that spending some time regularly in the office will help colleagues to collaborate, innovate, learn from one another and network, as well as sustaining the great culture we have built at Just. More broadly, we want to supplement the virtual and remote support colleagues have provided to each other over the past two years with real, in-person connections. We adopted an agile test and learn approach to introduce new ways of working for 2022 and beyond.

3. SOCIAL

- We give back to the communities in which we operate and are committed to good corporate citizenship, supporting charity and community initiatives which are relevant to our business, colleagues, customers and other stakeholders. Our colleagues also benefit from participating in our social activities. The risk to the business from our social impacts is considered to be low.
- During the year, Just raised funds for our corporate charity partner Re-engage, in line with our purpose of helping people achieve a better later life, with activities including a virtual "Around the World in 80 Days" sponsored challenge and gifting our apprenticeship levy to Re-engage to train a data analyst for its business. We recognised Dementia Action Week in May, providing training to colleagues to become dementia friends, and supported colleague fundraising (half matching their funds up to £500) for a number of charities close to colleagues' hearts, including Cancer Research UK, Battersea Dogs and Cats Home, The Lucy Rayner Foundation and the Alzheimer's Society.
- We have been investing in our communities to help older adults get active for a happier, healthier life through our programme, Just Get Active. Further information about our community programme can be found on our website www.justgetactive.co.uk.
- For further information about our social activities and the impacts, see our Colleagues and culture report on page 30.

4. HUMAN RIGHTS

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

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

5. ANTI-CORRUPTION AND ANTI-BRIBERY

- We have a Group financial crime policy which is a zero tolerance policy. This policy helps us to prevent and detect financial crime.
- Our 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 policies as well as other important areas of compliance which all colleagues must complete on an annual basis. Completion is monitored by the Compliance team and reported to the Board, with repeated failure to complete the training being a disciplinary matter.

NON-FINANCIAL RISK MANAGEMENT

The Risk management report on page 58 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 sets out our principal risks and uncertainties including non-financial risks and how we mitigate those risks. The Group Risk and Compliance Committee ("GRCC") has considered various non-financial risks during the year. These include risks arising from people, operational processes and IT systems, conduct risk and the current and future business and operational impacts of COVID-19 on the Group. The GRCC also received regular reports on the status of the Group's climate change project, which covers various workstreams including risk management and financial risks. The aim is to prevent non-financial risks from materialising and having a detrimental impact on our business (including our reputation), our colleagues, our customers, our suppliers and other stakeholders.

Our Compliance team manages the Group's Policy Framework. Each Group policy has a policy owner and an executive sponsor, who review the policy at least annually and provide an attestation as to its adherence and any material breaches. Each Group policy is reviewed by the GRCC and approved by the Board. 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 on-going 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.

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.

During 2021 the Group introduced two new KPIs, return on equity and underlying operating profit, and discontinued organic capital generation/(consumption). During 2020 the Group introduced two new KPIs, management expenses and underlying organic capital generation/(consumption), and discontinued in-force operating profit. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit and net assets.

RETURN ON EQUITY¹ – 9%

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

2021	9
2020	10
2019	10

LINK TO STRATEGIC PRIORITIES:

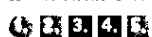


RETIREMENT INCOME SALES¹ – £2,674M

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

2021	2,674
2020	2,145
2019	1,918

LINK TO STRATEGIC PRIORITIES:



MEASURED AGAINST OUR STRATEGIC PRIORITIES

1. Improve our capital position
2. Transform how we work
3. Get closer to our customers and partners
4. Generate growth in new markets
5. Be proud to work at Just

SEE PAGE 16 FOR OUR STRATEGIC PRIORITIES

- 1 Alternative performance measure. See glossary on page 186 for definition.
- 2 These figures allow for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of the TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

UNDERLYING ORGANIC CAPITAL GENERATION/(CONSUMPTION)^{1,2} – £51M

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

2021	51
2020	18
2019	(15)

LINK TO STRATEGIC PRIORITIES:



NEW BUSINESS OPERATING PROFIT¹ – £225M

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

2021	225
2020	199
2019	182

LINK TO STRATEGIC PRIORITIES:



ADJUSTED OPERATING PROFIT BEFORE TAX¹ – £238M

Adjusted operating profit before tax is the sum of the new business operating profit and in-force operating profit together with the impact of one-off assumption changes, experience variances, results of the other Group companies and financing costs. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the longer-term nature of the products. Adjusted operating profit is reconciled to IFRS profit before tax on page 52.

2021	238
2020	239
2019	219

LINK TO STRATEGIC PRIORITIES:



IFRS (LOSS)/PROFIT BEFORE TAX – £(21)M

IFRS (loss)/profit before tax represents the (loss)/profit before tax attributable to equity holders.

2021	(21)
2020	237
2019	369

LINK TO STRATEGIC PRIORITIES:



IFRS NET ASSETS – £2,440M

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

2021	2,440
2020	2,490
2019	2,321

LINK TO STRATEGIC PRIORITIES:



UNDERLYING OPERATING PROFIT¹ – £210M

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

2021	210
2020	193
2019	176

LINK TO STRATEGIC PRIORITIES:



MANAGEMENT EXPENSES¹ – £147M

Management expenses are the business as usual costs incurred and include all operational overheads. They are calculated as other operating expenses excluding investment expenses and charges and reinsurance management fees, which are largely driven by strategic decisions, and amortisation of acquired intangible assets as these relate to merger and acquisition activity. The use of this metric provides the Board with a better view of the Group's cost base and how they support both development and transformation and business as usual activities, ensuring that they are able to be carefully monitored and controlled. Other operating expenses continue to be a useful measure alongside management expenses. Management expenses are reconciled to IFRS other operating expenses in note 4 on page 136.

2021	147
2020	159
2019	169

LINK TO STRATEGIC PRIORITIES:



SOLVENCY II CAPITAL COVERAGE RATIO² – 164% (ESTIMATED)

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

2021	164
2020	156
2019	141

LINK TO STRATEGIC PRIORITIES:



BUSINESS REVIEW

SUSTAINABLE GROWTH IN PROFITS

Over the past two years, we have rebuilt the capital base and achieved capital self-sufficiency. This, combined with the Group's compelling propositions in the attractive UK retirement market provide the foundation for the delivery of on-going sustainable growth, which in turn delivers value for customers and shareholders.



ANDY PARSONS
Group Chief Financial Officer

ADJUSTED OPERATING PROFIT BEFORE TAX¹

£238M

2020: £239m

UNDERLYING ORGANIC CAPITAL GENERATION¹

£51M

2020: £18m

SOLVENCY II CAPITAL COVERAGE RATIO (ESTIMATED)²

164%

2020: 156%

¹ Alternative performance measure. IFRS loss before tax £21m (2020: profit before tax £237m).

² The 2020 Solvency II capital coverage ratio allows for a national recalculation of TMTP at 31 December 2020. In 2021, the ratio includes the estimated impact of the biennial reset of TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

The Business Review presents the results of the Group for the year ended 31 December 2021, including IFRS and Solvency II information.

The business continues to benefit from the strong positive progress in previous years, in particular a transformed, lower capital intensity new business model, combined with a strengthened and increasingly resilient capital base. Our new business franchise delivered 25% growth in Retirement Income sales during 2021, with strong momentum continuing into the first half of 2022. We continue to maintain discipline in pricing and risk selection as we build on our strong foundations and the Group moves forwards in the next phase of its development to deliver sustainable long-term growth.

We have a track record of delivering results that exceed our commitments. After achieving the capital self-sufficiency milestone more than a year earlier than originally planned, we have subsequently almost trebled the underlying organic capital generation, also a year ahead of target. This strong performance was driven by our disciplined approach to acquiring business through our highly successful new business franchise, which delivers low levels of capital strain. We have eliminated the cost overrun as planned. We have also successfully reduced our property sensitivity, and in September, took advantage of favourable credit market conditions to lower future debt interest costs.

The strong sales growth in 2021 helped achieve a 13% increase in new business profit, to £225m, with sales of £2,674m up 25% and a new business margin of 8.4% (2020: 9.3%). 2021 margins reflected adjustments made to the asset mix backing the new business, tighter credit spreads, in particular on lifetime mortgages, and a significant increase in the proportion of DB deferred business within the sales mix (2021: 38% of DB sales, 2020: 2% of DB sales). DB deferred sales are more capital efficient, but are longer duration with a lower upfront margin than pensioner in payment DB and retail business. 2021 IFRS adjusted operating profit was broadly unchanged at £238m (2020: £239m) as the increased new business profit was offset by lower assumption changes and reduced in-force profit (with 2020 boosted by increased credit spreads). Rising interest rates led to IFRS losses from hedges we use to protect the Solvency II balance sheet. Sales of LTM portfolios to reduce the sensitivity of our Solvency II balance sheet to UK house prices resulted in a loss of £161m. These two elements offset the operating profit above, resulting in an IFRS post tax loss of £16m.

Underlying organic capital generation increased by £33m in 2021 to £51m (2020: £18m), even after writing significantly higher new business volumes during the year. Our target was to double the 2020 result by 2022, but we have strongly exceeded that objective one year early. The capital strain from writing new business reduced to 1.5% (2020: 2.2%) reflecting continued pricing discipline and risk selection, together with the increased proportion of low capital strain DB deferred business in 2021.

Over the past 3 years we have implemented management actions to reduce the recurring core management expense cost base by 18%. In 2021, we achieved our target to successfully eliminate the new business expense overrun in line with target.

The £51m of underlying organic capital generation contributed towards a further strengthening of the Group's Solvency II capital position. During the year, the Solvency II capital coverage ratio increased to 164%² (2020: 156%²), a level we continue to be comfortable to operate at.

Recognising the strengthened financial position of the Group, the Board has decided to re-introduce a dividend for the Group's shareholders. Over the past two years, we have demonstrated our ability to deliver significant growth in new business, at low strain, our capital generation is now sufficient to fund our on-going growth ambitions and pay a distribution to shareholders, while continuing to maintain a comfortable capital position. We now expect growth in new business and in-force profits to deliver on average 15% growth per annum in our IFRS underlying operating profit over the medium term.

In the second half of 2021, we completed an internal model update, incorporating the new regulatory treatment of LTMs, which was approved by the Prudential Regulation Authority in December 2021. The overall impact of the new model was a £33m decrease in the capital surplus. This was more than offset by management actions of £16m and other operating items including positive mortality experience, which contributed £26m towards the capital surplus.

Over the past three years, we have successfully taken action to reduce the Group's exposure and sensitivity of the Solvency II balance sheet to UK house prices. This has been achieved through a combination of NNEG hedging, LTM portfolio sales and reducing the LTM backing for new business. We have completed three NNEG risk transfer hedges totalling £1.4bn and with the third LTM portfolio sale announced in February 2022, we have also completed our planned programme of portfolio sales (totalling £1.6bn of LTMs). The LTM backing ratio for new business in 2021 at 18% was below our 20% target. Taken together, our various property de-risking actions have almost halved the Solvency II UK house price sensitivity to close to 10% (for a 10% house price fall) a level at which we are comfortable.

In 2022, we expect further clarification from HM Treasury following its review of Solvency II and its consultation on the Future Regulatory Framework ("FRF") Review for financial services following the UK's exit from Europe. We anticipate progress in helping the insurance industry to better support the government's twin-pronged agenda of infrastructure development and decarbonising the economy through an increased pool of matching adjustment eligible assets, which we can invest in to back our customer promises.

Financial markets have had limited impact on the Group's capital position over the past two years, which demonstrates the resilience of our balance sheet. Interest rates rose during 2021, the impact of which was hedged in relation to our Solvency II position but resulted in a loss for our IFRS balance sheet of £226m for the year. We continue to monitor the effect of the interest rate hedging programme on the IFRS result, with rates being volatile on geopolitical and other macro-economic concerns such as inflation. The key sensitivities of the Group's capital and financial position to future economic and demographic factors are set out below and in notes 17 and 23 of these financial statements.

Credit downgrades affecting 9% of the Group's corporate bond portfolio were offset by credit upgrades on 8% of the portfolio as the economy continues to recover. This led to a negligible £13m reduction in the Solvency II surplus, which was more than offset by £49m of positive capital impacts from portfolio management. We are committed to further growing and diversifying the non-LTM illiquid portfolio, in particular through continued investment in infrastructure projects, commercial real estate, ground rents, social housing and local authority loans. Our manager of managers investment model for non-LTM illiquid assets has 13 active originators, which provides a healthy pipeline of investment opportunities, both domestic and international. Typically, going forward, we expect non-LTM illiquids to back up to 30% of new business, with LTMs backing up to 20% and liquid bonds/cash backing the remainder.

At this time, the outlook for the economy continues to evolve, as the world learns to live with COVID-19 and with heightened geopolitical tensions associated with the conflict in Ukraine. Inflation is likely to continue to be the dominant economic theme in 2022, as central banks commence tightening of monetary policy to combat rising prices. We expect these macro forces to have a negligible effect on the Group's business model, with active hedging to protect the Solvency II capital position and limited impact from higher interest rates/inflation on demand for our products. With a strong, stable and more resilient capital base and a low strain business model that is now generating substantial on-going excess capital on an underlying basis. The foundations are firmly in place to take advantage of the multiple growth opportunities available in our attractive markets.

BUSINESS REVIEW CONTINUED

ALTERNATIVE PERFORMANCE MEASURES AND KEY PERFORMANCE INDICATORS

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

The Board has also adopted a number of KPIs, which include certain APMs, and which are considered to give an understanding of the Group's underlying performance drivers. KPIs are regularly reviewed against the Group's strategic objectives to ensure that we continue to have the appropriate set of measures in place to assess and report on our progress. During the second half of 2021 the Group introduced two new KPIs, return on equity and underlying operating profit, and discontinued organic capital generation as a KPI. During the second half of 2020 the Group introduced two new KPIs, management expenses, and underlying organic capital generation, and discontinued in-force operating profit as a KPI. These changes reflect the Group's focus on monitoring and controlling its costs and growing capital, and provide a balance of KPIs across capital, sales, expenses, profit and net assets. The Group's KPIs are discussed in more detail on the following pages.

The Group's KPIs are shown below:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change
Return on equity ¹	9.4%	9.7%	(0.3)pp
Retirement Income sales ¹	2,674	2,145	25%
Underlying organic capital generation ¹	51	18	183%
New business operating profit ¹	225	199	13%
Adjusted operating profit before tax ¹	238	239	-
Underlying operating profit ¹	210	193	9%
IFRS (loss)/profit before tax	(21)	237	(109)%
Management expenses ¹	147	159	(8)%

	31 December 2021 £m	31 December 2020 £m	Change
Solvency II capital coverage ratio ²	164%	156%	8pp
IFRS net assets	2,440	2,490	(2)%

1 Alternative performance measure, see glossary for definition.

2 This figure allows for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of the TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

RETURN ON EQUITY

The return on equity in the year to 31 December 2021 was 9.4% (2020: 9.7%), based on adjusted operating profit after attributed tax of £193m (2020: £194m) arising on average tangible net assets of £2,048m (2020: £1,989m). Tangible net assets are reconciled to IFRS total equity as follows:

	31 December 2021 £m	31 December 2020 £m
IFRS total equity	2,440	2,490
Less intangible assets	(120)	(134)
Less tax on amortised intangible assets	17	19
Less equity attributable to Tier 1 noteholders	(322)	(294)
Tangible net assets	2,015	2,081

ADJUSTED OPERATING PROFIT

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change %
New business operating profit	225	199	13
In-force operating profit	90	98	(8)
Other Group companies' operating results	(15)	(17)	(12)
Development expenditure	(7)	(7)	-
Reinsurance and finance costs	(83)	(80)	4
Underlying operating profit	210	193	9
Operating experience and assumption changes	28	46	(39)
Adjusted operating profit before tax ¹	238	239	-

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

Adjusted operating profit before tax

Adjusted operating profit before tax of £238m was broadly flat in 2021 (2020: £239m) as higher new business profit was offset by lower operating experience and assumption changes and in-force operating profit.

Underlying operating profit

Underlying operating profit, which is the same as adjusted operating profit before tax but excludes operating experience and assumption changes, rose 9% to £210m.

New business operating profit

New business operating profit increased by 13% to £225m (2020: £199m) driven by a 25% increase in Retirement Income sales to £2,674m (2020: £2,145m). The new business margin achieved on Retirement Income sales during the year was 8.4% (2020: 9.3%), reflecting adjustments made to the asset mix backing the new business, tighter credit spreads, in particular on lifetime mortgages, and a significant increase in the proportion of DB deferred business within the sales mix (2021: 38% of DB sales, 2020: 2% of DB sales).

Management expenses

Management expenses have decreased by 8% to £147m (2020: £159m). A formal three year cost reduction programme concluded at the end of 2021. Going forward, we will continue to maintain a focus on cost control, with premium and business growth to outpace costs, thus further improving operational leverage.

In-force operating profit

In-force operating profit decreased by 8% to £90m (2020: £98m) with 2020 profit inflated due to the elevated credit spreads following the onset of COVID-19. Aside from reduced profit emerging due to credit spreads, the Group's in-force operating profit benefited from a growing in-force book of business and higher surplus assets.

Other Group companies' operating results

The operating result for other Group companies was a loss of £15m in 2021 (2020: loss of £17m). These costs arise from the holding company, Just Group plc, and the HUB group of businesses.

Development expenditure

Development expenditure mainly relates to product development and new initiatives, such as LTM medical underwriting and new capital light products. It also includes preparations for the new insurance accounting standard IFRS 17 and distribution improvements such as online capability and digital access.

Reinsurance and finance costs

Reinsurance and finance costs include the coupon on the Group's Restricted Tier 1 notes, as well as the interest payable on the Group's Tier 2 and Tier 3 notes. The increase for the year is due to a full 12 months of coupon on the Green £250m Tier 2 notes issued in October 2020. In September 2021, we opportunistically refinanced the 2019 issued Restricted Tier 1 bond and issued a new £325m Sustainability Restricted Tier 1 bond. This discrete bond refinancing will reduce the future interest costs on the RT1 component of the capital structure by £12m pre-tax per annum, while also lengthening the maturity by at least 7.5 years, with a call option available from March 2031.

Operating experience and assumption changes

The Group has paid close attention to developments as the COVID-19 vaccine and subsequent booster programme rolls out across the population, in particular with its customer base, many of whom are in the more vulnerable category. The long-term impact of the COVID-19 pandemic on the population, including the health of those who recovered from the disease, the future efficacy of the various vaccines and secondary impacts such as delayed diagnosis for other illnesses or behavioural changes continue to be difficult to assess with any confidence. Given this on-going uncertainty over the impact of COVID-19 on longer term mortality, the Group has made no changes to its long-term mortality assumptions at 31 December 2021, but will continue to assess actively during 2022. Sensitivity analysis is shown in notes 17 and 23, which sets out the impact on the IFRS results from changes to key assumptions, including mortality and property.

Overall, positive operating experience and assumption changes of £28m were reported in 2021 (2020: £46m). The overall net £33m of positive experience variance reflected the largely COVID-19 driven impact of increased mortality in our annuitant customers, offset by increased early redemptions, in part mortality driven, within our LTM book. Assumption changes were negligible and combined to a £5m reserve strengthening. In 2020, assumption changes driven by the adoption of CMI_19 across our product range combined to a net £26m release.

On a statutory IFRS basis, the Restricted Tier 1 coupon is accounted for as a distribution of capital, consistent with the classification of the Restricted Tier 1 notes as equity, but the coupon is included as a finance cost on an adjusted operating profit basis.

RETIREMENT INCOME SALES

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m	Change %
Defined Benefit De-risking Solutions ("DB")	1,935	1,508	28
Guaranteed Income for Life Solutions ("GIFL")	688	586	17
Care Plans ("CP")	51	51	-
Retirement Income sales	2,674	2,145	25

Retirement Income sales for 2021 increased by 25% to £2,674m (2020: £2,145m).

DB sales were £1,935m, an increase of 28%, and a record for the Group. In early 2021 we expanded our proposition in the DB de-risking market to meet fully the needs of schemes and trustees. As a consequence of multi-year de-risking journeys, scheme funding levels across the industry have improved. This has increased the deferred part of the DB market with more schemes able to afford full scheme de-risking and buyout as opposed to pensioner only de-risking. We expect this trend to continue. Adding DB deferred capability to our proposition has enhanced the opportunity available to us in the £2.3tn DB liability market, thus increasing our ability to risk select and triage the industry pipeline. The defined benefit de-risking market was subdued in the first half of 2021, however activity rebounded in the second half. For the year as a whole, we completed 29 transactions (2020: 23 transactions). Our efforts in 2021 were recognised by being named "Risk Management Provider of the Year" at the Pensions Age awards in February 2022.

The heightened activity in the second half of 2021 has created strong momentum in the market year to date. Willis Towers Watson are predicting a £40bn buy-in/buy-out market in 2022 (Just estimate £28-30bn in 2021), with the long-term growth opportunity even more substantial. Lane Clark Peacock ("LCP") have cumulatively forecast £150-£250bn of buy-in/buy-out transactions over the next five years, and thereafter rising beyond £50bn per annum, potentially to £100bn per annum by 2030, as funding deficits amongst the largest pension schemes are gradually closed. Up to £650bn of DB buy-in and buy-out transactions are forecast over the decade to 2030.

BUSINESS REVIEW CONTINUED

Gifl sales increased by 17% to £688m for 2021, recovering strongly following the COVID-19 related sales disruption in the first half of 2020. Retail sales (Gifl and Care) in 2021 were 8% higher than 2019 levels. In recognition of the outstanding service we deliver, we were named Company of the Year at the recent Financial Adviser Service Awards, as well as achieving five stars in both the Pensions and Protection, and Mortgages categories. Economic uncertainty has demonstrated to customers the importance and security of a guaranteed income. We continue to invest in our proposition, and launched a refreshed version of our medical underwriting engine Prognosys™ during 2021. Care sales were subdued and remain impacted by customer behaviour changes due to the pandemic, remaining at less than 2% of Retirement Income sales.

Other new business sales

Lifetime Mortgage advances were £528m for 2021 (2020: £512m), an increase of 3%. The LTM backing ratio for new business was 18%, which is below our target of 20%, and aided by the change in sales mix as DB deferred sales are fully backed by bonds and non-LTM illiquids. 2021 also includes £40m of LTM origination on behalf of a third party (2020: £36m). The Group does not hold an economic exposure for these assets; instead it earns a fee for originating and administering these loans. In line with other assets, LTM spreads compressed somewhat during the first half of the year as risk-free rates rose, which impacted the new business margin. In the second half, the market repriced and LTM spreads partially widened back out.

We continue to be selective in the mortgages we originate, as we use our market insight and distribution to target certain sub-segments of the market, for example shorter duration loans to older borrowers, and/or customers with sufficient income to service interest on their borrowings. During 2021, we introduced medical underwriting across the entire lifetime mortgage range and also signed an exclusive distribution agreement with Saga. Increased investment in LTM digital capabilities and proposition has been well received by financial advisers, and contributed to the five star awards mentioned above.

ADJUSTED EARNINGS PER SHARE

Adjusted EPS (based on adjusted operating profit after attributed tax) has decreased from 18.8 pence for 2020, to 18.7 pence for 2021.

	Year ended 31 December 2021	Year ended 31 December 2020
Adjusted earnings (£m)	193	194
Weighted average number of shares (million)	1,034	1,031
Adjusted EPS ¹ (pence)	18.7	18.8

¹ Alternative performance measure, see glossary for definition.

EARNINGS PER SHARE

	Year ended 31 December 2021	Year ended 31 December 2020
Earnings (£m)	(35)	166
Weighted average number of shares (million)	1,034	1,031
EPS (pence)	(3.4)	16.1

RECONCILIATION OF OPERATING PROFIT TO STATUTORY IFRS RESULTS

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Adjusted operating profit before tax	238	239
Non-recurring and project expenditure	(15)	(13)
Implementation of cost saving initiatives	-	(8)
Investment and economic (losses)/profits	(251)	9
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	25	28
Amortisation costs	(18)	(18)
IFRS (loss)/profit before tax	(21)	237

Non-recurring and project expenditure

Non-recurring and project expenditure was £15m (2020: £13m).

This included support for the internal model change to incorporate recent regulatory changes for LTMs, and updating for best practice since the model was first incorporated in December 2015. We plan to move PLACL from standard formula onto a Group internal model over the next 12-18 months. There were also a number of smaller project costs such as LTM portfolio sales. The Group continues to improve its business processes, and increase efficiency by investing in systems, which will lead to long-term cost and control benefits.

Investment and economic (losses)/profits

	Year ended 31 December 2021	Year ended 31 December 2020
Change in interest rates	(226)	360
Credit spreads	57	(14)
Property growth experience	56	(34)
House price inflation assumption change	–	(166)
Sale of LTM portfolio	(161)	(136)
Other	23	(1)
Investment and economic (losses)/profits	(251)	9

Investment and economic losses for 2021 were £251m (2020: £9m profit). The main driver for the large difference compared to the prior year is the increase in risk-free rates during the year, which contributed losses of £226m compared to a gain of £360m when interest rates fell during 2020. The Group actively hedges its interest rate exposure to protect the Solvency II capital position, but in doing so we accept the accounting volatility that ensues. We have adjusted our hedging structure during 2022 to better balance hedging of the solvency position whilst minimising the cost in IFRS, should rates rise over 2022. Other movements cancelled each other as the £161m cost from the second in our planned programme of LTM portfolio sales has been offset by positives from narrower credit spreads (£57m), positive property growth experience (£56m) and minimal corporate bond defaults within our portfolio during the period (2020: no defaults). In the prior year, credit spreads widened, property growth was below our long term assumption, and we reduced the house price inflation assumption by 0.5% to 3.3%, which led to a £166m reserve strengthening.

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

Amortisation of acquired intangibles

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

CAPITAL MANAGEMENT**Just Group plc estimated Solvency II capital position**

The Group's coverage ratio was estimated at 164% at 31 December 2021 after recalculation of transitional measures on technical provisions ("TMTP") (31 December 2020: 156% after a notional recalculation of TMTP). The Solvency II capital coverage ratio is a key metric and is considered to be one of the Group's KPIs.

	31 December 2021 £m	31 December 2020 £m
Unaudited		
Own funds	3,004	3,014
Solvency Capital Requirement	(1,836)	(1,938)
Excess own funds	1,168	1,076
Solvency coverage ratio¹	164%	156%

1 This figure allows for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of the TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 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 funds¹

The table below analyses the movement in excess own funds, in the year ended 31 December 2021.

	2021 £m	2020 £m
Unaudited		
Excess own funds at 1 January	1,076	748
Operating		
In-force surplus net of TMTP amortisation ²	191	174
New business strain	(40)	(48)
Finance cost	(71)	(66)
Group and other costs	(29)	(42)
Underlying organic capital generation	51	18
Other	42	203
Total organic capital generation³	93	221
Non-operating		
Accelerated TMTP amortisation	–	(24)
Regulatory changes	(38)	(19)
Economic movements	56	37
T2 and equity issuance, net of costs ⁴	(19)	113
Excess own funds at 31 December	1,168	1,076

1 All figures are net of tax, and reflect the estimated impact of a TMTP recalculation as at 31 December 2021. Figures for 2020 include a notional recalculation of TMTP where applicable.

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

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

4 2020 figure is PLACL's Tier 2 bond which was called in March 2020.

Underlying organic capital generation

£51m of underlying organic capital generation in 2021, whilst delivering new business premium growth of 25%, was an outstanding result. We more than achieved our target of doubling 2020 underlying organic capital generation of £18m by 2022, and did so a year early. At this level of underlying organic capital generation we believe the business is delivering sufficient on-going capital generation to support decisions on the deployment of capital between supporting further profitable growth, providing returns to our capital providers and further investment in the strategic growth of the business.

The improvement in underlying organic capital generation has benefitted from the on-going focus across the business on minimising new business capital strain. In 2021, new business strain fell by a further £8m to £40m, which represents 1.5% of new business premium (2020: 2.2%). This outperformance was driven by continued pricing discipline and risk selection, together with an increased proportion of the DB deferred business within the sales mix, following enhancements to our proposition in 2020. Capital light DB deferred business represented 38% of total DB sales in 2021 (2020: 2%). In-force surplus has continued to increase as the size of the in-force book grows. Group and other costs includes £11m (2020 £10m) of non-life costs previously within in-force surplus. Finance costs have peaked and are expected to materially decline in future as we gradually refinance the outstanding debt to coupons more commensurate to our credit rating and representative of the progress made to reduce risks and improve capital generation over the past three years. We also completed our three year cost-base reduction programme, which contributed towards eliminating the cost overruns in line with our 2021 target (2020: £8m overruns).

The £18m of expenses incurred include development (£6m) and non-recurring (£12m) costs. Management actions and other contributed £42m to the capital surplus, leading to a total of £93m from organic capital generation.

BUSINESS REVIEW CONTINUED

Non-operating items

Included within regulatory changes is the impact of the major model change (£33m) and the transition of the Solvency II prescribed risk-free rates from LIBOR to SONIA, offset by the positive impact of the corporation tax rate changes, which increases the Group's deferred tax assets.

Economic movements included a positive property variance of £82m due to actual property price growth of over 9% during 2021 being in excess of our 3.3% long-term growth assumption, offset by an adjustment to move to individual updated property prices calculated across our portfolio, rather than using the ONS index. This gain was offset by a negative £76m from higher interest rates (though largely neutral for the solvency ratio) and the net £19m upfront cost of the RT1 refinancing, which will benefit the Group's underlying organic capital generation in the longer term through lower financing costs. The cost of credit migration during the year was £13m, significantly less than 1% reduction in the Solvency II capital coverage ratio, as credit conditions remained benign.

The property sensitivity has reduced to 11% on a pro forma basis, taking into account the third LTM portfolio sale completed post year end (31 December 2020: 14% and a peak of 20% on 30 June 2019). We expect that by maintaining a reduced LTM backing ratio of c.20% on new business and selective NNEG hedges where commercially attractive, we will contain the Solvency II sensitivity to house prices to at or below this level over time. Note that the credit quality step downgrade sensitivity below, as well as being a severe stress requiring a significant downgrade in credit quality for 20% of our credit portfolio, does not allow for the positive impact from credit portfolio management during a time of stress.

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

Estimated Group Solvency II sensitivities¹

Unaudited	%	£m
Solvency coverage ratio/excess own funds at 31 December 2021 ²	164	1,168
-50 bps fall in interest rates (with TMTP recalculation)	(4)	42
+100 bps credit spreads	2	5
Credit quality step downgrade (with TMTP recalculation) ³	(8)	(156)
+10% LTM early redemption	1	4
-10% property values (with TMTP recalculation) ⁴	(12)	(197)
-10% property values post LTM sale (with TMTP recalculation) ^{4,5}	(11)	(178)
-5% mortality	(12)	(210)

1 In all sensitivities the Effective Value Test ("EVT") deferment rate is maintained at the level consistent with base balance sheet, except for the interest rate sensitivity where the deferment rate reduces in line with the reduction in risk-free rates but is subject to the minimum deferment rate floor of 0.50% as at 31 December 2021 (0% as at 31 December 2020).

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

3 Sensitivity shows the impact of an immediate full letter downgrade on 20% of assets where the capital treatment depends on a credit rating (including corporate bonds, commercial mortgages and infrastructure loans), but excludes lifetime mortgage senior notes. All credit assets were grouped into rating class, then 20% of each group were downgraded.

4 After application of NNEG hedges.

5 Including the impact of the February 2022 LTM portfolio sale.

Reconciliation of IFRS total equity to Solvency II own funds

Unaudited	31 December 2021 ¹ £m	31 December 2020 £m
Shareholders' net equity on IFRS basis	2,440	2,490
Goodwill	(34)	(34)
Intangibles	(86)	(100)
Solvency II risk margin	(759)	(846)
Solvency II TMTP ¹	1,657	2,106
Other valuation differences and impact on deferred tax	(987)	(1,391)
Ineligible items	(3)	(5)
Subordinated debt	781	795
Group adjustments	(5)	(1)
Solvency II own funds¹	3,004	3,014
Solvency II SCR¹	(1,836)	(1,938)
Solvency II excess own funds¹	1,168	1,076

1 These figures allow for a notional recalculation of TMTP as at 31 December 2020. In 2021, the figures include the estimated impact of the biennial reset of the TMTP as at 31 December 2021 and the TMTP has been calculated excluding the contribution from the LTMs that have been sold on 22 February 2022.

Reconciliation from regulatory capital surplus to reported capital surplus

	31 December 2021 £m	31 December 2021 %	31 December 2020 £m	31 December 2020 %
Regulatory capital surplus	1,168	164	1,071	155
Notional recalculation of TMTP	-	-	5	1
Reported capital surplus	1,168	164	1,076	156

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Gross premiums written	2,676	2,148
Reinsurance premiums ceded	(23)	(232)
Reinsurance recapture	–	940
Net premium revenue	2,653	2,856
Net investment income	(130)	1,778
Fee and commission income	16	11
Total revenue	2,539	4,645
Net claims paid	(1,141)	(1,000)
Change in insurance liabilities	(1,039)	(2,983)
Change in investment contract liabilities	(1)	(2)
Acquisition costs	(49)	(44)
Other operating expenses	(193)	(220)
Finance costs	(137)	(159)
Total claims and expenses	(2,560)	(4,408)
(Loss)/profit before tax	(21)	237
Income tax	5	(44)
(Loss)/profit after tax	(16)	193

Gross premiums written

Gross premiums written for the year were £2,676m, an increase of 25% compared to the prior period (2020: £2,148m). As discussed above, this reflects the strong growth in Retirement Income new business premiums, driven by growth in DB deferred and GfL business.

Reinsurance premiums ceded

Reinsurance premiums ceded (expense of £23m) has decreased significantly in the current period as the first six months of 2020 included a one-off reinsurance expense in relation to a pioneering DB partnering transaction.

Reinsurance recapture

During 2020, the Group recaptured all of the remaining quota share reinsurance arrangements held by its subsidiary Just Retirement Limited ("JRL"). These reinsurance treaties included financing arrangements, which allowed a capital benefit under the old Solvency I regime. The treaties allowed the recapture of business once the financing loan from the reinsurer had been repaid, and the Group has now fully repaid all such financing arrangements.

Net premium revenue

Net premium revenue has decreased by 7% to £2,653m (2020: £2,856m), as the one-off reinsurance recapture and premiums ceded described above more than offset the increase in gross premiums written.

Net investment income

Net investment income decreased to an expense of £130m (2020: income of £1,778m). The main components of investment income are interest earned and changes in fair value of the Group's corporate bond, mortgage and other fixed income assets. There has been an increase in risk-free rates during the year which has resulted in unrealised losses in relation to assets held at fair value, and hence the swing from income to expense, as in the prior period, interest rates fell. We closely match our assets and liabilities, hence fluctuations in interest rates will drive both sides of the IFRS balance sheet. We actively hedge interest rate exposure to protect the Solvency II capital position and in doing so we accept the accounting volatility.

Net claims paid

Net claims paid increased to £1,141m (2020: £1,000m) reflecting the continuing growth of the in-force book.

Change in insurance liabilities

Change in insurance liabilities was £1,039m for the current year (2020: £2,983m). The decrease is principally due to an increase in the valuation interest rate due to the rise in risk-free rates noted above. The prior period also reflected a reinsurance recapture.

Acquisition costs

Acquisition costs have increased to £49m (2020: £44m), mainly due to a 3% increase in LTM origination to fund the 25% increase in new business premiums, which are now backed by a reduced LTM ratio.

Other operating expenses

Other operating expenses decreased to £193m in the current year from £220m in 2020. This reduction reflects the benefit of the cost saving initiatives carried out over the past three years.

Finance costs

The Group's overall finance costs decreased to £137m (2020: £159m). The main driver relates to a reduction in reinsurance deposits, which have fallen in line with the £940m reinsurance recaptures made at the end of 2020, as mentioned above. This decrease was partly offset by a full year of interest on the Tier 2 loan notes issued in October 2020. Note that the coupon on the Group's Restricted Tier 1 notes is recognised as a capital distribution directly within equity and not within finance costs.

Income tax

Income tax for the year ended 31 December 2021 was a credit of £5m (2020: charge of £44m). The effective tax rate of 26.4% (2020: 18.7%) is 7.4% higher than the standard 19% corporation tax rate. This is due to the small base of profit/loss for 2021 compared to 2020 leading to the impact of tax adjustments having a far more significant impact on the effective tax rate than in 2020.

BUSINESS REVIEW CONTINUED

HIGHLIGHTS FROM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	31 December 2021 £m	31 December 2020 £m
Assets		
Financial investments	24,682	23,270
Reinsurance assets	2,808	3,132
Other assets	858	1,771
Total assets	28,348	28,173
Share capital and share premium	199	198
Other reserves	948	949
Accumulated profit and other adjustments	973	1,051
Total equity attributable to ordinary shareholders of Just Group plc	2,120	2,198
Tier 1 notes	322	294
Non-controlling interest	(2)	(2)
Total equity	2,440	2,490
Liabilities		
Insurance liabilities	21,813	21,118
Reinsurance liabilities	275	267
Other financial liabilities	2,866	3,305
Insurance and other payables	93	92
Other liabilities	861	901
Total liabilities	25,908	25,683
Total equity and liabilities	28,348	28,173

Financial investments

During the year, financial investments increased by £1.4bn to £24.7bn (2020: £23.3bn), as investment of the Group's new business premiums and credit spread narrowing was offset by increases in risk-free rates during the period. The credit quality of the corporate bond portfolio has improved, with 54% of the Group's corporate bond and gilts portfolio rated A or above (2020: 50%), as upgrades across the portfolio and an increase in Government investments offset downgrades. Our diversified portfolio continues to grow and is well balanced across a range of industry sectors and geographies. Accommodative central bank and fiscal stimulus during 2021 led to continued credit spread tightening, however, in 2022, we expect various government asset purchase programmes in response to the pandemic to be gradually unwound. At the same time, central banks are expected to raise base rates from their historical low levels to counteract the effect of inflation, albeit inflation momentum is expected to soften in the second half of 2022. In the longer term, a normalisation of central bank and government fiscal policy is welcome, as interest rates remain extremely low compared to historical levels.

Credit rating agencies had been slow to restore previously downgraded companies or corporates to a level our fundamental credit analysis supports, which provides opportunities to increase our exposure to certain sectors that will benefit from the economic growth expected. The Group has selectively added to its consumer (staples), energy, basic materials and infrastructure investments, with minor rotational changes during the year as we reduced exposure to banks and real estate including REITs.

During the year, we continued to invest in commercial mortgages, income strips, social housing, and have separately disclosed ground rents for the first time. These illiquid real estate investments are typically much longer duration and very beneficial to match the DB deferred liabilities. Government investments increased by over £1bn as the Group temporarily invested excess cash, however this is expected to be recycled into other corporate bonds and illiquid assets during 2022 as opportunities arise. We also received UK gilts as part of the August 2020 LTM sale proceeds and invested in both developed and emerging market sovereign bonds.

The Group has limited exposure to those sectors that are most sensitive to structural change, such as auto manufacturers and consumer (cyclical), while the BBB-rated bonds are weighted towards the most defensive sectors including utilities, communications and technology, and infrastructure. During the year, we sold £157m of bonds, including those that were most exposed to downgrade. We constantly review the sector allocations and within those, take the opportunity to trade out of individual names to stay ahead of credit rating agency actions, whilst maintaining diversification.

At 31 December 2021, the Group had ample liquidity. We continue to prudently manage the balance sheet by hedging all foreign exchange and inflation exposure, while maintaining an extensive interest rate hedging programme, which is primarily designed to protect against movements in the Solvency II capital coverage ratio. Our interest rate hedging has been adapted during the latter stages of 2021 and into 2022 to provide a better balance between solvency protection and IFRS cost, in particular as rates rise.

The loan-to-value ratio of the mortgage portfolio was 36.1% (2020: 36.1%), reflecting strong property growth across our geographically diversified portfolio, which offsets interest roll-up. Lifetime mortgages at £7.4bn decreased by a further 5 percentage points to 30% of total financial investments. In August 2021, we completed a second LTM portfolio sale, and post year end completed a third LTM portfolio sale. In total the Group has disposed of £1.6bn of lifetime mortgages as part of our objective to reduce the sensitivity of the capital position to house price movements, which at 11% pro forma capital ratio impact for a 10% fall in UK house prices is now at a level at which we are comfortable. At the present time, further portfolio sales are not envisaged as the sensitivity is expected to be contained around 10%. The value of LTMs post the latest portfolio sales is expected to be 27% of our investment assets. With a lower new business backing ratio, we anticipate the LTM proportion will fall to around 25% over time. Furthermore, during 2021 and continuing into 2022, the increase in long-term interest rates has decreased the value of LTMs on our balance sheet.

Other Illiquid assets and Environmental, Social and Governance investing

During the year, the Group originated £615m (2020: £485m) of new investments in other illiquid assets including infrastructure, real estate investments mentioned above and private placements. Just has invested £3.0bn of other illiquid assets, representing 12.3% (2020: 11.2%) of the total financial investments portfolio. We anticipate that the upcoming Solvency II reform will broaden the matching adjustment eligibility criteria, which will create opportunities to invest in line with the Government "levelling up" agenda through infrastructure, decarbonising the economy and investment in science and research. Many of the other illiquids are invested in a range of ESG assets including renewable energy, social housing and local authority loans. We have invested £1.6bn in dedicated ESG assets (10.3% of £15.3bn corporate/government bond portfolio). By the end of 2021, we had already completed our Green bond £250m investment commitment, a little over a year after issuance, and have completed over half of the £325m Sustainable bond investment commitment. We are on track to complete our total £575m investment in green and social asset commitment by the end of 2022. The Green/Sustainability bond allocation report is available on <https://www.justgroupplc.co.uk/investors/esg>.

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

	31 December 2021 £m	31 December 2021 %	31 December 2020 £m	31 December 2020 %
AAA ¹	2,448	10	2,197	9
AA ² and gilts	3,194	13	1,989	9
A ²	4,384	18	4,136	18
BBB	6,500	26	6,024	26
BB or below	388	1	408	2
Unrated/Other	414	2	255	1
Lifetime mortgages	7,423	30	8,261	35
Total²	24,751	100	23,270	100

¹ Includes units held in liquidity funds.

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

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

	31 December 2021 £m	31 December 2021 %	31 December 2020 £m	31 December 2020 %
Basic materials	264	1.1	200	0.9
Communications and technology	1,430	5.8	1,189	5.1
Auto manufacturers	319	1.3	385	1.7
Consumer (staples including healthcare)	1,174	4.7	977	4.2
Consumer (cyclical)	187	0.7	113	0.5
Energy	633	2.6	463	2.0
Banks	1,192	4.8	1,422	6.1
Insurance	845	3.4	825	3.5
Financial – other	481	1.9	462	2.0
Real estate including REITs	661	2.7	771	3.3
Government	2,415	9.7	1,340	5.8
Industrial	920	3.7	840	3.6
Utilities	2,302	9.3	2,030	8.7
Commercial mortgages	678	2.7	592	3.0
Ground rents ¹	263	1.1	115	–
Infrastructure	1,474	6.0	1,220	5.2
Other	38	0.2	38	0.2
Corporate/government bond total	15,276	61.7	12,982	55.8
Lifetime mortgages	7,423	30.0	8,261	35.5
Liquidity funds	1,311	5.3	1,129	4.8
Derivatives and collateral	741	3.0	898	3.9
Total¹	24,751	100.0	23,270	100.0

¹ Includes investment in trust which holds ground rent generating assets which are included in investment properties in the IFRS consolidated statement of financial position.

Reinsurance assets and liabilities

Reinsurance assets decreased to £2,808m at 31 December 2021 (2020: £3,132m) as the reinsurance quota share treaties gradually run-off. Since the introduction of Solvency II in 2016, the Group has increased its use of reinsurance swaps rather than quota share treaties. Reinsurance liabilities relate to liability balances in respect of the Group's longevity swap arrangements.

Other assets

Other assets decreased to £858m at 31 December 2021 (2020: £1,771m). These assets mainly comprise cash, and intangible assets. The Group holds significant amounts of assets in cash, so as to protect against liquidity stresses. During 2020 the Group significantly increased the amount of assets held in cash so as to safeguard against market volatility. The reduction in 2021 reflects a more stable operating environment and reduced market volatility.

Insurance liabilities

Insurance liabilities increased to £21,813m at 31 December 2021 (2020: £21,118m). The increase in liabilities arose from the new business premiums written during the year, which was offset by an increase to the valuation rate of interest over the period.

Other financial liabilities

Other financial liabilities decreased to £2,866m at 31 December 2021 (2020: £3,305m). These liabilities mainly relate to deposits received from reinsurers, together with derivative liabilities and cash collateral received. The reduction from the prior year relates to corresponding reduction in reinsurance assets as mentioned above and lower amounts of derivatives and collateral, given the reduced market volatility.

Other liabilities

Other liability balances decreased to £861m at 31 December 2021 (2020: £901m), due to reductions in the deferred tax liability and accruals.

IFRS net assets

The Group's total equity at 31 December 2021 was £2,440m (2020: £2,490m). Total equity includes the Restricted Tier 1 notes of £322m (after issue costs) issued by the Group in September 2021, which refinanced £294m of higher coupon Restricted Tier 1 notes issued in 2019. Including the upfront cost of the refinancing, total equity attributable to ordinary shareholders decreased from £2,198m to £2,120m resulting in net asset value per ordinary share of 204p (2020: 212p).

DIVIDENDS

Reflecting our strong performance in 2021, improved capital position and confidence in our future performance, the Board is recommending a final dividend of 1.0p (£10m). In the near term, we expect to deploy the majority of capital we generate to support the new business available to us in the DB and GfL markets, whilst supporting an on-going sustainable dividend, which we would expect to grow over time.

From 2022 onwards, we intend to declare dividends twice annually with an interim dividend to be declared at our interim results in August and paid in September and the final dividend to be declared at the final results in March and paid in May. In future we would expect the interim dividend to be approximately one third of the prior year full year dividend and if this policy had applied for 2021 as a whole the equivalent dividend for the full year would have been 1.5p (£15m).

ANDY PARSONS

Group Chief Financial Officer

RISK MANAGEMENT

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

PURPOSE

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 provide confidence to other stakeholders. Our risk management processes are designed to ensure that our understanding of risk underpins how we run the business.

RISK FRAMEWORK

Our risk framework, owned by the 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. Over the past year it has been enhanced to facilitate the identification, assessment and reporting of risks arising from climate change ("climate risk"), with risk category definitions updated to integrate climate risk aspects. A high-level qualitative climate risk appetite has been added to the Group's existing high-level appetites, which include reputation and capital, recognising the importance of climate risk. Group policies have been updated to draw out any climate specific considerations for risk management.

RISK EVALUATION AND REPORTING

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

Financial risk modelling is used to assess the amount of each risk type against our capital risk appetite. This modelling is principally aligned to our regulatory capital metrics. This modelling allows the Board to understand 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.

The financial risks from climate change arise from property, longevity and market risks as set out on pages 25 to 28. The associated policies govern the exposure of the Group to a range of risks, including climate risk, and define the risk management activities to ensure these risks remain within appetite.

EMBEDDING GOVERNANCE VIA THREE LINES OF DEFENCE

1ST LINE



2ND LINE



BUSINESS OPERATIONS

The first level of the control environment is the business operations which perform day-to-day risk management activity.

RISK & CONTROL

- An established risk and control environment

OVERSIGHT FUNCTIONS

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

RISK & CONTROL

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

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

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

OWN RISK AND SOLVENCY ASSESSMENT

The Group's Own Risk and Solvency Assessment ("ORSA") process embeds comprehensive risk reviews into our Group management activities. Our annual ORSA report is a key part of our business risk management cycle. It summarises work done through the year on business model and strategic risks, tests the business in 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 thus informs strategic decision making. Updates are prepared each quarter, including factors such as key risk limit consumption as well as operational and market risk developments, to keep the Board apprised of the Group's evolving risk profile.

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

← 3RD LINE

INDEPENDENT ASSURANCE

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

RISK & CONTROL

- Provide independent challenge and assurance

VIABILITY STATEMENT

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

In making the viability assessment the Group considers the Group's business plan approved by the Board, steps taken by the Group over the last three years to improve capital efficiency; the projected liquidity position of the Company and the Group, ongoing impacts of COVID-19, current financing arrangements, contingent liabilities and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

Consistent with the Group's going concern assessment, the Group's resilience to the solvency capital position, is tested under a range of adverse scenarios which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall in excess of 40%. Eligible own funds exceeded the minimum capital requirements in all stressed scenarios described above. The scenarios considered are consistent with the going concern assessment (see page 127 of this Annual Report and Accounts).

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

Additionally, a scenario where the Group ceases to write new business is considered. In particular, if adequate capital is not available to fund continued writing of material levels of new business, the scope of the Group's business would change. In that case, even if the Group ceases to write new business, the Group would still be viable, although as a Group managing its existing book of business in run-off.

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

PRINCIPAL RISKS AND UNCERTAINTIES

STRATEGIC PRIORITIES

1. Improve our capital position
2. Transform how we work
3. Get closer to our customers and partners
4. Generate growth in new markets
5. Be proud to work at Just

CHANGES IN THE PERIOD/RISK OUTLOOK

- ➡ No change/stable
 ↑ Increasing
 ↓ Decreasing

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK A RISKS FROM REGULATORY CHANGES AND SUPERVISION STRATEGIC PRIORITIES 1 2 3 4 5 CHANGE IN THE PERIOD ➡ RISK OUTLOOK ➡	<p>The financial services industry continues to see a high level of regulatory activity and regulatory supervision. This is shown in the Business Plans of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").</p> <p>The PRA has retained its focus on the use of illiquid assets in matching adjustment portfolios (including equity release mortgages) as insurers continue their asset allocations in this area.</p> <p>The PRA is carrying out a quantitative impact study ("QIS") to assess the financial impact of a variety of potential reforms to the Solvency II regime, including most notably for Just, reform of the matching adjustment and the risk margin.</p> <p>The Group remains exposed to the changes following SS3/17, notably to the PRA changing the parameters used to determine compliance with the Effective Value Test, limiting the matching adjustment available from equity release mortgages. These changes are partially offset by TMTF for business written prior to the introduction of Solvency II.</p> <p>The Treasury is undertaking a review of the future regulatory framework in the UK post-Brexit. This covers the general regulatory framework and roles of the UK regulators as well as a review focused on adapting Solvency II to fit the UK insurance market. The impact on the risk of regulatory change remains uncertain.</p> <p>The PRA required firms to have fully implemented their plans for identifying and managing the financial risks from climate change by the end of 2021. The FCA expected premium-listed firms (including Just Group plc) to comply with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures ("TCFD") in their annual reports for financial years starting from 1 January 2021.</p> <p>The PRA and FCA have issued requirements to strengthen operational resilience in the financial services sector. This is a key priority for the regulators.</p> <p>The risk of a negative impact on the Group's capital position from broader financial services regulatory change is not limited to the matters described in the paragraphs above.</p> <p>The change in accounting standard to IFRS 17 due to be implemented in 2023 will produce a different profit recognition profile to which market participants will take time to adjust.</p>	<p>Just monitors and assesses regulatory developments on an on-going 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 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 Group also keeps under review the possible need for capital management actions, such as reducing new business volumes.</p> <p>Just has an approved partial internal model to calculate the Group Solvency Capital Requirement, which it keeps under review for continued appropriateness. Just received approval for changes proposed as part of a Major Model Change in December 2021 incorporating the requirements of SS3/17 for JRL's internal model and a regulatory treatment for the no-negative equity guarantee risk transfer transactions already completed.</p> <p>Further steps to manage our exposure to UK residential property and the amount of capital we have to hold for lifetime mortgages continue, with a range of actions building on the no-negative equity guarantee hedging and lifetime mortgage portfolio sale transactions completed to date.</p> <p>A revised investment risk framework and limits was adopted by the Board in support of the Group's on-going compliance with the Prudent Person Principle following the PRA's supervisory statement. The Group operates a number of governance committees to ensure continuing compliance with the framework and limits.</p> <p>Just is reviewing the potential implications of the Treasury review of Solvency II and the opportunities it presents. Just has participated in the QIS related to the potential Solvency II reforms to understand the financial impacts of the scenarios requested by the PRA.</p> <p>The trade deal agreed between the UK and the EU following UK's withdrawal from the EU did not address the issue of UK insurers continuing payments to EU/EEA resident customers from 1 January 2021 after the end of the transition period. However, following engagement with EU/EEA regulators, permanent or interim solutions are in place for jurisdictions where material numbers of our customers reside. Just will engage with national regulators to ensure any further measures are taken as required to allow policyholder payments to continue.</p> <p>We have identified the potential impacts of climate change on the Group's risks. The Group's risk management framework has been developed to accommodate and report on climate risks and make appropriate disclosures in line with TCFD recommendations. Climate and environmental considerations have been embedded in the Group's governance and decision making.</p> <p>Just has carried out a programme of development of its operational resilience approach to meet the regulators' expectations ahead of the implementation deadline at the end of March 2022.</p> <p>We will endeavour to educate investors on the changes resulting from IFRS 17 ahead of full implementation.</p>

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK B RISKS FROM THE ECONOMIC AND POLITICAL ENVIRONMENT STRATEGIC PRIORITIES 1 2 3 4 5 CHANGE IN THE PERIOD  RISK OUTLOOK 	<p>The premiums paid by the Group's customers are invested to enable future benefits to be paid when expected with a high degree of certainty. The economic environment and financial market conditions have a significant influence on the value of assets and liabilities the Group holds and on the income the Group receives. A deterioration in the economic environment could impact the availability and attractiveness of certain securities and increase the risk of credit downgrades and defaults in our asset portfolio.</p> <p>A fall in residential property values could reduce the amounts received from lifetime mortgage redemptions and may affect the relative attractiveness of the LTM product to customers. The regulatory capital needed to support the possible shortfall on the redemption of lifetime mortgages also increases if property values drop. Conversely, significant rises in property values could increase the incidence of early mortgage redemptions, leading to an earlier receipt of anticipated cash flows with the consequential reinvestment risk.</p> <p>It remains possible that the Bank of England could maintain negative real interest rates as a policy tool to stimulate the economy. The effect that this would have on customer behaviour or on the market for credit investments or lifetime mortgages is unclear.</p> <p>Most defined benefit pension schemes link member benefits to inflation through indexation. As the Group's defined benefit de-risking business volumes grow, its gross exposure to inflation risk increases.</p> <p>The conflict in Ukraine is expected to impact energy prices and hence increases our expectations of inflation in the near term. Depending on how the conflict is resolved, it may have implications for certain of the investments in our investment portfolio.</p> <p>Market risks may affect the liquidity position of the Group by, for example, having to realise assets to meet liabilities during stressed market conditions or to service collateral requirements due to the changes in market value of financial derivatives. A lack of market liquidity is also a risk to any need that the Group may have to raise capital or refinance existing debt.</p> <p>Just's asset and derivative counterparties have climate risk exposure which may impact their creditworthiness in due course.</p>	<p>Economic conditions are actively monitored, and alternative scenarios modelled to better understand the potential impacts of significant economic changes on the amount of capital required to be held to cover risks, and to inform management action plans. The Group's strategy is to buy and hold high-quality, investment grade assets in its investment portfolio to ensure that it has sufficient income to meet outgoings as they fall due. Portfolio credit risk is managed by a combination of Just's internal investment team and specialist external fund managers, overseen by Just's own credit specialists, executing a diversified investment strategy in assets within concentration risk limits.</p> <p>Improved returns are sought by increasing the types, geographies, industry sectors and classes of assets into which the Group invests. This creates exposures to foreign exchange risk, which is controlled using derivative instruments. Derivative instruments are also used to reduce exposures to interest rate volatility. The counterparty exposure arising from transacting in these instruments is mitigated by collateral arrangements and managed to avoid concentration exposures wherever practical.</p> <p>For lifetime mortgages, the Group underwrites the properties against which it lends using valuations from expert third parties. The Group's property risk is controlled by limits to the initial Loan-to-value ratio, supported by product design features and limiting specific property types and exposure in each region. We also monitor the exposure to adverse house price movements and the accuracy of our indexed valuations. While the Group's capital models accommodate negative interest rates, there is no historical data to validate the behaviour of the economy in such an environment.</p> <p>The Group manages its exposure to inflation risk using inflation hedges and index-linked securities. The Group closely monitors inflationary pressures, including energy prices, and other factors that may have implications for our investments.</p> <p>Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due.</p> <p>There can be some short-term volatility in the Group's cash position, which is a consequence of its derivative hedging. Regular cash flow forecasts predict liquidity levels over both the short-term and long-term and stress tests help us determine the required liquidity to hold. The Group monitors market conditions to ensure appropriate liquid resources are held at all times to cover extreme stresses such as those seen in March 2020. The Group's liquidity requirements have been met over the past year and forecasting indicates that this position can reasonably be expected to continue for both investments and business operations.</p> <p>The monitoring of climate risk exposures of counterparties is an evolving area as climate disclosures and regulatory expectations are developing. Assessing such exposure includes consideration of climate risk disclosures, alongside any associated public reporting and the actions of credit rating agencies and where appropriate regulators.</p>
RISK C RISKS TO THE GROUP'S BRAND AND REPUTATION STRATEGIC PRIORITIES 1 2 3 4 5 CHANGE IN THE PERIOD  RISK OUTLOOK 	<p>Our purpose is to help people achieve a better later life. Our Group's brands reflect the way we aim to conduct our business and treat our customers and wider stakeholder groups.</p> <p>The Group's reputation could be damaged if the Group is perceived to be acting, even unintentionally, below the standards we set for ourselves. This could include, for example, failing to achieve the goals we have set for enhancing our sustainability framework and contributing to global efforts to reduce climate change risk.</p> <p>The Group's reputation could also be threatened by external risks such as a cyber attack, a data protection breach, or regulatory enforcement action. Such regulatory action could result directly from the Group's actions or through contagion from other companies in the sectors in which we operate.</p> <p>Damage to our reputation may adversely affect our underlying profitability, through reducing sales volumes, restricting access to distribution channels and attracting increased regulatory scrutiny.</p>	<p>The Group actively seeks to differentiate its business from competitors by investing in brand enhancing activities. Fairness to customers and high service standards are at the heart of the Just brand, and we encourage our colleagues to take pride in the quality of service they provide. Engaging our colleagues in the Just brand and its associated values has been, and remains, a critical part of our internal activity.</p> <p>Just is proactive in pursuing its sustainability responsibilities and recognises the importance of its social purpose. We have set sustainability targets aiming for our operations to be carbon net zero by 2025 and for emissions from our investment portfolio to be net zero by 2050, with a 50% reduction in emissions from the portfolio by 2030. Performance against these targets will be carefully monitored and reported.</p> <p>Protecting the personal data of our customers and colleagues remains a key priority. This is achieved both by high standards of information security and keeping the use of such data under tight control. We also take care to ensure that all data subjects can exercise their rights under GDPR, such as the ability to make subject access requests to obtain the data we hold about them and the right to be forgotten.</p>

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

STRATEGIC PRIORITIES

1. Improve our capital position
2. Transform how we work
3. Get closer to our customers and partners
4. Generate growth in new markets
5. Be proud to work at Just

CHANGES IN THE PERIOD/RISK OUTLOOK

- No change/stable
 ↑ Increasing
 ↓ Decreasing

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK D RISKS FROM OUR PRICING AND REINSURANCE STRATEGIC PRIORITIES 1. 2. 3. 4. 5. CHANGE IN THE PERIOD → RISK OUTLOOK →	<p>Writing long-term defined benefit de-risking, Guaranteed Income for Life and lifetime mortgage business requires a range of assumptions to be made based on historical experience, current data and future expectations, for customers' longevity, corporate bond yields, interest and inflation rates, property values and expenses. These assumptions are applied to the calculation of the reserves needed for future liabilities and solvency margins using recognised actuarial approaches.</p> <p>Experience may differ materially from the Group's assumptions, requiring them to be recalibrated in future. This could affect the level of reserves needed, with an impact on profitability and the Group's solvency position.</p> <p>As part of its overall risk mitigation and capital management strategy, the Group purchases reinsurance from a number of reinsurance providers to cover a significant proportion of its longevity risk exposure. Use of reinsurance creates a counterparty default risk exposure in the unlikely event of the failure of the reinsurance provider.</p> <p>Just's reinsurance counterparties have climate risk exposure which may impact their creditworthiness in due course.</p>	<p>Current mortality rates are largely derived using historical experience. The Group has the benefit of its extensive underwritten mortality data, as well as external mortality datasets, in setting base longevity assumptions. Experience is regularly monitored to ensure consistency with expected levels of mortality. If there are material differences between assumptions and emerging experience, bases are modified appropriately.</p> <p>Assumptions relating to future longevity are based on our analysis of trends and likely drivers of future change. This analysis includes the potential impact (both direct and indirect) of COVID-19 on the longevity of customers. Given the uncertainty around the potential impact of both COVID-19 and climate risk on longevity, no explicit allowance is made for these in our assumptions. Any material climate risk developments will be considered as part of our overall basis setting.</p> <p>The Group performs due diligence on our reinsurance partners, who themselves undertake due diligence on the Group's approach to risk selection. The Group manages its exposure to reinsurers on an on-going basis within the Group's risk appetite limit, with the maximum exposure to individual counterparties being subject to limits set by the Group Board. This exposure is partially mitigated through the posting of collateral into third party trusts or similar security arrangements, or the deposit of premiums back to the Group.</p> <p>The Group measures its counterparty exposure as the change in its Solvency II SCR coverage ratio from a default of each individual counterparty combined with simultaneous longevity and market stresses. The measures used include the change immediately upon default and after allowing for management actions such as re-establishing cover.</p> <p>Potential increased counterparty risk in respect of the reinsurer due to climate risk is at present difficult to assess due to the diverse nature of the reinsurers' business models but should become clearer over time.</p>
RISK E RISKS ARISING FROM OPERATIONAL PROCESSES AND IT SYSTEMS STRATEGIC PRIORITIES 1. 2. 3. 4. 5. CHANGE IN THE PERIOD → RISK OUTLOOK →	<p>The Group relies on its operational processes and IT systems to conduct its business, including the pricing and sale of its products, managing its investments, measuring and monitoring its underwriting liabilities, processing applications and delivering customer service and maintaining accurate records. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged or interrupted by human error, unauthorised access, natural disaster or similarly disruptive events. Any failure of the Group's IT and communications systems and/or the third party infrastructure on which it relies could lead to costs and disruptions that could adversely affect its business and ability to serve its customers as well as harm its reputation.</p> <p>Large organisations continue to be targeted for cyber crime. This includes attacks by state-sponsored actors on national infrastructure as well as criminal attacks on particular organisations that hold customers' personal details. The Group is exposed to the effects of indirect and direct attacks and these could affect customer confidence, or lead to financial losses.</p>	<p>The Group maintains a system of internal control, with associated policies and operational procedures, to ensure its processes operate with a low level of risk of failure. The Group also defines clear expectations of the standards we expect of all colleagues.</p> <p>Protecting our customers and their data remains our highest priority, while maintaining a resilient framework on our existing, well-established business continuity management and disaster recovery capabilities.</p> <p>In parallel to this and as part of our commitment to continuous improvement, 2021 has seen some significant changes in the Group's infrastructure, with the migration and rationalisation of data centres forming part of a wider network and technology transformation programme. This means that the Group is in an even stronger position to ensure the continuity of IT service availability, particularly for the technologies that enable important business services to support the needs of our customers.</p> <p>Group security and management of data has also seen advances in the capability implemented, including the latest technologies to protect our customers' information from advanced cyber threats.</p> <p>Further management and security tools have been added to the Group email system to identify and resist malicious attacks. The newly deployed telephony system builds security and resilience into all contact points with our customers and partners. A specialist Security Operations Centre monitors all Group externally facing infrastructure and services, providing real-time threat analysis and incident management and response capabilities.</p> <p>The Group continues to invest in market-leading products to protect a hybrid workforce and to maintain our multilayered approach to information security and resilience.</p>

RISK	DESCRIPTION AND IMPACT	MITIGATION AND MANAGEMENT ACTION
RISK F RISKS FROM OUR CHOSEN MARKET ENVIRONMENT STRATEGIC PRIORITIES  CHANGE IN THE PERIOD  RISK OUTLOOK 	<p>The Group operates in a market where changes in pensions legislation can have a considerable effect on our strategy and could reduce our sales and profitability or require us to hold more capital.</p> <p>Our chosen market of helping people approaching and in-retirement is rightly highly regulated. While we maintain strong controls across our services, we could fail to meet these ever increasing standards and fail to deliver to our core purpose of helping people achieve a better later life. Likewise, customer needs and expectations continue to evolve and change in profile, and we may not optimise our professional services offering and distribution models to suit their requirements. Failures in these areas would raise the risk of losing one or more of our key partners on whom we rely for customer introductions.</p> <p>Competitive pressure in the lifetime mortgage market is strong with lenders moving to control distribution as well as competing on rates and early repayment charges. The range of products available in this market has increased substantially in the last few years while average rates have reduced, squeezing margins.</p> <p>A significant fall in home prices, although not expected to occur, could affect customer appetite for equity release.</p> <p>Climate risk could affect Just Group's financial risks due to its exposure to residential property through its lifetime mortgage portfolio and through its corporate bond and illiquid investment portfolio.</p> <p>For lifetime mortgages:</p> <p>(i) transition risk – government policy changes may impact the value of residential properties, such as through the introduction of minimum energy performance requirements at the time of sale;</p> <p>(ii) physical risks – such as increased flooding, resulting from severe rainfall, or more widespread subsidence due to extended droughts, may affect the value of properties not seen as having such an exposure at present.</p> <p>For corporate bond and illiquid investment portfolios, the impact of climate risk on assets or business models may affect the ability of corporate bond issuers and commercial borrowers to service their liabilities. The 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.</p> <p>The increased consideration of sustainability in investment decisions may restrict investment choice and the yields available; it may also create new opportunities to invest in assets that are perceived to be more sustainable.</p>	<p>The Group offers a range of retirement options, allowing it to remain agile in this changing environment, and flexes its offerings in response to market dynamics. Our approach to legislative change in our markets is to participate actively and engage with policymakers.</p> <p>We are well placed to adapt to changing customer demand, supported by our brand promise, innovation credentials, digital expertise and financial strength.</p> <p>The most influential factors in the successful delivery of the Group's plans are closely monitored to help inform the business. The factors include market forecasts and market share, supported by insights into customer and competitor behaviour.</p> <p>Demand from scheme trustees for defined benefit de-risking solutions is expected to continue to grow, mitigating the impacts on Just of increased market competition.</p> <p>The automated advice service Destination Retirement is a strategic response by the distribution business to address changing needs in the retirement market. This service is targeted at people approaching or in-retirement with modest pension savings who may be unable to afford traditional financial advice.</p> <p>The risk of increased competition in the lifetime mortgage market is mitigated through continuing work to improve the customer appeal of the Group's products, explore new product variants and meet distributors' digital and service needs.</p> <p>We continue to develop stress testing capabilities to further improve monitoring of the potential impact of climate change on our investment and equity release portfolios. Government policy on the energy performance of residential properties is being monitored.</p> <p>We already take risks from flooding, coastal erosion and subsidence into account in our lending decisions, and are keeping the lifetime mortgage lending policy under review in light of climate risks, making adjustments as required.</p> <p>Just has enhanced its approach to ESG in its investment strategy as set out in its Responsible Investment Framework. This has resulted in new premium income being invested in bonds and illiquid investments with a lower carbon footprint.</p>

The Group's strategic priorities are explained in more detail on pages 16 and 17.

RETURNED TO GROWTH

INNOVATION THE JUST WAY

We are positively disrupting markets to deliver better value for our customers and to fulfil our purpose.

Just has become famous for its innovation and its pioneering credentials in the retirement market. That's why people describe us as the **retirement specialist.**

SIX-IN-TEN

Number of people we could help get a better lifetime mortgage deal

20% EXTRA

The typical amount of additional retirement income people received medical underwriting

Over a decade ago we started asking people about their medical conditions and lifestyle factors. By collecting this information we were able to provide the majority of people with more guaranteed income for the rest of their life. We found we could help around six-in-ten people get a better deal and this was typically an extra 20% retirement income compared to those who purchased an income without the benefit of medical underwriting.

This innovation transformed the market and ensured we fulfilled our purpose to help people achieve a better later life.

Today we have over 3 million person years of data that fuels our intellectual property. More than any of our competitors.

WE ARE CREATING A NEW REVOLUTION

In the second half of 2021 we've taken our intellectual property and used it to positively disrupt another retail retirement market. This time, the lifetime mortgage market. By asking customers a few questions about their medical conditions and lifestyle factors we've found a way to provide a tailored solution for each customer. And we've estimated that around six-in-ten customers will get a better deal than if they didn't disclose this information. A better deal means they will get a lower interest rate, or for those that need to, be able to borrow a higher amount. Using medical underwriting in this way can provide customers with thousands of pounds of additional value.

By adding medical underwriting into the industry's core technology and sourcing systems, we've equipped financial advisers with the ability to lead this revolution just like they did in the retail retirement income market. By asking a few additional questions financial advisers can personalise their offer and ensure their clients attain the best deal – if they do not use medical underwriting they introduce risk to their business as they cannot attest to their client that they are delivering the best outcome.

We think this revolution will diffuse through the market more quickly than the one we introduced in the retail retirement income market, thanks to the wide use of technology in the advisory market today. And we expect others will follow.

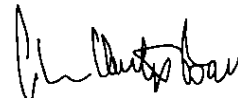
“

We continue to innovate to positively disrupt markets so that we may deliver fair value and better outcomes for customers

PAUL TURNER
Managing Director, Retail

APPROVAL

The Strategic Report was approved by the Board of Directors on 9 March 2022 and signed on its behalf by:



JOHN HASTINGS-BASS
Chair

CHAIR'S INTRODUCTION TO GOVERNANCE

I am pleased to present the Group's Corporate Governance Report for 2021.



JOHN HASTINGS-BASS
Chair

Dear shareholders and other stakeholders,

On behalf of the Board of Just Group plc (the "Board"), I am pleased to present the 2021 Corporate Governance Report.

The Board is committed to underpinning all of the Group's activities with the highest standards of corporate governance. This section of the Annual Report and Accounts explains how the Board seeks to ensure that we have effective corporate governance in place to help support the creation of long-term sustainable value for all our shareholders and other stakeholders. The Board has adopted the UK Corporate Governance Code 2018 (the "Code") since 1 January 2019. The Board considers that, for the year under review, it has complied with the principles and provisions of the Code. Further details on how we have applied the principles of the Code can be found on page 77.

LEADERSHIP AND PURPOSE

The Board has agreed an effective corporate governance framework, which includes the key mechanisms through which the Group sets its strategy and objectives, monitors performance and considers risk management. Just has a compelling, clear purpose, to help people achieve a better later life by providing financial advice, guidance, competitive products and services to those approaching, at, or in-retirement. Our priority is to deliver a sustainable capital model so that we can take advantage of the growth 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.

STAKEHOLDERS

Stakeholder engagement is of key importance to the Board. We take into account the interests of a wide range of stakeholders including investors, customers, colleagues, pension scheme trustees, financial advisers, regulators and suppliers. Of prime importance is for the Board to understand the views of our stakeholders and we do this through a variety of engagement activities. Steve Melcher and Michelle Cracknell are the lead Non-Executive Directors responsible for seeking the views of our colleagues and bringing these back into the boardroom. Further information about how the Board engages with colleagues can be found in the Governance in operation report on page 74.

Further details regarding our engagement with the wider stakeholder groups and how this has impacted our decision making is included in our Strategic Report on pages 36 to 37.

SUSTAINABILITY

In recent years, there has been an increased focus by the Directors on the environment when making decisions, particularly in the context of the impact of climate change. One example of key decisions made during the year was to broaden the Group's sustainability credentials through the issue of an RT1 Sustainable Bond. In the Section 172 report on page 42 you can read about the various key considerations and decisions taken by the Board on sustainability during the year.

REPORTING OF THE IMPACT OF THE GROUP ON THE CLIMATE

The Board acknowledges that the changing climate presents risks and opportunities to the Group's business model. Generally, the risks fall into two categories known as transition risks and physical risks. Transition risks are business-related risks that follow societal and economic shifts towards a low carbon and more climate friendly future such as policy and regulatory risks. Physical risks are risks which arise from the changes in weather and climate that impact the Group and the wider economy. The Board has adopted clear and measurable sustainability targets for the Group's operations and investments to be net zero in terms of emissions. The Board has also considered how it can align the Group's sustainability activities to its strategic priorities as covered in more detail on page 18.

In determining the optimal way to consider and monitor the impacts of climate change on the Group, Just has adopted an approach whereby climate change is considered and reported as part of the current control framework. The sustainability targets that the Group has adopted will frame the discussion and build on actions taken by the Group in recent years. You can read more about the targets and our achievements to date on pages 18 to 29.

CULTURE, DIVERSITY AND INCLUSION

Engaged colleagues are crucial to creating a strong company culture, delivering innovative products and better customer experiences. The Board is committed to having a culture where our people feel proud to work at Just, where our people can thrive and are well led, well managed and have opportunities for growth and development. The Just culture is also reflected in how we work. This is enabled by the strong values underpinning our behaviour: we do the right thing so we can deliver our purpose of helping people achieve a better later life. We were delighted to have been accredited as a 2 star organisation representing outstanding levels of engagement via the Best Companies index and we are proud to have been awarded Company of the Year at the Financial Adviser Service Awards in 2021.

In 2021, despite the difficulties presented by COVID-19, the Group continued to work on the organisation's culture through the three key people priorities to enable the delivery of the Group's strategy: building organisational resilience through our new ways of working; strengthening talent, capabilities and inclusivity; and maintaining outstanding engagement with colleagues resulting in them feeling proud to work at Just.

Diversity remains a key focus for the Board, Group Executive Committee and senior leadership team who recognise the enhanced contributions a set of diverse people can bring to our business and wider society. During 2021, Just focused on broadening the diversity and inclusion ("D&I") strategy with five clear areas of focus: increasing diverse representation, particularly at senior levels; strengthening leadership focus and accountability for D&I; ensuring all groups have equal opportunity for progression and development; educating on bias and developing the inclusive culture; and fostering belonging through supporting our people to be themselves. The Board sponsor for D&I is the Group Chief Executive Officer. In addition, members of the Group Executive Committee have been appointed as executive sponsors of inclusive groups. Further information on the D&I strategy can be found in the Strategic Report on page 33.

The Board has adopted a diversity policy and remains committed to improving both the gender and ethnic diversity of the Board in line with the recommendations from the Hampton-Alexander and Parker Reviews. You can read more about the Nomination and Governance Committee's work in relation to diversity on pages 81 to 83. I am pleased to report that, as at the date of this report, the percentage of women on the Board has increased to 40% (30% as at March 2021).

BOARD COMPOSITION AND SUCCESSION PLANNING

As previously announced, there have been various changes to the Board and its Committees during the year. The Nomination and Governance Committee considered plans put in place for the orderly succession to both the Board and to members of the Group Executive Committee and the Group Company Secretary during the year, as covered in more detail in the Nomination and Governance Committee report on page 81. Some Directors have long tenures with the Group or its predecessor companies, Just Retirement Group plc and Partnership Assurance Group plc pre-merger. It remains a key focus to refresh the Board to bring fresh perspectives and challenge as part of the succession planning, whilst recognising the importance of maintaining a balance of skills, knowledge, experience and diversity.

Keith Nicholson retired from the Board on 31 December 2021 after serving as Senior Independent Director since the Group's merger with Partnership Assurance Group plc and prior to that as a Director of Just Retirement Group plc.

Kalpna Shah and Mary Kerrigan were appointed as Non-Executive Directors of Just Group plc on 1 March 2021 and 1 February 2022 respectively. Following Keith Nicholson's retirement, Ian Cormack, an independent Non-Executive Director of the Group, was appointed as Senior Independent Director and Kalpna Shah took over as Chair of the Group Risk and Compliance Committee.

BOARD EVALUATION AND EFFECTIVENESS

Board evaluation is an important annual process and this year we have undertaken an internal evaluation which built on the externally facilitated review performed by Value Alpha the previous year. The review covered both Just Group plc and the two life companies (Just Retirement Limited and Partnership Life Assurance Company Limited). I am pleased to report that following consideration of the feedback and findings from this year's assessment, the Board concluded that it continues to be effective.

As part of the annual evaluation process, all Non-Executive Directors were assessed as being independent and able to provide an effective contribution to the Board. More information about the Board evaluation can be found on page 80.

2022 ANNUAL GENERAL MEETING

I am pleased to confirm that the 2022 Annual General Meeting ("AGM") will be held at 10.00am on 10 May 2022 at our registered office, located at Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RP.

In order to facilitate the best possible engagement with shareholders, as well as inviting shareholders to attend the Group's Reigate office, we also intend to broadcast the AGM through Microsoft Teams ("Teams"). There will be an opportunity for all shareholders attending in person or via Teams to ask questions during the meeting. There will also be a designated email to submit questions in advance of the AGM. More information about the 2022 AGM and the associated arrangements can be found in the Notice of Meeting which will be published and made available on the Group's website separately.

JOHN HASTINGS-BASS

Chair

9 March 2022

BOARD OF DIRECTORS

NON-EXECUTIVE CHAIR

JOHN HASTINGS-BASS, Chair

Appointed: 13 August 2020

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

John began his career in Hong Kong with Jardine Matheson in 1976. He moved to London and was latterly a 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. He was appointed Non-Executive Chair of BMS Group in January 2015. John was appointed a Trustee of the Landmark Trust in 2016 and chairs its Audit Committee.

Current other listed directorships None.

Committee and internal directorships Chair of the Nomination and Governance Committee and Market Disclosure Committee.

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

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

EXECUTIVE DIRECTORS

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

Appointed: 4 April 2016

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

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

Current other listed directorships None.

Committee and internal directorships Member of the Market Disclosure Committee.

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

ANDREW PARSONS, (KNOWN AS ANDY PARSONS), Group Chief Financial Officer

Appointed: 1 January 2020

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

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

Current other listed directorships None.

Committee and internal directorships Member of the Market Disclosure Committee.

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

SENIOR INDEPENDENT DIRECTOR

IAN CORMACK,
Senior Independent Director

Appointed: 4 April 2016

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

Prior to his appointment, Ian spent over 30 years at Citibank until 2000, latterly as UK Country Head and Co-Head of the Global Financial Institutions Group. From 2000 to 2002, he was Chief Executive Officer of AIG Europe. Ian has served as a Non-Executive Director on several Boards in the UK and overseas. Previous appointments include serving as Senior Independent Director of Phoenix Group Holdings Limited, Chair of Maven Income & Growth VCT 4 plc and Non-Executive Director of Hastings Group Holdings plc and the Broadstone Acquisition Corporation.

Ian is currently a Non-Executive Director of NatWest Holdings Limited, National Westminster Bank plc, the Royal Bank of Scotland plc and the Foundation for Governance Research and Education.

Current other listed directorships
None.

Committee and internal directorships
Chair of the Remuneration Committee.

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

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

NON-EXECUTIVE DIRECTORS

PAUL BISHOP,
Independent Non-Executive Director

Appointed: 4 April 2016

Paul previously served as a Non-Executive Director for Partnership Assurance Group plc from May 2014 until its merger with Just Retirement Group plc in April 2016.

Prior to his appointment, Paul spent the majority of his career at KPMG and was a Partner from 1993 to the end of January 2014. He has specialised in the insurance sector for over 30 years, particularly life insurance, and led KPMG's insurance consulting practice for much of his time as a Partner. Paul also spent 18 months on secondment at Standard Life as Head of Financial Change in the period leading up to its demutualisation and flotation. Paul is a Chartered Accountant. Previously, Paul served as a Non-Executive Director of Police Mutual Assurance Society from 2017 to September 2020.

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

Current other listed directorships
None.

Committee and internal directorships
Chair of the Group and Subsidiary Audit Committees.

Member of the Nomination and Governance Committee, Group Risk and Compliance Committee, and the Just Retirement Limited and Partnership Life Assurance Company Limited Investment Committees.

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

MICHELLE CRACKNELL,
Independent Non-Executive Director

Appointed: 1 March 2020

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

In addition to Just Group, Michelle is a Trustee of the Lloyds Bank Pension Funds, a Non-Executive Director of Fidelity International Holdings Limited and Fidelity Retirement Services Limited, and a Non-Executive Director and Chair of the Audit and Risk Committee of PensionBee Group plc.

Current other listed directorships
PensionBee Group plc.

Committee and internal directorships
Member of the Nomination and Governance Committee and Remuneration Committee.

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

BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS CONTINUED

MARY KERRIGAN,
Independent Non-Executive Director

Appointed: 1 February 2022

Mary was appointed as a Non-Executive Director of Just Group plc on 1 February 2022. She has been a Non-Executive Director of Just Retirement Limited and Partnership Life Assurance Company Limited, the Group's life company subsidiaries, since November 2019.

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

Outside of Just Group, Mary is a Non-Executive Director of New Ireland Assurance Company plc and Chair of its Risk Committee. She is also a Non-Executive Director of Aegon Asset Management UK plc, and was appointed as a Non-Executive Director of La Banque Postale Asset Management Limited in June 2021. Mary also is a member of the Independent Governance Committee of Prudential Assurance UK Limited and Trustee of The London Irish Centre.

ANDREW STEPHEN MELCHER,
(KNOWN AS STEVE MELCHER),
Independent Non-Executive Director

Appointed: 15 May 2015

Steve has been a Non-Executive Director of Just since May 2015 and is the Director responsible for leading sustainability matters.

Steve has worked in financial services for over 40 years, during which time he has held posts at JP Morgan, Marsh & McLennan and as Chief Executive Officer of Eagle Star, Allied Dunbar and Sun Life of Canada UK. In December 2021, Steve retired from the Board of Allianz Re in Dublin, having served ten years as a Non-Executive Director. Steve is currently Chair of Euler Hermes Pension Fund. He is also an executive mentor which takes him inside many different industries.

KALPANA SHAH,
Independent Non-Executive Director

Appointed: 1 March 2021

Kalpna 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. Kalpna chaired and contributed to working parties for the Bank of England, Lloyd's of London and the Bermuda Monetary Authority.

Kalpna was elected to the governing body of the Institute and Faculty of Actuaries in 2019 and its Management Board in 2021. She is also a senior Liveryman of the Worshipful Company of Insurers and a trustee of Unitas, a Barnet Youth Zone. In 2020, she headed up a voluntary team of actuaries helping the NHS with analytics and planning in the height of the COVID-19 pandemic.

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

Current other listed directorships
None.

Committee and internal directorships
Chair of the Just Retirement Limited and Partnership Life Assurance Company Limited Investment Committees.

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

Current other listed directorships
None.

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

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

Current other listed directorships
None.

Committee and internal directorships
Chair of the Group Risk and Compliance Committee.

Member of the Group and Subsidiary Audit Committees.

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

NON PLC

INDEPENDENT NON-EXECUTIVE DIRECTORS

CLARE SPOTTISWOODE, Independent Non-Executive Director

Appointed: 4 April 2016

Clare was Non-Executive Director of Partnership Assurance Group plc from October 2014 until its merger with Just Retirement Group plc in April 2016.

Clare is a mathematician and economist by training. In June 2010, she was appointed by Her Majesty's Treasury to the Independent Commission on Banking (The Vickers Commission). Her career has involved acting as Policyholder Advocate for Norwich Union's with-profits policyholders at Aviva, in which role she acted on behalf of one million policyholders tasked with reattributing Aviva's inherited estate, and she was Director General of Ofgas, the UK gas regulator. Clare previously served as a Non-Executive Director of BW Offshore Limited and Chair of Naftogaz Group.

In addition to Just Group, Clare is Chair of Xoserve Limited. She is also a Non-Executive Director of Gas Strategies Group Limited and Gas Strategies Holdings Limited.

Current other listed directorships

None.

Committee and internal directorships

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

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

JOHN PERKS, Life Companies' Chair

Appointed: 1 April 2021

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

John has significant experience in the life and pensions industry, with 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.

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

Current other listed directorships

None.

Committee and internal directorships

Member of the Just Retirement Limited and Partnership Life Assurance Company Limited Audit Committees and Investment Committees.

KATHLEEN BYRNE, (KNOWN AS KATHY BYRNE), Independent Non-Executive Director

Appointed: 1 February 2022

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

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

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

Current other listed directorships

None.

Committee and internal directorships

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

SENIOR LEADERSHIP

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

ANDY PARSONS,
Group Chief Financial Officer

DAVID COOPER,
Group Marketing
and Distribution Director

ALEX DUNCAN,
Group Chief Risk Officer

SEE DAVID'S BIOGRAPHY
ON PG. 68

SEE ANDY'S BIOGRAPHY
ON PG. 68

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 Chief Executive Officer of the group of companies trading under the HUB brand, which are subsidiaries of Just Group.

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

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

Current listed directorships
None.

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

Current listed directorships
None.

LISA DAVIS,
Chief People Officer

Appointed: 7 March 2022
Lisa is responsible for the people agenda at Just Group and will contribute towards the organisation's strategic plan and performance.

Lisa has over 20 years' HR leadership experience, working in a number of regulated industries, particularly the financial services sector. Lisa joined Just Group from Skipton Building Society Group where she was responsible for the people strategy across the business. Previously, Lisa held senior HR roles at Aviva, Santander and EY.

Lisa is a member of the Women in Finance Board, created by Her Majesty's Treasury to encourage the progression of women in the financial services sector.

Current listed directorships
None.

PAUL FULCHER,
Group Capital Management &
Investment Executive

Appointed: 1 February 2021
Paul is responsible for Capital Management, Investments and the Longevity, Medical, Group Pricing and Reinsurance teams.

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

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

Current listed directorships
None.

GILES OFFEN,
Group Chief Digital
Information Officer

Appointed: 4 April 2016
Giles is responsible for Technology, Change and Architecture as well as embedding modern methods of change delivery.

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

Current listed directorships
None.

PAUL TURNER,
Managing Director, Retail

Appointed: 4 April 2016
Paul joined Just Retirement in August 2014 and is responsible for all 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 Retirement, he held various senior international roles at Swiss Re in Asia and Australia. He has over 25 years' insurance industry experience.

Paul is an Executive Director of Just Retirement Limited, Partnership Life Assurance Company Limited, Just Retirement Money Limited and Partnership Home Loans Limited.

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

Current listed directorships
None.

GOVERNANCE IN OPERATION

OUR GOVERNANCE STRUCTURE

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

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

JUST GROUP PLC BOARD

- Sets purpose, values and strategy for the group of companies of which Just Group plc is the ultimate shareholder (the “Group”)
- Assesses and monitors culture ensuring behaviours and practices are aligned with the Group’s purpose, values and strategy
- Sets risk appetite and oversees risk management including climate-related risks, internal control systems, corporate governance and regulatory matters
- Approves major changes to the Group’s corporate structure including, but not limited to, major acquisitions or disposals and its presence in various jurisdictions
- Approves the business plan including business strategy and objectives, climate-related targets, budgets, forecasts and any material changes, and monitors delivery against the plan ensuring that any necessary corrective action is taken
- Sets the Group’s sustainability strategy and CO₂ emission targets and oversees the steps taken to achieve these targets
- Approves the capital structure of the Group and any change to capital, and monitors capital risk appetite
- Approves major changes to the operational structure of the Group
- Approves the financial statements, half-year reports and regulatory reports
- Delegates oversight for some of its activities to committees of the Board
- Approves matters that are recommended to it for approval by committees of the Board

GROUP AUDIT COMMITTEE

Chair: Paul Bishop

Oversees on behalf of the Board:

- Financial reporting including monitoring the integrity of the financial statements of the Company and any other formal statements relating to its financial performance, such as climate-related assumptions and disclosures
- Significant financial reporting issues and accounting judgements, including accounting policies
- Solvency and solvency reporting
- Relationship with the external auditor including monitoring independence, negotiation and approval of their remuneration, whether fees for audit or non-audit services, and the annual audit plan
- External audit tender process and appointment of a new external auditor
- Internal controls
- Internal audit function and internal audit plans
- Tax strategy

 [READ MORE ON PG.84](#)

REMUNERATION COMMITTEE

Chair: Ian Cormack

Oversees on behalf of the Board:

- Directors’ remuneration policy
- Within the terms of the remuneration policy sets remuneration, benefits, pension and total compensation of the Chair of the Board, Executive Directors, members of the Group Executive Committee and the Group Company Secretary, and has oversight of the remuneration of employees subject to Solvency II requirements and other employees as required
- The operation of various incentive schemes
- Share schemes including the all employee share save scheme, executive Long Term Incentive Plan and deferred bonus schemes, and the approval of awards under the schemes
- Alignment of risk management practices and reward
- Alignment of incentive targets to our environmental, societal and governance objectives
- Alignment of Executive Director remuneration against those of the wider workforce

 [READ MORE ON PG.93](#)

NOMINATION AND GOVERNANCE COMMITTEE

Chair: John Hastings-Bass

Oversees on behalf of the Board:

- Board appointments process
- Structure, size and composition of the Board and its Committees
- Succession planning for appointments to the Board, Group Executive Committee and Group Company Secretary
- Balance of skills, experience and knowledge of the Board
- Diversity and inclusion matters; monitoring the impact of initiatives (for Board, senior management and wider initiatives) and setting measurable objectives and strategies
- Independence of Directors
- Board effectiveness process
- Governance including oversight of the Company’s compliance with the UK Corporate Governance Code 2018 and monitoring emerging trends on corporate governance matters

 [READ MORE ON PG.81](#)

GROUP RISK AND COMPLIANCE COMMITTEE

Chair: Kalpana Shah

Oversees on behalf of the Board:

- Material changes to the risk management and internal control framework, including Group policies, which support the framework and risk strategy
- The Group’s climate change reporting requirements and climate-related risk management, including the Group’s framework to manage the financial risks due to climate change
- Principal and emerging risks, including conduct risk relative to risk appetite tolerances, and how these may affect the likely achievement of the Group’s strategic objectives and continued viability of its business model
- Methodology and reasonableness of key assumptions underlying (i) capital and liquidity modelling; and (ii) recovery and run-off planning
- Solvency II compliance and the internal model including changes to the internal model
- Data protection standards and reports
- Mandates of the Risk, Compliance and Chief Actuary functions
- Regulatory matters (other than Group Solvency II reporting)
- Compliance monitoring plan
- Effectiveness of systems of monitoring compliance with regulation and laws

 [READ MORE ON PG.90](#)

CHIEF EXECUTIVE OFFICER AND THE GROUP EXECUTIVE COMMITTEE

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

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

The Group Executive Committee is responsible for:

- Day-to-day leadership of the Group in accordance with the purpose, values and culture set by the Board
- Implementing the strategy set by the Board and recommending strategic development to the Board
- Business risk management and the oversight of the implementation of effective controls to manage and mitigate risks
- Executing plans to meet the sustainability commitments that the Board has set
- Recommending the business plan and budgets to the Board for approval
- Monitoring the Group's performance
- Implementing and oversight of approved policies and processes which govern how we do business and how we interact with our stakeholders
- Development and oversight of initiatives to ensure people within the organisation feel well led, managed and supported with opportunities for development
- Recommending Group policies to the Board for approval

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

Other Group committees

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

The Board may establish other committees of the Board when required from time to time. All committees are established by approval of the Board with agreed terms of reference.

Board and Board Committee governance

The matters reserved for the Board are defined and approved by the Board. Each Board Committee has terms of reference which are approved by the Board. All of these documents have been reviewed and are being updated to reflect the Board and Board Committees' responsibilities in respect of the Group's sustainability strategy. The matters reserved for the Board and the main Board Committees' terms of reference can be found at www.justgroupplc.co.uk.

Composition of committees

The main Board Committees comprise independent Non-Executive Directors of the Company. The Committee members were appointed to each Committee following review and recommendation by the Nomination 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.

SUBSIDIARY GOVERNANCE – LIFE COMPANY BOARDS

The Board holds its meetings on a nested basis together with the Boards of the Group's regulated life companies, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL"). JRL is the principal operating company in the Group and, therefore, its activities also have a strategic and material impact on the consolidated Group performance.

Each Board considers matters put before it from its own perspective, led by the independent chair of each Board. Holding the meetings together ensures good communication and governance across the Group. The approach ensures the strategy is aligned and implemented effectively. JRL and PLACL both have two independent Non-Executive Directors who are not Directors of the Group. John Perks is the Chair of the Boards of JRL and PLACL and Kathy Byrne is a Non-Executive Director.

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

JRL and PLACL Investment Committees**Chair: Mary Kerrigan**

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

The JRL and PLACL Investment Committees are responsible for:

- 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
- Approving entry into investment management agreements and other documentation within the remit of their terms of reference

JRL and PLACL Audit Committees**Chair: Paul Bishop**

The Boards of JRL and PLACL have established independent subsidiary audit committees. The JRL and PLACL Audit Committees are mainly held on a nested basis, together with the Group Audit Committee. The Committees consider topics of mutual interest at the same time, but from each Committee's perspective. Time is also set aside for each Committee to consider matters relevant to its respective company. Paul Bishop is Chair of all three Audit Committees. John Perks is a member of the JRL and PLACL Audit Committees to maintain the independence focus of the regulated life companies' Committees. Kalpana Shah is also a member of the JRL and PLACL Audit Committees. Further information on the activities of the Committees is available in the Group Audit Committee report on pages 84 to 89.

JRL and PLACL Board and Board Committee governance

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

BOARD ACTIVITIES

During 2021, the Board focused on further refining the Group's strategy by increasing its growth ambitions and building a sustainable capital model. The Board continued to monitor the development and execution of management actions, which included the sale of a portfolio of lifetime mortgages to further reduce the Group's exposure to UK residential property risk. There has also been a high level of focus on sustainability and the development of targets to reduce the Group's impact on the environment. At its strategy meeting, the Board considered the Group's commercial resilience and the ways in which transformation, from both a digital and operational standpoint, will aid significant growth of the business and other future opportunities. The Group's strategy remains aligned with our purpose of helping people achieve a better later life and to be the leading retirement specialist. Following the relaxation of COVID-19 restrictions, the Board resumed holding physical meetings while continuing to follow all health and safety precautions.

GOVERNANCE IN OPERATION CONTINUED

A series of virtual "Conversations with the Board" sessions were held during the year to give colleagues the opportunity to engage with various Non-Executive Directors, including the Chair, John Hastings-Bass, JRL and PLACL Chair, John Perks, and Group independent Non-Executive Directors Kalpana Shah, Steve Melcher and Mary Kerrigan. The Board lead by example and promote our values of doing the right thing. The Section 172 report in the Strategic Report on pages 38 to 42 looks at some of the principal decisions taken by the Board and how the factors listed in Section 172(1) of the Companies Act 2006 were taken into account in making those decisions.

AREA OF FOCUS

KEY BOARD ACTIVITIES

REVIEWING STRATEGIC PROGRESS

- Held a Board strategy session to monitor progress against the Group's strategy, and to review and agree refinements to it. The strategy session focused on commercial resilience, transformation and growth, and future opportunities
- Reviewed the present and target states of the Group's business model
- Reviewed and agreed the Group's return on equity and sales targets
- Reviewed the Group plan for change and people initiatives
- Carried out in-depth reviews into each of the Group's business lines
- Considered and agreed the Group's sustainability targets

RISK MANAGEMENT

- Material interaction with regulators with regard to their annual review letter and various applications including the major model change application for the internal model, which was approved by the PRA in December 2021
- Received Group Chief Risk Officer reports on the Group's capital management initiatives and other material changes
- Approved the risk policies, including specific reference to climate change where appropriate, and the risk framework for managing risk across the Group
- Approved a new high-level climate risk appetite and updated reputational risk appetite
- Monitored the Group's capital and liquidity position
- Approved the Group's Own Risk and Solvency Assessment ("ORSA")
- Reviewed risks to the Group's strategy and business plan

FINANCIAL REPORTING AND CONTROLS AND DIVIDEND POLICY

- Reviewed the Group's financial performance on an on-going basis, and the Group's half-year and annual financial results
- Approved the Group's business plan and forecast
- Reviewed the dividend policy and agreed to recommend to shareholders a final dividend for the financial year ended 31 December 2021
- Reviewed and challenged reports provided by its Committees on key financial-related matters including IFRS 17, the new insurance accounting standard, and climate change disclosures

STRUCTURE AND CAPITAL

- Assessed the Group's capital and liquidity requirements including optimisation of its Solvency II capital structure
- Provided oversight of changes to improve the resilience of the Group's capital position to insurance, market and counterparty risks
- Continued to examine underlying capital generation improvement measures
- Provided oversight of external and intra-Group financing
- Issued a £325m BBB-rated Sustainability Solvency II Restricted Tier 1 qualifying instrument with a maturity date in September 2031 at a coupon of 5%. Features of the bond include a six month optional redemption period to call at par from March 2031 to September 2031, and a commitment to invest an equivalent amount in social and green assets within three years of issuance
- Completed a tender for £295m of the existing £300m Restricted Tier 1 debt due in April 2024, and subsequently exercised a clean-up option on the remaining £5m to cancel the outstanding 2019 RT1 notes

CORPORATE GOVERNANCE

- Received regular updates from Board Committees, management and external advisers on legal and regulatory developments, and status updates on various projects including the finance and retail transformation programmes and climate change project
- Reviewed activities in light of the Prudent Person Principle regulation
- Reviewed and updated the terms of reference of the principal committees of the Group Board
- Reviewed and approved updates to various Group policies
- The Chair conducted extensive shareholder engagement in addition to the normal CEO/CFO programme
- Appointed Steve Melcher as the Director responsible for leading sustainability matters
- Attended a series of workshops covering, amongst others, the major model change application for the internal model and risk factors affected in the identified climate change scenarios

AREA OF FOCUS

KEY BOARD ACTIVITIES

**BE PROUD TO
WORK AT JUST**

- Significant focus given to the 2021 colleague engagement strategy and wellbeing programme, in addition to consideration of the impact of the modern workplace programme on our culture
- Held several "Conversations with the Board" sessions with colleagues to promote two-way communication and hear views on areas of focus such as diversity and inclusion, culture, and executive remuneration
- Increased the percentage of women on the Board and made progress against the Board's commitment to improve diversity at senior levels across Just

**BOARD SUCCESSION
PLANNING**

- Significant focus was given to Board and executive succession planning, and good progress was made in refreshing the Board
- Reaffirmed its commitment to Board, executive and senior management diversity
- Undertook an internally facilitated evaluation of the Board's effectiveness and the performance of its Committees, the Chair and individual Directors

Corporate Governance Code compliance statement

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

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

Directors

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

- John Hastings-Bass, Chair
- David Richardson, Group Chief Executive Officer and Managing Director of the UK Corporate Business
- Andy Parsons, Group Chief Financial Officer
- Paul Bishop, Independent Non-Executive Director
- Ian Cormack, Senior Independent Director
- Michelle Cracknell, Independent Non-Executive Director
- Mary Kerrigan, Independent Non-Executive Director (appointed 1 February 2022)
- Steve Melcher, Independent Non-Executive Director
- Keith Nicholson (retired on 31 December 2021)
- Kalpana Shah, Independent Non-Executive Director (appointed 1 March 2021)
- Clare Spottiswoode, Independent Non-Executive Director

John Perks and Kathy Byrne are independent Non-Executive Directors of JRL and PLACL. John Perks is a member of the JRL and PLACL Audit Committees and Investment Committees. Kathy Byrne is a member of the JRL and PLACL Investment Committees.

Commitment

The Non-Executive Directors have made a significant contribution and commitment to ensuring the long-term sustainable success of the business during 2021. The Board held 12 meetings during the period from 1 January 2021 to 31 December 2021, of which seven were scheduled and five were additional Board meetings called due to the needs of the business. None of the Executive Directors hold a non-executive directorship in a FTSE 100 company. The table below shows Directors' attendance at scheduled Board and Board Committee meetings for the period.

BOARD LEADERSHIP AND COMPANY PURPOSE**Leadership, purpose, values**

Governance, good corporate behaviour and stakeholder engagement are critical to the long-term sustainable success of the Company. The regulatory framework has evolved with increased emphasis on corporate culture, purpose, values, executive remuneration, sustainability, stakeholder engagement and more generally a company's contribution to wider society.

SCHEDULED BOARD AND BOARD COMMITTEE MEETINGS ATTENDANCE

	Board	Group Audit	Remuneration	Nomination and Governance	Group Risk and Compliance
John Hastings-Bass	7/7	-	4/4	3/3	6/6
David Richardson	7/7	-	-	-	-
Andy Parsons	7/7	-	-	-	-
Paul Bishop	7/7	8/8	-	3/3	-
Ian Cormack ¹	6/7	-	3/4	3/3	6/6
Michelle Cracknell	7/7	-	4/4	-	-
Steve Melcher ²	7/7	7/8	4/4	-	6/6
Keith Nicholson	7/7	8/8	-	3/3	6/6
Kalpana Shah ³	6/6	7/7	-	-	5/5
Clare Spottiswoode	7/7	8/8	-	-	6/6
Additional meetings held	5	2	-	1	2

¹ Ian Cormack was unable to attend the Board meeting on 14 October 2021 and the Remuneration Committee on 10 November 2021 due to illness.

² Steve Melcher was unable to attend the Group Audit Committee on 8 March 2021 due to prior commitments.

³ Kalpana Shah was appointed as a Director on 1 March 2021.

GOVERNANCE IN OPERATION CONTINUED

Pages 74 to 80 set out how the Board is led, how it establishes the Company's purpose and how it has monitored performance, including delegation to the Board Committees. Each of the Committees have set out their activities in their reports on pages 81 (Nomination and Governance Committee), 84 (Group Audit Committee), 90 (GRCC) and 93 (Remuneration Committee).

Stakeholder engagement

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

The stakeholder engagement and Section 172 report on pages 36 to 42 sets 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. Receiving accreditation as a 2 Star organisation by Best Companies and as one of the UK's Best 100 Large Companies to Work For represents the outstanding levels of engagement overseen by the Board.

The Colleagues and culture report on page 30 outlines more information on our culture and our approach to colleague engagement. During 2021, the "Conversations with the Board" sessions enabled Directors of the Board to speak to colleagues directly on specific key topics that focused on encouraging workforce engagement. Further information on their activities is included in the report. The report also covers diversity and inclusion, and activities to give something back to our local and wider communities, topics on which the Board receives frequent updates.

Shareholder engagement

The Group maintained an open dialogue with its major institutional shareholders and debt investors during 2021 through a programme of meetings undertaken by the Chair, Group Chief Executive Officer, Group Chief Financial Officer and members of the Investor Relations team. Activity was primarily through virtual means leading to greater efficiency of Director time and increased accessibility to capital providers. Equity-led roadshows were held in March and August/September 2021, with dedicated debt roadshows in July and September, culminating in the issuance of a £325m Tier 1 Sustainability Bond and £300m RT1 buyback and ultimate cancellation following the exercise of a clean-up option. Management also virtually attended a number of investor conferences and seminars, provided broker and non-broker salesforce briefings, and throughout the year, hosted ad hoc group and one-to-one meetings with existing and prospective shareholders.

There was regular engagement with shareholders during 2021 as the Group discussed a number of important issues including taking advantage of the growth opportunities available, the regulatory environment and potential changes following the HM Treasury Call for Evidence, overall capital levels and reduction of risks, in particular residential property sensitivity, capital allocation options and the investment strategy. Other topics included diversity and inclusion, Board composition and responsible investing.

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

The ordinary shares are covered by eight 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 December 2021.

The Board has noted the development of new ways of engaging shareholders, particularly small shareholders that have emerged during the pandemic, and will keep under review the best way to engage with shareholders.

During 2021, Just Group plc's shares increased by 20% to 83.60 pence, compared with the FTSE 350 life insurance index which increased by 14%.

The Senior Independent Director is available for consultation with shareholders if they have concerns which are inappropriate to raise with the Chair, Group Chief Executive Officer or other Executive Directors. Further information for shareholders is included on page 183.

2021 AGM

I am pleased to report that all resolutions were passed at our Annual General Meeting in May 2021 with at least 90% of those voting supporting the resolutions.

The meeting was held in our Reigate office and was broadcast to enable shareholders to view the meeting live online. The Board was keen that the shareholder meeting was as normal as possible while complying with the restrictions in place due to the COVID-19 pandemic. In order to facilitate engagement in difficult circumstances, shareholders were encouraged to cast their vote by proxy and to submit questions in advance of the meeting.

Whistleblowing

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

Conflicts of interest

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

Climate change and the Group

During the year, the Board adopted a sustainable strategy, which included clear and specific targets for CO₂ emissions. The Group had already adopted a sustainable investment strategy framework for its investments, which is reviewed at least annually by the Board and the JRL and PLACL Investment Committees. The key areas that have been identified for which targets have been set are the reduction in CO₂ emissions by the Group's operations and the investment portfolio.

The Board is responsible for setting targets in respect of climate change. The Group Chief Executive Officer and the senior management team are responsible for ensuring that the targets are met and that the Board and its Committees are aware of any risks. The Group Chief Executive Officer is responsible for ensuring that the Group's operations meet the zero CO₂ emissions target by 2025. The JRL and PLACL Investment Committees will oversee the progress to achieve the net zero target in the investment portfolio by 2050. The GRCC will consider any risks that have been identified in connection with the Group's business and escalate to the Board as appropriate. The Group and subsidiary Audit Committees will consider any connected disclosures. The Group Chief Executive Officer and the Group Executive Committee will prepare plans in order to meet the targets set by the Board.

DIVISION OF RESPONSIBILITIES**Board balance and independence**

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

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

Clear division of roles and responsibilities

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

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

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

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

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

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

Non-Executive Directors' time commitments

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

The Board and Nomination and Governance Committee do not consider that any of the Non-Executive Directors have too many other commitments which would render them unable to devote sufficient time to the Company's activities. The other Directorships of the Non-Executive Directors are set out in their biographies on pages 69 to 71. None of the Directors hold directorships in FTSE 100 companies.

Information and support

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

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

COMPOSITION, SUCCESSION AND EVALUATION

The principles of section 3 of the Code are applied in practice through the activities undertaken by the Nomination and Governance Committee, to which the Board has delegated responsibility. The Nomination and Governance Committee report on pages 81 to 83 sets out, as required by provision 23 of the Code:

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

Composition and succession planning

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

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

GOVERNANCE IN OPERATION CONTINUED

The Nomination and Governance Committee regularly reviews Board composition when considering succession planning. In line with best practice, it includes a review of the length of tenure of Directors. Further information regarding succession planning is included in the Nomination and Governance Committee report on page 81.

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

Appointment of Non-Executive Directors

The Nomination and Governance Committee has led a process to appoint new Group independent Non-Executive Directors, Kalpana Shah and Mary Kerrigan, who joined the Board on 1 March 2021 and 1 February 2022 respectively. More information about their appointments is included in the Nomination and Governance Committee report.

Development

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

Board evaluation

Following the external Board evaluation performed in 2020, the Board conducted an internal evaluation. The evaluation was expanded to cover the JRL and PLACL Life Company Boards to continue the theme of the previous evaluation and to gain a rounded level of detail on Board effectiveness. The Boards of the Group, JRL and PLACL as well as their principal Committees were in scope of the evaluation.

All Board members were invited to complete online structured questionnaires addressing the performance of the Board and principal Committees, and a self-review of their own performance.

The review concluded that the Board is performing strongly. Levels of skills, knowledge and experience are high across the Board and all Committees, and the Board displays an independent mindset. Levels of diversity continue to improve and the appointment of new Directors as part of the Board succession plans has brought fresh ideas and challenge to the Board discussions and decision making.

The evaluation found that despite COVID-19 restricting the level of face-to-face interaction at the start of the year, the new Directors have forged strong relationships with existing Board members, and the relationship between the Chair and Group Chief Executive Officer continues to be harmonious and constructive. The relationship between the Chair and the Senior Independent Director was also found to be very strong.

Board and Committee meetings were considered to be highly effective with regard to both the running of the meetings and the content of papers, which facilitated constructive challenge and debate during the meetings. There was a clear forward-looking growth strategy evidenced in the papers. The Committees provided feedback to the Board in an effective manner, and the Group Chief Executive Officer's report to the Board was comprehensive. It was concluded that the Board allocated an appropriate amount of time to the key challenges facing the business and the Directors were comfortable that the nested Board arrangement continues to work well.

Opportunities for continued improvement identified in the evaluation process included:

- Board succession needs to remain a key priority to ensure that the Board is refreshed on a rolling basis.
- Maintaining the focus on strategy, development and identifying new business opportunities.
- Increasing Board visibility of the talent pipeline and strengthening succession planning.
- Continuing to improve the quality of the Board and Committee papers.

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

AUDIT, RISK AND INTERNAL CONTROL

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

Group Audit Committee

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

For information on the composition of the Group Audit Committee, its responsibilities and its activities during the year, including those activities required by provision 26 of the Code, please see the Group Audit Committee report on pages 84 to 89.

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

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

Group Risk and Compliance Committee

The Group's risk management, including oversight of risk appetite and the risk management framework, is the responsibility of the GRCC.

The information regarding management of risk can be found in the GRCC report on pages 90 to 92 and the risk management report in the Strategic Report on page 58, which sets out the assessment of principal and emerging risks including the procedures in place to identify emerging risks.

The Viability Statement is on page 59.

REMUNERATION

The Board has delegated oversight of remuneration policy and practices to the Remuneration Committee. The way in which the principles have been applied during the year and the information required by the Code in accordance with provision 41 of the Code, including a description of how executive pay policy was determined in accordance with provision 40 of the Code, are included in the Remuneration Committee report on pages 93 to 108.

NOMINATION AND GOVERNANCE COMMITTEE REPORT

I am pleased to present my report on behalf of the Nomination and Governance Committee (the "Committee") for the year ended 31 December 2021.

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



JOHN HASTINGS-BASS
Chair, Nomination and
Governance Committee

COMMITTEE MEMBERSHIP

John Hastings-Bass Chair	Ian Cormack Senior Independent Director
Paul Bishop Independent Non-Executive Director	Michelle Cracknell Independent Non-Executive Director

Committee meeting attendance can be found on page 77.

The Committee's key priority during the year was succession planning for the Board and its Committees, including the orderly transition of the Board as the longer serving Non-Executive Directors come to the end of their term. Since January 2020, there have been significant changes to the Board including my appointment as Chair, Andy Parsons as Group Chief Financial Officer and, more recently, Ian Cormack's appointment as Senior Independent Director. The Board has also welcomed new Non-Executive Directors as part of the succession plan to refresh the Board and said farewell to long-serving Directors over the past two years. The transition of the Board remains a key focus for the year ahead to ensure that there is an appropriate balance of experience and tenure as new Directors are appointed.

ROLES AND RESPONSIBILITIES

A key role of the Committee is to regularly review the structure, size and composition of the Board and its Committees, and where appropriate make 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, in assisting and advising the Board, the Committee seeks to maintain an appropriate balance of skills, knowledge, independence, experience and diversity on the Board and its Committees, taking into account the Group's strategic priorities, its challenges and opportunities, all relevant corporate governance standards, and associated guidance on Board composition.

During the year, the Committee considered its purpose and determined that its remit should be extended to also cover corporate governance matters. A proposal to broaden its responsibilities and rename it as the Nomination and Governance Committee was subsequently approved by the Board. As part of its wider remit, the Committee is now 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 also 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 the terms of reference, which are reviewed annually and can be found at www.justgroupplc.co.uk.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee currently comprises four independent Non-Executive Directors. Michelle Cracknell was appointed as a member of the Committee following Keith Nicholson's retirement on 31 December 2021. Biographies of the Committee members can be found on pages 68 to 71.

The Committee held three scheduled meetings during the year and one additional meeting. The scheduled meetings focused on regular reports on succession planning and board effectiveness. The unscheduled meeting considered and recommended for Board approval, the appointment of Kalpana Shah to the Group Board. The Group Chief Executive Officer and Chief People Officer were invited to attend the meetings during the year. Other Group executives and senior managers were invited to attend the meetings to report, where appropriate, on their areas of responsibility.

ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

During 2021, the Committee undertook a number of significant activities including the following:

- Considered the right balance of skills, knowledge, experience, independence and diversity requirements against the succession plan of the Board and its Committees and oversaw the search for the appointment of new Non-Executive Directors.

NOMINATION AND GOVERNANCE COMMITTEE REPORT CONTINUED

- Reviewed the succession plans for Executive and Non-Executive Directors, the Group Executive Committee and Group Company Secretary. In the case of the Board, the Committee ensured that there was an orderly approach to succession, taking into account each Director's tenure and independence, while concurrently considering the balance between the retention of knowledge of the Group and the importance of evolving the Board to bring fresh perspectives and challenge.
- Reviewed the Board diversity policy taking into consideration Just's commitment to all aspects of diversity, including gender, race, sexuality and disability.
- Received updates on the Group's progress with respect to gender diversity since signing up to the Women in Finance Charter.
- Reviewed and updated its terms of reference and agreed to rename the Committee and broaden its remit to include governance oversight.
- Considered corporate governance developments including upcoming changes to the Listing Rules and their impact on the Group.
- Reviewed progress made against the recommendations from the 2020 Board effectiveness review prior to the 2021 evaluation.
- Oversaw the 2021 process by which the Board, its Committees and individual Director's effectiveness were assessed, followed by a review of the results obtained from the evaluation. Recommendations were made to the Board as appropriate.

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

CHANGES TO THE GROUP BOARD

There have been various changes to the Group Board and its Committees. Kalpana Shah and Mary Kerrigan were appointed as Non-Executive Directors on 1 March 2021 and 1 February 2022 respectively, and Keith Nicholson retired as a Director on 31 December 2021.

Following an external consultancy selection exercise, Russell Reynolds Associates ("RRA") were engaged for the recruitment of an independent Non-Executive Director. RRA has no other connection to the Company or any Director. Following a thorough interview programme and due diligence checks, the Committee recommended Kalpana Shah as its preferred candidate. The Board accepted the Committee's recommendation and Kalpana was appointed as a Non-Executive Director on 1 March 2021.

Mary Kerrigan was recruited to the Boards of Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLACL") (together the "Life Companies") on 1 November 2019 following an extensive search utilising the services of an external consultancy firm, Sapphire Partners. Sapphire Partners has no other connection to the Company or any Director. Following its review of succession plans during the year, the Committee recommended the appointment of Mary Kerrigan as a Non-Executive Director of Just Group plc, which was

subsequently approved by the Board. The Committee recognised Mary's extensive contribution to the Life Companies' Boards and her effective role as Chair of their respective Investment Committees, and concluded that she has suitable skills, knowledge and experience to bring fresh ideas and challenge to the Board.

Following Keith Nicholson's retirement as a Director on 31 December 2021, Ian Cormack assumed the role of Senior Independent Director. Kalpana Shah was appointed Chair of the Group Risk and Compliance Committee. Paul Bishop was appointed as a member of the Group Risk and Compliance Committee and Michelle Cracknell was appointed as a member of this Committee.

CHANGES TO THE LIFE COMPANIES' BOARDS

The Committee considered the composition of the Life Companies' Boards during the year. To ensure independence from the Group Board, the Chair of the Boards of the Life Companies is not a member of the Just Group plc Board. Nick Poyntz-Wright, who had served as a Non-Executive Director of the Life Companies since March 2016 and as Chair of the respective companies since April 2019, retired during the year to pursue other interests. Following a comprehensive search process utilising the help of RRA, John Perks was appointed as a Non-Executive Director on 1 April 2021 and took over the role of Chair on 5 May 2021. John brings a wealth of experience in the life insurance and pensions industry and has proven to be a great asset to the Group. To further strengthen the Life Companies' Boards, Kathy Byrne was appointed as a Non-Executive Director of JRL and PLACL on 1 February 2022 following a comprehensive search of suitable candidates with the help of Ridgeway Partners, an external search agency. Kathy also joined the Life Companies' Investment Committees on appointment. Kalpana Shah was appointed as a member of the Life Companies' Audit Committees in February 2022.

BOARD COMPOSITION AND SKILLS

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

- whether the balance between Executive and Non-Executive Directors was appropriate;
- whether the structure, size and composition (including the balance of skills, knowledge, independence, experience and diversity) of the Board and membership of the Committees were appropriate, taking into consideration Board tenure and the opportunities this presents, which consequently led to the search process for additional female Non-Executive Directors for the Group Board;
- the independence of Non-Executive Directors, considering the judgement, thinking and constructive challenge that they demonstrate in the Board;
- whether the Board had appropriate skills and knowledge when considering the Group's sustainability strategy and its impact on the climate; and
- the progress made on the diversity and inclusion plans for the Board.

BOARD SUCCESSION PLANNING

During the year, the Committee reviewed the Board skills matrix and capability gaps that had been identified, and agreed on the areas of experience which would be beneficial to the composition and balance of the Board. The Board comprises individuals with significant financial services and actuarial experience which continues to be valuable in supporting the complex issues that can arise from the external regulatory environment. As the Group's strategy has evolved towards a greater focus on profitable and sustainable growth, the Committee recognises the importance of having relevant skills, experience and capabilities within the Board to support Just in achieving its strategic objectives and priorities. The Committee has also added new metrics to the Board skills matrix relating to sustainability and climate change to ensure this is a consideration as part of future succession planning reviews.

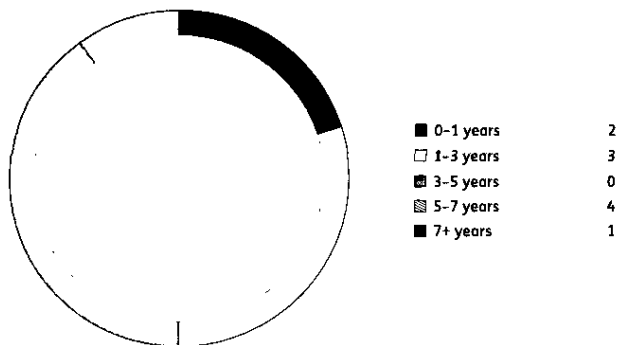


The transition of the Board remains a key focus of the Committee to ensure that there is an appropriate balance of experience and tenure as new Directors are appointed

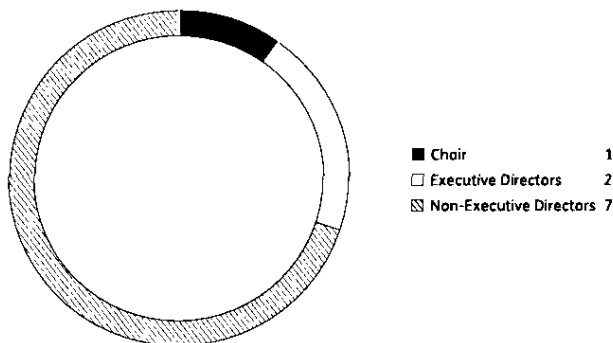
JOHN HASTINGS-BASS

Chair, Nomination and Governance Committee

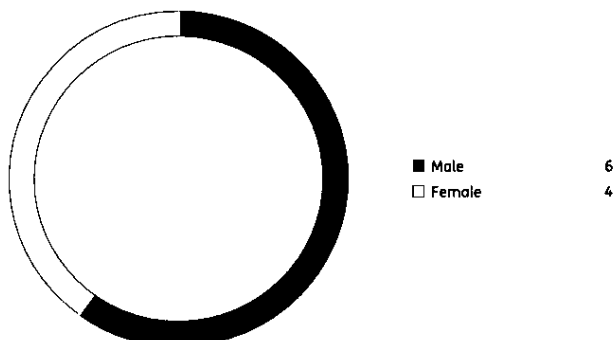
BOARD TENURE 2021



INDEPENDENCE



GENDER DIVERSITY



The Committee considered the Board succession plans noting the Code requirements, which states that serving more than nine years may impair independence. The Committee considered the continued appointment of the longer serving Directors noting their service on the predecessor companies, Just Retirement Group plc and Partnership Assurance Group plc pre-merger, and concluded that they continued to meet all independence and time commitment expectations.

There has been good progress in refreshing the Board with the recent appointments of Kalpana Shah and Mary Kerrigan as Non-Executive Directors and the retirement of Keith Nicholson who had been a Non-Executive Director since 2013. Clare Spottiswoode, a long serving Non-Executive Director, has informed the Board of her intention not to seek re-election at the 2022 Annual General Meeting in May 2022 and therefore will retire as a Director on 10 May 2022.

The Committee has considered the tenure and balance of skills, knowledge and experience of the Board as well as taking into consideration proposed changes to the UK Listing Rules. The Committee and the Board believes that the current mix of tenure is in the best interests of our shareholders, and that the longer serving Directors continue to challenge appropriately, act independently and provide the newly appointed Non-Executive Directors with a wealth of experience to avail themselves of in respect of Just's business. Consequently, with the exception of Clare Spottiswoode, all Directors will be standing for election and re-election to serve on the Board to promote the long-term success of the Company.

Succession planning will remain a key focus area for 2022 to ensure there is a structured succession plan for the replacement of the longer serving members over the next 18-24 months.

SENIOR MANAGEMENT SUCCESSION PLANNING

The succession plan for the Group Executive Committee and the Group Company Secretary identified immediate emergency successors for critical roles, to mitigate risk events, and candidates with a longer-term development trajectory. The Committee remained satisfied that the plans were robust and requested a further review in the second quarter of 2022.

DIVERSITY AND INCLUSION

The Board's diversity and inclusion strategy reinforces our pledge to build a culture at Just that has diversity and inclusion at its core. It outlines our commitment to hiring and developing diverse talent at all levels of the organisation. The Board's diversity policy, which includes references to its commitment to improve both the gender and ethnic diversity of the Board in line with the Hampton-Alexander and Parker Reviews, was reviewed during the year. I am pleased to report that, as at the date of this report, female representation on the Board is 40% and minority ethnic representation is 10%. The Committee fully supports Just's commitment to all aspects of diversity, including gender, race, sexuality and disability, and welcomes Just's strong progress with respect to gender diversity since signing up to the Women in Finance Charter.


On behalf of the Nomination and Governance Committee

JOHN HASTINGS-BASS

Chair, Nomination and Governance Committee
9 March 2022

GROUP AUDIT COMMITTEE REPORT

I am pleased to present the Group Audit Committee (the "Committee") Report for the year ended 31 December 2021. The report explains the work of the Committee during the year.



PAUL BISHOP
Chair, Group Audit Committee

COMMITTEE MEMBERSHIP

Paul Bishop Chair, Independent Non-Executive Director	Kalpna Shah Independent Non-Executive Director
Steve Melcher Independent Non-Executive Director	Clare Spottiswoode Independent Non-Executive Director

Committee meeting attendance can be found on page 77.

ROLES AND RESPONSIBILITIES

The Board has delegated to the Committee responsibility for oversight of the Group's financial and regulatory reporting and the effectiveness of the Group's systems of internal controls and related activities. As part of its remit, the Committee oversees the Group's financial and non-financial disclosures, including any climate-related financial disclosures. The Committee is also responsible for the oversight of the work and effectiveness of Group Internal Audit and the external auditor.

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

The Committee operates separately from, but alongside, the Group Risk and Compliance Committee ("GRCC"), with close cooperation between the Chairs of these committees. The Chair of the GRCC is also a member of the Committee. This ensures that the audit work is focused on higher risk areas and the results of internal and external audit work can be used to inform the work of the GRCC.

The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in late 2021 and the Board was satisfied with the Committee's performance.

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee currently comprises four independent Non-Executive Directors. Its members bring a wide range of financial and commercial expertise necessary to fulfil the Committee's duties and include appropriate life insurance accounting expertise. The Board is satisfied that the Committee Chair has recent and relevant financial experience as required by the UK Corporate Governance Code 2018 (the "Code"). As a whole, the Committee has competence relevant to the sector in which the Group operates. Kalpna Shah joined as a member of the Committee with effect from 1 March 2021 and Keith Nicholson retired as a Director and member of the Committee on 31 December 2021.

The biographies of the members of the Committee are set out on pages 68 to 71.

The Committee held eight scheduled meetings during the year and two additional meetings were also convened. 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 also met separately with the Director of Group Internal Audit without executive management being present during the year. The Committee Chair also met separately with the external auditor without executive management being present during the year.

AREAS OF FOCUS

The Committee follows an annual rolling forward agenda with standing items considered at each meeting in addition to any matters arising and topical business or financial items which the Committee has decided to focus on. Regular reporting is received from 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 2021 and to date in 2022, the Committee:

- reviewed the quality and acceptability of accounting policies and practices;
- reviewed the appropriateness and clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements including new climate-related disclosures;

- reviewed material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- reviewed the assumptions critical to assessing the value of assets and liabilities, in particular insurance liabilities and lifetime mortgages;
- reviewed documentation prepared in support of the going concern basis and longer-term viability assessment, including the impact of COVID-19;
- reviewed the existing nine key performance indicators ("KPIs") used by the Group to assess its financial performance and approved the addition of a new KPI to measure return on equity to reflect the strategic focus on this measure to create value for shareholders;
- reviewed the alternative performance measures ("APMs") used by the Group and how these are disclosed within the Annual Report and Accounts;
- reviewed the 31 December 2021 Group Annual Report and Accounts and the half-year statements to 30 June 2021;
- assessed whether the Group Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy and concluded that they are; and
- oversaw the preparation and review of the Group Solvency and Financial Condition Report ("SFCR") as at 31 December 2020, the Group and Solo Regular Supervisory Reports and the Annual Quantitative Reporting Templates prior to submission to the Prudential Regulation Authority ("PRA") in April 2021.

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

The Committee was pleased to advise the Board that the judgements and assumptions are appropriate and that the Group Annual Report and Accounts for the year ended 31 December 2021 are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Group's position, prospects, business model and strategy.

Accounting standards

No new accounting standards were introduced during 2021 and accounting amendments did not have any material impact on the Group. The Committee continued to monitor the progress of the project to implement IFRS 17 and received regular status updates and training on the new requirements. The Committee also reviewed additional disclosures on IFRS 17 developments for inclusion in the Group Annual Report and Accounts. Work continues in parallel to develop 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 2021 Group Annual Report and Accounts, and how these were addressed, are set out in the following table.

SIGNIFICANT JUDGEMENTS

APPROACH

ACTION

LONGEVITY ASSUMPTIONS

The length of time the Group's Retirement Income customers and Lifetime Mortgage customers will live, and therefore the projected cash flows for Retirement Income and Lifetime Mortgage assets, are key assumptions when valuing the Group's insurance liabilities and Lifetime Mortgages.

Longevity experience is a key area of focus for the Board and the Committee, and the Board receives regular reports on the actual against the expected number of deaths and the likely causes, by condition, of any positive or negative divergence as well as the output of industry studies. The expected impact on future mortality rates over the short and long term was considered. As mortality experience in 2020 and 2021 has been distorted by the impact of COVID-19, the Committee concluded that it does not provide any meaningful insight in respect of future mortality trends or of base mortality. The Committee determined that the allowance for future mortality improvements using the CMI 2019 model source remained appropriate as at 31 December 2021 and concluded that the base mortality assumptions still represented a reasonable best estimate view of medium to long-term mortality trends.

CREDIT DEFAULT ASSUMPTIONS

Credit default assumptions are used to determine the valuation rate of interest used in the calculation of insurance contract liabilities. The Group's asset portfolio includes a material amount of illiquid assets. For corporate bonds, credit default assumptions are calculated taking into account both historical default experience for each rating class and the current spread on the asset. For Lifetime Mortgages it is captured using the expected no-negative equity guarantee ("NNEG") shortfalls. For other illiquid assets including infrastructure and ground rents, credit default assumptions are set to a proportion of the equivalent corporate bond default allowance.

Since the prior year, SONIA has replaced LIBOR as the benchmark risk-free rate in the UK, which has impacted the calculation of the current spread default allowance. The Committee concluded to adopt the SONIA derivation of the current spread and partially offset the lower level of SONIA rates compared with LIBOR rates by decreasing the IFRS prudence margin. Overall, this resulted in an immaterial increase to the IFRS prudent credit default allowance. The Committee reviewed the other key assumptions and determined that they should remain unchanged. The potential impact of COVID-19 was considered and it was concluded that no adjustment was required for any elevated rate of default or downgrade from the economic effects of COVID-19 due to sufficient prudence within the existing methodology.

GROUP AUDIT COMMITTEE REPORT CONTINUED

SIGNIFICANT JUDGEMENTS	APPROACH	ACTION
EXPENSE ASSUMPTIONS	<p>Future maintenance expenses are used in the measurement of the insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for project costs and a margin for prudence.</p>	<p>The Committee received a report on the findings from an annual review of expenses and reviewed and approved proposals to update maintenance expense assumptions in line with the current expense allocation model. The Committee also concluded to retain the expense inflation methodology and associated weightings for the CPI, RPI and earnings components.</p>
PROPERTY ASSUMPTIONS USED TO VALUE THE GROUP'S LIFETIME MORTGAGES	<p>The values of the Group's Lifetime Mortgages are reliant on a range of assumptions, of which the key ones are future house price growth and house price volatility. These assumptions determine the expected shortfall on redemption in respect of the NNEG which is given to all Lifetime Mortgage customers. Small changes in these assumptions (particularly future house price volatility) can have a significant impact on the overall asset valuation.</p>	<p>The Committee reviewed the key assumptions including detailed analyses from management. It was determined that the assumptions for property price volatility and future house price growth should remain unchanged from the 2020 year end. This included consideration of the potential impact of the COVID-19 pandemic on UK property prices.</p> <p>During 2021, management also assessed the appropriateness of the existing methodology of using the change in Office for National Statistics ("ONS") indices to estimate property prices at the balance sheet date. For formal valuations or actual sales since 2019, the analysis compared the estimates from the indexed values and output from Hometrack's Automated Valuation Model ("AVM"). The analysis showed the AVM, which allows for specific location and property characteristics as inputs, was a more accurate predictor of the updated valuations. On reviewing the analysis, the Committee concluded to replace the existing methodology with the use of the most recent property values from the latest AVM indexed to the balance sheet date using Nationwide property indices. It was agreed that a retrospective dilapidation allowance to the property valuation be included to capture any residual underperformance of individual properties over time.</p>
INVESTMENT IN SUBSIDIARIES	<p>Just Group plc's investment in subsidiary undertakings is a significant asset and underpins the net equity reported by the Company in its individual Parent Company financial statements.</p> <p>The Group's policy is to hold investments at cost and assess annually for indicators of impairment.</p>	<p>The carrying value of this asset is assessed through the consideration of the in-force and new business cash flows of the underlying subsidiary companies. The Committee reviews assessments, the recoverability of the balances reported and appropriateness of accounting policies, as part of its work on financial reporting. As part of the preparation of the 2021 accounts, the Committee considered whether any of the investment in subsidiaries should be impaired. After reviewing the recoverable amounts for the Group's investments in subsidiaries, an impairment of £188m was recognised in respect of the investment in PLACL, largely reflecting the dividend distribution of £169m by PLACL to its parent during the year.</p>

Alternative performance measures

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

Going concern

As part of the assessment of going concern and longer-term viability for December 2021, the Committee considered the impact of COVID-19 and other uncertainties, which may impact the Group.

The Committee also considered various risks in stressed scenarios for the going concern assessment including the risks associated with capital requirements to write anticipated levels of new business which form part of the Group's business plan; the projected liquidity position of the Group; eligible own funds being in excess of minimum capital requirements in stressed scenarios; and the findings of the Group Own Risk and Solvency Assessment. In addition to risks, the Committee considered the Group business plan approved by the Board in November 2021 and the forecast regulatory solvency position calculated on a Solvency II basis, which includes scenarios setting out possible adverse trading and economic conditions as a result of the COVID-19 pandemic. The Committee concluded based on all the evidence it assessed, that the going concern basis is appropriate.

Regulatory reporting oversight

The Committee receives regular updates on the Group's regulatory reporting matters, including the oversight and preparation of the Group's annual SFCR. The Committee also receives regular updates relating to the on-going publication by the PRA of supervisory statements that set out its expectations for certain aspects of prudential regulation.

The Committee has responsibility for overseeing the recalculation of Transitional Measures on Technical Provisions ("TMTP"). The Committee reviewed and approved changes to the TMTP methodology for inclusion in the SFCR at 31 December 2021 to reflect refinements in the methodology.

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

Finance transformation

During the year, the Committee received reports on progress against key milestones in the Group's finance transformation programme. The Committee provided oversight on various workstreams, including the replacement of the general ledger, IFRS 17 implementation and treasury transformation and automation initiatives, which together, are designed to enhance controls, improve efficiency and increase the value that the Finance function provides the business.

EXTERNAL AUDIT

Appointment

The Company's external auditor is PwC. Following a formal tender process in 2019, PwC was formally appointed as the Company's external auditor by shareholders in 2020. The current lead audit engagement partner is Lee Clarke who has just completed the second 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 audit 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 Annual General Meeting on 10 May 2022 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 approves the terms of engagement of the external auditor and remuneration. Throughout the year, the Committee has reviewed regular reports from the external auditor. The Chair and other Committee members have 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.

In 2021 and to date in 2022, the Committee:

- reviewed the 2021 year-end audit work plan including the scope of the audit and the materiality levels adopted by the external auditor;
- reviewed the Group's policy on the use of the external auditor for non-audit work and concluded that further work commissioned during the year was in compliance with the policy. It also evaluated: a) the independence and objectivity of the external auditor having regard to the report from the external auditor describing the general procedures to safeguard independence and objectivity; b) the level, nature and extent of non-audit services provided by the external auditor; c) whether the external audit firm was the most suitable supplier of the non-audit services; and d) the fees for the non-audit services, both individually and in aggregate;
- agreed the terms of engagement and fees to be paid to the external auditor for the audit of the 2021 Annual Report and Accounts;
- reviewed recommendations made by the external auditor in their management letters and on the adequacy of management's response; and
- reviewed the external auditor's explanation of how the significant audit risks in relation to the Annual Report and Accounts were addressed.

The Committee considered the quality and effectiveness of the external audit plan and process. Its effectiveness is dependent on appropriate audit risk identification at the start of the audit cycle. The Committee receives a detailed audit plan from PwC, identifying its assessment of these key risks. For the 2021 reporting period, the significant risks identified were broadly in line with 2020. The key risks identified were in relation to the valuation of insurance liabilities, the valuation of loans secured by residential mortgages, recoverability of investment in subsidiaries and the valuation of hard to value investments. The significant judgements made in connection with these risks are set out in the table on page 85 to 86. 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 2021 reporting period, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. The Committee concurred with the view of management.

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.

GROUP AUDIT COMMITTEE REPORT CONTINUED

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 £2.4m (2020: £2.2m). The value of non-audit services during the year amounted to £0.7m (2020: £1.1m), comprising:

	£m
Audit-related assurance services (audit of regulatory returns)	0.5
Audit-related assurance services (other services)	0.2
Other assurance services	0.1

The ratio of non-audit services to audit services fees was 1:3.4. Non-audit services of £0.5m were provided during 2021 in relation to the audit of the Group's Solvency II regulatory returns and a further £0.2m of non-audit services were provided in relation to the review of the Group's interim report. Other assurance services of £0.1m were provided in relation to the Group's debt issuance during the year.

Non-audit services for 2021 were similar to the previous year. These non-audit services are considered to be closely related to the work performed by the external auditor of the Group and the Committee determined that the services provided would not impact the independence of the external auditor.

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

The level of non-audit services offered reflects the external auditor's knowledge and understanding of the Group. The Group has also appointed other accountancy firms to provide certain non-audit services in connection with internal audit, governance, tax and regulatory advice, and with regard to the implementation of IFRS 17. An analysis of auditor remuneration is shown in note 4 to the consolidated financial statements. The Committee has approved PwC's remuneration and terms of engagement for 2021 and remains satisfied with the audit quality and that PwC continues to remain independent and objective.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining the Group's systems of internal control and for undertaking an annual review of the control systems in place. The Group operates a three lines of defence model. The first line of defence is line management who devise and operate the controls over the business. The second line functions are Risk Management, Compliance and Actuarial Assurance, which oversee the first line, ensure that the 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 provides 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; and
- defined procedures for the approval of major transactions and capital allocation.

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.

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

INTERNAL AUDIT

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 and any changes to the plan during the year. The Internal Audit plan is constructed using a risk-based approach taking account of risk assessments, input from senior management and previous external and internal audit findings. Reports from the Director of Group Internal Audit include updates on audit activities, progress of the Internal Audit plan, the results of any unsatisfactory audits and the action plans to address these areas. The scope, extent and effectiveness of the activity of the Group Internal Audit team are regularly considered by the Committee.

In 2021, the Committee:

- continued to oversee the Group Internal Audit function with the Director of Group Internal Audit reporting directly to the Committee Chair;
- oversaw the engagement of EY to work with the Group Internal Audit team on the combined internal audit assurance work to complete the Internal Audit plan for 2021;
- 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 action plans;
- reviewed open audit actions and monitored progress against them;
- conducted an assessment of the Group Internal Audit function; and
- reviewed and approved the Internal Audit Charter, which is available to view on the Group's website.

The Committee regularly considers the resource requirements of the Group Internal Audit team and oversees steps taken and any associated contingency plans to ensure it remains adequately resourced. The Committee remains satisfied that it has the appropriate resources and the relevant skills and experience to fulfil its role effectively.

The Committee held private discussions with the Director of Group Internal Audit during the year. The Committee Chair also meets with the Director of Group Internal Audit regularly outside the formal Committee process and is accountable for the setting and appraisal of his objectives and performance with input from the Group Chief Executive Officer. During the year, the Committee Chair, in conjunction with the Director of Group Internal Audit, set key actions to continue to develop the Group Internal Audit function regarding its effectiveness, impact and influence, and the Committee received updates on the status of these actions.

An External Quality Assessment ("EQA") of Internal Audit is carried out every three to five years, with the last one being undertaken at the end of 2019. The EQA was completed by an independent firm which assessed the function against the Chartered Institute of Internal Auditors' standards with an overall rating of Generally Conforms, which is the highest rating that can be achieved. To provide on-going assurance to senior management and the Committee, Group Internal Audit has developed its control framework to undertake regular external assessments, which are supplementary to the EQA. During the year, the Director of Group Internal Audit reported on quality assurance reviews that had been performed. The function remains on its journey of continuous improvement with the full support of the Committee.

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 anonymously by contacting an external confidential dedicated telephone hotline or via a secure web portal. The Committee receives regular updates on any concerns identified and, where appropriate, what action has been taken to address the issues raised.

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


On behalf of the Group Audit Committee

PAUL BISHOP

Chair, Group Audit Committee
9 March 2022

GROUP RISK AND COMPLIANCE COMMITTEE REPORT

I am pleased to present my first report on behalf of the Group Risk and Compliance Committee (the "Committee"). This report outlines the main activities and areas of focus of the Committee during the year.



KALPANA SHAH
Chair, Group Risk and Compliance Committee

COMMITTEE MEMBERSHIP

Kalpana Shah Chair, Independent Non-Executive Director	John Hastings-Bass Chair of the Board
Paul Bishop Independent Non-Executive Director	Steve Melcher Independent Non-Executive Director
Ian Cormack Senior Independent Director	Clare Spottiswoode Independent Non-Executive Director

Committee meeting attendance can be found on page 77.

ROLES AND RESPONSIBILITIES

The Committee's purpose is to assist the Board in discharging its responsibility to maintain effective systems of risk management, compliance and internal control throughout the Group. The Committee plays a key role in providing effective oversight and challenge on the continued appropriateness and effectiveness of the risk management and internal control framework and risk strategy, and of the principal and emerging risks inherent in the business. This includes oversight of risks associated with climate change. The Committee is also responsible for the oversight of regulatory compliance matters.

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

COMMITTEE MEMBERSHIP AND MEETINGS

The Committee currently comprises six independent Non-Executive Directors. I joined as a member on 1 March 2021 and succeeded as Committee Chair following Keith Nicholson's retirement from office on 31 December 2021. Paul Bishop joined as a Committee member on 31 December 2021. Biographies of the Committee members can be found on pages 68 to 71.

Six scheduled and two unscheduled meetings were convened during 2021. Four of the scheduled meetings focused on regular risk and compliance reports and two meetings were for in-depth reviews of specific risk and compliance matters as well as to review certain key risk documents. There were two unscheduled meetings to consider, challenge and recommend for Board approval, the major model change and matching adjustment applications to the Prudential Regulation Authority ("PRA") during the year. Non-Executive Directors who are not members of the Committee were invited to attend 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 Group Chief Actuary to attend the meetings during the year. Other Group executives and senior managers were invited to attend the meetings to report, where appropriate, on their areas of responsibility.

The Committee Chair holds regular private meetings with the Group Chief Risk Officer to ensure that all significant areas of risk are considered and that risk management is embedded within the business. The effectiveness of the Committee was reviewed as part of the annual Board effectiveness review which took place in late 2021 and the Board was satisfied with the Committee's performance.

AREAS OF FOCUS

The Committee follows an annual rolling forward agenda with standing items considered at each quarterly meeting including a report from the Group Chief Risk Officer. Key areas of focus during the year included the following matters.

MATTERS CONSIDERED

HOW THE COMMITTEE ADDRESSED THE MATTER

RISK GOVERNANCE AND OVERSIGHT**RISK CULTURE,
GOVERNANCE,
CONTROLS AND
DECISION MAKING**

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, and that policies and practices were kept up to date.

During the year, the Committee carried out a review of risk management and control activities, and Just's culture to ensure the Group's activities continue to evolve in line with leading practice. An external third party was engaged to undertake an independent assurance review in order to assess the risk management controls, practices and culture in place within the Group. The findings were presented to the Committee and the Board for consideration. Whilst many good practices were observed including the Group's strong sense of purpose for its customers, various matters were identified for further development including the further delineation of Lines One and Two, and the refinement of Board and Committee papers to ensure that they balance quantitative analysis with a qualitative overlay. The findings from a review of the controls framework were also considered by the Committee. It was concluded that the controls framework is fit for purpose but the Committee agreed that certain developments were required to enhance and streamline processes. This included the implementation of a financial reporting controls framework, which will be a key focus area for the Finance team in 2022.

The Committee requested a more formal process to be established for the reporting of lessons learnt from major projects during the year. After considering a proposal presented by management, the Committee agreed that the Board should receive half-yearly reports on the overall Change programme status containing sections on lessons learnt from projects and benefits management. Any more immediate risk concerns emerging from projects continue to be reported through the Group Chief Risk Officer to the Committee.

ORSA

The Group Own Risk and Solvency Assessment ("ORSA") is a key on-going process for identifying, assessing, controlling, monitoring and reporting the risks to which the Group is exposed and to assess the capital adequacy of the Group and its life companies.

The Committee considered and recommended to the Group Board for subsequent approval, the annual ORSA report during the year, which provided a risk review of the Group as at a specific date together with a forward-looking assessment of the key risks it faces. The Committee also received quarterly updates on the Group's evolving risk profile for review and discussion. Key areas of focus for the Committee included the management of residential property risk, longevity risk and conduct risk. The Committee also received updates on the Group's operational risk position and the steps taken to ensure management seeks to move risks back within appetite in a reasonable timeframe. The Committee also received updates on the impact of COVID-19. Further details of the Group's principal risks can be found on pages 60 to 63.

**RECOVERY AND
RUN-OFF PLANS**

Each year, the Committee conducts in-depth reviews of the Group's Recovery Plan and Run-Off Plan and the attendant risks. As part of the review of the Run-Off Plan in 2021, the Committee discussed the philosophy behind which capital risk appetite and liquidity risk appetite should be determined in the event of run-off. After consideration, the Committee recommended, and the Group Board subsequently approved, the Recovery Plan and Run-Off Plan.

RISK APPETITES

The Committee considered the appropriateness of the risk appetites, against which the business plan and strategy are assessed, and concluded that they should remain unchanged in 2021. It was agreed that a comprehensive review be undertaken in 2022 to ensure the risk appetite framework continues to align with developments in the Group's business plan and strategy, risk preferences and regulatory capital model.

BUSINESS RESILIENCE**OPERATIONAL
RESILIENCE
FRAMEWORK**

The Committee provided oversight and challenge on the project to establish an operational resilience framework to meet defined regulatory requirements for operational risk during the year. The Committee assessed and approved the Important Business Services that are in scope of the framework, and debated and approved the associated impact tolerances. The Committee also received updates on the status of the Group's wider operational resilience framework, business continuity planning, disaster recovery arrangements and information security position during the year.

COVID-19

During the year, there continued to be a focus on the key financial risks and operational risks to the Group arising due to the COVID-19 pandemic. Financial risks considered included, amongst others, short and long-term liquidity risk, property risk, investment credit risk and interest rate risk. The prospect of house price movement due to economic uncertainty was discussed given the Group's property risk exposure. Longevity risk also received close attention due to mortality uncertainty arising from the direct and indirect impact of COVID-19.

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

GROUP RISK AND COMPLIANCE COMMITTEE REPORT CONTINUED

MATTERS CONSIDERED

HOW THE COMMITTEE ADDRESSED THE MATTER

EMERGING RISKS

CLIMATE CHANGE

At each regular meeting the Committee received updates on the climate change project, which was responsible for ensuring compliance with the recommendations of the Financial Conduct Authority ("FCA") on the Task Force on Climate-related Financial Disclosures and the PRA's requirements for the Group to manage its financial risks due to climate change. The high-level climate risk appetite was considered by the Committee and recommended to the Board who subsequently approved it. The Committee received an update on the findings of an external consultant's assessment of physical and transitional risks to the Group's Lifetime Mortgages property portfolio. All policies are being reviewed to ensure they reflect climate-related considerations, where appropriate.

GREEN BOND

Following the issuance of a £250m Tier 2 subordinated bond by the Group in October 2020, the Committee received an in-depth review of the potential risks related to issuing further sustainable bonds with a particular focus on reputation and financial risks, and the steps taken to mitigate such risks.

SOLVENCY II

INTERNAL MODEL

The Committee considered a major model change application for submission to the PRA for approval, which set out proposed significant changes to the internal model of JRL to ensure that it continued to appropriately reflect the underlying risks to the Group and to align it with the latest regulatory expectations and market practice. Prior to assessing the proposed changes, the Directors attended various briefing sessions which focused on the technical matters in connection with the proposed changes to the internal model and provided an opportunity for the Directors to challenge the proposed changes in advance of the application being finalised. The Committee recommended, and the Group Board subsequently approved, the major model change application and amendments to the scope of the application in response to feedback received from the PRA during its review. The application was approved by the PRA in December 2021.

MATCHING
ADJUSTMENT

During the year, a matching adjustment application was submitted to the PRA on behalf of JRL primarily to reflect the appropriate treatment of the index no-negative equity guarantee ("NNEG") hedging transactions in the matching adjustment portfolio and in the Effective Value Test, as required under the PRA's Supervisory Statement SS3/17 Solvency II: Illiquid unrated assets. Prior to submission, the Committee reviewed the proposed changes and took into consideration the associated rationale, risks and uncertainties. The Committee recommended, and the JRL Board subsequently approved, the application, which has now been approved by the PRA.

CONDUCT AND PRUDENTIAL COMPLIANCE AND REGULATORY RISK

CONDUCT AND
CUSTOMER RISK

The Committee regularly reviews and challenges management's view of conduct risks across the Group. During the year, the Committee provided oversight on the programme of work to update the conduct risk framework and related policies to ensure that consumer outcomes are properly considered and to develop the Group's approach to managing conduct risk in general. Changes included updates to reflect the FCA's guidance on vulnerable customers and the conduct risk dashboard now includes various new metrics including skills and capabilities of colleagues as a future focused measurement of conduct. Further work is being carried out on the conduct risk framework, management information and reporting. Oversight of the steps taken by management to address the recommendations arising from this review will be a key area of focus for the Committee in 2022.

COMPLIANCE
OVERSIGHT AND
POLICIES

The Committee considered and approved changes to various Group policies and the 2022 compliance monitoring plan during the year. It received regular conduct and prudential compliance reports, an annual money laundering reporting officers' report and an annual report from the Group Data Protection Officer.

REGULATORY RISK

The Committee receives regular updates on key regulatory developments relevant to the Group and the associated actions being undertaken by management. During 2021, there continued to be a high level of regulatory activity as covered in more detail in principal risks and uncertainties on page 60. Letters from the FCA in October 2020 set out its views of the key risks lifetime mortgage providers and mortgage intermediaries pose to their consumers or the markets in which they operate together with the expectations including how firms should be mitigating these risks. In response, the Committee assessed the Group's current position and concluded that there were appropriate systems and controls in place to mitigate the significant risks.

On behalf of the Group Risk and Compliance Committee

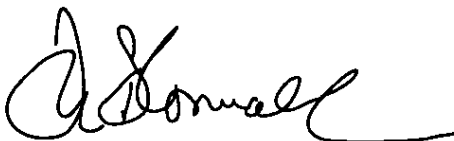
KALPANA SHAH

Chair, Group Risk and Compliance Committee

9 March 2022

DIRECTORS' REMUNERATION REPORT

I am pleased to present the Remuneration Committee Report for the year ended 31 December 2021.



IAN CORMACK
Chair, Remuneration Committee

COMMITTEE MEMBERSHIP

Ian Cormack Chair	Steve Melcher Independent Non-Executive Director
John Hastings-Bass Group Chair	Michelle Cracknell Independent Non-Executive Director

Committee meeting attendance can be found on page 77.

IFRS NET ASSETS

£2,440M

2020: £2,490m

NEW BUSINESS PROFIT¹

£225M

2020: £199m

ORGANIC CAPITAL GENERATION¹

£93M

2020: £221m

IFRS (LOSS)/PROFIT BEFORE TAX

£(21)M

2020: £237m

ADJUSTED OPERATING PROFIT
BEFORE TAX¹

£238M

2020: £239m

RETURN ON EQUITY¹

9%

2020: 10%

¹ Alternative performance measure.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

The business' focus has shifted from achieving capital self-sufficiency to delivering profitable and sustainable growth for shareholders. The continued commitment shown by Just's leaders, managers and colleagues has delivered strong performance in 2021 and the Committee is satisfied that the approach to reward continues to support the strategic priorities of the business.

In 2021 the business more than doubled underlying organic capital, which provides the capital for investment in the business to accelerate innovation and to deliver growth, benefiting our customers and generating value for shareholders. Management made good progress with the Group's lead regulator, the PRA. This included receiving their approval to make a change to the Group's Solvency II internal capital model, providing valuable clarity in the treatment of lifetime mortgages.

Alongside the good progress being made on the financial and regulatory business priorities, the Group received well-deserved external recognition for products and service to customers (see page 3 for details), and the highest engagement survey results as reported in page 30, recognising Just as a two star organisation with Best Companies. The entire business is immensely proud of achieving these awards.

Our "Conversations with the Board" provide colleagues with the opportunity to meet Board members and hear their views on certain topics, followed by questions. In 2021 these have focused on culture and remuneration and specifically on Executive Director pay.

2021 has required agility in Just's "ways of working" as the pandemic ebbed and flowed in the UK and South Africa. Following investment in our buildings, technology and people, a hybrid working trial was undertaken at the end of the year and will be implemented and embedded in 2022. The new hybrid approach is aligned with the engagement priorities of the business, a better work-life balance for colleagues and support positive customer outcomes.

DIRECTORS' REMUNERATION REPORT CONTINUED

The business plan agreed by the Board in 2020 did not include the payment of dividends in 2021. The dividend policy has not been impacted by COVID-19.

REMUNERATION COMMITTEE 2021

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

The terms of reference are available at www.justgroupplc.co.uk. 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 2021 awards and performance conditions under the Long Term Incentive Plan ("LTIP");
- approval of the grant of share options under the Sharesave scheme ("SAYE");
- assessment of the performance of the Executive Directors against the 2020 corporate financial, non-financial and personal performance outturns, in relation to their annual bonus, in the context of wider Company performance and approving the payments;
- approval of the list of colleagues with responsibilities categorised under Solvency II and the treatment of their variable pay under the regulations;
- review and approval of bonus plans across the Group, where they are not aligned to the Group Short Term Incentive Plan ("STIP") or Group LTIP Plan;
- review and approval of the all employee remuneration policy for 2022;
- review of the Company's gender pay gap data; and
- monitoring the developments in the corporate governance environment and investor expectations.

REMUNERATION IN 2021

At the Company's Annual General Meeting ("AGM") in May 2020, a new Directors' remuneration policy was approved with 89% of votes in favour and an advisory vote on the Directors' Remuneration Report for the year ended 2020 was approved at the 2021 AGM with 94% of votes in favour and continued to reflect the Group's strategic priorities in 2021.

The approach to reward supports the strategic objectives of the business. There are therefore no proposed changes to the approved policy for 2022, however the LTIP measures and award levels will be adjusted to provide greater alignment to profit growth and strategic objectives in 2022. These inclusions are explained further on page 95.

The Board approved a challenging business plan for 2021. The measures for the STIP and LTIP were not adjusted during the year to take account of the impact on the economic environment. Despite these external challenges David Richardson and his team have delivered a strong set of results in 2021, demonstrated by the STIP outturn of 77% of maximum, moderated to 70.8%. 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 did not receive a salary increase on 1 April 2021, against an average increase received by other employees (excluding promotions) of 0.41%.

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 97 details the targets and outcomes relating to 2021. For performance in 2021 the Committee approved awards for David Richardson 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.

No payments were made to past Directors. Shares options that were retained post-termination and vested during the year to Rodney Cook and Simon Thomas are disclosed on page 100.

High level view on performance

- Management expense overrun was successfully eliminated in 2021
- Good progress with the PRA, which included receiving their approval to change the Group's Solvency II internal capital model
- Retirement Income sales increased 25%, of which Defined Benefit De-risking sales were up 28%
- Underlying organic capital generation more than doubled the FY20 result, exceeding the 2022 target a year ahead of expectations

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 2021. 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 98.

Financial performance measure	Organic Capital Generation (Pre Management Actions)	Organic Capital Generation (Post Management Actions)	Management Expenses	IFRS New Business Profit	IFRS Adjusted Operating Profit
Weighting	25%	25%	10%	25%	15%
Outturn	£77m	£183m	£99m	£225m	£238m
Achievement	25%	25%	7%	12%	8%

Strategic performance measure		Customer	People
Adjustment		0%	0%
Aggregate scores:	Corporate outturn	77%	
	Moderated outturn	70.8%	

Outturn	Award Level	Difference
David Richardson	80%	+3%
Andy Parsons	80%	+3%

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

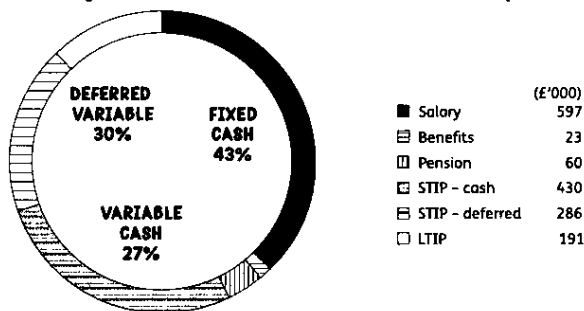
Long Term Incentive Plan

In March 2021, awards under the LTIP were made to David Richardson and Andy Parsons over shares worth 150% of base salary. These LTIP awards included organic capital generation at a weighting of 37.5%, with 25% of the LTIP measure based on total shareholder return ("TSR") performance compared with the constituents of the FTSE 250 and adjusted earnings per share ("EPS") performance for the remaining 37.5% of the LTIP.

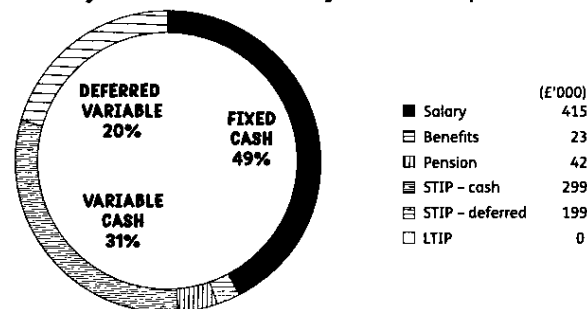
The LTIP awards made in 2019 are due to vest in May 2022 with reference to performance to 31 December 2021. The threshold TSR performance target was not achieved and the adjusted EPS measure was achieved at 63.5%. Therefore 31.8% of the 2019 LTIP awards will vest in May 2022. Further detail can be found on page 98.

The Committee felt that outturns under the STIP and LTIP in respect of 2021 were appropriate and did not exercise discretion.

Summary of remuneration for David Richardson in respect of 2021



Summary of remuneration for Andy Parsons in respect of 2021



IMPLEMENTATION OF THE REMUNERATION POLICY FOR 2022

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

The Committee agreed that David Richardson and Andy Parsons would receive a salary increase with effect from 1 April 2022 of 2% and 1.9% respectively. The salary increase budget available for senior management and the general employee population eligible to be considered for an increase was 3.2%, with individual increases varying within a range, depending on a number of factors.

The maximum STIP opportunity continues to be 150% of base salary for Executive Directors, subject to stretching corporate financial and personal non-financial measures. 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.

While recent LTIP awards have been made at a reduced basis of 150% of salary reflecting the fall in share price over recent years, given that in the past two years the Company has achieved capital self-sufficiency, providing the foundation to deliver sustainable growth and the share price has increased by some 20% over the year, as permitted under the policy, the Committee considers it appropriate to revert to its long term approach of making grants at around the median level. The Committee therefore anticipates making awards under the LTIP over shares worth 200% of salary to David Richardson and 175% of salary to Andy Parsons in 2022.

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 2022, there have been some minor changes to the measures and their weightings. There will be four performance measures and the associated targets are disclosed on page 105. The Committee has approved the following changes:

- the use of Underlying Organic Capital Generation (excluding management actions), which is a similar measure to that used in the 2021 LTIP;
- replacing the current EPS measure with Return on Equity ("ROE") to align with the strategic KPIs being used in 2022 and beyond; and
- the inclusion of an Environmental, Social and Governance ("ESG") measure with a 10% weighting of 'Investment into 'sustainable assets' over the 3-year period' to reflect the strategic importance of this measure.

As a result, the following performance conditions will apply to the 2022 LTIP award:

- Underlying Organic Capital Generation (25%)
- ROE (35%)
- Relative TSR (30%) vs FTSE 250 (excl. investment trusts)
- ESG (10%)

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

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2021.

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.

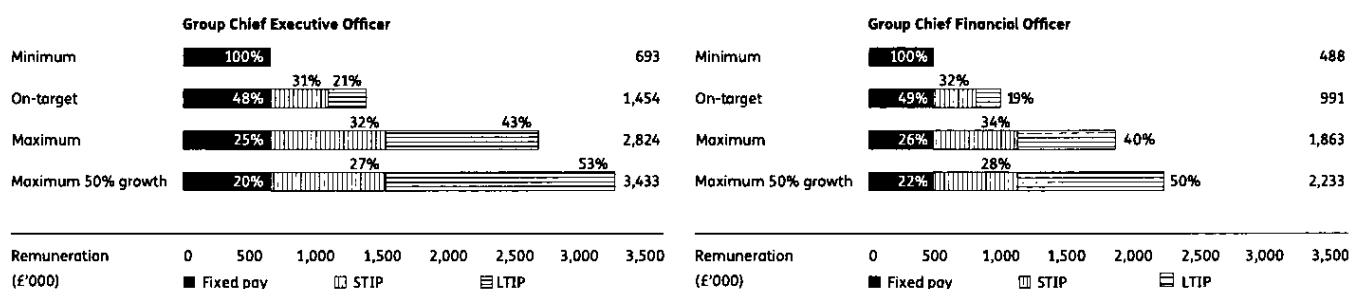
Various disclosures of the detailed information about the Directors' remuneration set out below have been audited by the Group's independent auditor, PricewaterhouseCoopers LLP.

Illustration of how the 2020 Remuneration Policy will be implemented in 2022

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

- Minimum = fixed pay only (salary + benefits + pension allowance)
- On-target = fixed pay plus 50% payout of the maximum STIP opportunity (75% of salary) and 25% vesting under the LTIP (50% and 43.75% of salary for the CEO and CFO respectively)
- Maximum = fixed pay plus maximum payout of the STIP (150% of salary) and maximum vesting under the LTIP (200% and 175% of salary for the CEO and CFO respectively)
- Maximum + 50% growth = fixed pay plus maximum payout of the STIP (150% of salary), maximum vesting under the LTIP (200% and 175% of salary for the CEO and CFO respectively) and 50% share price growth on the LTIP

Illustration of 2020 Remuneration Policy in 2022



Total single figure of remuneration (audited)

£'000	Salary/fees		Benefits		Pension		STIP		LTIP ^{5,6}		Other ⁷		Total		Total fixed remuneration		Total variable remuneration	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
David Richardson	597	594	23	24	60	59	716	761	191	103	-	-	1587	1541	680	677	907	864
Andy Parsons	415	415	23	47	42	42	498	498	-	-	616	459	1594	1461	480	504	1114	957
John Hastings-Bass ¹	200	93	-	-	-	-	-	-	-	-	-	-	200	93	200	93	-	-
Chris Gibson-Smith ²	-	155	-	-	-	-	-	-	-	-	-	-	155	-	155	-	-	-
Keith Nicholson	90	90	-	-	-	-	-	-	-	-	-	-	90	90	90	90	-	-
Clare Spottiswoode	60	60	-	-	-	-	-	-	-	-	-	-	60	60	60	60	-	-
Paul Bishop	80	80	-	-	-	-	-	-	-	-	-	-	80	80	80	80	-	-
Ian Cormack	75	75	-	-	-	-	-	-	-	-	-	-	75	75	75	75	-	-
Steve Melcher	75	75	-	-	-	-	-	-	-	-	-	-	75	75	75	75	-	-
Michelle Cracknell ³	60	50	-	-	-	-	-	-	-	-	-	-	60	50	60	50	-	-
Kalpna Shah ⁴	50	-	-	-	-	-	-	-	-	-	-	-	50	-	50	-	-	-

1 John Hastings-Bass was appointed Chair of the Company with effect from 13 August 2020 and his remuneration for 2020 represents his fees from this date.

2 Chris Gibson-Smith retired from his role as Chair of the Company with effect from 13 August 2020 and his remuneration represents his fees up to this date.

3 Michelle Cracknell was appointed as a Non-Executive Director of the Company with effect from 01 March 2020 and her remuneration for 2020 represents her fees from this date.

4 Kalpna Shah was appointed as a Non-Executive Director of the Company with effect from 01 March 2021 and her remuneration for 2021 represents her fees from this date.

5 Awards made under the LTIP in the period and the respective values will be reported on vesting in the respective Annual Report on Remuneration section. The LTIP in respect of the period 1 January to 31 December 2021 includes the 2019 LTIP awards. The 2019 LTIP award was earned but did not vest during 2021. For the purposes of valuation, the 2019 LTIP has been estimated based on a share price of £0.8642 (the average share price from 1 October to 31 December 2021). This estimate will be updated to reflect the actual valuation in next year's report. The 2018 LTIP award, which vested in 2021, has been updated to reflect the actual share price at the time of vesting.

6 The estimate of value vesting under the 2019 LTIP shown represents vesting of 31.8% of maximum based on achievement of performance targets. The share price used for this estimate of £0.8642 (being the average share price from 1 October 2021 to 31 December 2021) represents an increase of 33% when measured against the share price at the time of grant of £0.6501.

7 'Other' relates to buy-out awards negotiated as part of Andy Parsons' joining and set out on page 99 and paid to him in 2020 and 2021. The 2021 value includes cash and shares released to him in 2021 together with the value of his Award III, which has the same performance conditions as the 2019 LTIP and will vest on 16 May 2022. For the purposes of valuation, the 2019 LTIP has been estimated based on a share price of £0.8642 (the average share price from 1 October 2021 to 31 December 2021).

2021 FIXED PAY (AUDITED)**Base salaries**

David Richardson and Andy Parsons did not receive a salary increase in 2021 and their salaries remained at £597,000 and £415,000 respectively. The salaries of the wider employee population were reviewed and increases were awarded selectively within a budget of 0.5%.

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 2021 are as detailed in the table below:

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

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

2021 EXECUTIVE DIRECTORS' SHORT TERM INCENTIVE PLAN (AUDITED)

The 2021 bonus outturn was calculated on corporate financial performance measures, split across four measures, and moderated by non-financial performance measures. The bonus is distributed on personal performance based on objectives agreed with the Remuneration Committee each year. In line with our policy, 40% of the 2021 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	80% of maximum	£430	£287	331,589
Andy Parsons	80% of maximum	£299	£199	230,502

1 The estimated number of shares deferred under the DSBP were determined using the average closing share price between 1 October 2021 and 31 December 2021, being £0.8642. 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 2021 STIP was as follows:

Core bonus (balanced scorecard)

	Weighting	Threshold (25%)	On-target (50%)	Maximum (100%)	Actual	% achieved
Organic capital generation (pre management actions)	25%	£21m	£41m	£62m	£77m	25%
Organic capital generation (post management actions)	25%	£51m	£101m	£152m	£183m	25%
Cost base reduction	10%	£106m	£101m	£96m	£99m	7%
IFRS new business profit	25%	£181m	£227m	£272m	£225m	12%
IFRS operating profit	15%	£188m	£235m	£282m	£238m	8%
Total						77%

As explained earlier in the report, the strategic measures did not impact the financial outturn of 77%. The corporate outturn was moderated to 70.8% and adjusted to reflect personal achievement. The bonus metrics lead to a pool setting the overall cost with individual allocations then determined by reference to personal objectives, with individuals allocated up to 100% of their maximum. Both Executives were assessed to have outperformed against the on-target level, having successfully achieved the majority of their objectives, with their personal outturns moderated to 80% (+3% compared to the formulaic pool) for both the CEO and CFO.

Risk consideration

The Committee reviewed a comprehensive report from the Group Chief Risk Officer to ascertain that the Executive Directors' objectives had been fulfilled within the risk appetite of the Group. In addition, the Committee received feedback from the Group Chief Risk Officer that there were no material issues to consider around regulatory breaches, customer outcomes or litigation that would prevent payment of any STIP award or trigger any malus provisions.

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

DIRECTORS' REMUNERATION REPORT CONTINUED

Personal performance

Strategic personal objective	80%
David Richardson	Key achievements
<ul style="list-style-type: none"> • Achieve Group business plan targets (measured using STIP targets) • Engage with and further develop shareholder base through demonstrating compelling value and growth proposition • Deliver management actions to reduce LTM backing ratio below 34% • Maintain the organisation's focus on key regulatory issues (property de-risking, major model change and Prudent Person Principle) • Demonstrate an increasing focus on the customer • Develop DB deferred proposition to expand presence in market • Deliver against HUB proof points agreed with the Board • Increase female representation at senior management levels across the Group to 27% and develop measures for BAME representation • Develop a Sustainability Strategy, approved by the Board 	<ul style="list-style-type: none"> • Strong outperformance in Organic Capital Generation and Cost Savings, on target performance against IFRS profit metrics • Increasing Just's profile and developing the shareholder register continues • Exceeded expectations with an LTM backing ratio of 30% as at 31 December 2021 • Achieved several key initiatives, which have continued to build an improved relationship with the PRA • Development of products have been focused on improving customer outcomes e.g. DB deferred proposition, medically underwritten LTMs and LTM digitisation • DB deferred proposition exceeded expectations with over £700m in sales • HUB Group proof points were not all achieved but it enters 2022 in good shape to deliver on its strategy • Gender targets exceeded at 28% at 31 December 2021 and measures in place for BAME representation for 2022 • Sustainability strategy has been approved; further objectives to be defined in 2022

Strategic personal objectives	80%
Andy Parsons	Key achievements
<ul style="list-style-type: none"> • Achieve Group business plan targets (measured using STIP targets) with a particular focus on profit and cost targets • Deliver capital actions to further reduce property risk and improve capital position • Engage with and further develop shareholder base through demonstrating compelling value and growth proposition • Together with the CEO, maintain focus on key regulatory issues • Lead Finance Transformation program • Deliver improvements to reporting processes to improve analysis and controls over key reporting periods • Increase female representation at senior management levels across the Group to 27% and develop measures for BAME representation 	<ul style="list-style-type: none"> • Andy led the successful elimination of the cost over-run and helped ensure new business return targets were beaten • Exceeded expectations with an LTM backing ratio of 30% as at 31 December 2021. Led the successful refinancing of the Group RT1 debt • Increasing Just's profile and developing the shareholder register continues • Good progress made on key regulatory issues, thereby continuing to build an improved relationship with the PRA • Achieved a number of key deliverables on finance transformation • Good progress with reporting timelines set to be further improved in 2022 • Gender targets exceeded at 28% at 31 December 2021 and measures in place for BAME representation for 2022

VESTING OF LTIP AWARDS WITH A PERFORMANCE PERIOD ENDING IN 2021 (AUDITED)

2019 awards

The 2019 LTIP award performance period ended on 31 December 2021. The award is forecast to vest at 31.8% on 16 May 2022 based on earnings per share growth and relative TSR performance over the three year period ending 31 December 2021.

	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	16 May 2019	Nil-cost options	694,567	31.8%	nil	220,872	£190,877

1 The value shown is based on the three month average share price to the year end, being £0.8642. This value will be trued up to reflect the actual share price at vesting in next year's single total figure table.

Summary of performance

Measure	Weighting	Target	Vesting
Adjusted earnings per share growth ¹	50%	Threshold: 4% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 8% p.a. or above	100%
		Actual: 6.1% p.a.	63.5%
Relative TSR vs FTSE 250	50%	Threshold: median	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: upper quartile or above	100%
		Actual: Below Median	0%
Total	-	-	31.8%

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

Consistent with past practice, the adjustment to the interest and number of shares reduced the reinsurance and bank financing costs by £16m, thereby increasing operating profit to £251m and the number of shares to 933m, resulting in an adjusted EPS of 26.9 pence.

Buy-out awards

In line with the disclosure in the 2019 Directors' Remuneration Report, cash buy-out awards of £265,428 and £238,680, and share buy-out awards with a value of £1,191,528 were granted to Andy Parsons and the following were paid to him in 2021:

- The final payment of the first cash element of the buyout of £106,452 was paid in March 2021.
- The second tranche of award (I) and the first tranche of award (II) vested on 31 March 2021. A total of 333,734 shares were released to Andy Parsons at a price of £1.0181. 157,407 shares were sold to cover his tax liability and 176,327 shares were retained.

Andy Parsons' buy-out award (III) is a conditional share award of 618,024 shares, which will vest on 16 May 2022 and is subject to the same performance conditions applied to the 2019 LTIP grant based on EPS and TSR. 196,531 shares will therefore vest on 16 May 2022. The estimated value of £169,842 has been included in the single figure table.

2021 LTIP AWARDS GRANTED (AUDITED)

The following awards were made to the Executive Directors in 2021:

	Date of grant	Type of award	Face value of award	Number of shares ¹	End of performance period
David Richardson	24 March 2021	Nil-cost options	£895,500 (150% of salary)	959,704	31 December 2023
Andy Parsons	24 March 2021	Nil-cost options	£622,500 (150% of salary)	667,131	31 December 2023

¹ The actual share price calculated as the average price over the five days preceding the grant was £0.9331.

Performance measures and targets applying to the 2021 LTIP awards

Measure	Weighting	Target	Vesting
Organic capital generation including management actions	37.5%	Below £146m	0%
		Threshold: £146m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £438m	100%
Solvency ratio underpin to the capital metric		Below 150%	0%
		Threshold: 150%	As per capital metric outcome
		Unadjusted outcome: 164%	
Adjusted earnings per share growth	37.5%	Below 3% p.a.	0%
		Threshold: 3% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 10% p.a. or above	100%
Relative TSR vs FTSE 250	25%	Below median	0%
		Median	25%
		Between median and upper quartile	Between 25% and 100% on a straight-line basis
		Upper quartile or above	100%

DIRECTORS' BENEFICIAL SHAREHOLDINGS (AUDITED)

To align the interests of the Executive Directors with shareholders, each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary, in line with the Policy. Until the guideline is met, Executive Directors are required to retain 50% of any LTIP and DSBP share awards that vest (and are exercised), net of tax and national insurance contributions ("NICs").

Details of the Directors' interests in shares of the Company are shown in the table below. Beneficially owned shares include shares owned outright by the Directors and their connected persons. 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 2021	Interest in share awards – subject to performance conditions	Interest in share awards – not subject to performance conditions	Interest in share awards – vested but unexercised	Shareholding guideline (% of salary)	Shareholding guideline met ¹ (% of salary)
David Richardson ²	1,112,666	3,362,588	1,151,417	3,030	200%	249%
Andy Parsons	299,932	2,472,678	760,621	–	200%	146%
John Hastings-Bass	210,200	–	–	–	n/a	n/a
Keith Nicholson ³	59,775	–	–	–	n/a	n/a
Clare Spottiswoode	20,000	–	–	–	n/a	n/a
Paul Bishop	36,754	–	–	–	n/a	n/a
Ian Cormack	130,000	–	–	–	n/a	n/a
Steve Melcher	154,439	–	–	–	n/a	n/a
Michelle Cracknell	–	–	–	–	n/a	n/a
Kalpana Shah ⁴	–	–	–	–	n/a	n/a
Mary Kerrigan ⁵	61,715	–	–	–	n/a	n/a

¹ Based on the average closing price of £0.8642 between 1 October 2021 and 31 December 2021.

² 334,172 of David Richardson's shares owned outright were financed by way of a company loan, of which £404k was outstanding as at 31 December 2021. 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 Keith Nicholson retired from the Board on 31 December 2021. His share interests shown are as at 31 December 2021.

⁴ Kalpana Shah was appointed to the Board on 1 March 2021.

⁵ Mary Kerrigan was appointed to the Board on 1 February 2022 and her interests are shown at the date of appointment and at the date of signing the accounts.

DIRECTORS' REMUNERATION REPORT CONTINUED

There have been no changes in the Directors' interests in shares in the Company between the end of the 2021 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 31/12/20	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 31/12/21	Vesting date	Expiry date
LTIP										
24 Mar 2021	Nil	-	959,704	-	-	-	-	959,704	24 Mar 2024	24 Mar 2031
23 Mar 2020	Nil	1,708,317	-	-	-	-	-	1,708,317	23 Mar 2023	23 Mar 2030
16 May 2019	Nil	694,567	-	-	-	-	-	694,567	16 May 2022	16 May 2029
29 Mar 2018 ¹	Nil	520,958	-	-	102,889	418,069	102,889	-	29 Mar 2021	29 Mar 2028
28 Sep 2016	Nil	3,030	-	-	-	-	-	3,030	28 Sep 2019	27 Sep 2026
DSBP										
24 Mar 2021	Nil	-	331,305	-	-	-	-	331,305	24 Mar 2024	24 Mar 2031
23 Mar 2020	Nil	501,548	-	-	-	-	-	501,548	23 Mar 2023	23 Mar 2030
28 Mar 2019	Nil	318,564	-	-	-	-	-	318,564	28 Mar 2022	28 Mar 2029
29 Mar 2018	Nil	154,135	-	2,750	156,885	-	156,885	-	29 Mar 2021	29 Mar 2028

¹ 2018 LTIP and DSBP were exercised on 28 May 2021 at a price of £1.0749.

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

Date of grant	Exercise price	Interest as at 31/12/20	Granted in the year	Dividend shares accumulating at vesting	Vesting in the year	Lapsed in the year	Released in the year ²	Interest as at 31/12/21	Vesting date	Expiry date
LTIP										
24 Mar 2021	Nil	-	667,131	-	-	-	-	667,131	24 Mar 2024	24 Mar 2031
23 Mar 2020	Nil	1,187,523	-	-	-	-	-	1,187,523	23 Mar 2023	23 Mar 2030
DSBP										
24 Mar 2021	Nil	-	216,757	-	-	-	-	216,757	24 Mar 2024	24 Mar 2031
BUY-OUT AWARDS^{1,2}										
20 Mar 2020 (I)	Nil	247,211	-	-	123,605	-	123,605	123,606	31 Mar 2020-22	n/a
20 Mar 2020 (II)	Nil	630,387	-	-	210,129	-	210,129	420,258	31 Mar 2021-23	n/a
20 Mar 2020 (III)	Nil	618,024	-	-	-	-	-	618,024	16 May 2022	n/a

¹ As detailed in the 2019 Directors' Remuneration Report, Andy Parsons' buy-out awards (20 March 2020 (I) and (II)) are conditional share awards with no performance conditions, whereby the Company will release the shares to Andy as soon as reasonably practicable after the vesting of the awards. Award 20 March 2020 (III) is a conditional share award with performance conditions.

² The second tranche of the 2020 March (I) and the first tranche of 20 March 2020 (II) vested on 31 March 2021. A total of 333,734 shares were released to Andy Parsons on 31 March 2021 at a price of £1.0181. 157,407 shares were sold to cover his tax liability and 176,327 shares were retained.

Dilution

The Committee complies with the dilution levels that the Investment Association guidelines recommend. Shares relating to options granted under the LTIP and SAYE are satisfied by using new issue shares rather than purchasing shares in the open market. The combined dilution from all outstanding share options at 31 December 2021 was 3.5% of the total issued share capital at the time. Share options granted under the DSBP will continue to be satisfied by the purchase of shares in the open market and therefore do not count towards the dilution limit.

PAYMENTS FOR LOSS OF OFFICE MADE DURING 2021 (AUDITED)

No payments were made for loss of office to Directors during 2021.

PAYMENTS MADE TO PAST DIRECTORS DURING 2021 (AUDITED)

No payments were made to past Directors during 2021. Share options retained post-termination of 104,079 shares in respect of the 2018 LTIP and 232,784 shares in respect of the 2018 DSBP vested for Rodney Cook during the year. Share options of 16,815 shares in respect of the 2018 LTIP and 133,703 shares in respect of the 2018 DSBP vested for Simon Thomas during the year.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

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

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

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

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

If the employment of an Executive Director is terminated in other circumstances, compensation is limited to base salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits which would have been received during the period.

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

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

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

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

STATEMENT OF VOTING AT THE ANNUAL GENERAL MEETING (UNAUDITED)

At the Company's 2021 AGM, shareholders were asked to vote on the Directors' Remuneration Report for the year ended 31 December 2020. The current Directors' Remuneration Policy was put to shareholders at the 2020 AGM. The resolutions received significant votes in favour by shareholders. The votes received were:

Resolution	Votes for	% of votes	Votes against	% of votes	Votes withheld
To approve the Directors' Remuneration Report (2021 AGM)	812,058,742	93.52%	56,285,857	6.48%	11,584,369
To approve the Directors' Remuneration Policy (2020 AGM)	782,674,741	89.47%	92,145,984	10.53%	70,000

EXTERNAL ASSISTANCE PROVIDED TO THE COMMITTEE

FIT Remuneration Consultants ("FIT") is retained as the independent adviser to the Remuneration Committee. FIT has no other connection with the Company or its Directors. Directors may serve on the remuneration committee of other companies for which FIT acts as Remuneration Consultants. The Committee is satisfied that all advice was objective and independent. FIT is a member of the Remuneration Consultants Group and subscribes to its Code of Conduct.

Fees paid for services to the Committee in 2021 to FIT were £64,000 and were charged on a time spent basis in accordance with the terms of engagement.

REMUNERATION FOR EMPLOYEES BELOW THE BOARD (UNAUDITED)**General remuneration policy**

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

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

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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.

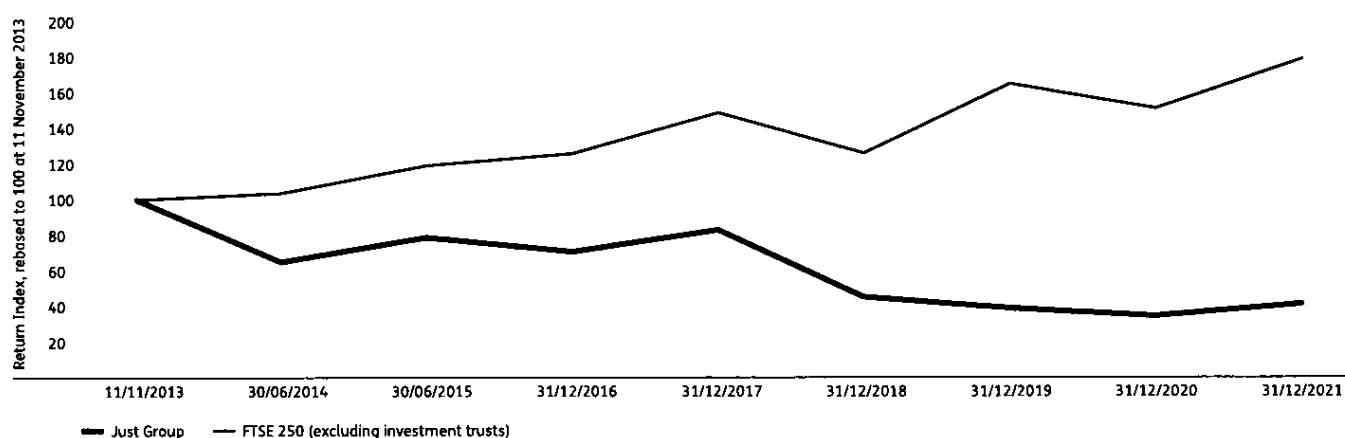
Summary of the remuneration structure for employees below Executive Director

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 2021, the average salary increase (excluding promotions) for all employees awarded in April 2021 was 0.41%. 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	<p>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.</p> <p>For regulated roles, for example in risk, audit or compliance roles, the financial performance may be replaced by functional performance.</p> <p>The Remuneration Committee has the ultimate discretion on all incentive plans and these are reviewed on an annual basis. Bonuses for all of the executive team who are not Board members and employees categorised under Solvency II have an element of variable remuneration deferred into shares for three years.</p>
LONG TERM INCENTIVE PLAN	Participation in the LTIP plan is for a small number of executives and key roles each year in recognition of the strategic and critical roles that they hold in supporting the strategic direction of the business and delivering Company performance. In 2021, fewer than 40 individuals were granted awards, under the LTIP.
OTHER SHARE PLANS	The Company operates a DSBP which provides the vehicle for the deferral of the STIP award. The Company operates a SAYE which is open to all staff to participate in. In the past the Company has offered free shares under a Share Incentive Plan and may choose to do so in the future.

TOTAL SHAREHOLDER RETURN (UNAUDITED)

Group's share performance compared to the FTSE 250 Index

The following graph shows a comparison of the Group's total shareholder return (share price growth plus dividends paid) with that of the FTSE 250 Index (excluding investment trusts). The Group has selected this index as it comprises companies of a comparable size and complexity across the period and provides a good indication of the Group's relative performance.



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

The total remuneration of the CEO over the last eight years is shown in the table below.

	Year ended 30 June			Year ended 31 December						
	2013	2014	2015	2016 ¹	2017	2018	2019 ²	2019 ²	2020	2021
Chief Executive	RC	RC	RC	RC	RC	RC	RC	DR	DR	DR
Total remuneration (£'000)	1,052	1,196	1,357	2,630	2,369	2,507	438	1,440	1,541	1,587
STIP (% of maximum)	86%	63%	89%	97.5%	95.0%	91.2%	0%	83.1%	85%	80%
LTIP (% of maximum)	n/a	n/a	n/a	39.5%	50.0%	50.0%	50.0%	50.0%	19.75%	31.8%

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

2 Rodney Cook stood down as CEO from 30 April 2019 and David Richardson assumed the role of CEO from this date (initially on an interim basis). The total single figure remuneration for Rodney Cook in 2019 represents four months to 30 April 2019 and the full vesting value of the 2017 LTIP and for David Richardson represents 8/12ths of his pay in 2019.

CEO pay ratio

This is the third 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
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 by reference to the financial year ended 31 December 2021 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 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 2021.

£'000	Total pay and benefits	Salary component of total pay
25th percentile	34	27
50th percentile	55	44
75th percentile	93	67
Group Chief Executive	1,587	597

The Group Chief Executive Officer was paid 29 times the median employee in 2021. The Remuneration Committee is confident that this is consistent with the pay, reward and progression policies for the Company's UK employees. The Committee will continue to monitor the CEO pay ratio and gender pay gap statistics as part of its overview of all employee pay.

Comparison with the 2020 ratio

The changes in employee mix and the reduction of management layers across the business has reduced the average cost of total pay for employees. The Company regularly benchmarks salaries and benefits to the market and the Committee is confident they are set at appropriate levels.

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

The table below shows the percentage change in salary, taxable benefits and STIP in respect of each Director earned between 2020 and 2021, compared to that for the average employee of the Group (on a per capita (FTE) basis).

The movement in the percentage change of benefits for Andy Parsons is due to his travel allowance being removed after his first 12 months of employment.

		Percentage change between 2020 and 2021		
		Base salary	Benefits	Annual bonus
	Average employee ¹	2.5%	2.2%	-7.4%
Executive Directors	David Richardson	1%	-2%	-6%
	Andy Parsons	0%	-51%	0%
Non-Executive Directors	John Hastings-Bass ²	0%	n/a	n/a
	Keith Nicholson ³	0%	n/a	n/a
	Clare Spottiswoode ³	0%	n/a	n/a
	Paul Bishop	0%	n/a	n/a
	Ion Cormack	0%	n/a	n/a
	Steve Melcher	0%	n/a	n/a
	Michelle Cracknell ⁴	0%	n/a	n/a
	Kalpana Shah ⁵	n/a	n/a	n/a

1 All permanent employees (excluding the Executive Directors) of the Company in the UK who were in employment during the two calendar year periods of 2020 and 2021 were selected as the most relevant comparator.

2 John Hastings-Bass joined Just Group with effect from 13 August 2020. In order to compare his remuneration year on year, his fees for 2020 have been adjusted to reflect a full year appointment to the Board.

3 Keith Nicholson retired as Senior Independent Director from the Board on 31 December 2021 and Clare Spottiswoode will step down on 10 May 2022.

4 Michelle Cracknell joined Just Group with effect from 14 May 2020. In order to compare her remuneration year on year, her fees for 2020 have been adjusted to reflect a full year appointment to the Board.

5 Kalpana Shah joined Just Group with effect from 1 March 2021.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2021	Year ended 31 December 2020	% difference
Total personnel costs (£m)	101.5	107.5	-5.6%
Dividends paid (£m)	–	–	0%

Implementation of the remuneration policy in 2022 for Executive Directors (unaudited)

BASE SALARY	<ul style="list-style-type: none"> David Richardson, CEO: £609,000 Andy Parsons, CFO: £423,000 <p>David Richardson and Andy Parsons' salaries increased by 2% and 1.9% respectively from 1 April 2022, compared to 3.2% for the wider workforce.</p>												
NON-EXECUTIVE DIRECTORS FEES	<table> <tr> <th>£'000</th><th>Fee</th></tr> <tr> <td>Board Chair</td><td>200</td></tr> <tr> <td>Basic fee</td><td>60</td></tr> <tr> <td>Additional fee for Senior Independent Director</td><td>10</td></tr> <tr> <td>Additional fee for Committee Chair, Risk and Audit Committees</td><td>20</td></tr> <tr> <td>Additional fee for Committee Chair, all other Committees</td><td>15</td></tr> </table>	£'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
£'000	Fee												
Board Chair	200												
Basic fee	60												
Additional fee for Senior Independent Director	10												
Additional fee for Committee Chair, Risk and Audit Committees	20												
Additional fee for Committee Chair, all other Committees	15												
BENEFITS AND PENSIONS	The Executive Directors will receive a benefits allowance of £20,000 for 2022 and a Company pension contribution or cash in lieu of 10% of salary. All employees are enrolled into the Company Group Life Assurance and Group Income Protection schemes.												
SHORT TERM INCENTIVE PLAN ("STIP")	<p>Maximum STIP opportunity remains unchanged at 150% of salary for Executive Directors. 50% of maximum will pay out for on-target performance.</p> <p>The core bonus for 2022 will be determined by a balanced scorecard of performance against financial and strategic measures. The financial measures are:</p> <ul style="list-style-type: none"> 40% based on Underlying Organic Capital Generation 40% based on IFRS New Business Profit measures 20% based on IFRS Operating Profit <p>The strategic measures, which can increase or decrease the bonus pool available (subject always to a maximum bonus pool of 100%) are:</p> <ul style="list-style-type: none"> 'Customer' (customer experience, upheld complaints and customer satisfaction) 'People' (engagement and diversity - gender, ethnicity and race) <p>The core bonus is modified based on personal performance during the year. While not expected in the normal course, the Committee retains the flexibility to pay up to 20% of the maximum bonus opportunity based on personal performance only.</p> <p>The Committee has chosen not to disclose in advance details of the STIP performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. An explanation of bonus payouts and performance achieved will be provided in next year's Annual Report on remuneration.</p> <p>40% of any bonus earned will be deferred for three years into awards over shares under the Deferred Share Bonus Plan.</p>												

**LONG TERM
INCENTIVE PLAN
("LTIP")**

Awards will be made over shares with a face value of 200% and 175% of salary in 2022 to the CEO and CFO respectively. The awards made in 2022 will be subject to the measures below, calculated over the three financial years to 31 December 2024, and will be subject to a further two year post-vesting holding period.

Performance measures and targets applying to the 2022 LTIP awards

Measure	Weighting	Target	Vesting
Underlying Organic Capital Generation	25%	Below £90m	0%
		Threshold: £90m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £130m	100%
ESG - Investment into 'Sustainable Assets' (as developed in partnership with Sustainalytics)	10%	Below £300m	0%
		Threshold: £300m	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: £750m	100%
Return on Equity	35%	Below 8% p.a.	0%
		Threshold: 8% p.a.	25%
		Between threshold and maximum	Between 25% and 100% on a straight-line basis
		Maximum: 12% p.a. or above	100%
Relative TSR vs FTSE 250, excluding Investment Trusts	30%	Below median	0%
		Median	25%
		Between median and upper quartile	Between 25% and 100% on a straight-line basis
		Upper quartile or above	100%

SUMMARY OF THE DIRECTORS' REMUNERATION POLICY

The Directors' remuneration policy was developed taking into account the principles of the UK Corporate Governance Code, guidelines from major investors and guidance from the UK regulators, the PRA and the FCA, on best practice.

The existing policy was approved by shareholders at the AGM held on 14 May 2020 and is available within the Directors Remuneration Report of the 2019 Annual Report and Accounts.

Components of remuneration

The tables below summarise the Directors' remuneration policy for Executive Directors and Non-Executive Directors. The full Directors' remuneration policy, as approved by shareholders, is available at www.justgroupplc.co.uk.

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.	Set at a level which provides a fair reward for the role and which is competitive amongst relevant peers.	In normal circumstances, base salaries for Executive Directors will not increase by more than the average increase for the broader employee population.
	Reflects an individual's experience, performance and responsibilities within the Group.	Normally reviewed annually with any changes taking effect from 1 April.	More significant increases may be awarded from time to time to recognise, for example, development in role or a change in position or responsibilities.
		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.	

DIRECTORS' REMUNERATION REPORT CONTINUED

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
BENEFITS	Provides competitive, appropriate and cost-effective benefits.	<p>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.</p> <p>The benefits provided may be subject to minor amendment from time to time by the Committee within this policy.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The cost of any travel and relocation benefits will vary based on the particular circumstances of the recruitment.</p>
PENSION	Provides for retirement planning, in line with the provisions available to the broader employee population.	<p>The Group operates a money purchase pension scheme into which it contributes, having regard to government limits on both annual amounts and lifetime allowances.</p> <p>Where the annual or lifetime allowances are exceeded, or in certain other circumstances, the Group will pay cash in lieu of a Company contribution.</p>	<p>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.</p> <p>This limit may change to reflect any changes in the contributions available to the majority of the workforce.</p>
SHORT TERM INCENTIVE PLAN ("STIP")	<p>Incentivises the execution of annual goals by driving and rewarding performance against individual and corporate targets.</p> <p>Compulsory deferral of a proportion into Group shares provides alignment with shareholders.</p>	<p>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.</p> <p>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.</p> <p>40% (or such higher proportion as has been determined by the Committee) of any bonus earned will be deferred into awards over shares under the DSBP, with awards normally vesting after a three year period.</p> <p>The Committee has the discretion to adjust the deferral percentage if required to comply with future regulatory requirements relevant to the insurance industry.</p> <p>Malus and clawback apply to both the cash and deferred elements of the STIP².</p>	<p>The on-target bonus payable to Executive Directors is 75% of base salary, with 150% of base salary the maximum payable.</p> <p>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.</p> <p>Dividends will accrue on DSBP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.</p>

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
LONG TERM INCENTIVE PLAN ("LTIP")	<p>Rewards the achievement of sustained long-term operational and strategic performance and is therefore aligned with the delivery of value to shareholders.</p> <p>Facilitates share ownership to provide further alignment with shareholders.</p> <p>Granting of annual awards aids retention.</p>	<p>Annual awards of performance shares¹ normally vest after three years subject to performance conditions and continued service. Performance is normally tested over a period of at least three financial years.</p> <p>A post-vesting holding period is applied to Executive Directors for awards made in 2018 and beyond. Executive Directors are required to retain the LTIP shares that vest (net of tax and NICs) for a period of two years. The two year holding requirement will continue if they leave employment during the holding period.</p> <p>Awards are normally subject to a combination of measures which may include financial and/or strategic measures and/or total shareholder return relative to the constituents of a relevant comparator index or peer group.</p> <p>The Committee retains the flexibility to vary the performance measures and/or weightings for future awards. However, the Committee will consult in advance with major shareholders prior to any significant changes being made.</p> <p>Malus and clawback apply to the LTIP².</p>	<p>The maximum annual opportunity is 250% of base salary. However, in the normal course, awards will be made to Executive Directors over shares with a face value of 150% of base salary.</p> <p>Dividends will accrue on LTIP awards over the vesting period and be paid out either as cash or as shares on vesting and in respect of the number of shares that have vested.</p>
ALL-EMPLOYEE SHARE PLANS	Encourages employee share ownership and therefore increases alignment with shareholders.	The Group may from time to time operate tax-approved share plans (such as HMRC-approved Save As You Earn plans and Share Incentive Plans), for which Executive Directors could be eligible.	The schemes are subject to the limits set by HMRC from time to time.
SHAREHOLDING GUIDELINES	Encourages Executive Directors to build a meaningful shareholding in the Group so as to further align interests with shareholders.	<p>Each Executive Director must build up and maintain a shareholding in the Group equivalent to 200% of base salary.</p> <p>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.</p> <p>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.</p> <p>The guideline extends post-cessation shareholding, with the lower of the holding on cessation or the full guideline applying for two years. The post-cessation guideline only applies to any share awards granted (or any other shares acquired) after the date on which the new policy is approved by shareholders.</p>	Not applicable.

DIRECTORS' REMUNERATION REPORT CONTINUED

Chair and Non-Executive Directors

Element	Purpose and link to strategy	Operation (including framework used to assess performance)	Opportunity
FEES	To attract and retain a high-calibre Chair and Non-Executive Directors by offering market-competitive fee levels.	<p>The Chair is paid a single fixed fee. The Non-Executive Directors are paid a basic fee, with additional fees paid to the Chairs of the main Board Committees and the Senior Independent Director to reflect their extra responsibilities.</p> <p>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.</p> <p>Fees are reviewed periodically by the Committee and Group Chief Executive Officer for the Chair, and by the Chair and Executive Directors for the Non-Executive Directors.</p> <p>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.</p> <p>The Chair and the Non-Executive Directors are entitled to the reimbursement of reasonable business-related expenses (including any tax thereon). They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.</p>	<p>The Company's Articles of Association place a limit on the aggregate fees of the Non-Executive Directors of £1m per annum.</p> <p>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.</p>

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

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

APPROVAL

This report was approved by the Board of Directors on 9 March 2022 and signed on its behalf by:

IAN CORMACK

Chair, Remuneration Committee

9 March 2022

DIRECTORS' REPORT

The Directors present their report for the financial year ended 31 December 2021.

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

The Annual Report contains forward-looking statements, which are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ from any future results or developments expressed in, or implied by, the forward-looking statements. Each forward-looking statement speaks only as of the date of that particular statement.

GOVERNANCE

Principal activities and performance

Just is a specialist UK financial services group focusing on attractive segments of the UK retirement income market. Just Group plc (the "Company") is a public company limited by shares and was incorporated in England and Wales with the registered number 8568957. The Company is a holding company. Details of the Company's subsidiaries are set out in note 35.

Commentary on the Group's performance in the financial year ended 31 December 2021 and likely future developments is included in the Strategic Report on pages 48 to 57. Our approach to stakeholder engagement, including our Section 172 statement, can be found on pages 36 to 42.

Corporate governance statement

The FCA's Disclosure Guidance and Transparency Rules require a corporate governance statement in the Directors' Report to include certain information. You can find information that fulfils this requirement in this Directors' Report, the Corporate Governance Report, Committee Reports, and the Directors' Remuneration Report on pages 93 to 108, all of which is incorporated in the Directors' Report by reference.

Requirements under Listing Rule 9.8.4C

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

Information	Page number
Interest capitalised by the Group	Not applicable
Publication of unaudited financial information	Not applicable
Long-term incentive schemes involving one director only	Not applicable
Waiver of emoluments by a director	Not applicable
Waiver of future emoluments by a director	Not applicable
Non pre-emptive issues of equity for cash	Not applicable
Non pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Parent participation in a placing by a listed subsidiary	Not applicable
Contracts of significance involving a director	Not applicable
Contracts of significance involving a controlling shareholder	Not applicable
Shareholder waivers of dividends	Share plans on page 111
Shareholder waivers of future dividends	Share plans on page 111
Agreements with controlling shareholders	Not applicable

Both the Directors' Report and the Strategic Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law. The liabilities of the Directors in connection with those reports shall be subject to the limitations and restrictions provided by such law.

Overseas branches

The Company does not have any overseas branches within the meaning of the Companies Act 2006.

Modern slavery

In compliance with section 54(1) of the Modern Slavery Act 2015, the Group published its slavery and human trafficking statement online.

Articles of Association

The Company may make amendments to the Articles of Association by way of special resolution of the shareholders in accordance with the Companies Act. No changes were made to the Articles of Association during 2021. Adoption of new Articles of Association will be proposed at the 2022 Annual General Meeting, details of which can be found in the Notice of Meeting which will be made available to shareholders separately.

Business relationships

The Board is committed to foster the Company's business relationships with suppliers, customers and other stakeholders. Details on how the Board engage with our principal suppliers and customers, as well as other stakeholders can be found on pages 36 to 37.

GOING CONCERN AND VIABILITY STATEMENT

The Directors are required to assess the prospect of the Company and the Group as a going concern over the next 12 months in accordance with Provision 30 of the UK Corporate Governance Code 2018 (the "Code"), and also the longer-term viability of the Group in accordance with Provision 31 of the Code.

The going concern and longer-term viability assessment includes the consideration of the Group's business plan approved by the Board; steps taken by the Group over the last three years to improve capital efficiency; the projected liquidity position of the Company and the Group; on-going impacts of COVID-19; current financing arrangements and contingent liabilities; and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II Framework, and to measure and monitor its capital resources on this basis.

It is fundamental to the Group that the Directors manage and monitor the key risks the Group is exposed to, including longevity risk, property risk, credit risk, and interest rate risk, so that it can protect policyholders and meet their payments when due.

In addition, the resilience of the solvency capital position has been tested under a range of adverse scenarios, which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall.

Furthermore, the Directors note that in a scenario where the Group ceases to write new business the going concern basis would continue to be applicable while the Group continued to service in-force policies.

Having due regard to these matters and after making appropriate enquiries, the Directors confirm that they consider it appropriate to prepare the financial statements on the going concern basis.

DIRECTORS' REPORT CONTINUED

The Viability Statement as required by the Code, has been undertaken for a period of five years to align with the Group's business planning. It is contained within the Strategic Report and can be found on page 59.

THE BOARD

Directors

The Directors who served during the year and up to the date of this report are set out in the Governance Report on page 77. The biographies of the Directors in office as at the date of this report can be found on pages 68 to 71. 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 Directors will retire and stand for election or re-election at the 2022 Annual General Meeting with the exception of Clare Spottiswoode who has informed the Board of her intention to retire as a Director on 10 May 2022.

Directors' Powers

The Board is responsible for the management of the business of the Company and may exercise all powers of the Company subject to the provisions of the Company's Articles of Association and relevant legislation.

Directors' insurance and indemnities

The Directors and Officers of the Company benefit from an indemnity provision in the Company's Articles of Association against any liability they may incur in relation to the Company's affairs, subject to the provisions of the Companies Act 2006 as amended. Each Director of the Company benefits from a deed of indemnity in respect of the costs of defending claims against him or her and third party liabilities (the terms of which are in accordance with the Companies Act 2006 as amended). Such qualifying third party indemnity provision remains in force at the date of this report. Directors' and Officers' liability insurance cover was maintained throughout the year at the Company's expense and remains in force at the date of this report.

Directors' interests

The interests of Directors and their connected persons in the ordinary shares of the Company as disclosed in accordance with the Listing Rules of the UK Listing Authority are as set out on page 99 of the Directors' Remuneration Report and details of the Directors' long-term incentive awards are also set out on page 100.

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 Annual General Meeting ("AGM") in respect of the 2021 financial year will be held at 10.00am on Tuesday 10 May 2022 at the Company's registered office, Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RP. More information about the 2022 AGM can be found in the Notice of Meeting which will be made available to shareholders separately.

Results and dividends

The financial statements set out the results of the Group for the year ended 31 December 2021 and are shown on pages 123 to 126.

The Board is recommending a final dividend for the year ended 31 December 2021 of 1.0 pence per ordinary share (2020: nil). Subject to approval by shareholders at the Company's 2022 AGM, the Company will

pay the final dividend on 17 May 2022 to shareholders on the register of members at the close of business on 22 April 2022.

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, as well as a proposed amendment to the Articles of Association regarding the cancellation of dividends by the Board in the Notice of Meeting for the 2022 AGM.

SHARE CAPITAL

Ordinary share capital

As at 31 December 2021, the Company had an issued share capital of 1,038,537,044 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 2021 was 83.60 pence.

Further information relating to the Company's issued share capital can be found in note 21 on page 156.

Restricted Tier 1 bonds

The Company has £325m of Restricted Tier 1 bonds ("Bonds") in issue. The Bonds are convertible into equity in certain circumstances. The circumstances in which the Bonds may convert into ordinary shares would be limited to a "trigger event". A trigger event may only occur if the Board determines in consultation with the Prudential Regulation Authority that it has ceased to comply with its capital requirements under Solvency II in a significant way. This may occur if the amount of capital held by the Group fails to comply with its capital requirements for a continuous period of three months or more or if the Group fails to comply with other minimum capital requirements applicable to it. Only if a trigger event occurs would any Bonds convert into ordinary shares. The holders of the Bonds do not have the right or option to require conversion of the Bonds. On a change of control, the Bonds may also be convertible into equity in an entity other than the Company where the acquirer is an approved entity (being an entity which has in issue ordinary share capital which is listed or admitted to trading on a regulated market) and the new conversion condition (as set out therein) is satisfied. Otherwise the Bonds may be written-down to zero.

Share capital authorities

The Company's Articles of Association specify that, subject to the authorisation of an appropriate resolution passed at a general meeting of the Company, Directors can allot relevant securities under Section 551 of the Companies Act up to the aggregate nominal amount specified by the relevant resolution. In addition, the Articles of Association state that the Directors can seek authority from shareholders at a general meeting of the Company to allot equity securities for cash, without first being required to offer such shares to existing ordinary shareholders in proportion to their existing holdings under Section 561 of the Companies Act, in connection with a rights issue and in other circumstances up to the aggregate nominal amount specified by the relevant resolution.

The Directors were granted the following authorities at the 2021 AGM held on 11 May 2021 and General Meeting of the Company held on 31 August 2021 ("2021 General Meeting"):

2021 AGM

- to allot ordinary shares in the Company up to a maximum aggregate nominal amount of £69,208,856;
- to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £5,190,664 and further granted an additional power to disapply pre-emption rights representing a further 5% only to be used in specified circumstances;

- to make market purchases of up to an aggregate of 103,813,285 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital as of 26 March 2021; and

2021 General Meeting

- to allot ordinary shares in the Company and to grant rights to subscribe for or to convert any security into 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 2021 and 2020 can be found in note 21 on page 156. No shares were purchased by the Company during the year.

On 6 September 2021, the Company made a tender offer for £300m of Bonds in issue. Details of the tender offer can be found in the Section 172 statement on page 41. On 16 September 2021, the Company issued £325m of Bonds which in certain circumstances can be converted into ordinary shares with a nominal value of £41m in accordance with the authority granted at the 2021 General Meeting. Details of the Bonds issued during 2021 can be found in note 25 on page 162.

The Directors propose to renew these abovementioned authorities at the 2022 AGM for a further year.

Other securities carrying special rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Restrictions on transfer of shares and voting

The Company's Articles of Association do not contain any specific restrictions on the size of a holding or on the transfer of shares, except that certain restrictions may from time to time be imposed by laws and regulations (for example, by the Market Abuse Regulation ("MAR") and insider trading law) or pursuant to the Listing Rules of the Financial Conduct Authority whereby the Directors and certain employees of the Company require clearance from the Company to deal in the Company's ordinary shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

No person has any special rights with regard to the control of the Company's share capital and all issued shares are fully paid. This is a summary only and the relevant provisions of the Articles of Association should be consulted if further information is required.

Share plans

The Group operates a number of share-based incentive plans that provide the Company's shares to participants at exercise of share options upon vesting or maturity. The plans in operation include the Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP"), the Just Retirement Group plc Deferred Share Bonus Plan ("DSBP"), the Just Retirement Group plc Sharesave Scheme ("SAYE"), and the Just Retirement Group plc Share Incentive Plan. Details of these plans are set out on pages 94 to 95.

Exercises of share options under the LTIP and DSBP are satisfied by using newly issued shares or market purchased shares held in the employee benefit trust ("EBT"). The trustee does not register votes in respect of these shares and has waived the right to receive any dividends.

Shares relating to options granted under the LTIP and SAYE are intended to be satisfied by newly issued shares. During the 12 months to 31 December 2021, 408,488 ordinary shares of 10 pence each were issued to employees and the EBT in satisfaction of the exercise of share options under the terms of these employee share plans (2020: 3,046,892).

Major shareholders

The Company had been notified in accordance with DTR 5 of the Disclosure and Transparency Rules of the following interests of 3% or more of its issued ordinary share capital. The information in the following table was correct at the date of notification.

Shareholder	Ordinary shareholdings at 31 Dec 2021	% of capital	Ordinary shareholdings at 9 Mar 2022 ¹	% of capital
Aegon N.V.	54,242,658	5.22	54,242,658	5.22
Credit Suisse Group AG	38,771,332	3.73	38,771,332	3.73
Norges Bank	31,038,322	2.98	31,038,322	2.98

1 Being the last practical date prior to publication of the Annual Report.

EMPLOYEES

Equal opportunities employment

Just Group plc is an equal opportunities employer and has policies in place to ensure decisions on recruitment, development, promotions and other employment-related issues are made solely on the grounds of individual ability, achievement, expertise and conduct. These principles are operated on a non-discriminatory basis, without regard to race, nationality, culture, ethnic origin, religion, belief, gender, sexual orientation, age, disability or any other reason not related to job performance or prohibited by applicable law.

We are a Disability Confident Committed employer and our recruitment process ensures we give full and fair consideration to applications made by disabled persons and any reasonable adjustments are made as required during the recruitment process to ensure disabled persons have the same opportunity to demonstrate their skills as all other applicants. If an employee were to become disabled during their employment with the Group, support for continued employment would be provided and workplace adjustments made as appropriate in respect of their duties and working environment.

Employee engagement and communication

We want all colleagues to feel proud to work at Just and communication and engagement is critical to our success. We have a well-defined communication and engagement programme in place so that all colleagues understand our organisation's goals and how we need to work together to achieve them. This includes quarterly town hall business updates, regular emails to all colleagues, videos and news items on our internal intranet.

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

2021 was a year in which we successfully transitioned colleagues from homeworking in light of COVID-19, to embracing our trial of hybrid ways of working. We were named as one of the UK's 100 Best Large Companies to Work For and accredited as a 2 Star organisation, representing outstanding levels of engagement. We also undertook further work to define our culture and identity of being Just. This is how we deliver our strategy which is always sustainably and following clear behaviours which we collectively call the "Just way".

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

DIRECTORS' REPORT CONTINUED

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 on page 30.

Employee diversity

We have increased gender diversity at senior levels (global grade 14+, which includes approximately 10% of the most senior employees) by three percentage points from 24% to 27%. We are on track to achieve the "33 by 23" target in line with our pledge as a signatory to the Women in Finance Charter that 33% of our senior leaders will be female by the end of 2023.

	Female	Male	Total	Female %	Male %
Group Executive Committee members	1	7	8	12.50	87.50
Senior management ¹ (global grade 14-16)	32	81	113	28.32	71.68
All other employees (global grade 1-13)	434	482	916	47.38	52.62
Grand total	467	570	1,037	45.03	54.97

1 Of these 113 senior managers, 41 directly report to members of the Group Executive Committee, and of these, eight (19.5%) are women.

Further information on colleagues, culture and diversity is given on page 30.

AUDITOR

Disclosure of information to the auditor

Each Director of the Company at the date of approval of this Directors' Report has confirmed that, so far as he or she is aware, there is no relevant audit information of which the Company's external auditor is unaware. Each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's external auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor appointment

PwC has expressed its willingness to continue in office as the external auditor. A resolution to reappoint PwC will be proposed at the forthcoming AGM. An assessment of the effectiveness and recommendation for reappointing PwC in the Group Audit Committee Report can be found on page 87.

ENVIRONMENT AND EMISSIONS

Information on the Group's greenhouse gas emissions is set out in the Sustainability and the environment report on pages 18 to 19.

OTHER DISCLOSURES

Change of control provisions

There are various agreements that take effect, alter or terminate upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. In the context of the Group as a whole, none of these are deemed to be significant in terms of their potential impact. All the reinsurance treaties previously disclosed, which could have been terminated by the Company on a change of control, have been recaptured.

Financial instruments

Derivatives are used to manage the Group's capital position which entails a surplus of long dated fixed interest assets when liabilities are measured on a realistic basis. Details of these derivatives are contained in note 28 to the financial statements. Disclosure with respect to financial risk is included on pages 60 to 63 of the Strategic Report and in note 33 to the financial statements.

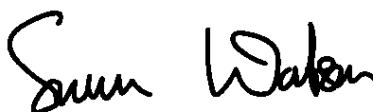
Political donations

No political donations were made, or political expenditure incurred, by the Company and its subsidiaries during the year (2020: £0).

POST BALANCE SHEET EVENTS

Details of post-balance sheet events are set out in note 38 to the financial statements.

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



SIMON WATSON

Group Company Secretary
9 March 2022

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and Parent Company financial statements in accordance with International Financial Reporting Standards as adopted by the UK Endorsement Board and pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and have elected to prepare the Parent Company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with the Companies Act 2006 and IFRS as adopted by the UK Endorsement Board and pursuant to Regulation (EC) No 1606/2002 as it applies in the EU;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company, and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with the Companies Act 2006 and IFRS as adopted by the UK Endorsement Board and pursuant to Regulation (EC) No 1606/2002 as it applies in the EU, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance business model and strategy.

The Strategic Report contains certain forward-looking statements providing additional information to shareholders to assess the potential for the Company's strategies to succeed. Such statements are made by the Directors in good faith, based on the statements available to them up to the date of their approval of this report, and should be treated with caution due to the inherent uncertainties underlying forward-looking information.

Neither the Company nor the Directors accept any liability to any person in relation to the Annual Report and Accounts except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A and Schedule 10A of the Financial Services and Markets Act 2000.

By order of the Board



DAVID RICHARDSON
Group Chief Executive Officer



ANDY PARSONS
Group Chief Financial Officer
9 March 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JUST GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Just Group plc's consolidated financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise:

- the Consolidated statement of financial position and Statement of financial position of the Company as at 31 December 2021;
- the Consolidated statement of comprehensive income for the year then ended;
- the Consolidated statement of changes in equity and the Statement of changes in equity of the Company for the year then ended;
- the Consolidated statement of cash flows and the Statement of cash flows of the Company for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

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

SEPARATE OPINION IN RELATION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED PURSUANT TO REGULATION (EC) NO 1606/2002 AS IT APPLIES IN THE EUROPEAN UNION

As explained in note 1 to the consolidated financial statements, the Group, in addition to applying UK-adopted international accounting standards, have also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

BASIS FOR OPINION

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

Independence

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

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

Other than those disclosed in note 4, we have provided no non-audit services to the Group in the period under audit.

OUR AUDIT APPROACH

Context

The Group is predominantly based in the United Kingdom and writes business across four main product lines, being Defined Benefit risk transfers, Individual Annuities, Lifetime Mortgages and Long-term Care Plans. The Group has two regulated insurance companies, Just Retirement Limited and Partnership Life Assurance Company Limited, in addition to other professional 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.

As a part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of commitments made by the Group in respect of climate change may affect the financial statements and our audit. There was no impact of this on our key audit matters.

The COVID-19 pandemic has continued to have a significant global impact throughout 2021. In planning our audit, we have considered the impact of the pandemic on the Group's business and the financial statements. Where necessary, we have utilised virtual technologies and collaborative workflow tools to obtain sufficient, appropriate audit evidence whilst working in this hybrid environment.

Overview

Audit scope

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

Key audit matters

- Valuation of insurance contract liabilities (Group)
- Valuation of insurance contract liabilities – Annuitant mortality assumptions (Group)
- Valuation of insurance contract liabilities – Credit default assumptions (Group)
- Valuation of insurance contract liabilities – Expense assumptions (Group)
- Valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages (Group)
- Recoverability of the Group's investments in Group undertakings (Company)

Materiality

- Overall Group materiality: £24,400,000 (2020: £24,900,000) based on 1% of Total equity.
- Overall Company materiality: £12,574,000 (2020: £13,000,000) based on 1% of Total equity.
- Performance materiality: £18,300,000 (2020: £18,700,000) (Group) and £9,430,000 (2020: £9,800,000) (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. The impact of uncertainties related to COVID-19 on the Group and Company, which was a key audit matter last year, is no longer included because it is now clearer and assessed as having limited effect on the operations or the going concern assessment performed by the directors. We have therefore removed this as a specific key audit matter and have, to the extent relevant, referred to the impact of COVID-19 on our audit work within other key audit matters. Otherwise, the key audit matters below are consistent with last year.

Key audit matter**How our audit addressed the key audit matter****Valuation of insurance contract liabilities (Group)**

Refer to Group Audit Committee Report, Accounting policy 1.21 Insurance liabilities and note 23 Insurance contracts and related reinsurance.

The inherent uncertainty involved in setting the assumptions used to determine the insurance liabilities represents a significant area of management judgement for which small changes in assumptions can result in material impacts to the valuation of these liabilities. As part of our consideration of the entire set of assumptions, we focused particularly on longevity assumptions, credit default risk assumptions and expense assumptions as these are considered the most significant and judgemental.

The work to address the valuation of the insurance contract liabilities included the following procedures:

- Tested the design and, where applicable, the operating effectiveness of controls related to the completeness and accuracy of policyholder data used in the valuation of insurance contract liabilities;
- For a sample, agreed data used in the actuarial model to source documentation;
- Using our actuarial specialist team members, we applied our industry knowledge and experience to assess the appropriateness of the methodology, model and assumptions used against recognised actuarial practices;
- Performed testing over the actuarial model calculations. We have placed reliance on model baselining carried out as part of our first year audit, whereby we independently replicated the liability cash flows for a sample of policies in order to validate that the model calculations were operating as intended. In 2021 we performed additional procedures over changes in the model and tested the analysis of change in modelled results, to assess whether the model continues to operate as expected;
- Tested the derivation of the valuation rate of interest used to discount the insurance contract liabilities;
- Used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Group's industry peers;
- Understood the process and tested controls in place over the determination of the insurance contract liabilities, including those relating to model inputs, model operation and extraction and consolidation of results from the actuarial model; and
- Assessed the disclosures in the financial statements.

Further testing was also conducted on the annuitant mortality, credit default and expense assumptions as set out below.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter

How our audit addressed the key audit matter

Valuation of insurance contract liabilities – Annuitant mortality assumptions (Group)

Refer to Group Audit Committee Report, Accounting policy 1.21 Insurance liabilities and note 23 Insurance contracts and related reinsurance.

Annuitant mortality assumptions are an area of significant management judgement due to the inherent uncertainty involved. Whilst the Group manages the extent of its exposure to annuitant mortality risk through reinsurance, we consider these assumptions underpinning gross insurance contract liabilities to be a key audit matter given the Group's exposure to annuities. The annuitant mortality assumptions have two main components as set out below and a margin for prudence is then applied to these components.

Base mortality assumptions

This component of the assumption is mainly driven by internal experience analyses. It requires expert judgement, in determining the most appropriate granularity at which to carry out the analysis; the period used for historic experience; whether data should be excluded from the analysis; and in selecting an appropriate industry mortality table to which management overlays the results of the experience analysis.

Rate of future mortality improvements

This component of the assumption is more subjective given the lack of data and the uncertainty over how life expectancy will change in the future. The allowance for future mortality improvements is inherently subjective, as improvements develop over long timescales and cannot be captured by analysis of internal experience data. The Continuous Mortality Investigation Bureau ("CMIB") provides mortality projection models which are widely used throughout the industry and contain a standard core set of assumptions including initial rates of improvement, calculated by the CMIB based on the most recent available population data.

We performed the following audit procedures to test the annuitant mortality assumptions (including base mortality assumptions, rate of future mortality improvements and margin for prudence):

- Assessed the appropriateness of the methodology used to perform the annual experience studies. This involved the assessment of key judgements with reference to relevant rules, actuarial guidance and by applying our industry knowledge and experience;
- Tested the controls in place over the performance of annuitant mortality experience analysis studies, approval of the proposed assumptions and implementation within the actuarial model;
- Assessed the appropriateness of areas of expert judgments used in the development of the mortality improvement assumptions, including the selection and parameterisation of the CMi model such as the choice of the smoothing parameter, initial rate, long term rate and tapering at older ages;
- Assessed the appropriateness of the margin for prudence and its consistency over time;
- Compared the annuitant mortality assumptions selected by management against those used by peers using our annual benchmarking survey of the market;
- In respect of COVID-19, assessed management's considerations and any allowances made for changes in current and future expected rates of annuitant mortality; and
- Assessed the disclosure of the annuitant mortality assumptions and the commentary over retaining the prior year assumptions for 2021 reporting.

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 1.21 Insurance liabilities and note 23 Insurance contracts and related reinsurance.

The credit default assumptions are applied as a deduction to the valuation rate of interest and therefore have a significant impact on the valuation of the insurance contract liabilities. The appropriate deduction is subjective and requires expert judgement. The Group's investment portfolio primarily consists of corporate bonds and a material amount of illiquid assets, including Lifetime Mortgages, where there is greater uncertainty.

For corporate bonds, the assumption is based upon historical observed default rates with an additional allowance when current observed spreads are in excess of an assumed long-term level. For Lifetime Mortgages, the assumption is set with reference to the No Negative Equity Guarantee ("NNEG") and for other illiquid assets, the assumption is set as an adjustment to the equivalent corporate bond assumption. In addition, a margin for prudence is applied to the credit default assumptions.

We performed the following audit procedures to test the credit default assumptions:

- Assessed the methodologies used to derive the assumptions (including margin for prudence) with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience;
- Assessed significant assumptions used by management against market observable data (to the extent available and relevant) and our experience of market practices; Tested the controls in place over the application of credit default assumptions within the valuation interest rate calculation;
- Considered the impact of COVID-19, including whether any changes in future expected default levels are appropriately reflected;
- Considered the appropriateness of any changes made to the credit default methodology as a result of the transition from LIBOR to SONIA as the benchmark risk-free rate in UK;
- Compared the assumptions selected against those adopted by peers using our annual survey of the market (to the extent available);
- Assessed the appropriateness of the margin for prudence for each asset class individually and in aggregate and its consistency over time; and
- Assessed the disclosure of the credit default risk assumptions and the commentary to support the impact, if any, from changes in these assumptions over the period.

Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk to be appropriate.

Valuation of insurance contract liabilities – Expense assumptions (Group)

Refer to Group Audit Committee Report, Accounting policy 1.21 Insurance liabilities and note 23 Insurance contracts and related reinsurance.

Future maintenance expenses and expense inflation assumptions are used in the measurement of the insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the in-force policies at the balance sheet date, including an allowance for unavoidable project costs and a margin for prudence. The assumptions used require judgement, particularly with respect to the allocation of expenses to future maintenance.

We performed the following audit procedures to test the expense assumptions:

- Tested the design and, where applicable, the operating effectiveness of controls related to the expense assumption setting process;
- Tested the completeness and accuracy of the total cost base and allocation of expenses to the appropriate cost centre;
- Assessed the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience;
- Assessed the appropriateness of significant judgements in application of the methodology, including excluded costs (for example, due to costs either not relating to the insurance business or being non-recurring in nature), the allocation of expenses between acquisition and maintenance costs and the allocation of costs to products;
- Assessed the appropriateness of the rate at which expenses are assumed to inflate in the future, taking into account both price and earnings inflation;
- Assessed the appropriateness of the margin for prudence and its consistency over time;
- Tested the policy counts used in the derivation of per policy expense assumptions and considered whether any adjustments are required to reflect changes in future expected policy volumes, for example, to allow for diseconomies of scale; and
- Assessed the disclosure of the maintenance assumptions and the commentary to support the impact, if any, from changes in these assumptions over 2021.

Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.

INDEPENDENT AUDITORS' REPORT CONTINUED

Key audit matter

How our audit addressed the key audit matter

Valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages (Group)

Refer to Group Audit Committee Report, Accounting policy 1.17 Financial investments and note 17 Financial assets and liabilities measured at fair value.

The valuation of investments classified as Level 3 is typically calculated using a discounted cash flow model with significant unobservable inputs. This is inherently complex and requires expert judgement. Furthermore, the balances are material to the financial statements. This comprises investments in certain illiquid debt instruments, commercial mortgages and Lifetime Mortgages.

For Lifetime mortgages, an internal model which projects the future cash flow expected to arise is used to value each mortgage. This is based on a current valuation of the underlying property. The future cash flows allow for expected future expenses, mortality and voluntary redemption experience and any potential repayment shortfalls due to the existence of the NNEG. A key judgement in the assessment of the NNEG is the best estimate future house price growth assumption. The illiquidity premium used within the discount rate is set at outset for each mortgage to ensure there is no day 1 gain and it is unchanged thereon unless there are further advances.

We performed the following audit procedures to test the valuation of the investments classified as Level 3 (excluding Lifetime Mortgages):

- Tested the design and, where applicable, the operating effectiveness of controls related to the valuation of investments; and
- Obtained independent confirmations from third party asset managers (where relevant).

For a sample of positions, we performed the following procedures:

- Engaged our valuation experts to assess the reasonableness and appropriateness of the internal or external valuation methodology applied;
- Performed an independent revaluation and investigated any variances outside of our tolerable threshold; and
- Tested inputs into the valuation to external sources, where possible.

For Lifetime Mortgages, we performed the following audit procedures:

- Tested the design and, where applicable, the operating effectiveness of controls related to the accuracy and completeness of data used in the modelling of Lifetime Mortgages;
- For a sample of mortgages, agreed data used in the modelling of Lifetime Mortgages to policyholder documentation;
- Understood the process and tested controls in place over the determination of the valuation, including those relating to model inputs, model operation and extraction and consolidation of results from the valuation model;
- Assessed the appropriateness of current property prices by obtaining evidence to support the latest property value used (based on valuations by Hometrack AVM or property surveyors) and recalculating the application of the Nationwide indices to property data;
- Using our actuarial specialists, applied our industry knowledge and experience to assess the appropriateness of the methodology, model and assumptions used to measure the NNEG component against recognised actuarial practices;
- Evaluated the appropriateness of significant economic assumptions, including the property price inflation assumption and property price volatility assumptions used within the valuation process, with reference to market data and industry benchmarks where available;
- Evaluated the Group's historic redemptions data used to prepare the Group's mortality, morbidity and voluntary redemptions experience analysis, together with industry data on expectations of future mortality improvements and assessed whether this supports the assumptions adopted. This includes the adjustment applied in 2021 to reflect higher expected short term redemption rates;
- Performed testing over the actuarial model calculations. We have placed reliance on our model baselining carried out as part of our first year 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 2021 we performed additional procedures over changes in the model and tested the analysis of change in modelled results, to assess whether the model continued to operate as expected;
- Assessed the valuation implications (if any) from the Group's recent portfolio sales including the transaction after the balance sheet date; and
- Used the results of the PwC benchmarking survey to further challenge the assumptions and modelling approach adopted, relative to the Group's industry peers.

We have also considered the adequacy of the Group's disclosures in relation to the valuation of those assets designated Level 3, in particular the sensitivity of the valuations adopted to alternative assumptions.

Based on the work performed and the evidence obtained, we consider the valuation of level 3 assets to be appropriate.

Key audit matter

How our audit addressed the key audit matter

Recoverability of the Company's investments in Group undertakings (Company)

Refer to Group Audit Committee Report, Company accounting policy 1.4 Investments in Group undertakings and note 2 to the Company's financial statements – Investments in Group undertakings.

The carrying amount of the Company's investments in Group undertakings is significant and in excess of the market capitalisation of the Group. This gives rise to an indicator of impairment. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty in forecasting trading conditions and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of the cost of investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

We performed the following audit procedures related to the recoverability of the Company's investments in Group undertakings:

- Assessed the reasonableness and appropriateness of the assumptions used in the cash flows based on our knowledge of the Group and the markets in which the subsidiaries operate;
- Assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts;
- Evaluated the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market;
- Reviewed the methodology used in determining the discount rate applied, including engaging our valuation experts to assess the appropriateness of the inputs into the discount rate; and
- Assessed the adequacy of the Company's disclosures.

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 risk transfers, Individual Annuities, Lifetime Mortgages and Long-term Care Plans. The Group consists of the Parent Company, Just Group plc, and a number subsidiary companies, of which the most significant are Just Retirement Limited and Partnership Life Assurance Company Limited, which conduct substantially all the insurance business on behalf of the Group.

We have determined three components which were subject to full scope audits. This included Just Group plc, Just Retirement Limited and Partnership Life Assurance Company Limited. In addition, we performed a limited scope audit covering specific financial statement line items for a further three 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 92% coverage of consolidated Total assets, 99% coverage of consolidated Total liabilities and 85% coverage of consolidated Loss before tax.

Materiality

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

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

	Financial statements – Group	Financial statements – Company
Overall materiality	£24,400,000 (2020: £24,900,000).	£12,574,000 (2020: £13,000,000).
How we determined it	1% of Total equity	1% of Total equity
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report, we consider total equity to be the most appropriate benchmark for our materiality. It represents the residual interest that can be ascribed to shareholders after policyholder assets and corresponding liabilities have been accounted for and is aligned to the primary focus of the business and users of the financial statements, being the capital position of the Group. We compared our materiality against other relevant benchmarks, such as total assets, total revenue, and profit or loss before tax to ensure the materiality selected was appropriate for our audit.	In determining our materiality, we considered financial metrics which we believed to be relevant and concluded that total equity was the most appropriate benchmark. The primary use of the financial statements is to determine the entity's ability to pay dividends and the users will therefore be focussed on distributable reserves, a balance captured using a total equity benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4.8 million and £16.3 million.

INDEPENDENT AUDITORS' REPORT CONTINUED

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% (2020: 75%) of overall materiality, amounting to £18.3 million (2020: £18.7 million) for the consolidated financial statements and £9.4 million (2020: £9.8 million) for the Company financial statements.

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

We agreed with the Group Audit Committee that we would report to them misstatements identified during our audit above £1.25 million (Group audit) (2020: £1.25 million) and £0.6 million (Company audit) (2020: £0.7 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

CONCLUSIONS RELATING TO GOING CONCERN

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtained the directors' going concern assessment and challenged the rationale for downside scenarios adopted and material assumptions made using our knowledge of the Group's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considered management's assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered;
- Assessed the impact of severe, but plausible, downside scenarios which removed certain actions which are not necessarily within management's control;
- Assessed the impact of the factors outlined in note 34, which could erode the Group's capital resources and/or the quantum of risk to which the Group is exposed;
- Assessed liquidity of the Group and Company, including the Group's ability to pay policyholder obligations, suppliers and creditors as amounts fall due;
- Assessed the ability of the Group and the Company to comply with covenants;
- Enquired and understood the actions taken by management to mitigate the impacts of COVID-19, including attendance at Group Audit Committee and Group Risk and Compliance Committee meetings; and
- Reviewed the disclosures included in the financial statements, including the Basis of Preparation.

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

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

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

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

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

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 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 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' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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 and the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the 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;

INDEPENDENT AUDITORS' REPORT CONTINUED

- Assessment of matters reported on the Group's whistleblowing register and the results of management's investigation of such matters where applicable;
- Reviewing correspondence with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Meeting with the PRA supervisory team to discuss matters in relation to compliance with laws and regulations;
- Attendance at Group Audit Committee and Group Risk and Compliance 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;
- Procedures relating to the valuation of life insurance contract liabilities, in particular annuitant mortality, credit default and expense assumptions, and the valuation of investments classified as Level 3 under IFRS 13, including Lifetime Mortgages, described in the related key audit matters;
- Validating the appropriateness of journal entries identified based on our fraud risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Assessing the impact of COVID-19 on the inherent risk of fraud, including potential opportunities for fraud with more remote working and where internal controls may not be operating the way they usually do.

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

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

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

Use of this report

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Following the recommendation of the Group Audit Committee, we were appointed by the members on 14 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2020 to 31 December 2021.

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
9 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Gross premiums written	6	2,676.1	2,147.8
Reinsurance premiums ceded		(23.3)	(232.0)
Reinsurance recapture		–	940.0
Net premium revenue		2,652.8	2,855.8
Net investment (expense)/income	2	(130.3)	1,777.7
Fee and commission income	6	15.6	11.7
Total revenue		2,538.1	4,645.2
Gross claims paid		(1,381.3)	(1,321.1)
Reinsurers' share of claims paid		239.9	320.9
Net claims paid		(1,141.4)	(1,000.2)
Change in insurance liabilities:			
Gross amount		(706.7)	(2,116.6)
Reinsurers' share		(332.0)	73.5
Reinsurance recapture		–	(940.0)
Net change in insurance liabilities		(1,038.7)	(2,983.1)
Change in investment contract liabilities	24	(0.8)	(1.8)
Acquisition costs	3	(48.6)	(44.5)
Other operating expenses	4	(193.2)	(219.9)
Finance costs	5	(136.8)	(159.0)
Total claims and expenses		(2,559.5)	(4,408.5)
(Loss)/profit before tax	6	(21.4)	236.7
Income tax	7	5.6	(44.2)
(Loss)/profit for the year		(15.8)	192.5
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of land and buildings	7, 14	–	(1.1)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(0.6)	(0.6)
Other comprehensive loss for the year, net of income tax		(0.6)	(1.7)
Total comprehensive (loss)/income for the year		(16.4)	190.8
(Loss)/profit attributable to:			
Equity holders of Just Group plc		(15.0)	193.6
Non-controlling interest	35	(0.8)	(1.1)
(Loss)/profit for the year		(15.8)	192.5
Total comprehensive income attributable to:			
Equity holders of Just Group plc		(15.6)	191.9
Non-controlling interest	35	(0.8)	(1.1)
Total comprehensive (loss)/income for the year		(16.4)	190.8
Basic earnings per share (pence)	11	(3.42)	16.06
Diluted earnings per share (pence)	11	(3.42)	15.89

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

Year ended 31 December 2021	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m	Tier 1 notes £m	Non- controlling interest £m	Total £m
At 1 January 2021		103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	(1.9)	2,490.4
Loss for the year		-	-	-	-	-	-	(15.0)	(15.0)	-	(0.8)	(15.8)
Other comprehensive loss for the year, net of income tax		-	-	-	-	(0.5)	-	(0.1)	(0.6)	-	-	(0.6)
Total comprehensive loss for the year		-	-	-	-	(0.5)	-	(15.1)	(15.6)	-	(0.8)	(16.4)
Contributions and distributions												
Shares issued	21	0.1	0.1	-	-	-	-	-	0.2	-	-	0.2
Tier 1 notes issued (net of costs)	22	-	-	-	-	-	-	-	-	322.4	-	322.4
Tier 1 notes redeemed	22	-	-	-	-	-	-	(47.0)	(47.0)	(294.0)	-	(341.0)
Dividends	12	-	-	-	-	-	-	-	-	-	-	-
Interest paid on Tier 1 notes (net of tax)	22	-	-	-	-	-	-	(20.4)	(20.4)	-	-	(20.4)
Share-based payments		-	-	-	-	-	1.1	3.7	4.8	-	-	4.8
Total contributions and distributions		0.1	0.1	-	-	-	1.1	(63.7)	(62.4)	28.4	-	(34.0)
Changes in ownership interest												
Acquisition of non-controlling interest	35	-	-	-	-	-	-	(0.8)	(0.8)	-	0.8	-
Total changes in ownership interests		-	-	-	-	-	-	(0.8)	(0.8)	-	0.8	-
At 31 December 2021		103.9	94.6	348.4	597.1	2.8	(4.3)	977.0	2,119.5	322.4	(1.9)	2,440.0
Year ended 31 December 2020	Note	Share capital £m	Share premium £m	Reorganisation reserve £m	Merger reserve £m	Revaluation reserve £m	Shares held by trusts £m	Accumulated profit ¹ £m	Total shareholders' equity £m	Tier 1 notes £m	Non- controlling interest £m	Total £m
At 1 January 2020		103.5	94.5	348.4	597.1	4.4	(6.0)	885.9	2,027.8	294.0	(0.8)	2,321.0
Profit/(loss) for the year		-	-	-	-	-	-	193.6	193.6	-	(1.1)	192.5
Other comprehensive loss for the year, net of income tax		-	-	-	-	(1.1)	-	(0.6)	(1.7)	-	-	(1.7)
Total comprehensive income/(loss) for the year		-	-	-	-	(1.1)	-	193.0	191.9	-	(1.1)	190.8
Contributions and distributions												
Shares issued	21	0.3	-	-	-	-	-	-	0.3	-	-	0.3
Dividends	12	-	-	-	-	-	-	(0.1)	(0.1)	-	-	(0.1)
Interest paid on Tier 1 notes	22	-	-	-	-	-	-	(28.1)	(28.1)	-	-	(28.1)
Share-based payments		-	-	-	-	-	0.6	5.9	6.5	-	-	6.5
Total contributions and distributions		0.3	-	-	-	-	0.6	(22.3)	(21.4)	-	-	(21.4)
At 31 December 2020		103.8	94.5	348.4	597.1	3.3	(5.4)	1,056.6	2,198.3	294.0	(1.9)	2,490.4

¹ Includes currency translation reserve.

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	31 December 2021 £m	31 December 2020 £m
Assets			
Intangible assets	13	119.7	133.5
Property, plant and equipment	14	14.2	20.5
Investment property	15	69.6	–
Financial investments	16	24,681.7	23,269.8
Reinsurance assets	23	2,808.2	3,132.6
Deferred tax assets	18	–	11.5
Current tax assets		30.2	2.9
Prepayments and accrued income		75.6	74.3
Insurance and other receivables	19	35.4	32.0
Cash available on demand	20	510.2	1,496.3
Assets classified as held for sale	14	3.1	–
Total assets		28,347.9	28,173.4
Equity			
Share capital	21	103.9	103.8
Share premium	21	94.6	94.5
Reorganisation reserve		348.4	348.4
Merger reserve	21	597.1	597.1
Revaluation reserve	14	2.8	3.3
Shares held by trusts		(4.3)	(5.4)
Accumulated profit		977.0	1,056.6
Total equity attributable to owners of Just Group plc		2,119.5	2,198.3
Tier 1 notes	22	322.4	294.0
Non-controlling interest	35	(1.9)	(1.9)
Total equity		2,440.0	2,490.4
Liabilities			
Insurance liabilities	23	21,812.9	21,118.4
Reinsurance liabilities	23	274.7	267.1
Investment contract liabilities	24	33.6	42.8
Loans and borrowings	25	774.3	773.5
Lease liabilities	26	3.9	6.8
Other financial liabilities	27	2,865.6	3,305.1
Deferred tax liabilities	18	5.3	22.8
Other provisions		1.2	1.0
Accruals and deferred income		43.1	53.9
Insurance and other payables	30	93.3	91.6
Total liabilities		25,907.9	25,683.0
Total equity and liabilities		28,347.9	28,173.4

The notes are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 9 March 2022 and were signed on its behalf by:



ANDY PARSONS
Director

CONSOLIDATED STATEMENT OF CASH FLOWS **FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities			
(Loss)/profit before tax		(21.4)	236.7
Property revaluation loss through profit and loss	14	–	1.2
Depreciation of property, plant and equipment	14	4.2	3.9
Impairment of property, plant and equipment	14	0.3	–
Amortisation of intangible assets	13	20.4	19.9
Impairment of intangible assets	13	–	1.1
Share-based payments		4.8	6.5
Interest income	2	(572.1)	(631.7)
Interest expense	5	136.8	159.0
Realised and unrealised gains on financial investments		(1,103.8)	(1,039.7)
Decrease in reinsurance assets		332.0	866.5
Increase in prepayments and accrued income		(1.3)	(3.7)
Increase in insurance and other receivables		(3.8)	(6.1)
Increase in insurance liabilities		694.5	2,114.7
Decrease in investment contract liabilities		(9.2)	(11.2)
Decrease in deposits received from reinsurers		(270.3)	(775.3)
Decrease/(increase) in accruals and deferred income		(10.8)	3.3
Increase in insurance and other payables		1.7	19.0
Decrease in other creditors		(60.4)	(162.7)
Interest received		337.8	314.5
Interest paid		(78.7)	(107.7)
Taxation paid		(12.7)	(60.6)
Net cash (outflow)/inflow from operating activities		(612.0)	947.6
Cash flows from investing activities			
Additions to internally generated intangible assets	13	(6.6)	(0.1)
Acquisition of property and equipment	14	(0.7)	(2.3)
Acquisition of subsidiaries	15	(70.6)	–
Acquisition of non-controlling interest	35	–	–
Net cash outflow from investing activities		(77.9)	(2.4)
Cash flows from financing activities			
Issue of ordinary share capital (net of costs)	21	0.2	0.3
Proceeds from issue of Tier 1 notes (net of costs)	22	321.8	–
Redemption of Tier 1 notes (including costs)	22	(350.6)	–
Increase in borrowings (net of costs)	25	–	110.6
Dividends paid	12	–	(0.1)
Coupon paid on Tier 1 notes	12	(25.2)	(28.1)
Interest paid on borrowings		(56.7)	(49.8)
Payment of lease liabilities – principal	26	(3.6)	(4.1)
Payment of lease liabilities – interest	26	(0.1)	(0.2)
Net cash (outflow)/inflow from financing activities		(114.2)	28.6
Net (decrease)/increase in cash and cash equivalents		(804.1)	973.8
Cash and cash equivalents at 1 January		2,624.8	1,651.0
Cash and cash equivalents at 31 December		1,820.7	2,624.8
Cash available on demand		510.2	1,496.3
Units in liquidity funds		1,310.5	1,128.5
Cash and cash equivalents at 31 December	20	1,820.7	2,624.8

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

General information

Just Group plc (the "Company") is a public company limited by shares, incorporated and domiciled in England and Wales. The Company's registered office is Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Companies Act 2006, including application of international accounting standards and other disclosure requirements, International Financial Reporting Standards ("IFRS") as adopted by the UK Endorsement Board, and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The change in basis of preparation to UK adopted IFRS is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and financial assets and financial liabilities (including derivative instruments and investment contract liabilities) at fair value. Values are expressed to the nearest £0.1m.

i) Going concern

A detailed going concern assessment has been undertaken and having completed this assessment, the Directors are satisfied that the Group has adequate resources to continue to operate as a going concern for a period of not less than 12 months from the date of this report, and that there is no material uncertainty in relation to going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

This assessment includes the consideration of the Group's business plan approved by the Board; steps taken by the Group over the last three years to improve capital efficiency; the projected liquidity position of the Company and the Group; on-going impacts of COVID-19; current financing arrangements and contingent liabilities; and a range of forecast scenarios with differing levels of new business and associated additional capital requirements to write anticipated levels of new business.

The Group has a robust liquidity framework designed to withstand 1-in-200 year stress events. The Group liquid resources includes an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes. The borrowing facility is subject to covenants that are measured biannually in June and December, being the ratio of consolidated net debt to the sum of net assets and consolidated net debt not being greater than 45%. The ratio on 31 December 2020 was 17.5%. The facility is expected to be renewed in June 2022 for a further five years. 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. 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 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 resilience of the solvency capital position has been tested under a range of adverse scenarios, which considers the possible impacts on the Group's business, including stresses to UK residential property prices, house price inflation, the credit quality of assets, mortality, and risk-free rates, together with a reduction in new business levels. In addition, the results of extreme property stress tests were considered, including a property price fall in excess of 40%. Eligible own funds exceeded the minimum capital requirements in all stressed scenarios described above.

The Group has several mitigating management actions that can be taken to manage stress, which are considered by the Board. Some of these actions are deemed to be more fully within the Group's control.

Furthermore the Directors note that in a scenario where the Group ceases to write new business the going concern basis would continue to be applicable while the Group continued to service in-force policies.

The Directors' assessment concluded that it remains appropriate to value assets and liabilities on the assumption that there are adequate resources to continue in business and meet obligations as they fall due for the foreseeable future, being at least 12 months from the date of signing this report. The Directors also considered the findings of the work performed to support the long-term viability statement of the Group on page 59 of this Annual Report and Accounts, which is undertaken together with the going concern assessment. The Board and Audit Committee considered going concern over 12 months as well as the consistency with the longer-term viability of the Group, reviewing this over five years. Accordingly, the going concern basis has been adopted in the valuation of assets and liabilities.

ii) New accounting standards and new significant accounting policies

The Group has applied UK-adopted IFRS from 1 January 2021. The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

The following new accounting standards and amendments to existing accounting standards are effective from 1 January 2021 but do not have a significant impact on the Group's 2021 financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

- Amendments to IFRS 9, Financial instruments; IAS 39, Financial instruments: recognition and measurement; IFRS 7, Financial instruments: disclosures; IFRS 4, Insurance contracts; and IFRS 16, Leases – Interest Rate Benchmark Rate (IBOR) Reform Phase 2.

During the year the London Inter Bank Offered Rate (“LIBOR”) interest rate benchmark was replaced with the Sterling Overnight Index Average (“SONIA”). In order to avoid unintended accounting consequences from IBOR reform, the IASB made amendments to accounting standards. The amendments address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The amendments provide relief when changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), and provide hedge accounting reliefs that will allow most hedge relationships that are directly affected by IBOR reform to continue.

The Group does not have financial assets or liabilities or leases that are based on an interest rate benchmark, and the Group does not use hedge accounting. Therefore there is no impact on profit and loss or equity from these amendments.

The following new accounting standards and amendments to existing accounting standards in issue and significant to the Group have not yet been adopted by the Group.

- IFRS 9, Financial instruments (effective 1 January 2018).

Amendments to IFRS 4, Insurance Contracts, published in September 2016 and adopted by the Group with effect from 1 January 2018, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 for eligible insurers. Just continues to defer IFRS 9 as explained in note 1.17.

If the Group had adopted IFRS 9 it would continue to classify financial assets at fair value through profit or loss. Therefore, under IFRS 9 all financial assets would continue to be recognised at fair value through profit or loss and the fair value at 31 December 2021 would be unchanged at £24,681.7m. As well as financial assets, the Group also holds Insurance and other receivables and Cash and cash equivalent assets, with contractual terms that give rise to cash flows on specified dates; the fair value of these investments is considered to be materially consistent with their carrying value, as disclosed in notes 19 and 20.

- IFRS 17, Insurance contracts (effective 1 January 2023, not yet endorsed).

IFRS 17 was issued in May 2017 with an effective date of 1 January 2021. In June 2020, the IASB issued an amended standard which delayed the effective date to 1 January 2023. The amendments issued in June 2020 aimed to assist entities implementing the standard. The transition requirements of IFRS 9 prescribe that comparative periods are not restated for certain accounting changes introduced by IFRS 9. This can result in accounting mismatches with restated IFRS 17 comparative information. As a result the IASB published an amendment to IFRS 17 in December 2021 permitting an entity to present financial asset comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. The final standard remains subject to endorsement by the UK Endorsement Board which has sought views of accounts preparers and users in a final consultation process that closed in February 2022. The Group has participated actively in industry consultations to date, with implementation matters continuing to be debated, these are expected to conclude in time for the 1 January 2023 effective date.

IFRS 17 provides a comprehensive revision of the accounting for insurance contracts including their valuation, income statement presentation and disclosure. The main impact of the standard applicable to annuities is the deferment of premium revenues and expenses on the balance sheet within a “contractual service margin” (“CSM”) account instead of recognition at point of sale under IFRS 4. The CSM is then recognised in the profit or loss account over the life of contracts. The presentation of insurance revenue in the statement of comprehensive income will be based on the concept of insurance services provided in the period rather than the value of premiums as presented under IFRS 4. The standard also requires an explicit allowance for non-financial risk instead of the prudence margins held on an implicit basis under IFRS 4.

Given the long-term nature of the Group's business, the impact of IFRS 17 on the measurement and presentation of insurance contracts in the Group's statutory reporting is expected to be significant. The transition requirements of IFRS 17 include three approaches: retrospective, modified retrospective and fair value approach. Although the impact is not known or reasonably estimatable, there is expected to be a reduction in equity on transition as a result of the deferment of premium revenues and expenses on the balance sheet within the CSM.

The Group initiated a project in 2017 to develop measurement and reporting systems and processes which will apply to all of the Group's insurance business. The requirements of the new standard are complex and will require fundamental changes to accounts reporting systems and processes as well as the application of significant judgement. A steering committee chaired by the Group Chief Financial Officer provides oversight and strategic direction, a technical committee provides governance over the technical interpretation and accounting policies selected, with delivery of the project managed within the Group's broader Finance Transformation Programme. During 2021 the Group has made significant progress.

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. The amendments include clarifications that are not inconsistent with the Group's existing accounting treatment and other insignificant changes.

- IAS 16, Property, plant and equipment – Amendments in respect of proceeds before intended use (effective 1 January 2022, not yet endorsed);
- IFRS 3, Business combinations – Amendments to references to the conceptual framework for financial reporting (effective 1 January 2022, not yet endorsed);
- IAS 37, Provisions, contingent liabilities and contingent assets – Amendments in respect of costs of fulfilling a contract (effective 1 January 2022, not yet endorsed);

1 SIGNIFICANT ACCOUNTING POLICIES continued**1.1 Basis of preparation** continued

- IAS 1, Presentation of financial statements – Amendments in respect of the classification of liabilities as current or non-current and in respect of disclosures of accounting policies (effective 1 January 2023, not yet endorsed);
- IAS 8, Accounting policies – Amendments in respect of the definition of accounting estimates (effective 1 January 2023, not yet endorsed);
- IAS 12, Income taxes – Amendments in respect of deferred tax related to assets and liabilities arising from a single transaction (effective 1 January 2023, not yet endorsed).

1.2 Significant accounting policies and the use of judgements, estimates and assumptions

The preparation of financial statements requires the Group to select accounting policies and make estimates and assumptions that affect items reported in the Consolidated statement of comprehensive income, Consolidated statement of financial position, other primary statements and Notes to the consolidated financial statements.

The major areas of judgement used as part of accounting policy application are summarised below.

Accounting policy	Item involving judgement	Critical accounting judgement
1.6	Classification of insurance and investment contracts	<p>Assessment of significance of insurance risk transferred.</p> <p><i>A contract is classified as an insurance contract if it transfers significant insurance risk from the policyholder to the insurer, or from the cedent to the reinsurer in the case of a reinsurance contract. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred.</i></p> <p>Any contracts that do not include the transfer of significant insurance risk are classified as investment contracts.</p>
1.17	Financial investments	<p>Classification of financial investments and determining whether an active market exists for a financial investment.</p> <p>Financial investments classified at fair value through profit or loss include those that are designated as such by management at initial recognition as they are managed on a fair value basis.</p> <p>Management's assessment of the market activity of a financial investment determines the fair value hierarchy of the valuation method used to determine the fair value of the financial investment.</p>
1.17	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	<p>The use of a variant of the Black-Scholes option pricing formula with real world assumptions.</p> <p>The measurement of the no-negative equity guarantee underlying the fair value of loans secured by mortgages uses a variant of the Black-Scholes option pricing formula, which has been adapted to use real world assumptions instead of risk neutral assumptions due to the lack of relevant observable market inputs to support a risk neutral valuation approach. This approach is in line with common industry practice and there does not appear to be an alternative approach that is widely supported in the industry. We acknowledge that there has been significant recent academic and market debate concerning the valuation of no-negative equity guarantees and we intend to continue to actively monitor this debate.</p>

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ significantly from those estimates. Where relevant the impact of COVID-19 has been considered and detail included in the relevant note disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Significant accounting policies and the use of judgements, estimates and assumptions continued

The table below sets out those items the Group considers susceptible to changes in critical estimates and assumptions. Management applies judgement in making estimates and assumptions that are applied to the balances described in the table below.

Accounting policy and notes	Item involving estimates and assumptions	Critical estimates and assumptions
1.17, 17(a) and (d)	Measurement of fair value of loans secured by residential mortgages, including measurement of the no-negative equity guarantees	<p>The critical estimates used in valuing loans secured by residential mortgages include the projected future receipts of interest and loan repayments, and the future costs of administering the loan portfolio.</p> <p>The key assumptions used as part of the valuation calculation include future property prices and their volatility, mortality, the rate of voluntary redemptions and the liquidity premium added to the risk-free curve and used to discount the mortgage cash flows.</p>
1.18, 17(a) and (d), 23, 27	Measurement of reinsurance assets and deposits received from reinsurers arising from reinsurance arrangements	<p>The critical estimates used in measuring the value of reinsurance assets include the projected future cash flows arising from reinsurers' share of the Group's insurance liabilities.</p> <p>The key assumptions used in the valuation include discount rates, as described below, and assumptions around the reinsurers' ability to meet its claim obligations.</p> <p>Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking account of an appropriate discount rate for the timing of the expected cash flows of the liabilities.</p> <p>For deposits received from reinsurers measured at fair value through profit or loss, the key assumption used in the valuation is the discount rate.</p>
1.21, 23(b)	Measurement of insurance liabilities arising from writing Retirement Income insurance	<p>The critical estimates used in measuring insurance liabilities include the projected future Retirement Income payments and the cost of administering payments to policyholders.</p> <p>The key assumptions are the discount rates and mortality experience used in the valuation of future Retirement Income payments, and level and inflation of costs of administration.</p> <p>The valuation discount rates are derived from yields on supporting assets after deducting allowances for default. Mortality assumptions are derived from the appropriate standard mortality tables, adjusted to reflect the future expected mortality experience of the policyholders. Maintenance expenses are determined from expense analyses and are assumed to inflate at market-implied rates.</p>

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and predictions of future events and actions. Actual results may differ significantly from those estimates. Where relevant the impact of COVID-19 has been considered and detail included in the relevant note disclosures.

1.3 Consolidation principles

The consolidated financial statements incorporate the assets, liabilities, results and cash flows of the Company and its subsidiaries.

Subsidiaries are those investees over which the Group has control. The Group has control over an investee if all of the following are met: (1) it has power over the investee; (2) it is exposed, or has rights, to variable returns from its involvement with the investee; and (3) it has the ability to use its power over the investee to affect its own returns. Subsidiaries are consolidated from the date on which control is transferred to the Group and are excluded from consolidation from the date on which control ceases. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated. Accounting policies of subsidiaries are aligned on acquisition to ensure consistency with Group policies.

The Group uses the acquisition method of accounting for business combinations. Under this method, the cost of acquisition is measured as the aggregate of the fair value of the consideration at date of acquisition and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred over the identifiable net assets acquired is recognised as goodwill. The Group uses the equity method to consolidate its investments in joint ventures and associates. Under the equity method of accounting the investment is initially recognised at fair value and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint ventures and associates.

1.4 Segments

The Group's segmental results are presented on a basis consistent with internal reporting used by the Chief Operating Decision Maker ("CODM") to assess the performance of operating segments and the allocation of resources. The CODM has been identified as the Group Executive Committee.

The internal reporting used by the CODM includes product information (which comprises analysis of product revenues, LTM advances and amounts written under investment contracts) and information on adjusted operating profit and profit before tax and amortisation costs for the Group's operating segments.

Material product information is analysed by product line and includes DB, GtFL, Care Plans, Protection, LTM and Drawdown products.

1 SIGNIFICANT ACCOUNTING POLICIES continued**1.4 Segments** continued

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses.

The operating segments from which the Group derives revenues and incurs expenses are as follows:

- the writing of insurance products for distribution to the at- or in-retirement market, which is undertaken through the activities of the life companies (this is referred to as the insurance segment in note 6, Segmental reporting);
- the arranging of guaranteed income for life contracts and lifetime mortgages through regulated advice and intermediary services; and
- the provision of licensed software to financial advisers, banks, building societies, life assurance companies and pension trustees.

Operating segments, where certain materiality thresholds in relation to total results from operating segments are not exceeded, are combined when determining reportable segments. For segmental reporting, the arranging of guaranteed income for life contracts, providing intermediary mortgage advice and arranging, plus the provision of licensed software, are included in the Other segment along with Group activities, such as capital and liquidity management, and investment activities.

The information on adjusted operating profit and profit before tax used by the CODM is presented on a combined product basis within the insurance operating segment and is not analysed further by product.

1.5 Foreign currencies

Transactions in foreign currencies are translated to sterling at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to sterling at the rates of exchange at the reporting date. The revenues and expenses are translated to sterling at the average rates of exchange for the year. Foreign exchange differences arising on translation to sterling are accounted for through other comprehensive income.

1.6 Classification of insurance and investment contracts

The measurement and presentation of assets, liabilities, income and expenses arising from life and pensions business contracts issued and associated reinsurance contracts held is dependent upon the classification of those contracts as either insurance or investment contracts.

A contract is classified as insurance only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. DB, GifL, Care Plan and Protection policies currently written by the Group are classified as insurance contracts.

Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts. Capped Drawdown pension business is classified as investment contracts as there is no transfer of longevity risk due to the premium protection option within these fixed term contracts. Capped Drawdown contracts are no longer marketed by the Group.

1.7 Premium revenue

Premium revenue in respect of individual GifL contracts is accounted for when the liability to pay the GifL contract is established.

Premium revenue in respect of Defined Benefit De-risking contracts is accounted for when the Company becomes "on risk", which is the date from which the policy is effective. If a timing difference occurs between the date from which the policy is effective and the receipt of payment, the amount due for payment but not yet received is recognised as a receivable in the Consolidated statement of financial position.

Premium revenue in respect of Care Plans and Protection policies is accounted for when the insurance contract commences.

Deposits collected under investment contracts are not accounted for through the Consolidated statement of comprehensive income, except for fee income and attributable investment income, but are accounted for directly through the Consolidated statement of financial position as an adjustment to the investment contract liability.

Reinsurance premiums payable in respect of reinsurance treaties are accounted for when the reinsurance premiums are due for payment under the terms of the contract. Reinsurance premiums previously incurred can be recaptured under certain conditions, notably once reinsurance financing for an underwriting year is fully repaid.

1.8 Net investment income

Investment income consists of interest receivable for the year and realised and unrealised gains and losses on financial assets and liabilities at fair value through profit or loss.

Interest income is recognised as it accrues.

Realised gains and losses on financial assets and liabilities occur on disposal or transfer and represent the difference between the proceeds received net of transaction costs, and the original cost.

Unrealised gains and losses arising on financial assets and liabilities represent the difference between the carrying value at the end of the year and the carrying value at the start of the year or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.9 Revenue from contracts with customers

The Group recognises revenue from contracts with customers in accordance with IFRS 15, in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services provided. Revenue from contracts with customers comprises commission on GfL contracts, commission on LTM advances and other income which includes investment management fees, administration fees and software licensing fees.

Fee income excludes facilitated adviser charges collected on behalf of advisers.

1.10 Claims paid

Claims paid includes policyholder benefits and claims handling expenses. Policyholder benefits are accounted for when due for payment. Reinsurance paid claim recoveries are accounted for in the same period as the related claim.

Death claims are accounted for when notified.

1.11 Acquisition costs

Acquisition costs comprise direct costs such as commission and indirect costs of obtaining and processing new business. Acquisition costs are not deferred as they relate to single premium business.

1.12 Finance costs

Finance costs on deposits received from reinsurers are recognised as an expense in the period in which they are incurred. Interest on reinsurance financing is accrued in accordance with the terms of the financing arrangements.

Interest on loans and borrowings is accrued in accordance with the terms of the loan agreement. Issue costs are added to the loan amount and interest expense is calculated using the effective interest rate method.

1.13 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in funds managed by a third party. Obligations for contributions to the defined contribution pension scheme are recognised as an expense in profit or loss when due.

Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at grant date, determined using stochastic and scenario-based modelling techniques where appropriate. The fair value of each scheme, based on the Group's estimate of the equity instruments that will eventually vest, is expensed in the Consolidated statement of comprehensive income on a straight-line basis over the vesting period, with a corresponding credit to equity. At each balance sheet date, the Group revises its estimate of the number of equity instruments that will eventually vest as a result of changes in non-market-based vesting conditions, and recognises the impact of the revision of original estimates in the Consolidated statement of comprehensive income over the remaining vesting period, with a corresponding adjustment to equity. Where a leaver is entitled to their scheme benefits, this is treated as an acceleration of the vesting in the period they leave. Where a scheme is modified before it vests, any change in fair value as a result of the modification is recognised over the remaining vesting period. Where a scheme is cancelled, this is treated as an acceleration in the period of the vesting of all remaining options.

1.14 Intangible assets

Intangible assets consist of goodwill, which is deemed to have an indefinite useful life, Present Value of In-Force business ("PVIF"), acquired and internally generated intellectual property (including Prognosys™), and purchased and internally developed software, which are deemed to have finite useful lives.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary and represents the future economic benefit arising from assets that are not capable of being individually identified and separately recognised. Goodwill is measured at initial value less any accumulated impairment losses. Goodwill is not amortised, but assessed for impairment annually or when circumstances or events indicate there may be uncertainty over the carrying value.

For the purpose of impairment testing, goodwill has been allocated to cash-generating units and an impairment is recognised when the carrying value of the cash-generating unit exceeds its recoverable amount. Impairment losses are recognised directly in the Consolidated statement of comprehensive income and are not subsequently reversed.

Other intangible assets are recognised if it is probable that the relevant future economic benefits attributable to the asset will flow to the Group, and are measured at cost less accumulated amortisation and any impairments.

PVIF, representing the present value of future profits from the purchased in-force business, is recognised upon acquisition and is amortised over its expected remaining economic life up to 16 years on a straight-line basis. PVIF is assessed for impairment when circumstances or events indicate there may be uncertainty over the carrying value. PVIF is within the scope of IFRS 4.

Prognosys™ is the Group's proprietary underwriting engine. The Group has over two million person-years of experience collected over 20 years of operations. It is enhanced by an extensive breadth of external primary and secondary healthcare data and medical literature.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group are capitalised and recognised as an intangible asset. Direct costs include the incremental software development team's employee costs. All other costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred.

Intangible assets with finite useful lives are amortised on a straight-line basis over their useful lives, which range from two to 16 years. The useful lives are determined by considering relevant factors, such as usage of the asset, potential obsolescence, competitive position and stability of the industry.

1 SIGNIFICANT ACCOUNTING POLICIES continued**1.14 Intangible assets** continued

For intangible assets with finite useful lives, impairment testing is performed where there is an indication that the carrying value of the assets may be subject to an impairment. An impairment loss is recognised where the carrying value of an intangible asset exceeds its recoverable amount.

The significant intangible assets recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Estimated useful economic life	Valuation method
PVIF	Up to 16 years	Estimated value in-force using European embedded value model
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

1.15 Property, plant and equipment

Land and buildings are measured at their revalued amounts less subsequent depreciation, and impairment losses are recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of the revalued asset does not differ materially from its carrying value.

A revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Buildings are depreciated on a straight-line basis over the estimated useful lives of the buildings of 25 years.

Equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis to write down the cost to residual value over the estimated useful lives as follows:

Plant and equipment	Estimated useful economic life
Computer equipment	3 – 4 years
Furniture and fittings	2 – 10 years

1.16 Investment property

Investment property includes property that is held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost, including any directly attributable transaction costs and subsequently measured at fair value. 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 measurement of fair value reflects, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. Gains and losses arising from the change in fair value are recognised as income or an expense in the Consolidated statement of comprehensive income. Where investment property is leased out by the Group, rental income from these operating leases is recognised as income in the Consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

1.17 Financial investments**Classification**

The Group classifies financial investments in accordance with IAS 39 whereby, subject to specific criteria, they are accounted for at fair value through profit and loss. This comprises assets designated by management as fair value through profit or loss on inception, as they are managed on a fair value basis, and derivatives that are classified as held for trading. These investments are measured at fair value with all changes thereon being recognised in investment income in the Consolidated statement of comprehensive income.

Derivatives are recognised at fair value through profit or loss. All derivatives are carried as assets when the fair value is positive and liabilities when the fair values are negative. The Group does not use hedge accounting.

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. Transaction costs are expensed through profit or loss.

Loans secured by residential mortgages, "LTMs", are recognised when cash is advanced to borrowers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 SIGNIFICANT ACCOUNTING POLICIES continued

1.17 Financial investments continued

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 in the Consolidated statement of financial position with a corresponding liability for the repayment in other financial liabilities. Non-cash collateral received is not recognised in the Consolidated statement of financial position unless it qualifies for derecognition by the transferor. Certain reinsurance arrangements involve premiums being deposited back with the Group. The recognition of such collateral is assessed based on the terms of the arrangement, including consideration of the Group's exposure to the economic benefits. See note 28 for further details.

Non-cash collateral pledged continues to be recognised in the Consolidated statement of financial position within the appropriate asset classification when the Group continues to control the collateral and receives the economic benefit.

The Group's policy is to derecognise financial investments when our rights when the contractual cash flows expire or it is deemed that substantially all the risks and rewards of ownership have been transferred.

Use of fair value

The Group uses current bid prices to value its investments with quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties. If there is no active established market for an investment, the Group applies an appropriate valuation technique 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 financial investments for which markets are not active. When the markets are not active, there is generally no or limited observable market data that can be used in the fair value measurement of the financial investments. The determination of whether an active market exists for a financial investment requires management's judgement.

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 17 on the basis of the lowest level of inputs that are significant to the fair value measurement of the financial investment concerned.

Deferral of IFRS 9

IFRS 4, Insurance contracts, permits the deferral of the application of IFRS 9 until accounting periods commencing on 1 January 2023 to align with the effective date of IFRS 17, the replacement insurance contracts standard. The option to defer the application of IFRS 9, which the Group has continued to adopt for 2021, is subject to meeting criteria relating to the predominance of insurance activity.

Eligibility for the deferral approach was based on an assessment of the Group's liabilities as at 31 December 2016, the end of the annual period during which the acquisition of Partnership Assurance Group plc took place and the most recent period of significant change in the magnitude of the Group's activities. At this date the Group's liabilities connected with insurance exceeded the 90% threshold required for the carrying amount of the Group's total liabilities. In the statement of financial position at this date, the Group's total liabilities were £22,283.9m and liabilities connected with insurance were £21,497.7m, consisting of insurance contracts within the scope of IFRS 4 of £15,748.0m, investment contract liabilities of £222.3m, and certain amounts within other financial liabilities and insurance payables which arise in the course of writing insurance business of £5,527.4m, giving a predominance ratio of 96%.

1.18 Reinsurance

Reinsurance assets and liabilities

Amounts recoverable from reinsurers are measured in a consistent manner with insurance liabilities or relevant financial liabilities and are classified as reinsurance assets. If a reinsurance asset is impaired, the carrying value is reduced accordingly and that impairment loss is recognised in the Consolidated statement of comprehensive income. Reinsurance longevity swap arrangements are classified as either reinsurance assets or reinsurance liabilities based on the net position on the swap at the reporting date.

Financial liabilities

Where reinsurance contracts entered into by the Group require deposits received from reinsurers to be repaid, such amounts are classified as "deposits received from reinsurers" and included in other financial liabilities in the Consolidated statement of financial position. Where the liability carries no insurance risk, it is initially recognised at fair value at the date the deposited asset is recognised and subsequently remeasured at fair value at each balance sheet date. Fair value is determined as the amount repayable discounted from the first date that the amount is required to be paid. The resulting gain or loss is recognised in the Consolidated statement of comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES continued**1.18 Reinsurance** continued**Amounts receivable/payable**

Where reinsurance contracts entered into by the Group include longevity swap arrangements, such contracts are settled on a net basis and amounts receivable from or payable to the reinsurers are included in the appropriate heading under either Insurance and other receivables or Insurance and other payables. Amounts due on quota share reinsurance contracts are included within Insurance and other payables.

1.19 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, and other short-term highly liquid investments with less than 90 days' maturity from the date of acquisition.

1.20 Equity

The difference between the proceeds received on issue of the shares, net of share issue costs, and the nominal value of the shares issued is credited to the share premium account.

Interim dividends are recognised in equity in the year in which they are paid. Final dividends are recognised when they have been approved by shareholders.

Where the Company purchases shares for the purposes of employee incentive plans, the consideration paid, net of issue costs, is deducted from equity. Upon issue or sale, any consideration received is credited to equity net of related costs.

The reserve arising on the reorganisation of the Group represents the difference in the value of the shares in the Company and the value of shares in Just Retirement Group Holdings Limited for which they were exchanged as part of the Group reorganisation in November 2013.

Loan notes are classified as either debt or equity based on the contractual terms of the instruments. Loan notes have been classified as equity when 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 the notes bear interest which is non-cumulative and cancellable at the discretion of the Company.

1.21 Insurance liabilities**Measurement**

Long-term insurance liabilities arise from the Group writing Retirement Income contracts, including Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, long-term care insurance, and whole of life and term protection insurance. Their measurement uses estimates of projected future cash flows arising from payments to policyholders plus the costs of administering them. This is in accordance with the SORP on Accounting for Insurance Business issued by the ABI in December 2005 (amended in December 2006) and withdrawn with effect for accounting periods beginning on or after 1 January 2015, but which continues to apply to the Group as the grandfathered existing accounting policy under IFRS 4. Valuation of insurance liabilities is derived using discount rates, adjusted for default allowance and mortality assumptions, taken from the appropriate mortality tables and adjusted to reflect actual and expected experience, and expense level and inflation assumptions. The assumptions in the valuation are set on a prudent basis.

Liability adequacy test

The Group performs adequacy testing on its insurance liabilities to ensure the carrying amount is sufficient to cover the current estimate of future cash flows. Any deficiency is immediately charged to the Consolidated statement of comprehensive income.

1.22 Investment contract liabilities

Investment contracts are measured at fair value through profit or loss in accordance with IAS 39. The fair value of investment contracts is estimated using an internal model and determined on a policy-by-policy basis using a prospective valuation of future Retirement Income benefit and expense cash flows.

1.23 Loans and borrowings

Loans and borrowings are initially recognised at fair value, net of transaction costs, and subsequently amortised through profit or loss over the period to maturity at the effective rate of interest required to recognise the discounted estimated cash flows to maturity.

1.24 Taxation

The current tax expense is based on the taxable profits for the year, using tax rates substantively enacted at the Consolidated statement of financial position date, and after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profit before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from the revaluation of certain financial assets and liabilities, including technical provisions and other insurance items and tax losses carried forward, and include amortised transitional tax adjustments resulting from changes in tax basis. The deferred tax assets and liabilities are measured using substantively enacted rates based on the timings of when they are expected to reverse.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 NET INVESTMENT (EXPENSE)/INCOME

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest income:		
Assets at fair value through profit or loss	572.1	631.7
Movement in fair value:		
Financial assets and liabilities designated on initial recognition at fair value through profit or loss	(832.1)	818.3
Derivative financial instruments (note 28)	129.7	327.7
Total net investment (expense)/income	(130.3)	1,777.7

3 ACQUISITION COSTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Commission	17.2	14.9
Other acquisition expenses	31.4	29.6
Total acquisition costs	48.6	44.5

4 OTHER OPERATING EXPENSES

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Personnel costs (note 9)	101.5	107.5
Investment expenses and charges	16.8	17.5
Depreciation of property, plant and equipment	4.2	3.9
Amortisation of intangible assets	20.4	19.9
Impairment of property, plant and equipment	0.3	-
Impairment of intangible assets	-	1.1
Other costs	50.0	70.0
Total other operating expenses	193.2	219.9

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

Reconciliation of Other operating expenses to Management expenses

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Total other operating expenses	193.2	219.9
Investment expenses and charges	(16.8)	(17.5)
Reinsurance management fees	(8.4)	(22.2)
Amortisation of acquired intangible assets	(18.0)	(18.0)
Other costs	(2.6)	(2.9)
Total management expenses	147.4	159.3

4 OTHER OPERATING EXPENSES continued

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

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
Fees payable for the audit of the Parent Company and consolidated accounts	550	540
Fees payable for other services:		
The audit of the Company's subsidiaries pursuant to legislation	1,876	1,618
Audit-related assurance services	656	842
Other assurance services	65	65
Other non-audit services not covered above	–	1
Auditor remuneration	3,147	3,066
Fees payable to other audit firms:		
The audit of the Company's subsidiaries pursuant to legislation	–	60
Corporate finance services	–	146
Total	3,147	3,272

Fees payable for the audit of the Company's subsidiaries pursuant to legislation includes fees of £455,000 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. The fees payable to other audit firms during 2020 noted above includes fees paid to KPMG in relation to the 2020 audit of the Group's South African subsidiaries and fees paid to KPMG in relation to corporate finance services carried out during 2019.

5 FINANCE COSTS

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Interest payable on deposits received from reinsurers	78.7	107.7
Interest payable on subordinated debt	55.6	47.3
Other interest payable	2.5	4.0
Total finance costs	136.8	159.0

The interest payable on deposits received from reinsurers is as defined by the respective reinsurance treaties and calculated with reference to the risk-adjusted yield on the relevant backing asset portfolio.

6 SEGMENTAL REPORTING**Segmental analysis**

The insurance segment writes insurance products for the retirement market – which include Guaranteed Income for Life Solutions, Defined Benefit De-risking Solutions, Care Plans and Protection – and invests the premiums received from these contracts in debt and other fixed income securities, gilts, liquidity funds and Lifetime Mortgage advances.

The professional services business, HUB, is included with other corporate companies in the Other segment. This business is not currently sufficiently significant to separate from other companies' results. The Other segment also includes the Group's corporate activities that are primarily involved in managing the Group's liquidity, capital and investment activities.

The Group operates in one material geographical segment which is the United Kingdom.

Adjusted operating profit

The Group reports adjusted operating profit as an alternative measure of profit which is used for decision making and performance measurement. The Board believes that adjusted operating profit, which excludes effects of short-term economic and investment changes, provides a better view of the longer-term performance and development of the business and aligns with the long-term nature of the products. Underlying operating profit represents a combination of both the profit generated from new business written in the year and profit expected to emerge from the in-force book of business based on current assumptions. Actual operating experience, where different from that assumed at the start of the year, and the impacts of changes to future operating assumptions applied in the year, are then also included in arriving at adjusted operating profit.

New business profits represent expected investment returns on the financial instruments assumed to be newly purchased to back that business after allowances for expected movements in liabilities and deduction of acquisition costs. Profits arising from the in-force book of business represent the expected return on surplus assets, the expected unwind of prudent reserves above best estimates for mortality, expenses, and corporate bond defaults.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 SEGMENTAL REPORTING continued

Adjusted operating profit excludes the impairment and amortisation of goodwill and other intangible assets arising on consolidation, non-recurring and project expenditure and implementation costs for cost saving initiatives, since these items arise outside the normal course of business in the year.

Adjusted operating profit also excludes exceptional items. Exceptional items are those items that, in the Directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance.

Variances between actual and expected investment returns due to economic and market changes, 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 adjusted operating profit.

Segmental reporting and reconciliation to financial information

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
New business operating profit	224.7	–	224.7	199.2	–	199.2
In-force operating profit	87.3	2.7	90.0	96.8	1.0	97.8
Other Group companies' operating results	–	(15.1)	(15.1)	–	(17.1)	(17.1)
Development expenditure	(4.2)	(2.6)	(6.8)	(5.9)	(1.4)	(7.3)
Reinsurance and financing costs	(89.1)	6.0	(83.1)	(79.5)	–	(79.5)
Underlying operating profit	218.7	(9.0)	209.7	210.6	(17.5)	193.1
Operating experience and assumption changes	28.0	–	28.0	46.2	–	46.2
Adjusted operating profit/(loss) before tax	246.7	(9.0)	237.7	256.8	(17.5)	239.3
Non-recurring and project expenditure	(14.8)	(0.2)	(15.0)	(7.1)	(5.6)	(12.7)
Implementation of cost saving initiatives	–	–	–	(7.8)	(0.7)	(8.5)
Investment and economic profit/(loss)	(248.6)	(2.6)	(251.2)	9.4	(0.9)	8.5
Interest adjustment to reflect IFRS accounting for Tier 1 notes as equity	28.1	(3.0)	25.1	28.1	–	28.1
Profit/(loss) before amortisation costs and tax	11.4	(14.8)	(3.4)	279.4	(24.7)	254.7
Amortisation of acquired intangibles	–	(18.0)	(18.0)	–	(18.0)	(18.0)
Profit/(loss) before tax	11.4	(32.8)	(21.4)	279.4	(42.7)	236.7

Additional analysis of segmental profit or loss

Revenue (other than fee and commission income presented in the disaggregation of fee and commission income below), depreciation of property, plant and equipment, and amortisation of intangible assets (other than amortisation of acquired intangibles presented in the table above) 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. The Group's gross premiums written, as shown in the Consolidated statement of comprehensive income, is analysed by product below:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Defined Benefit De-risking Solutions ("DB")	1,934.6	1,507.9
Guaranteed Income for Life contracts ("GIL")	688.2	585.9
Care Plans ("CP")	51.1	51.5
Protection	2.2	2.5
Gross premiums written	2,676.1	2,147.8

6 SEGMENTAL REPORTING continued

Drawdown and Lifetime Mortgage ("LTM") products are accounted for as investment contracts and financial investments respectively in the statement of financial position. An analysis of the amounts advanced during the year for these products is shown below:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
LTM loans advanced	528.2	511.7
Drawdown deposits and other investment products	1.1	1.0

Reconciliation of gross premiums written to Retirement Income sales

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Gross premiums written	2,676.1	2,147.8
Protection sales not included in Retirement Income sales	(2.2)	(2.5)
Retirement Income sales	2,673.9	2,145.3

Disaggregation of fee and commission income

	Year ended 31 December 2021			Year ended 31 December 2020		
	Insurance £m	Other £m	Total £m	Insurance £m	Other £m	Total £m
Product/service						
GifL commission	–	6.1	6.1	–	4.5	4.5
LTM commission and advice fees	–	2.0	2.0	–	2.1	2.1
Other	3.9	3.6	7.5	2.3	2.8	5.1
	3.9	11.7	15.6	2.3	9.4	11.7
Timing of revenue recognition						
Products transferred at point in time	3.9	11.4	15.3	2.3	9.0	11.3
Products and services transferred over time	–	0.3	0.3	–	0.4	0.4
Revenue from contracts with customers	3.9	11.7	15.6	2.3	9.4	11.7

All revenue from contracts with customers is from the UK.

7 INCOME TAX

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Current taxation		
Current year	0.8	46.6
Adjustments in respect of prior periods	(0.4)	1.0
Total current tax	0.4	47.6
Deferred taxation		
Origination and reversal of temporary differences	(5.7)	(4.0)
Adjustments in respect of prior periods	–	(0.9)
Rate change	(0.3)	1.5
Total deferred tax	(6.0)	(3.4)
Total income tax recognised in profit or loss	(5.6)	44.2

On 3 March 2021, the government announced an increase in the rate of corporation tax rate to 25% from 1 April 2023. The change in rate was substantively enacted on 24 May 2021, and the impact of the rate change is that the net deferred tax balances carried forward increased by £0.3m.

The deferred tax assets and liabilities at 31 December 2021 have been calculated based on the rate at which they are expected to reverse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 INCOME TAX continued

Reconciliation of total income tax to the applicable tax rate

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
(Loss)/profit on ordinary activities before tax	(21.4)	236.7
Income tax at 19% (2020: 19%)	(4.1)	45.0
Effects of:		
Expenses not deductible for tax purposes	1.0	2.0
Rate change	(0.3)	1.5
Unrecognised deferred tax asset	0.1	1.3
Adjustments in respect of prior periods	(0.4)	0.1
Relief on Tier 1 interest included in equity ¹	–	(5.3)
Other	(1.9)	(0.4)
Total income tax recognised in profit or loss	(5.6)	44.2

1 Income tax relief on Tier 1 interest for the year ended 31 December 2021 is recognised directly in equity rather than in profit or loss (see below).

Income tax recognised in other comprehensive income

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Deferred taxation		
Revaluation of land and buildings	–	(0.1)
Total deferred tax	–	(0.1)
Total income tax recognised in other comprehensive income	–	(0.1)

Income tax recognised directly in equity

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Current taxation		
Relief on Tier 1 interest	(4.8)	–
Relief on cost of redeeming RT1	(9.6)	–
Other	(0.6)	–
Total current tax	(15.0)	–
Total income tax recognised directly in equity	(15.0)	–

Taxation of life insurance companies was fundamentally changed following the publication of the Finance Act 2012. Since 1 January 2013, life insurance tax has been based on financial statements; prior to this date, the basis for profits chargeable to corporation tax was surplus arising within the Pillar 1 regulatory regime. Cumulative differences arising between the two bases, which represent the differences in retained profits and taxable surplus which are not excluded items for taxation, are brought back into the computation of taxable profits. However, legislation provides for transitional arrangements whereby such differences are amortised on a straight-line basis over a ten year period from 1 January 2013. Similarly, the resulting cumulative transitional adjustments for tax purposes in adoption of IFRS will be amortised on a straight-line basis over a ten year period from 1 January 2016. The tax charge for the year to 31 December 2021 includes profits chargeable to corporation tax arising from amortisation of transitional balances of £2.5m (2020: £2.5m).

Tax balances included within these financial statements include the use of estimates and assumptions which are based on management's best knowledge of current circumstances and future events and actions. This includes the determination of tax liabilities and recoverables for uncertain tax positions. The actual outcome may differ from the estimated position.

8 REMUNERATION OF DIRECTORS

Information concerning individual Directors' emoluments, interests and transactions is given in the Directors' Remuneration Report. For the purposes of the disclosure required by Schedule 5 to the Companies Act 2006, the total aggregate emoluments of the Directors in the year was £3.9m (2020: £3.6m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2020: £nil). The aggregate net value of share awards granted to the Directors in the year was £2.0m (2020: £2.2m). The net value has been calculated by reference to the closing middle-market price of an ordinary share at the date of grant. Two Directors exercised share options during the year with an aggregate gain of £0.6m (2020: two Directors exercised options with an aggregate gain of £0.3m).

9 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including Directors) during the financial year, analysed by category, was as follows:

	Year ended 31 December 2021 Number	Year ended 31 December 2020 Number
Directors	9	9
Senior management	123	119
Staff	944	949
Average number of staff	1,076	1,077

The aggregate personnel costs were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Wages and salaries	82.3	87.2
Social security costs	9.9	9.2
Other pension costs	4.3	4.3
Share-based payment expense	5.0	6.8
Total personnel costs	101.5	107.5

10 EMPLOYEE BENEFITS

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable to the fund and amounted to £4.3m (2020: £4.3m).

Employee share plans

The Group operates a number of employee share option plans. Details of those plans are as follows:

Just Retirement Group plc 2013 Long Term Incentive Plan ("LTIP")

The Group has made awards under the LTIP to Executive Directors and other senior managers. Awards are made in the form of nil-cost options which become exercisable on the third anniversary of the grant date, subject to the satisfaction of service and performance conditions set out in the Directors' Remuneration Report. Options are exercisable until the tenth anniversary of the grant date. Options granted since 2018 are subject to a two year holding period after the options have been exercised.

The options are accounted for as equity-settled schemes.

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

	Year ended 31 December 2021 Number of options	Year ended 31 December 2020 Number of options
Outstanding at 1 January	19,264,506	15,196,343
Granted	6,795,784	8,951,149
Forfeited	(868,418)	(941,906)
Exercised	(1,351,472)	(2,261,267)
Expired	(1,437,275)	(1,679,813)
Outstanding at 31 December	22,403,125	19,264,506
Exercisable at 31 December	3,853,927	3,119,248
Weighted-average share price at exercise (£)	1.02	0.57
Weighted-average remaining contractual life (years)	1.19	1.36

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 EMPLOYEE BENEFITS continued

During the year to 31 December 2021, awards of LTIPs were made on 24 March 2021 and 17 September 2021. 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	£0.85
Option pricing models used	Black-Scholes, Stochastic, Finnerly
Share price at grant date	£0.94
Exercise price	Nil
Expected volatility – TSR performance	60.80%
Expected volatility – holding period	61.54%
Option life	3 years + 2 year holding period
Dividends	Nil
Risk-free interest rate – TSR performance	0.15%
Risk-free interest rate – holding period	0.34%

A Black-Scholes option pricing model is used where vesting is related to an earnings per share target or a solvency capital generation target, a Stochastic model is used where vesting is related to a total shareholder return target, and a Finnerly model is used to model the holding period.

For awards subject to a TSR performance condition, expected volatility has been calculated using historic volatility of the Company and each company in the TSR comparator group, where available, over the period of time commensurate with the remainder of the performance period immediately prior to the date of grant. For awards with a holding period condition, expected volatility has been calculated using historic volatility of the Company over the period of time commensurate with the holding period immediately prior to the date of grant. Volatility of the market in 2020 due to COVID-19 has been considered and it has been concluded that the Company's share price was not materially affected and no adjustment has been made.

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 2021 Number of options	Year ended 31 December 2020 Number of options
Outstanding at 1 January	5,094,921	4,287,693
Granted	1,432,610	1,882,472
Forfeited	–	(15,004)
Exercised	(739,528)	(1,060,240)
Outstanding at 31 December	5,788,003	5,094,921
Exercisable at 31 December	1,683,566	1,716,596
Weighted-average share price at exercise (£)	0.93	0.54
Weighted-average remaining contractual life (years)	0.93	1.10

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

During the year to 31 December 2021, awards of DSBPs were made on 24 March 2021. 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	£0.94
Option pricing model used	Black-Scholes
Share price at grant date	£0.94
Exercise price	Nil
Expected volatility	Nil
Option life	3 years
Dividends	Nil
Risk-free interest rate	Nil

10 EMPLOYEE BENEFITS continued**Save As You Earn ("SAYE") scheme**

The Group operates SAYE plans for all employees, allowing a monthly amount to be saved from salaries over either a three or five year period which can be used to purchase shares in the Company at a predetermined price. The employee must remain in employment for the duration of the saving period and satisfy the monthly savings requirement (except in "good leaver" circumstances). Options are exercisable for up to six months after the saving period.

The options are accounted for as equity-settled schemes.

The number, weighted-average exercise price, weighted-average share price at exercise, and weighted-average remaining contractual life of outstanding options under the SAYE are as follows:

	Year ended 31 December 2021		Year ended 31 December 2020	
	Number of options	Weighted-average exercise price £	Number of options	Weighted-average exercise price £
Outstanding at 1 January	15,516,003	0.41	9,953,188	0.56
Granted	1,149,350	0.74	13,031,462	0.38
Forfeited	(1,081,602)	0.42	(603,970)	0.57
Cancelled	(363,145)	0.45	(6,609,575)	0.54
Exercised	(408,488)	0.45	(46,892)	0.52
Expired	(32,565)	0.84	(208,210)	1.03
Outstanding at 31 December	14,779,553	0.44	15,516,003	0.41
Exercisable at 31 December	278,130	0.60	58,930	0.46
Weighted-average share price at exercise		0.93		0.60
Weighted-average remaining contractual life (years)		1.66		2.56

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

	2021 Number of options outstanding	2020 Number of options outstanding
£0.38	11,119,351	12,476,881
£0.52	2,443,437	2,870,402
£0.74	1,079,922	-
£1.07	66,166	66,166
£1.18	70,677	102,554
Total	14,779,553	15,516,003

During the year to 31 December 2021, awards of SAYEs were made on 21 April 2021. 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	£0.53
Option pricing model used	Black-Scholes
Share price at grant date	£1.05
Exercise price	£0.74
Expected volatility – 3 year scheme	56.62%
Expected volatility – 5 year scheme	50.98%
Option life	3.36 or 5.36 years
Dividends	Nil
Risk-free interest rate – 3 year scheme	0.17%
Risk-free interest rate – 5 year scheme	0.36%
Saving forfeit discounts	5%

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. Volatility of the market in 2020 due to COVID-19 has been considered and it has been concluded that the Company's share price was not materially affected and no adjustment has been made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 EMPLOYEE BENEFITS continued

Share-based payment expense

The share-based payment expense recognised in the Consolidated statement of comprehensive income for employee services receivable during the year is as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Equity-settled schemes	5.0	6.8
Total expense	5.0	6.8

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted-average number of ordinary shares outstanding, and by the diluted weighted-average number of ordinary shares potentially outstanding at the end of the year. The weighted-average number of ordinary shares excludes shares held by the Employee Benefit Trust on behalf of the Company to satisfy future exercises of employee share scheme awards.

	Year ended 31 December 2021			Year ended 31 December 2020		
	Earnings £m	Weighted- average number of shares million	Earnings per share pence	Earnings £m	Weighted- average number of shares million	Earnings per share pence
(Loss)/profit attributable to equity holders of Just Group plc	(15.0)	-	-	193.6	-	-
Coupon payments in respect of Tier 1 notes (net of tax)	(20.4)	-	-	(28.1)	-	-
(Loss)/profit attributable to ordinary equity holders of Just Group plc (basic)	(35.4)	1,033.7	(3.42)	165.5	1,030.7	16.06
Effect of potentially dilutive share options ¹	-	-	-	-	11.1	(0.17)
Diluted	(35.4)	1,033.7	(3.42)	165.5	1,041.8	15.89

¹ The weighted-average number of share options for the year ended 31 December 2021 that could potentially dilute basic earnings per share in the future but are not included in diluted EPS because they would be antidilutive was 21.9 million share options.

12 DIVIDENDS AND APPROPRIATIONS

Dividends and appropriations paid in the year were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Dividends paid on the vesting of employee share schemes	-	0.1
Total dividends paid	-	0.1
Coupon payments in respect of Tier 1 notes ¹	25.2	28.1
Total distributions to equity holders in the period	25.2	28.2

¹ Coupon payments on Tier 1 notes are treated as an appropriation of retained profits and, accordingly, are accounted for when paid.

Subsequent to 31 December 2021, the Directors proposed a final dividend for 2021 of 1.0 pence per ordinary share (2020: nil), amounting to £10m (2020: £nil) in total. Subject to approval by shareholders at the Company's 2022 AGM, the final dividend will be paid on 17 May 2022 to shareholders on the register of members at the close of business on 22 April 2022, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2022.

13 INTANGIBLE ASSETS

Year ended 31 December 2021	Acquired intangible assets									Total £m
	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Intellectual property £m	Software £m	Leases £m	Prognosys™ £m	Software £m	
Cost										
At 1 January 2021	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.4	306.5
Additions	-	-	-	-	-	-	-	-	6.6	6.6
Disposals	-	-	(26.6)	(5.6)	-	(11.1)	(2.0)	-	-	(45.3)
At 31 December 2021	34.9	200.0	-	-	2.0	-	-	5.9	25.0	267.8
Amortisation and impairment										
At 1 January 2021	(0.8)	(107.6)	(26.6)	(5.6)	(0.6)	(11.1)	(2.0)	(2.6)	(16.1)	(173.0)
Disposals	-	-	26.6	5.6	-	11.1	2.0	-	-	45.3
Charge for the year	-	(17.8)	-	-	(0.1)	-	-	(0.5)	(2.0)	(20.4)
At 31 December 2021	(0.8)	(125.4)	-	-	(0.7)	-	-	(3.1)	(18.1)	(148.1)
Net book value at 31 December 2021	34.1	74.6	-	-	1.3	-	-	2.8	6.9	119.7
Net book value at 31 December 2020	34.1	92.4	-	-	1.4	-	-	3.3	2.3	133.5

Year ended 31 December 2020	Acquired intangible assets									Total £m
	Goodwill £m	Present value of in-force business £m	Distribution network £m	Brand £m	Intellectual property £m	Software £m	Leases £m	Prognosys™ £m	Software £m	
Cost										
At 1 January 2020	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.3	306.4
Additions	-	-	-	-	-	-	-	-	0.1	0.1
At 31 December 2020	34.9	200.0	26.6	5.6	2.0	11.1	2.0	5.9	18.4	306.5
Amortisation and impairment										
At 1 January 2020	(0.8)	(89.7)	(26.6)	(5.6)	(0.5)	(11.1)	(2.0)	(2.1)	(13.6)	(152.0)
Impairment	-	-	-	-	-	-	-	-	(1.1)	(1.1)
Charge for the year	-	(17.9)	-	-	(0.1)	-	-	(0.5)	(1.4)	(19.9)
At 31 December 2020	(0.8)	(107.6)	(26.6)	(5.6)	(0.6)	(11.1)	(2.0)	(2.6)	(16.1)	(173.0)
Net book value at 31 December 2020	34.1	92.4	-	-	1.4	-	-	3.3	2.3	133.5
Net book value at 31 December 2019	34.1	110.3	-	-	1.5	-	-	3.8	4.7	154.4

The amortisation and impairment charge is recognised in other operating expenses in profit or loss.

Impairment testing

Goodwill is tested for impairment in accordance with IAS 36, Impairment of Assets, at least annually.

The Group's goodwill of £34.1m at 31 December 2021 represents £1.0m recognised on the 2018 acquisition of HUB Pension Consulting (Holdings) Limited, £0.3m recognised on the 2016 acquisition of the Partnership Assurance Group and £32.8m on the 2009 acquisition by Just Retirement Group Holdings Limited of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited ("JRL").

The existing goodwill has been allocated to the insurance segment as the cash-generating unit. The recoverable amounts of goodwill have been determined from value-in-use. The key assumptions of this calculation are noted below:

	2021	2020
Period on which management approved forecasts are based	5 years	5 years
Discount rate (pre-tax)	10.5%	11.7%

The value-in-use of the insurance operating segment is considered by reference to the latest business plans over the next five years, which reflect management's best estimate of future cash flows based on historical experience, expected growth rates and assumptions around market share, customer numbers, expense inflation and mortality rates, including a temporary increase in mortality rates due to COVID-19. The discount rate was determined using a weighted average cost of capital approach, with appropriate adjustments to reflect a market participant's view. The outcome of the impairment assessment is that the goodwill in respect of the insurance operating segment is not impaired and that the value-in-use is higher than the carrying value of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 INTANGIBLE ASSETS continued

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

Present Value of In-Force business ("PVIF") and other intangible assets with finite useful economic lives are tested for impairment when there is an indication that the carrying value of the asset may be subject to an impairment.

The Group's PVIF of £74.6m at 31 December 2021 represents the present value of future profits from the purchased in-force business of £60.6m recognised on the 2016 acquisition of Partnership Assurance Group and £14.0m on the 2009 acquisition of Just Retirement (Holdings) Limited, the holding company of Just Retirement Limited. The remaining useful economic lives of the Group's PVIF ranges from between three to five years. There are no indications of impairment of the carrying values of PVIF or other intangible assets with finite useful economic lives.

14 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2021	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 2021	14.3	9.9	6.3	6.1	36.6
Acquired during the year	–	0.7	–	0.6	1.3
Transfer to held for sale	(3.5)	–	–	–	(3.5)
At 31 December 2021	10.8	10.6	6.3	6.7	34.4
Depreciation and impairment					
At 1 January 2021	(0.1)	(7.2)	(5.9)	(2.9)	(16.1)
Impairment	(0.3)	–	–	–	(0.3)
Depreciation charge for the year	(0.5)	(1.4)	(0.2)	(2.1)	(4.2)
Transfer to held for sale	0.4	–	–	–	0.4
At 31 December 2021	(0.5)	(8.6)	(6.1)	(5.0)	(20.2)
Net book value at 31 December 2021	10.3	2.0	0.2	1.7	14.2
Net book value at 31 December 2020	14.2	2.7	0.4	3.2	20.5
Year ended 31 December 2020					
Cost or valuation					
At 1 January 2020	17.9	7.7	6.2	11.9	43.7
Acquired during the year	–	2.2	0.1	–	2.3
Revaluations	(3.6)	–	–	–	(3.6)
Disposal cost	–	–	–	(5.8)	(5.8)
At 31 December 2020	14.3	9.9	6.3	6.1	36.6
Depreciation and impairment					
At 1 January 2020	(0.7)	(6.2)	(5.7)	(4.3)	(16.9)
Eliminated on revaluation	1.2	–	–	–	1.2
Disposal	–	–	–	3.5	3.5
Depreciation charge for the year	(0.6)	(1.0)	(0.2)	(2.1)	(3.9)
At 31 December 2020	(0.1)	(7.2)	(5.9)	(2.9)	(16.1)
Net book value at 31 December 2020	14.2	2.7	0.4	3.2	20.5
Net book value at 31 December 2019	17.2	1.5	0.5	7.6	26.8

Included in freehold land and buildings is land of value £2.8m (2020: £4.0m).

14 PROPERTY, PLANT AND EQUIPMENT continued

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 5 October 2020 were performed by Hurst Warne & Partners Surveyors Ltd, independent valuers not related to the Company. Hurst Warne & Partners Surveyors Ltd is registered for regulation by the Royal Institution of Chartered Surveyors ("RICS"). The valuation process relies on expert judgement which is heightened due to the macroeconomic related COVID-19 uncertainty. The valuer has sufficient current local knowledge of the particular market, and the knowledge, skills and understanding to undertake the valuation competently. The fair value of the freehold land was undertaken using a residual valuation assuming a new build office on each site to an exact equivalent size as currently and disregarding the possibility of developing any alternative uses or possible enhancements. The fair value of the buildings was determined based on open market comparable evidence of market rent. The fair value measurement of revalued land and buildings has been categorised as Level 3 within the fair value hierarchy based on the non-observable inputs to the valuation technique used.

Revaluations during 2020 comprise a loss of £1.2m recognised in profit or loss, a loss of £1.2m recognised in other comprehensive income (gross of tax of £0.1m) partially reversing previously recognised gains of £5.3m (gross of tax of £0.9m), and the elimination of depreciation on the revaluations of £1.2m.

If freehold land and buildings were stated on the historical cost basis, the carrying values would be land of £3.6m (2020: £4.3m) and buildings of £6.1m (2020: £10.2m).

Right-of-use assets are property assets leased by the Group (see note 26).

15 INVESTMENT PROPERTY

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	-	-
Recognised on acquisition of the Jersey Property Unit Trust (see note 35)	70.6	-
Net loss from fair value adjustment	(1.0)	-
At 31 December	69.6	-

Investment properties are leased to tenants under operating leases. Minimum lease payments receivable on leases of investment properties are as follows:

	2021 £m	2020 £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	128.8	-
Total	134.3	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 FINANCIAL INVESTMENTS

All of the Group's financial investments are measured at fair value through the profit or loss, and are either designated as such on initial recognition or, in the case of derivative financial assets, classified as held for trading.

	Fair value		Cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Units in liquidity funds	1,310.5	1,128.5	1,310.5	1,128.5
Investment funds	301.8	176.1	290.5	175.2
Debt securities and other fixed income securities	12,924.0	11,061.4	12,141.7	10,001.9
Deposits with credit institutions	52.9	99.7	52.9	99.7
Derivative financial assets	691.2	800.0	–	–
Loans secured by residential mortgages	7,422.8	8,261.1	4,328.7	4,535.7
Loans secured by commercial mortgages	677.8	592.1	686.3	566.9
Loans secured by ground rents	189.7	114.9	185.9	113.2
Infrastructure loans	993.1	945.0	858.0	796.6
Other loans	117.9	91.0	115.0	88.9
Total	24,681.7	23,269.8	19,969.5	17,506.6

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.

Deposits with credit institutions with a carrying value of £50.3m (2020: £97.8m) have been pledged as collateral in respect of the Group's derivative financial instruments. Amounts pledged as collateral are deposited with the derivative counterparty.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

This note explains the methodology for valuing the Group's financial assets and liabilities measured at fair value, including financial investments, and provides disclosures in accordance with IFRS 13, Fair value measurement, including an analysis of such assets and liabilities categorised in a fair value hierarchy based on market observability of valuation inputs.

(a) Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole.

All Level 1 and 2 assets continue to have pricing available from actively quoted prices or observable market data.

Level 1

Inputs to Level 1 fair values are unadjusted quoted prices in active markets for identical assets and liabilities that the entity can access at the measurement date.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued**Level 2**

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument.

Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active markets;
- quoted prices for identical assets or similar assets in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which very little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability; and
- market-corroborated inputs.

Where the Group uses broker/asset manager quotes and no information as to observability of inputs is provided by the broker/asset manager, the investments are classified as follows:

- where the broker/asset manager price is validated by using internal models with market-observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models cannot be used to validate broker/asset manager prices as the observability of inputs used by brokers/asset managers is unavailable, the investment is classified as Level 3.

Debt securities held at fair value and financial derivatives are valued using independent pricing services or third party broker quotes are classified as Level 2.

Level 3

Inputs to Level 3 fair values are 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.

The Group's assets and liabilities held at fair value which are valued using valuation techniques for which significant observable market data is not available and classified as Level 3 include loans secured by mortgages, infrastructure loans, private placement debt securities, investment funds, investment contract liabilities, and deposits received from reinsurers. Other than freehold land and buildings included in note 14, there are no non-recurring fair value measurements as at 31 December 2021 (2020: nil).

(b) Analysis of assets and liabilities held at fair value according to fair value hierarchy

	2021				2020			
	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								
Investment property	–	–	69.6	69.6	–	–	–	–
Units in liquidity funds	1,304.9	5.6	–	1,310.5	1,123.2	5.3	–	1,128.5
Investment funds	–	68.5	233.3	301.8	–	37.1	139.0	176.1
Debt securities and other fixed income securities	4,302.5	7,172.0	1,449.5	12,924.0	809.3	8,995.3	1,256.8	11,061.4
Deposits with credit institutions	50.3	2.6	–	52.9	97.7	2.0	–	99.7
Derivative financial assets	–	682.7	8.5	691.2	–	796.4	3.6	800.0
Loans secured by residential mortgages	–	–	7,422.8	7,422.8	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	–	–	677.8	677.8	–	–	592.1	592.1
Loans secured by ground rents	–	–	189.7	189.7	–	–	114.9	114.9
Infrastructure loans	–	–	993.1	993.1	–	–	945.0	945.0
Other loans	15.6	12.6	89.7	117.9	13.1	11.8	66.1	91.0
Assets classified as held for sale	–	–	3.1	3.1	–	–	–	–
Total financial assets	5,673.3	7,944.0	11,137.1	24,754.4	2,043.3	9,847.9	11,378.6	23,269.8
Liabilities held at fair value through profit or loss								
Investment contract liabilities	–	–	33.6	33.6	–	–	42.8	42.8
Derivative financial liabilities	–	386.1	8.6	394.7	–	509.4	3.3	512.7
Obligations for repayment of cash collateral received	311.7	14.5	–	326.2	351.3	26.1	–	377.4
Deposits received from reinsurers	–	–	2,144.7	2,144.7	–	–	2,415.0	2,415.0
Other financial liabilities								
Fair value of loans and borrowings at amortised cost ¹	–	936.8	–	936.8	–	894.3	–	894.3
Total financial liabilities	311.7	1,337.4	2,186.9	3,836.0	351.3	1,429.8	2,461.1	4,242.2

1 The fair value disclosed for loans and borrowings for 2020 has been restated to correct the basis on which the fair value was determined – see note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

(c) Transfers between levels

The Group's policy is to assess pricing source changes and determine transfers between levels as of the end of each half-yearly reporting period. During the year the Group enhanced its methodology over the levelling of financial instruments, resulting in transfers of £2,820.8m from Level 2 to Level 1 (2020: nil), and £13.3m from Level 1 to Level 2 (2020: nil). Transfers from Level 2 to Level 3 in 2021 of £49.9m (2020: £62.2m) include debt securities which no longer had observable prices.

(d) Level 3 assets and liabilities measured at fair value

Reconciliation of the opening and closing recorded amount of Level 3 assets and liabilities held at fair value.

Year ended 31 December 2021	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2021	139.0	1,256.8	3.6	8,261.1	592.1	114.9	945.0	66.1	(42.8)	(3.3)	(2,415.0)
Purchases/advances/deposits	84.9	281.4	-	528.2	169.0	72.4	79.1	46.1	(1.1)	-	(1.2)
Transfers from Level 2	-	49.9	-	-	-	-	-	-	-	-	-
Sales/redemptions/payments	-	(87.9)	-	(508.9)	(49.4)	-	(17.7)	-	11.1	-	202.9
Disposal of a portfolio of LTMs ¹	-	-	-	(508.8)	-	-	-	-	-	-	-
Realised gains and losses recognised in profit or loss within net investment income	-	-	-	169.1	-	-	-	-	-	-	-
Unrealised gains and losses recognised in profit or loss within net investment income	9.4	(37.6)	4.9	(722.8)	(34.6)	2.4	(13.4)	(22.5)	-	(5.3)	147.3
Interest accrued	-	(13.1)	-	204.9	0.7	-	0.1	-	-	-	(78.7)
Change in fair value of liabilities recognised in profit or loss	-	-	-	-	-	-	-	-	(0.8)	-	-
At 31 December 2021	233.3	1,449.5	8.5	7,422.8	677.8	189.7	993.1	89.7	(33.6)	(8.6)	(2,144.7)

1 In August 2021 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £508.8m. The transaction is part of the Group's strategy to reduce exposure and sensitivity of the balance sheet to the UK property market following changes in the regulatory environment in 2018.

Year ended 31 December 2020	Investment funds £m	Debt securities and other fixed income securities £m	Derivative financial assets £m	Loans secured by residential mortgages £m	Loans secured by commercial mortgages £m	Loans secured by ground rents £m	Infra-structure loans £m	Other loans £m	Investment contract liabilities £m	Derivative financial liabilities £m	Deposits received from reinsurers £m
At 1 January 2020	111.8	729.2	4.0	7,980.5	494.5	-	787.3	48.6	(54.0)	-	(2,417.7)
Purchases/advances/deposits	27.1	418.9	-	511.7	97.9	113.2	104.3	68.7	(1.0)	5.0	(1.4)
Transfers from Level 2	-	62.2	-	-	-	-	-	-	-	-	-
Sales/redemptions/payments	-	(29.4)	-	(380.9)	(8.7)	-	(15.9)	(52.3)	14.0	-	212.2
Disposal of a portfolio of LTMs ¹	-	-	-	(600.8)	-	-	-	-	-	-	-
Realised gains and losses recognised in profit or loss within net investment income	(0.2)	(0.2)	-	111.6	-	-	-	-	-	-	-
Unrealised gains and losses recognised in profit or loss within net investment income	0.3	80.6	(0.4)	356.3	7.6	1.7	68.0	1.1	-	(8.3)	(125.3)
Interest accrued	-	(4.5)	-	282.7	0.8	-	1.3	-	-	-	(82.8)
Change in fair value of liabilities recognised in profit or loss	-	-	-	-	-	-	-	-	(1.8)	-	-
At 31 December 2020	139.0	1,256.8	3.6	8,261.1	592.1	114.9	945.0	66.1	(42.8)	(3.3)	(2,415.0)

1 In December 2020 the Group disposed of a portfolio of loans secured by residential mortgages with a fair value of £600.8m.

For Level 1 and Level 2 assets and liabilities measured at fair value, unrealised losses during the year were £32.1m and £131.4m respectively (2020: gains of £23.2m and £241.1m respectively).

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued**Investment funds**

Investment funds classified as Level 3 are structured entities that operate under contractual arrangements which allow a group of investors to invest in a pool of corporate loans without any one investor having overall control of the entity. There have not been any significant impacts to these investments in relation to COVID-19.

Principal assumptions underlying the calculation of investment funds classified as Level 3**Discount rate**

Discount rates are the most significant assumption applied in calculating the fair value of investment funds. The average discount rate used is 7.0% (2020: 7.0%).

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
2021	(8.9)
2020	(4.9)

Debt securities and other fixed income securities

Debt securities classified as Level 3 are private placement bonds and asset-backed securities. Such securities are valued using discounted cash flow analyses. The impact of COVID-19 has been taken into account in the assessment of the future cash flows default risk at 31 December 2021. Due to the nature of these assets and the sectors in which they operate, the Group has assessed that there is not any significant impact from COVID-19 on the valuation at 31 December 2021.

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.

Redemption and defaults

The redemption and default assumptions used in the valuation of private placement bonds are similar to the rest of the Group's bond portfolio.

Sensitivity analysis

Reasonably possible alternative assumptions for upon observable 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
2021	(124.6)
2020	(109.2)

Derivative financial assets and liabilities

Derivative financial assets and liabilities classified as Level 3 are the put options on property index (also referred to as NNEG hedges). The value of each NNEG hedge is made up of premiums payable to the counterparty less expected claims back from the option where losses are made. The expected claims are calculated through the Black-Scholes framework, with parameters set such that at outset the fair value of the NNEG hedge is zero.

Principal assumptions underlying the calculation of the derivative financial assets and liabilities classified as Level 3

Property prices and interest rates are the most significant assumption applied in calculating the fair value of the derivative financial assets and liabilities. As described above, these assumptions are set at outset such that the fair value of the NNEG hedge is zero. The Group has assessed the possible impact of COVID-19 and economic uncertainty on current property assumptions. Details of the matters considered in relation to property assumptions at 31 December 2021 are noted in the section on Loans secured by residential mortgages further below. The future property price volatility assumption used in the fair value calculation of derivative financial assets and liabilities has been updated to 11% (2020: 9%). This assumption is based on upon property price index volatility only, consistent with protection provided by the underlying derivatives. Property growth assumptions used in the fair value calculation of derivative financial assets and liabilities have remained unchanged from 31 December 2020, consistent with the equivalent assumptions on loans secured by residential mortgages as noted below. The impact on derivative financial assets and liabilities from changes to property assumptions are noted in the sensitivity analysis below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

Sensitivity analysis

Reasonable possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets and liabilities. The Group has estimated the impact on fair value to changes to these inputs as follows:

Net increase/(decrease) in fair value (£m)	Interest rates +100bps	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%
<i>Derivative financial assets</i>				
2021	(4.6)	10.4	10.6	4.4
2020	(6.5)	24.0	24.1	10.2
<i>Derivative financial liabilities</i>				
2021	(4.1)	13.4	12.5	6.2
2020	(1.8)	6.3	6.8	2.8

*Loans secured by residential mortgages**Methodology and judgement underlying the calculation of loans secured by residential mortgages*

The valuation of loans secured by residential mortgages is determined using internal models which project future cash flows expected to arise from each loan. Future cash flows allow for assumptions relating to future expenses, future mortality experience, voluntary redemptions and repayment shortfalls on redemption of the mortgages due to the NNEG. The fair value is calculated by discounting the future cash flows at a swap rate plus a liquidity premium.

Under the NNEG, the amount recoverable by the Group on eligible termination of mortgages is generally capped at the net sale proceeds of the property. A key judgement is with regard to the calculation approach used. We have used the Black 76 variant of the Black-Scholes option pricing model in conjunction with an approach using best estimate future house price growth assumptions. There has been significant academic and market debate concerning the valuation of no-negative equity guarantees in recent years, including proposals to use risk-free based methods rather than best estimate assumptions to project future house price growth. We continue to actively monitor this debate. In the absence of any widely supported alternative approach, we have continued in line with the common industry practice to value no-negative equity guarantees using best estimate assumptions.

The best estimate assumptions used include future property growth and future property price volatility.

Cash flow models are used in the absence of a deep and liquid market for loans secured by residential mortgages. The sales of the portfolios of Just LTMs in 2020, 2021 and 2022 represented market prices specific to the characteristics of the underlying portfolios of loans sold. In particular, loan rates, loan-to-value and customer age. This was considered insufficient to affect the judgement of the methodology and assumptions underlying the discounted cash flow approach used to value individual loans in the remaining portfolio. The methodology and assumptions used would be reconsidered if any information is obtained from future portfolio sales that is relevant and applicable to the remaining portfolio.

Principal assumptions underlying the calculation of loans secured by residential mortgages

All gains and losses arising from loans secured by mortgages are largely dependent on the term of the mortgage, which in turn is determined by the longevity of the customer. Principal assumptions underlying the calculation of loans secured by mortgages include the items set out below. These assumptions are also used to provide the expected cash flows from the loans secured by residential mortgages which determines the yield on this asset. This yield is used for the purpose of setting valuation discount rates on the liabilities supported, as described in note 23(b).

Maintenance expenses

Assumptions for future policy expense levels are based on the Group's recent expense analyses. The assumed future expense levels incorporate an annual inflation rate allowance of 4.2% (2020: 3.6%).

Mortality

Mortality assumptions have been derived with reference to England & Wales population mortality using the CMI 2019 model for mortality improvements for 2020 onwards, and have been applied by the Group since 2020. 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 long-term mortality assumptions, but has kept these unchanged at 31 December 2021. Further details of the matters considered in relation to mortality assumptions at 31 December 2021 are set out in note 23(b).

Property prices

The approach in place at 31 December 2021 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. This represents a change in approach since the previous period – which was based upon the latest valuation, indexed to the balance sheet date using the Office for National Statistics ("ONS") monthly index for the property's location, together with a separate allowance for potential underperformance of individual properties relative to the indexed valuation. Allowing for the change in approach used to calculate property values as at 31 December 2021, the value of the properties underlying the Group's LTM portfolio grew by 6% over the year which is 3% lower than had the Group not changed the basis of determining property values at the valuation date.

Although the COVID-19 pandemic has had a very significant impact on the UK economy during 2020 and 2021, the UK property market has exhibited strong growth over the period. The current level of price indices has been driven by high demand and a shortage of supply. While this imbalance may reduce, our view is that current market prices are sustainable and appropriate for valuation of the properties.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

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% (2020: 3.3%), with a volatility assumption of 13% per annum (2020: 13%). The setting of these assumptions includes consideration of future long and short-term forecasts, the Group's historical experience, benchmarking data, and future uncertainties including the possible impact of Brexit on the UK property market. As noted above, the Group has considered the uncertainties in relation to the property market as a result of the COVID-19 pandemic. House price growth over 2021 has been strong, and there has been an increase in market-implied RPI and CPI inflation expectations too. However, the impact of the pandemic on long-term property prices is uncertain at the current time without consensus that the pandemic will alter the long-term prospects of the housing market. 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 2020. 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 experience analyses and external benchmarking. The assumed redemption rate varies by duration and product line between 0.5% and 4.1% for loans in JRL (2020: 0.5% and 4.1%) and between 0.6% and 6.8% for loans in PLACL (2020: 0.6% and 6.8%). No changes are assumed with regard to the COVID-19 experience. Compared to the prior period, a separate provision for potential higher short-term experience arising from additional remortgaging activity is also allowed for.

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. Historically the liquidity premium has been set relative to LIBOR swap rates. Following the discontinuance of LIBOR from the end of 2021 SONIA has been adopted as the risk free index. The liquidity premium at 31 December 2021 has been adjusted such that the fair value of the loan is unchanged before and after this change in index. The average liquidity premium for loans held within JRL is 3.04% (2020: 2.87%) and for loans held within PLACL is 3.51% (2020: 3.20%). These average rates are relative to the risk free index used in each period. The movement over the period observed in both JRL and PLACL is therefore the effect of rebasing the liquidity premiums for the change in risk free rates, and a function of the liquidity premiums on new loan originations compared to the liquidity premiums on those policies which have redeemed or have been included in a portfolio sale over the period, both in reference to the average spread on the back book of business.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model could give rise to significant changes in the fair value of the assets. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by residential mortgages net increase/(decrease) in fair value (£m)	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Liquidity premium +10bps
2021	(6.5)	22.7	10.5	(114.6)	(82.3)	(53.2)	(5.2)	(78.0)
2020	(5.9)	34.3	15.6	(136.1)	(103.7)	(64.5)	(13.2)	(93.1)

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 sensitivities above only consider the impact of the change in these assumptions on the fair value of the asset. Some of these sensitivities would also impact the yield on this asset and hence the valuation discount rate used to determine liabilities. For some of these sensitivities, the impact on the value of insurance liabilities and hence profit before tax is included in note 23(e).

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represents the Group's view of reasonably possible near-term market changes that cannot be predicted with any certainty.

Loans secured by commercial mortgages

Loans secured by commercial mortgages are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

Principal assumption 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued*Redemption and defaults*

The redemption and default assumptions used in the valuation of loans secured by commercial mortgages are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 31 December 2021, with no significant impacts noted to fair values.

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
2021	(25.0)
2020	(25.2)

Loans secured by ground rents

Loans secured by ground rents are valued using discounted cash flow analysis using assumptions based on the repayment of the underlying loan.

*Principal assumption underlying the calculation of loans secured by ground rents**Credit spreads*

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of loans secured by ground rents are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on the timing of future cash flows, and on expected defaults, has been taken into account in the calculation of fair value at 31 December 2021, with no significant impacts noted to fair values.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of ground rents is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Loans secured by ground rents net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2021	(59.2)
2020	(27.7)

Infrastructure loans

Infrastructure loans classified as Level 3 are valued using discounted cash flow analyses.

*Principal assumptions underlying the calculation of infrastructure loans classified as Level 3**Credit spreads*

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 infrastructure loans are derived from the assumptions for the Group's bond portfolio. Due to the nature of these assets and the sectors in which they operate, being primarily local authorities, renewable energy generation and housing associations sectors, the Group has assessed that there is no significant impact from COVID-19 on the valuation at 31 December 2021.

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
2021	(96.6)
2020	(90.7)

Other loans

Other loans classified as Level 3 are mainly commodity trade finance loans. These are valued using discounted cash flow analyses.

17 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued**Principal assumptions underlying the calculation of other loans classified as Level 3****Credit spreads**

The valuation model discounts the expected future cash flows using a discount rate which includes a credit spread allowance associated with that asset.

Redemption and defaults

The redemption and default assumptions used in the valuation of Level 3 loans are derived from the assumptions for the Group's bond portfolio. The impact of COVID-19 on expected defaults has been taken into account in the calculation of fair value at 31 December 2021, with no significant impacts noted to fair values.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the assets. The sensitivity of the valuation of other loans to the default assumption is determined by reference to movement in credit spreads. The Group has estimated the impact on fair value to changes to these inputs as follows:

Other loans net increase/(decrease) in fair value (£m)	Credit spreads +100bps
2021	(0.9)
2020	(0.8)

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 contractual discount rate derived from the assets hypothecated to back the liabilities. The discount rate used for the fixed term annuity product treated as investment business is 2.73% (2020: 2.34%).

Sensitivity analysis

The sensitivity of fair value to changes in the discount rate assumptions in respect of investment contract liabilities is not material.

Deposits received from reinsurers

Deposits from reinsurers which have been unbundled from their reinsurance contract and recognised at fair value through profit or loss are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

Principal assumptions underlying the calculation of deposits received from reinsurers**Discount rate**

The valuation model discounts the expected future cash flows using a contractual discount rate derived from the assets hypothecated to back the liabilities at a product level. The discount rates used for individual retirement and individual care annuities were 2.87% and 1.03% respectively (2020: 2.21% and 0.06% respectively).

Credit spreads

The valuation of deposits received from reinsurers includes a credit spread derived from the assets hypothecated to back these liabilities. A credit spread of 219bps (2020: 205bps) was applied in respect of the most significant reinsurance contract.

Sensitivity analysis

Reasonably possible alternative assumptions for unobservable inputs used in the valuation model either as at the valuation date or from a suitable recent reporting period where appropriate to do so could give rise to significant changes in the fair value of the liabilities (see note 27(b)). The Group has estimated the impact on fair value to changes to these inputs as follows:

Deposits received from reinsurers net increase/(decrease) in fair value (£m)	Credit spreads +100bps	Interest rates +100bps
2021	(72.4)	(196.1)
2020	(80.1)	(218.6)

18 DEFERRED TAX

	2021			2020		
	Asset £m	Liability £m	Total £m	Asset £m	Liability £m	Total £m
Transitional tax	–	(1.5)	(1.5)	–	(4.2)	(4.2)
Intangible assets	–	(17.0)	(17.0)	–	(17.8)	(17.8)
Land and buildings	–	(0.8)	(0.8)	–	(0.8)	(0.8)
Other provisions	–	14.0	14.0	11.5	–	11.5
Total deferred tax	–	(5.3)	(5.3)	11.5	(22.8)	(11.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18 DEFERRED TAX continued

The transitional tax liability of £1.5m (2020: £4.2m) represents the adjustment arising from the change in the tax rules for life insurance companies which is amortised over ten years from 1 January 2013 and the transitional adjustments for tax purposes in adopting IFRS which is amortised over ten years from 1 January 2016.

Other provisions principally relate to temporary differences between the IFRS financial statements and tax deductions for statutory insurance liabilities.

The movement in the net deferred tax balance was as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Net balance at 1 January	(11.3)	(14.8)
Recognised in profit or loss	6.0	3.4
Recognised in other comprehensive income	–	0.1
Net balance at 31 December	(5.3)	(11.3)

The Group has unrecognised deferred tax assets of £6.2m (2020: £5.3m).

19 INSURANCE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Receivables arising from insurance and reinsurance contracts	20.0	21.0
Finance lease receivables	2.3	3.8
Other receivables	13.1	7.2
Total insurance and other receivables	35.4	32.0

Receivables arising from insurance and reinsurance contracts, and also Other receivables are accounted for at amortised cost, which approximates fair value. These balances are considered to have contractual terms which are solely payments of principal and interest ("SPPI"). There has been no change in fair value recognised in the Consolidated statement of comprehensive income in the period (2020: nil). The credit rating of these balances is disclosed in note 33.

Other than finance lease receivables of £0.7m (2020: £2.2m), insurance and other receivables of £nil (2020: £nil) are expected to be recovered more than one year after the Consolidated statement of financial position date.

20 CASH AND CASH EQUIVALENTS

	2021 £m	2020 £m
Cash available on demand	510.2	1,496.3
Units in liquidity funds ¹	1,310.5	1,128.5
Cash and cash equivalents in the Consolidated statement of cash flows	1,820.7	2,624.8

¹ Units in liquidity funds are presented as a financial investment in note 16.

21 SHARE CAPITAL

The allotted, issued and fully paid ordinary share capital of Just Group plc at 31 December 2021 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2021	1,038,128,556	103.8	94.5	597.1	795.4
Shares issued in respect of employee share schemes	408,488	0.1	0.1	–	0.2
At 31 December 2021	1,038,537,044	103.9	94.6	597.1	795.6
At 1 January 2020	1,035,081,664	103.5	94.5	597.1	795.1
Shares issued in respect of employee share schemes	3,046,892	0.3	–	–	0.3
At 31 December 2020	1,038,128,556	103.8	94.5	597.1	795.4

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 in 2019 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.

21 SHARE CAPITAL continued

Consideration for the acquisition in 2016 of the equity shares of Partnership Assurance Group plc consisted of a new issue of shares in the Company. Accordingly, merger relief under Section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. The merger reserve recognised represents the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

22 TIER 1 NOTES

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	294.0	294.0
Issued in the year	325.0	-
Issue costs, net of tax	(2.6)	-
Redeemed in the year	(294.0)	-
At 31 December	322.4	294.0

On 16 September 2021 the Group issued £325m 5.0% perpetual restricted Tier 1 contingent convertible notes, incurring issue costs of £2.6m, net of tax, and concurrently redeemed its £300m 9.375% perpetual restricted Tier 1 contingent convertible notes issued in 2019 (£294.0m net of issue costs, net of tax) at a cost of £341.0m, net of tax. The loss on redemption of the 2019 notes of £47.0m (net of tax) has been recognised directly in equity.

During the year, interest of £25.2m (2020: £28.1m) was paid to holders of the 2019 notes. The 2021 notes bear interest on the principal amount up to 30 September 2031 (the first reset date) at the rate of 5.0% per annum, and thereafter at a fixed rate of interest reset on the first call date and on each fifth anniversary thereafter. Interest is payable on the notes semi-annually in arrears on 30 March and 30 September each year commencing on 30 March 2022.

The Group has the option to cancel the coupon payment at its discretion and cancellation of the coupon payment becomes mandatory upon non-compliance with the solvency capital requirement or minimum capital requirement or where the Group has insufficient distributable items. Cancelled coupon payments do not accumulate or become payable at a later date and do not constitute a default. In the event of non-compliance with specific solvency requirements, the conversion of the Tier 1 notes into ordinary shares could be triggered.

The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE**Insurance liabilities**

	2021 £m	2020 £m
Gross insurance liabilities	21,812.9	21,118.4
Net reinsurance assets	(2,533.5)	(2,865.5)
Net insurance liabilities	19,279.4	18,252.9

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

(a) Terms and conditions of insurance contracts

The Group's long-term insurance contracts, written by the Group's life companies, Just Retirement Limited ("JRL") and Partnership Life Assurance Company Limited ("PLAC"), include Retirement Income (Guaranteed Income for Life ("GIL"), Defined Benefit ("DB"), and Care Plans), and whole of life and term protection insurance.

The valuation of insurance liabilities are agreed by the Board using recognised actuarial valuation methods proposed by the Group's Actuarial Reporting function. In particular, a prospective gross premium valuation method has been adopted for major classes of business.

Although the process for the establishment of insurance liabilities follows specified rules and guidelines, the liabilities that result from the process remain uncertain. As a consequence of this uncertainty, the eventual value of claims could vary from the amounts provided to cover future claims. The Group seeks to provide for appropriate levels of contract liabilities taking known facts and experiences into account but nevertheless such liabilities remain uncertain.

The estimation process used in determining insurance liabilities involves projecting future annuity payments and the cost of maintaining the contracts. For non-annuity contracts, the liability is determined as the sum of the discounted value of future benefit payments and future administration expenses less the expected value of premiums payable under the contract.

(b) Principal assumptions underlying the calculation of insurance contracts

The principal assumptions underlying the calculation of insurance contracts are explained below. This includes any areas sensitive to COVID-19 effects or other economic downturn.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Principal assumptions underlying the calculation of insurance contracts continued

Mortality assumptions

The COVID-19 pandemic has had a significant effect on mortality rates. There were particularly high rates in the spring of 2020, and the early part of 2021, which contributed significantly to positive mortality experience variances in the respective reporting periods.

Over the second half of 2021 there was a more modest but sustained elevation of mortality rates, relative to expected levels, for the UK population overall. However, the extent to which mortality rates will continue to be elevated is subject to considerable uncertainty.

The Group considers that it is still too early to judge the longer-term impact of COVID-19 on mortality and therefore no explicit allowance for the pandemic has been included in future mortality assumptions at 31 December 2021. Moreover, mortality assumptions for each future year have been maintained at the same level as assumed at 31 December 2020. The Group will continue to follow closely the actual and potential future impact of COVID-19 on mortality as further information becomes available, and will review its mortality assumptions should credible evidence emerge. In particular, the Group continues to analyse potential direct and indirect impacts of the pandemic, including the possibility there will be enduring influences on the longevity of customers.

Mortality assumptions have been set by reference to appropriate standard mortality tables. These tables have been adjusted to reflect the future mortality experience of the policyholders, taking into account the medical and lifestyle evidence collected during the underwriting process, premium size, gender and the Group's assessment of how this experience will develop in the future. The assessment takes into consideration relevant industry and population studies, published research materials, and management's own industry experience.

The standard tables which underpin the mortality assumptions are summarised in the table below.

	2021	2020
Individually underwritten Guaranteed Income for Life Solutions (JRL)	Unchanged from 2020	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	Unchanged from 2020	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Defined Benefit (JRL)	Unchanged from 2020	Modified E&W Population mortality, with CMI 2019 model mortality improvements for standard underwritten business; Reinsurer supplied tables underpinned by the Self-Administered Pension Scheme ("SAPS") S1 tables, with modified CMI 2009 model mortality improvements for medically underwritten business
Defined Benefit (PLACL)	Unchanged from 2020	Modified E&W Population mortality, with CMI 2019 model mortality improvements
Care Plans and other annuity products (PLACL)	Unchanged from 2020	Modified PCMA/PCFA and with CMI 2019 model mortality improvements for Care Plans; Modified PCMA/PCFA or modified E&W Population mortality with CMI 2019 model mortality improvements for other annuity products
Protection (PLACL)	Unchanged from 2020	TM/TF00 Select

All references to the use of the CMI 2019 model relate to improvements for calendar year 2020 onwards.

The long-term improvement rates in the CMI 2019 model are 2.0% for males and 1.75% for females (2020: 2.0% for males and 1.75% for females). The period smoothing parameter in the modified CMI 2019 model has been set to 7.00 (2020: 7.00). The addition to initial rates ("A") parameter in the model varies between 0% and 0.25% depending on product (2020: between 0% and 0.25% depending on product). All other CMI model parameters are the defaults (2020: other parameters set to defaults).

Valuation discount rates

Valuation discount rate assumptions are set by considering the yields on the assets allocated to back the liabilities. The yields on lifetime mortgage assets are derived using the assumptions described in note 17 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating. Economic uncertainty surrounding COVID-19 increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread widening and hence we have maintained the same methodology at 31 December 2021. The considerations around COVID-19 for property prices affecting the NNEG are as described in note 17.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Valuation discount rates – gross liabilities	2021 %	2020 %
Individually underwritten Guaranteed Income for Life Solutions (JRL)	2.73	2.34
Individually underwritten Guaranteed Income for Life Solutions (PLACL)	2.87	2.21
Defined Benefit (JRL)	2.73	2.34
Defined Benefit (PLACL)	2.87	2.21
Other annuity products (PLACL)	1.03	0.06
Term and whole of life products (PLACL)	1.03	0.28

The overall reduction in yield to allow for the risk of defaults from all non-LTM assets (including gilts, corporate bonds, infrastructure loans, private placements and commercial mortgages) and the NNEG from LTMs was 64bps in JRL and 63bps in PLACL (2020: 69bps and 65bps respectively).

Future expenses

Assumptions for future policy expense levels, expressed as a per plan charge for GfL and a per scheme member charge for DB, are determined from the Group's recent expense analyses. The assumed future policy expense levels incorporate an annual inflation rate allowance of 4.45% (2020: 3.85%) derived from the expected retail price and consumer price indices implied by inflation swap rates and an additional allowance for earnings inflation.

Inflation

Assumptions for annuity escalation are required for RPI and CPI index linked liabilities, the majority of which are within the Defined Benefit business. The inflation curve assumed in each case is that which is implied by market swap rates, taking into account any escalation caps and/or floors applicable. This methodology is unchanged compared to the previous period.

(c) Movements

The following movements have occurred in the insurance contract balances during the year.

Year ended 31 December 2021	Gross £m	Reinsurance £m	Net £m
At 1 January 2021	21,118.4	(2,865.5)	18,252.9
Change due to new premiums	2,298.1	33.8	2,331.9
Change due to new claims	(1,478.1)	239.0	(1,239.1)
Unwinding of discount	488.8	(62.1)	426.7
Changes in economic assumptions	(595.1)	135.4	(459.7)
Changes in non-economic assumptions	(9.8)	–	(9.8)
Other movements	(9.4)	(14.1)	(23.5)
At 31 December 2021	21,812.9	(2,533.5)	19,279.4
Year ended 31 December 2020	Gross £m	Reinsurance £m	Net £m
At 1 January 2020	19,003.7	(3,732.0)	15,271.7
Change due to new premiums	1,803.0	14.1	1,817.1
Change due to new claims	(1,397.5)	323.9	(1,073.6)
Unwinding of discount	565.6	(103.0)	462.6
Changes in economic assumptions	1,360.3	(252.8)	1,107.5
Changes in non-economic assumptions	(142.2)	96.9	(45.3)
Other movements ¹	(74.5)	787.4	712.9
At 31 December 2020	21,118.4	(2,865.5)	18,252.9

1 Includes the impact of reinsurance recapture in 2020 (see note 29).

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

Effect of changes in assumptions and estimates during the year

Economic assumption changes

The principal economic assumption changes impacting the movement in insurance liabilities during the year relates to discount rates and inflation.

Discount rates

The movement in the valuation interest rate captures the impact of underlying changes in risk-free curves and spreads and cash flows arising on backing assets held over the course of the year. The movement of the discount rate includes purchases to support new business and trading for risk management purposes. For the year to 31 December 2021, changes in discount rates resulted in a net reduction of insurance liabilities of £813m (2020: £1,189m) which was largely due to increases in the risk-free rate and changes to the backing asset portfolio, in particular as a consequence of the LTM portfolio sale.

Inflation

Insurance liabilities for inflation-linked products, most notably Defined Benefit business and expenses on all products are impacted by changes in future expectations of RPI, CPI and earnings inflation. For the year to 31 December 2021, changes in inflation, driven by a rise in market-implied expectations of future RPI and CPI inflation, resulted in a net increase of insurance liabilities of £348m (2020: £(81)m).

Non-economic assumption changes

The principal non-economic assumption changes impacting the movement in insurance liabilities during the year relate to maintenance expense assumptions for both JRL and PLACL products. Note that impacts quoted below relate specifically to the liability cash flow impact of these changes; any resulting change to the discount rate is captured above.

Maintenance expenses

This item primarily reflects a decrease in maintenance expense assumptions, most notably for Defined Benefit business. For the year to 31 December 2021 this resulted in a net reduction in insurance liabilities of £10m (2020: £(19)m).

(d) Estimated timing of net cash outflows from insurance contract liabilities

The following table shows the insurance contract balances analysed by duration. The total balances are split by duration of payments in proportion to the policy cash flows estimated to arise during the year.

	Expected cash flows (undiscounted)					Carrying value (discounted) £m
	Within 1 year £m	1-5 years £m	5-10 years £m	Over 10 years £m	Total £m	
2021						
Gross	1,435.4	5,465.3	6,356.3	16,893.6	30,150.6	21,812.9
Reinsurance	(201.7)	(733.5)	(786.3)	(1,650.8)	(3,372.3)	(2,533.5)
Net	1,233.7	4,731.8	5,570.0	15,242.8	26,778.3	19,279.4
2020						
Gross	1,356.5	5,139.3	5,893.8	15,250.4	27,640.0	21,118.4
Reinsurance	(211.6)	(766.6)	(818.8)	(1,815.6)	(3,612.6)	(2,865.5)
Net	1,144.9	4,372.7	5,075.0	13,434.8	24,027.4	18,252.9

Reinsurance in the table above includes reinsurance assets net of reinsurance liability positions that can arise on longevity swaps which are presented as liabilities in the Consolidated statement of financial position.

(e) Sensitivity analysis

The Group has estimated the impact on profit before tax for the year in relation to insurance contracts and related reinsurance from reasonably possible changes in key assumptions relating to financial assets and to liabilities. The sensitivities capture the liability impacts arising from the impact on the yields of the assets backing liabilities in each sensitivity. The impact of changes in the value of assets and liabilities has been shown separately to aid the comparison with the change in value of assets for the relevant sensitivities in note 17. To further assist with this comparison, any impact on reinsurance assets has also been included within the liabilities line item.

23 INSURANCE CONTRACTS AND RELATED REINSURANCE continued

The sensitivity factors are applied via financial models either as at the valuation date or from a suitable recent reporting period where appropriate to do so. The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely, due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts cannot necessarily be interpolated or extrapolated from these results. The extent of non-linearity grows as the severity of any sensitivity is increased. For example, in the specific scenario of property price falls, the impact on IFRS profit before tax from a 5% fall in property prices would be slightly less than half of that disclosed in the table below. Furthermore, in the specific scenario of a mortality reduction, a smaller fall than disclosed in the table below or a similar increase in mortality may be expected to result in broadly linear impacts. However, it becomes less appropriate to extrapolate the expected impact for more severe scenarios. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. The sensitivities below cover the changes on all assets and liabilities from the given stress. The impact on liabilities includes the net effect of the impact on reinsurance assets and liabilities. The impact of these sensitivities on IFRS net equity is the impact on profit before tax as set out in the table below less tax at the current tax rate.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in the market interest rates by +/- 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6% respectively). The test consistently allows for similar changes to both assets and liabilities
Expenses	The impact of an increase in maintenance expenses by 10%
Base mortality rates	The impact of a decrease in base table mortality rates by 5% applied to both Retirement Income liabilities and loans secured by residential mortgages
Mortality improvement rates	The impact of a level increase in mortality improvement rates of 0.25% for both Retirement Income liabilities and loans secured by residential mortgages
Immediate property price fall	The impact of an immediate decrease in the value of properties by 10%
Future property price growth	The impact of a reduction in future property price growth by 0.5%
Future property price volatility	The impact of an increase in future property price volatility by 1%
Voluntary redemptions	The impact of an increase in voluntary redemption rates on loans secured by residential mortgages by 10%
Credit defaults	The impact of an increase in the credit default assumption of 10bps

Impact on profit before tax (£m)

		Interest rates +1%	Interest rates -1%	Maintenance expenses +10%	Base mortality -5%	Mortality improvement +0.25%	Immediate property price fall -10%	Future property price growth -0.5%	Future property price volatility +1%	Voluntary redemptions +10%	Credit defaults +10bps
2021	Assets	(2,602.0)	3,118.9	(6.5)	23.8	7.5	(90.8)	(59.2)	(41.2)	(6.2)	(0.0)
	Liabilities	2,076.3	(2,492.5)	(33.7)	(140.6)	(104.4)	(67.7)	(67.7)	(22.5)	(64.2)	(151.6)
	Total	(525.7)	626.4	(40.2)	(116.8)	(96.9)	(158.5)	(126.9)	(63.7)	(70.4)	(151.6)
2020	Assets	(2,471.3)	2,955.9	(5.9)	35.3	15.6	(105.8)	(72.8)	(51.5)	(14.5)	-
	Liabilities	1,974.6	(2,369.9)	(50.5)	(149.6)	(109.4)	(88.0)	(83.8)	(43.9)	(83.8)	(150.6)
	Total	(496.7)	586.0	(56.4)	(114.3)	(93.8)	(193.8)	(156.6)	(95.4)	(98.3)	(150.6)

24 INVESTMENT CONTRACT LIABILITIES

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	42.8	54.0
Deposits received from policyholders	1.1	1.0
Payments made to policyholders	(11.1)	(14.0)
Change in contract liabilities recognised in profit or loss	0.8	1.8
At 31 December	33.6	42.8

(a) Terms and conditions of investment contracts

The Group has written Capped Drawdown products for the at-retirement market. These products are no longer available to new customers. In return for a single premium, these contracts pay a guaranteed lump sum on survival to the end of the fixed term. There is an option at outset to select a lower sum at maturity and regular income until the earlier of death or maturity. Upon death of the policyholder and subject to the option selected at the outset, there may be a return of premium less income received or income payable to a dependant until the death of that dependant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 INVESTMENT CONTRACT LIABILITIES continued*(b) Principal assumptions underlying the calculation of investment contracts**Valuation discount rates*

Valuation discount rate assumptions for investment contracts are set with regard to yields on supporting assets. The yields on lifetime mortgage assets are derived using the assumptions described in note 17 with allowance for risk through the deductions related to the NNEG. An explicit allowance for credit risk is included by making an explicit deduction from the yields on debt and other fixed income securities, loans secured by commercial mortgages, and other loans based on an expectation of default experience of each asset class and application of a prudent loading. Allowances vary by asset category and by rating. Economic uncertainty surrounding COVID-19 increases the risk of credit defaults. Our underlying default methodology allows for the impact of credit rating downgrades and spread widening and hence we have maintained the same methodology at 31 December 2021. The considerations around COVID-19 for property prices affecting the NNEG are as described in note 17.

Valuation discount rates	2021 %	2020 %
Investment contracts	2.73	2.34

25 LOANS AND BORROWINGS

	Carrying value		Fair value	
	2021 £m	2020 £m	2021 £m	2020 ¹ £m
£250m 9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Group plc	249.2	249.1	323.5	316.7
£125m 8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Group plc	122.2	121.8	165.6	144.2
£250m 7.0% 10.5 year subordinated debt 2013 non-callable 5.5 years (Green Tier 2) issued by Just Group plc	248.4	248.2	287.2	277.5
£230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by Just Group plc	154.5	154.4	160.5	155.9
Total loans and borrowings	774.3	773.5	936.8	894.3

1 The fair value disclosed for loans and borrowings in 2020 has been restated to correct the basis on which the fair value was determined. This resulted in a change across all loans from £802.0m to £894.3m.

On 15 October 2020, the Group completed the issue of £250m Green Tier 2 capital via a 7.0% sterling denominated BBB rated 10.5 year, non-callable 5.5 year bonds issue, interest payable semi-annually in arrears. The bonds have a reset date of 15 April 2026 with optional redemption any time from 15 October 2025 up to the reset date. The proceeds of the issue have been used in part to finance the purchase of £75m of the £230m 3.5% 7 year subordinated debt 2025 (Tier 3) issued by the Group in 2018.

The Group also has an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes available until 15 May 2022. Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets.

Movements in borrowings during the year were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	773.5	660.0
Proceeds from issue of Just Group plc Tier 2 subordinated debt	–	250.0
Issue costs	–	(1.9)
Repayment of Partnership Life Assurance Company Limited Tier 2 subordinated debt	–	(62.5)
Repayment of Just Group plc Tier 3 subordinated debt	–	(75.0)
Financing cash flows	–	110.6
Amortisation of issue costs	0.8	2.9
Non-cash movements	0.8	2.9
At 31 December	774.3	773.5

26 LEASE LIABILITIES

Lease liabilities are in respect of property assets leased by the Group recognised as right-of-use assets within Property, plant and equipment on the Consolidated statement of financial position. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of less than 12 months and leases of low value assets.

Movements in lease liabilities during the year were as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
At 1 January	6.9	12.4
Lease payments	(3.7)	(4.3)
Financing cash flows	(3.7)	(4.3)
Rent increase	0.6	-
Disposal	-	(1.5)
Interest	0.1	0.2
Non-cash movements	0.7	(1.3)
At 31 December	3.9	6.8

Lease liabilities are payable as follows:

	2021 £m	2020 £m
At 31 December 2021		
Less than one year	3.0	3.4
Between one and five years	1.0	3.6
	4.0	7.0
Interest	(0.1)	(0.2)
Total lease liability	3.9	6.8

27 OTHER FINANCIAL LIABILITIES

The Group has the following other financial liabilities which are measured at fair value through profit or loss:

	Note	2021 £m	2020 £m
Derivative financial liabilities	(a)	394.7	512.7
Obligations for repayment of cash collateral received	(a)	326.2	377.4
Deposits received from reinsurers	(b)	2,144.7	2,415.0
Total other liabilities		2,865.6	3,305.1

The amount of deposits received from reinsurers and reinsurance funds withheld that is expected to be settled more than one year after the Consolidated statement of financial position date is £1,952.7m (2020: £2,213.4m).

(a) Derivative financial liabilities and obligations for repayment of cash collateral received

Derivative financial liabilities and obligations for repayment of cash collateral received are classified at fair value through profit or loss. All financial liabilities at fair value through profit or loss are designated as such on initial recognition or, in the case of derivative financial liabilities, are classified as held for trading.

(b) Deposits received from reinsurers

Deposits received from reinsurers are unbundled from their reinsurance contract and recognised at fair value through profit or loss in accordance with IAS 39, Financial instruments: measurement and recognition. Deposits received from reinsurers are measured in accordance with the reinsurance contract and taking into account an appropriate discount rate for the timing of expected cash flows of the liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses various derivative financial instruments to manage its exposure to interest rates, counterparty credit risk, property risk, inflation and foreign exchange risk.

Derivatives	2021			2020		
	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	243.4	247.2	8,069.4	267.7	194.5	4,557.5
Interest rate swaps	169.9	44.9	9,117.7	484.3	76.8	6,798.5
Inflation swaps	261.8	92.5	4,580.0	25.6	228.2	3,238.4
Forward swaps	1.8	3.4	213.9	8.9	0.1	93.8
Total return swaps	5.8	5.8	–	9.9	9.8	–
Put option on property index (NNEG hedge)	8.5	0.9	705.0	3.6	3.3	730.0
Total	691.2	394.7	22,686.0	800.0	512.7	15,418.2

The Group's derivative financial instruments are not designated as hedging instruments and changes in their fair value are included in profit or loss.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association Inc. master agreements, and the Group has collateral agreements between the individual Group entities and relevant counterparties in place under each of these market master agreements.

As at 31 December 2021, the Group had pledged collateral of £61.3m (2020: £97.8m) in respect of derivative financial instruments, of which £11.0m were gilts (2020: £nil) and had received cash collateral of £326.2m (2020: £377.4m).

Amounts recognised in profit or loss in respect of derivative financial instruments are as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Movement in fair value of derivative instruments	9.2	298.7
Realised losses on interest rate swaps closed	120.5	29.0
Total amounts recognised in profit or loss	129.7	327.7

29 REINSURANCE

The Group uses reinsurance as an integral part of its risk and capital management activities.

New business is reinsured via longevity swap arrangements for DB and GfL business and quota share for DB partnering business, as follows:

- DB was reinsured at 90% for non-underwritten schemes.
- DB Partnering was reinsured at 100% for the first scheme completed in 2020.
- GfL was reinsured at 90% during 2021 and 2020.
- Core new business was not reinsured in 2021 or 2020.

In-force business is reinsured under longevity swap and quota share treaties. The quota share reinsurance treaties have deposit back or other collateral arrangements to remove the majority of the reinsurer credit risk, as described below. The majority of longevity swaps also have collateral arrangements, for the same purpose.

During 2020 the Group increased the reinsurance on JRL GfL business written between 1 January 2016 and 31 December 2019 from 75% to 100%. The increased cover was effective from 30 June 2020. Reinsurance on JRL DB in-force business is 100% for all schemes written between 1 January 2016 and 30 June 2019. Within JRL there were a number of quota share treaties with financing arrangements, which were originally entered into for the capital benefits under the old Solvency I regime (the financing formed part of available capital). The repayment of this financing was contingent upon the emergence of surplus under the Solvency I or IFRS valuation rules. These treaties also allowed JRL to recapture business once the financing loan from the reinsurer has been fully repaid. During 2020 the Group made additional repayments so as to fully repay all financing loans and trigger the recapture of all remaining financing treaties. In aggregate, recaptures during 2020 (including those occurring as a result of these additional repayments) resulted in a decrease of reinsurance assets of £940.0m and a reduction of equal amount in the deposits received from reinsurers recognised within other financial liabilities.

29 REINSURANCE continued

In addition to the deposits received from reinsurers recognised within other financial liabilities (see note 27(b)), certain reinsurance arrangements give rise to deposits from reinsurers that are not included in the Consolidated statement of financial position of the Group as described below:

- The Group has an agreement with two reinsurers whereby financial assets arising from the payment of reinsurance premiums, less the repayment of claims, in relation to specific treaties, are legally and physically deposited back with the Group. Although the funds are controlled by the Group, no future benefits accrue to the Group as any returns on the deposits are paid to reinsurers. Consequently, the deposits are not recognised as assets of the Group and the investment income they produce does not accrue to the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are deposited into a ringfenced collateral account. The Group has first claim over these assets should the reinsurer default, but as the Group has no control over these funds and does not accrue any future benefit, this fund is not recognised as an asset of the Group.
- The Group has an agreement with one reinsurer whereby assets equal to the reinsurer's full obligation under the treaty are either deposited into a ringfenced collateral account of corporate bonds, or held under a funds withheld structure of Lifetime Mortgages. The latter are legally and physically held by the Group. Although the funds are managed by the Group (as the Group controls the investment of the asset), no future benefits accrue to the Group as returns on the assets are paid to reinsurers. Consequently, the lifetime mortgages are not recognised as assets of the Group and the investment income they produce does not accrue to the Group. The reinsurer also deposits cash into a bank account held legally by the Group to fund future lifetime mortgages but as this cash is ringfenced for issued lifetime mortgage quotes agreed by the reinsurer, it is also not recognised as an asset by the Group.

	2021 £m	2020 £m
Deposits held in trust	491.7	492.0

The Group is exposed to a minimal amount of reinsurance counterparty default risk in respect of the above arrangements and calculates a counterparty default reserve accordingly. At 31 December 2021, this reserve totalled £3.4m (2020: £3.6m).

30 INSURANCE AND OTHER PAYABLES

	2021 £m	2020 £m
Payables arising from insurance and reinsurance contracts	22.0	24.6
Other payables	71.3	67.0
Total insurance and other payables	93.3	91.6

Other payables includes unsettled investment purchases. Insurance and other payables due in more than one year are £nil (2020: £nil).

31 COMMITMENTS**Capital commitments**

The Group had no capital commitments as at 31 December 2021 (2020: £nil).

32 CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2021 (2020: £nil).

33 FINANCIAL AND INSURANCE RISK MANAGEMENT

This note presents information about the major financial and insurance risks to which the Group is exposed, and its objectives, policies and processes for their measurement and management. Financial risk comprises exposure to market, credit and liquidity risk.

(a) Insurance risk

The writing of long-term insurance contracts exposes the Group to insurance risk. The Group's main insurance risk arises from adverse experience compared with the assumptions used in pricing products and valuing insurance liabilities, and in addition its reinsurance treaties may be terminated, not renewed, or renewed on terms less favourable than those under existing treaties.

Insurance risk arises through exposure to longevity, mortality and morbidity and exposure to factors such as withdrawal levels and management and administration expenses.

Individually underwritten Gifl are priced using assumptions about future longevity that are based on historic experience information, lifestyle and medical factors relevant to individual customers, and judgements about the future development of longevity improvements. In the event of an increase in longevity, the actuarial reserve required to make future payments to customers may increase.

Loans secured by mortgages are used to match some of the liabilities arising from the sale of Gifl and DB business. In the event that early repayments in a given period are higher than anticipated, less interest will have accrued on the mortgages and the amount repayable will be less than assumed at the time of sale. In the event of an increase in longevity, although more interest will have accrued and the amount repayable will be greater than assumed at the time of the sale, the associated cash flows will be received later than had originally been anticipated. In addition, a general increase in longevity would have the effect of increasing the total amount repayable, which would increase the LTV ratio and could increase the risk of failing to be repaid in full as a consequence of the no-negative equity guarantee. There is also morbidity risk exposure as the contract ends when the customer moves into long-term care.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued**Management of insurance risk**

Underpinning the management of insurance risk are:

- the development and use of medical information including Prognosys™ for both pricing and reserving to provide detailed insight into longevity risk;
- adherence to approved underwriting requirements;
- controls around the development of suitable products and their pricing;
- review and approval of assumptions used by the Board;
- regular monitoring and analysis of actual experience;
- use of reinsurance to minimise volatility of capital requirement and profit; and
- monitoring of expense levels.

Concentrations of insurance risk

Concentration of insurance risk comes from improving longevity. Improved longevity arises from enhanced medical treatment and improved life circumstances. Concentration risk is managed by writing business across a wide range of different medical and lifestyle conditions to avoid excessive exposure.

(b) Market risk

Market risk is the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments, together with the impact of changes in interest rates. Significant market risk is implicit in the insurance business and arises from exposure to interest rate risk, property risk, inflation risk and currency risk. The Group is not exposed to any equity risk. Market risk represents both upside and downside impacts but the Group's policy to manage market risk is to limit downside risk. Falls in the financial markets can reduce the value of pension funds available to purchase Retirement Income products and changes in interest rates can affect the relative attractiveness of Retirement Income products. Changes in the value of the Group's investment portfolio will also affect the Group's financial position.

In mitigation, Retirement Income product monies are invested to match the asset and liability cash flows as closely as practicable. In practice, it is not possible to eliminate market risk fully as there are inherent uncertainties surrounding many of the assumptions underlying the projected asset and liability cash flows.

For each of the material components of market risk, described in more detail below, the market risk policy sets out the risk appetite and management processes governing how each risk should be measured, managed, monitored and reported.

(i) Interest rate risk

The Group is exposed to interest rate risk through its impact on the value of, or income from, specific assets, liabilities or both. It seeks to limit its exposure through appropriate asset and liability matching and hedging strategies. The Group's strategy is to actively hedge the interest rate risk to which its Solvency II balance sheet is exposed; some exposure remains on an IFRS basis.

The Group's exposure to changes in interest rates is concentrated in the investment portfolio, loans secured by mortgages and its insurance obligations. Changes in investment and loan values attributable to interest rate changes are mitigated by corresponding and partially offsetting changes in the value of insurance liabilities. The Group monitors this exposure through regular reviews of the asset and liability position, capital modelling, sensitivity testing and scenario analyses. Interest rate risk is also managed using derivative instruments e.g. swaps.

The following table indicates the earlier of contractual repricing or maturity dates for the Group's significant financial assets.

2021	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
Investment property	–	–	–	69.6	–	69.6
Units in liquidity funds	1,310.5	–	–	–	–	1,310.5
Investment funds	68.4	233.4	–	–	–	301.8
Debt securities and other fixed income securities	733.5	1,920.0	2,345.9	7,924.6	–	12,924.0
Deposits with credit institutions	52.9	–	–	–	–	52.9
Derivative financial assets	8.0	62.7	96.4	524.1	–	691.2
Loans secured by residential mortgages	–	–	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	43.4	395.0	189.8	49.6	–	677.8
Loans secured by ground rents	–	–	–	189.7	–	189.7
Infrastructure loans	–	25.3	123.5	844.3	–	993.1
Other loans	0.9	108.3	3.2	5.5	–	117.9
Total	2,217.6	2,744.7	2,758.8	9,607.4	7,422.8	24,751.3

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

2020	Less than one year £m	One to five years £m	Five to ten years £m	Over ten years £m	No fixed term £m	Total £m
Units in liquidity funds	1,128.5	–	–	–	–	1,128.5
Investment funds	37.0	139.1	–	–	–	176.1
Debt securities and other fixed income securities	789.3	1,823.4	2,322.7	6,126.0	–	11,061.4
Deposits with credit institutions	99.7	–	–	–	–	99.7
Derivative financial assets	11.1	35.0	84.9	669.0	–	800.0
Loans secured by residential mortgages	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	36.0	270.5	221.2	64.4	–	592.1
Loans secured by ground rents	–	–	–	114.9	–	114.9
Infrastructure loans	–	–	153.9	791.1	–	945.0
Other loans	0.4	81.7	3.2	5.7	–	91.0
Total	2,102.0	2,349.7	2,785.9	7,771.1	8,261.1	23,269.8

A sensitivity analysis of the impact of interest rate movements on profit before tax is included in note 23(e).

(ii) Property risk

The Group's exposure to property risk arises from indirect exposure to the UK residential property market through the provision of lifetime mortgages. A substantial decline or sustained underperformance in UK residential property prices, against which the Group's lifetime mortgages are secured, could result in proceeds on sale being exceeded by the mortgage debt at the date of redemption. Demand may also reduce for lifetime mortgage products through reducing consumers' propensity to borrow and by reducing the amount they are able to borrow due to reductions in property values and the impact on loan-to-value limits.

The risk is mitigated by ensuring that the advance represents a low proportion of the property's value at outset and independent third party valuations are undertaken on each property before initial mortgages are advanced. Lifetime mortgage contracts are also monitored through dilapidation reviews. House prices are monitored and the impact of exposure to adverse house prices (both regionally and nationally) is regularly reviewed. Further mitigation is through management of the volume of lifetime mortgages, including disposals, in the portfolio in line with the Group's LTM backing ratio target, and the establishment of the NNEG hedges. The Group has managed its property risk exposure in the year via a reduction in the LTM backing ratio, additional LTM portfolio sales and further NNEG hedging.

A sensitivity analysis of the impact of property price movements is included in note 17 and note 23(e). These notes also discuss the Group's consideration of the impact of COVID-19 on property assumptions at 31 December 2021.

(iii) Inflation risk

Inflation risk is the risk of fluctuations in the value of, or income from, specific assets or liabilities or both in combination, arising from relative or absolute changes in inflation or in the volatility of inflation.

Exposure to inflation occurs in relation to the Group's own management expenses and its matching of index-linked Retirement Income products. Its impact is managed through the application of disciplined cost control over its management expenses and through matching its index-linked assets and index-linked liabilities for the inflation risk associated with its index-linked Retirement Income products.

(iv) Currency risk

Currency risk arises from fluctuations in the value of, or income from, assets denominated in foreign currencies, from relative or absolute changes in foreign exchange rates or in the volatility of exchange rates.

Exposure to currency risk could arise from the Group's investment in non-sterling denominated assets. The Group invests in fixed income securities denominated in US dollars or other foreign currencies for its financial asset portfolio. All material Group liabilities are in sterling. As the Group does not wish to introduce foreign exchange risk into its investment portfolio, derivative or quasi-derivative contracts are entered into to eliminate the foreign exchange exposure as far as possible.

(c) Credit risk

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

Credit risk exposures arise from:

- Holding fixed income investments where the main risks are default and market risk. The risk of default (where the counterparty fails to pay back the capital and/or interest on a corporate bond) is mitigated by investing only in higher quality or investment grade assets. Market risk is the risk of bond prices falling as a result of concerns over the counterparty, or over the market or economy in which the issuing company operates. This leads to wider spreads (the difference between redemption yields and a risk-free return), the impact of which is mitigated through the use of a "hold to maturity" strategy. Concentration of credit risk exposures is managed by placing limits on exposures to individual counterparties and limits on exposures to credit rating levels.
- The Group also manages credit risk on its corporate bond portfolio through the appointment of specialist fund managers, who execute a diversified investment strategy, investing in investment grade assets and imposing individual counterparty limits. Current economic and market conditions are closely monitored, as are spreads on the bond portfolio in comparison with benchmark data.
- Counterparties in derivative contracts – the Group uses financial instruments to mitigate interest rate and currency risk exposures. It therefore has credit exposure to various counterparties through which it transacts these instruments, although this is usually mitigated by collateral arrangements (see note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

- Reinsurance – 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 engagements or recapture plans.
- Cash balances – credit risk on cash assets is managed by imposing restrictions over the credit ratings of third parties with whom cash is deposited.
- Credit risk for loans secured by mortgages has been considered within “property risk” above.

The following table provides information regarding the credit risk exposure for financial assets of the Group, which are neither past due nor impaired at 31 December:

2021	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Investment property	–	–	–	69.6	–	–	–	69.6
Units in liquidity funds	–	1,304.9	–	–	–	5.6	–	1,310.5
Investment funds	–	–	–	–	–	–	301.8	301.8
Debt securities and other fixed income securities	741.8	894.0	2,132.3	3,279.7	5,554.2	322.0	–	12,924.0
Deposits with credit institutions	–	–	–	11.1	39.2	2.6	–	52.9
Derivative financial assets	–	–	0.3	519.3	171.6	–	–	691.2
Loans secured by residential mortgages	–	–	–	–	–	–	7,422.8	7,422.8
Loans secured by commercial mortgages	–	–	–	–	–	–	677.8	677.8
Loans secured by ground rents	–	–	–	–	–	–	189.7	189.7
Infrastructure loans	–	82.4	116.6	180.9	567.5	45.7	–	993.1
Other loans	–	–	–	–	–	12.5	105.4	117.9
Reinsurance	–	–	214.7	277.0	5.1	–	0.5	497.3
Insurance and other receivables	–	–	–	–	–	–	35.4	35.4
Total	741.8	2,281.3	2,463.9	4,337.6	6,337.6	388.4	8,733.4	25,284.0

2020	UK gilts £m	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m	Total £m
Units in liquidity funds	–	1,123.2	–	–	–	5.3	–	1,128.5
Investment funds	–	–	–	–	–	–	176.1	176.1
Debt securities and other fixed income securities	205.6	838.8	1,519.3	3,030.5	5,124.4	342.8	–	11,061.4
Deposits with credit institutions	–	–	–	58.6	39.2	1.9	–	99.7
Derivative financial assets	–	–	–	594.2	205.8	–	–	800.0
Loans secured by residential mortgages	–	–	–	–	–	–	8,261.1	8,261.1
Loans secured by commercial mortgages	–	–	–	–	–	–	592.1	592.1
Loans secured by ground rents	–	–	–	–	–	–	114.9	114.9
Infrastructure loans	–	87.2	125.8	176.0	509.4	46.6	–	945.0
Other loans	–	–	–	–	–	11.8	79.2	91.0
Reinsurance	–	–	273.0	309.1	6.2	–	0.5	588.8
Insurance and other receivables	–	–	–	–	–	–	32.0	32.0
Total	205.6	2,049.2	1,918.1	4,168.4	5,885.0	408.4	9,255.9	23,890.6

There are no financial assets that are either past due or impaired.

The credit rating for Cash available on demand at 31 December 2021 was between a range of AA and BB (2020: between a range of AA and BB). The carrying amount of those assets subject to credit risk represents the maximum credit risk exposure.

(d) Liquidity risk

The investment of cash received from Retirement Income sales in corporate bonds, gilts and lifetime mortgages, and commitments to pay policyholders and other obligations, requires liquidity risks to be taken.

Liquidity risk is the risk of loss because the Group, although solvent, either does not have sufficient financial resources available to it in order to meet its obligations as they fall due, or can secure them only at excessive cost.

Exposure to liquidity risk arises from:

- deterioration in the external environment caused by economic shocks, regulatory changes, reputational damage, or an economic shock resulting from the COVID-19 pandemic or from Brexit;
- 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;
- ensuring financial support can be provided across the Group; and
- maintaining and servicing collateral requirements arising from the changes in market value of financial derivatives used by the Group.

33 FINANCIAL AND INSURANCE RISK MANAGEMENT continued

Liquidity risk is managed by ensuring that assets of a suitable maturity and marketability are held to meet liabilities as they fall due. The Group's short-term liquidity requirements are predominantly funded by advance Retirement Income premium payments, investment coupon receipts, and bond principal repayments out of which contractual payments need to be made. There are significant barriers for policyholders to withdraw funds that have already been paid to the Group in the form of premiums. Cash outflows associated with Retirement Income liabilities can be reasonably estimated and liquidity can be arranged to meet this expected outflow through asset-liability matching and new business premiums.

The cash flow characteristics of the lifetime mortgages are reversed when compared with Retirement Income products, with cash flows effectively representing an advance payment, which is eventually funded by repayment of principal plus accrued interest. Policyholders are able to redeem mortgages, albeit at a cost. The mortgage assets are considered illiquid, as they are not readily saleable due to the uncertainty about their value and the lack of a market in which to trade them individually.

Cash flow forecasts over the short, medium and long term are regularly prepared to predict and monitor liquidity levels in line with limits set on the minimum amount of liquid assets required. Cash flow forecasts include an assessment of the impact of a 1-in-200 year event on the Group's liquidity and increasing the minimum cash and cash equivalent levels to cover enhanced stresses. Derivative stresses have been revised to take into account the market volatility caused by COVID-19, and focus on the worst observed movements over the last 40 years, in shorter periods up to and including one month.

The table below summarises the maturity profile of the financial liabilities, including both principal and interest payments, of the Group based on remaining undiscounted contractual obligations:

	Within one year or payable on demand £m	One to five years £m	More than five years £m
2021			
Investment contract liabilities	10.2	21.1	1.5
Subordinated debt	71.8	684.2	899.2
Derivative financial liabilities	7.3	41.9	344.6
Obligations for repayment of cash collateral received	326.2	-	-
Deposits received from reinsurers	192.0	679.8	1,924.0
	Within one year or payable on demand £m	One to five years £m	More than five years £m
2020			
Investment contract liabilities	9.8	31.1	2.8
Subordinated debt	66.2	674.9	595.8
Derivative financial liabilities	53.3	189.0	1,408.6
Obligations for repayment of cash collateral received	377.4	-	-
Deposits received from reinsurers	201.7	712.0	2,073.3

34 CAPITAL**Group capital position**

The Group's estimated capital surplus position at 31 December 2021 was as follows:

	Solvency Capital Requirement		Minimum Group Solvency Capital Requirement	
	2021 ¹ £m	2020 ² £m	2021 £m	2020 £m
Eligible Own Funds	3,004	3,009	2,263	2,262
Solvency Capital Requirement	(1,836) ³	(1,938)	(482) ³	(476)
Excess Own Funds	1,168 ³	1,071	1,781 ³	1,786
Solvency coverage ratio	164% ³	155%	469% ³	475%

1 Estimated regulatory position. These figures reflect the estimated impact of a TMTP recalculation as at 31 December 2021. The LTMs that have been sold on 22 February 2022 were originally written to back the liabilities written pre the Solvency II regime and hence has contributed to the TMTP in the past. However, given the biennial reset of the TMTP as at 31 December 2021 and sale of these LTMs shortly after the valuation date, these LTMs have been excluded from the determination of the TMTP as at 31 December 2021.

2 This is the reported regulatory position as included in the Group's Solvency and Financial Condition Report as at 31 December 2020.

3 Unaudited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 CAPITAL continued

Further information on the Group's Solvency II position, including a reconciliation between the regulatory capital position to the reported capital surplus, is included in the Business Review. This information is estimated and therefore subject to change. It is also unaudited.

The Group and its regulated insurance subsidiaries are required to comply with the requirements established by the Solvency II Framework directive as adopted by the Prudential Regulation Authority ("PRA") in the UK, and to measure and monitor its capital resources on this basis. The overriding objective of the Solvency II capital framework is to ensure there is sufficient capital within the insurance company to protect policyholders and meet their payments when due. They are required to maintain eligible capital, or "Own Funds", in excess of the value of their Solvency Capital Requirements ("SCR"). The SCR represents the risk capital required to be set aside to absorb 1-in-200 year stress tests over the next one year time horizon of each risk type that the Group is exposed to, including longevity risk, property risk, credit risk and interest rate risk. These risks are all aggregated with appropriate allowance for diversification benefits.

The capital requirement for Just Group plc is calculated using a partial internal model. Just Retirement Limited ("JRL") uses a full internal model and Partnership Life Assurance Company Limited ("PLACL") capital is calculated using the standard formula.

Group entities that are under supervisory regulation and are required to maintain a minimum level of regulatory capital include:

- JRL and PLACL – authorised by the PRA, and regulated by the PRA and FCA.
- HUB Financial Solutions Limited, Just Retirement Money Limited and Partnership Home Loans Limited – authorised and regulated by the FCA.

The Group and its regulated subsidiaries complied with their regulatory capital requirements throughout the year.

Capital management

The Group's objectives when managing capital for all subsidiaries are:

- to comply with the insurance capital requirements required by the regulators of the insurance markets where the Group operates. The Group's policy is to manage its capital in line with its risk appetite and in accordance with regulatory expectations;
 - to safeguard the Group's ability to continue as a going concern, and to continue to write new business;
 - to ensure that in all reasonable foreseeable circumstances, the Group is able to fulfil its commitment over the short-term and long term to pay policyholders' benefits;
 - to continue to provide returns for shareholders and benefits for other stakeholders; and
 - to provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.
- to generate capital from in-force business, excluding economic variances, management actions, and dividends, that is c.£36m 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, we have significantly reduced the property risk exposure related to LTMs by selling two blocks of LTMs and transacting three no-negative equity guarantee ("NNEG") hedges. A third LTM sale completed subsequent to the year end as referred to in note 37. The Group will continue to assess options to reduce our balance sheet exposure to UK residential property, including, but not limited to increasing the level of NNEG hedges.

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 and the on-going impact of COVID-19 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.

Regulatory developments

The PRA approved the Group's major model change application on 1 December 2021. The updated model ensures that the model remains appropriate for the risk profile of the business and meets regulatory expectations in respect of the Effective Value Test ("EVT"), a diagnostic validation test, relating to the matching adjustment for liabilities that are matched with LTMs, and the requirement for it to be used in stress to validate the SCR from 31 December 2021. We are planning to apply to the PRA to approve further developments to our internal model to refine our credit risk model and to bring PLACL onto the internal model.

At 31 December 2021, Just passed the PRA EVT with a buffer of 0.75% (unaudited) over the current minimum deferment rate of 0.5% (allowing for volatility of 13%, in line with the requirement for the EVT). At 31 December 2020, the buffer was 0.63% (unaudited) compared to the minimum buffer for the phase-in period of 0%.

In June 2020, the government announced that it would review certain features of Solvency II. The PRA launched a Quantitative Impact Study ("QIS") in H2 2021 which the Group participated in. The key features for the Group that were considered in the QIS are the risk margin and the matching adjustment. We plan to engage with the PRA consultation, expected in 2022, on the potential changes to Solvency II.

35 GROUP ENTITIES

The Group holds investment in the ordinary shares (unless otherwise stated) of the following subsidiary undertakings and associate undertakings, which are all consolidated in these Group accounts. All subsidiary undertakings have a financial year end at 31 December (unless otherwise stated).

	Principal activity	Registered office	Percentage of nominal share capital and voting rights held
Direct subsidiary			
Just Retirement Group Holdings Limited ⁵	Holding company	Reigate	100%
Partnership Assurance Group Limited ⁵	Holding company	Reigate	100%
Indirect subsidiary			
HUB Acquisitions Limited ^{2,3}	Holding company	Reigate	100%
HUB Financial Solutions Limited	Distribution	Reigate	100%
HUB Pension Solutions Limited ⁵	Software development	Reigate	100%
Just Re 1 Limited ⁵	Investment activity	Reigate	100%
Just Re 2 Limited ⁵	Investment activity	Reigate	100%
Just Retirement (Holdings) Limited ⁵	Holding company	Reigate	100%
Just Retirement (South Africa) Holdings (Pty) Limited	Holding company	South Africa	100%
Just Retirement Life (South Africa) Limited	Life assurance	South Africa	100%
Just Retirement Limited	Life assurance	Reigate	100%
Just Retirement Management Services Limited ⁵	Management services	Reigate	100%
Just Retirement Money Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Group Holdings Limited ⁵	Holding company	Reigate	100%
Partnership Holdings Limited ⁵	Holding company	Reigate	100%
Partnership Home Loans Limited	Provision of lifetime mortgage products	Reigate	100%
Partnership Life Assurance Company Limited	Life assurance	Reigate	100%
Partnership Services Limited ⁵	Management services	Reigate	100%
TOMAS Online Development Limited ⁵	Software development	Belfast	100%
Enhanced Retirement Limited	Dormant	Reigate	100%
HUB Digital Solutions Limited	Dormant	Reigate	100%
Pension Buddy Limited (formerly HUB Online Development Limited)	Dormant	Belfast	100%
HUB Transfer Solutions Limited	Dormant	Reigate	100%
JRP Group Limited	Dormant	Reigate	100%
JRP Nominees Limited	Dormant	Reigate	100%
Just Annuities Limited	Dormant	Reigate	100%
Just Equity Release Limited	Dormant	Reigate	100%
Just Incorporated Limited	Dormant	Reigate	100%
Just Management Services (Proprietary) Limited	Dormant	South Africa	100%
Just Protection Limited	Dormant	Reigate	100%
Just Retirement Finance plc	Dormant	Reigate	100%
Just Retirement Nominees Limited	Dormant	Reigate	100%
Just Retirement Solutions Limited	Dormant	Reigate	100%
PAG Finance Limited	Dormant	Jersey	100%
PAG Holdings Limited	Dormant	Jersey	100%
PASPV Limited	Dormant	Reigate	100%
PayingForCare Limited	Dormant	Reigate	100%
PLACL RE 1 Limited	Dormant	Reigate	100%
PLACL RE 2 Limited	Dormant	Reigate	100%
TOMAS Acquisitions Limited	Dormant	Reigate	100%
The Open Market Annuity Service Limited ⁵	Dormant	Belfast	100%
HUB Pension Consulting (Holdings) Limited (formerly Corinthian Group Limited) ⁵	Holding company	Reigate	100%
HUB Pension Consulting Limited ⁵	Pension consulting	Reigate	100%
Spire Platform Solutions Limited ^{2,3}	Software development	Portsmouth	33% ⁴

1 Class "A" and Class "B" ordinary shares.

2 Class "B" ordinary shares.

3 30 June year end.

4 Control is based on Board representation rather than percentage holding.

5 The financial statements of these subsidiary undertakings have not been audited for the year ended 31 December 2021. These subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of the Companies Act 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35 GROUP ENTITIES continued**Registered offices**

Reigate office:	Belfast office:	South Africa office:
Enterprise House	3rd Floor, Arena Building	Office G01, Big Bay Office Park
Bancroft Road	Ormeau Road	16 Beach Estate Boulevard, Big Bay
Reigate, Surrey RH2 7RP	Belfast BT7 1SH	Western Cope 7441
Jersey office:	Portsmouth office:	
44 Esplanade	Building 3000, Lakeside North Harbour	
St Helier	Portsmouth	
Jersey JE4 9WG	Hampshire PO6 3EN	

Consolidated structured entities

In November 2020 the Parent Company invested in a cell of a Protected Cell Company, White Rock Insurance (Gibraltar) PCC Limited. Financial support provided by the Group is limited to amounts required to cover transactions between the cell and the Group. The Group has provided £10m financial support in the form of a letter of credit.

In December 2021 the Group invested in a controlling interest in a Jersey Property Unit Trust (JPUT). The Group has determined that it controls the JPUT as a result of the Group's ability to remove the Trustees; other than the Group and the Trustees there are no other parties with decision making rights over the JPUT. The Group has taken the option within IFRS 3, Business combinations to apply the concentration test to determine whether the JPUT represents a business within the scope of IFRS 3. The conclusion of the concentration test is that the assets of the JPUT are concentrated in the single identifiable asset of the investment property and as such the investment by the Group does not represent a business combination. The Group has consolidated the results of the JPUT; any excess of investment purchase price over the fair value of the assets acquired is allocated against the identifiable assets and liabilities in proportion to their relative fair values; goodwill is not recognised.

Unconsolidated structured entities

The Group has interests in structured entities which are not consolidated as the definition of control has not been met based on the investment proportion held by the Group.

Interests in unconsolidated structured entities include investment funds and liquidity funds and loans granted to special purpose vehicles "SPVs" secured by assets held by the SPVs such as commercial mortgages and ground rents.

As at 31 December 2021 the Group's interest in unconsolidated structured entities, which are classified as investments held at fair value through profit or loss, are shown below:

	2021 £m	2020 £m
Loans secured by commercial mortgages	677.8	592.1
Loans secured by ground rents	189.7	114.9
Asset backed securities	9.5	10.8
Investment funds	301.8	176.1
Liquidity funds	1,310.5	1,128.5
Total	2,489.3	2,022.4

The Group's exposure to financial loss from its interest in unconsolidated structured entities is limited to the amounts shown above. The Group is not required to provide financial support to the entities, nor does it sponsor the entities.

Non-controlling interests

On 4 July 2018 the Group subscribed to 33% of the ordinary share capital of Spire Platform Solutions Limited. The Group has majority representation on the Board of the company, giving it effective control, and therefore consolidates the company in full in the results of the Group.

On 17 August 2018 the Group acquired 75% of the ordinary share capital of HUB Pension Consulting (Holdings) Limited (formerly Corinthian Group Limited). On 22 September 2021 the Group acquired the remaining 25% of the ordinary share capital at a cost of £0.1m.

The non-controlling interests of the minority shareholders of Spire Platform Solutions Limited of £(0.5)m have been recognised in the year. The non-controlling interests of the minority shareholders of HUB Pension Consulting (Holdings) Limited of £(0.3)m have been recognised to the date of acquisition by the Group.

36 RELATED PARTIES

The Group has related party relationships with its key management personnel and subsidiary undertakings detailed in note 35.

Key management personnel comprise the Directors of the Company. There were no material transactions between the Group and its key management personnel other than those disclosed below.

Key management compensation is as follows:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Short-term employee benefits	3.9	3.6
Share-based payments	1.5	1.2
Total key management compensation	5.4	4.8
Loans owed by Directors	0.4	0.4

The loan advances to Directors accrue interest fixed at 4% per annum and are repayable in whole or in part at any time.

37 ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The Company is the ultimate Parent Company of the Group and has no controlling interest.

38 POST BALANCE SHEET EVENTS

In February 2022, the Group completed the sale of a third LTM portfolio, with a current outstanding loan balance of £537m and an IFRS value as at 31 December 2021 of £772m. The LTM assets being sold form part of the investments used to back the insurance liabilities of the Group. The consideration is £687m, payable in cash. The proceeds received will be reinvested in a mixture of other fixed interest assets to back the insurance liabilities of the Group. The sale will result in an IFRS net of tax loss of c.£35m which includes the impact on the insurance liabilities resulting from the expected new asset mix.

Subsequent to 31 December 2021, the Directors proposed a final dividend for 2021 of 1.0 pence per ordinary share (2020: nil), amounting to £10m (2020: £nil) in total. Subject to approval by shareholders at the Company's 2022 AGM, the final dividend will be paid on 17 May 2022 to shareholders on the register of members at the close of business on 22 April 2022, and will be accounted for as an appropriation of retained earnings in year ending 31 December 2022.

There are no other material post balance sheet events that have taken place between 31 December 2021 and the date of this report.

STATEMENT OF CHANGES IN EQUITY OF THE COMPANY

FOR THE YEAR ENDED 31 DECEMBER 2021

Year ended 31 December 2021	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total £m
At 1 January 2021	103.8	93.3	487.5	(5.4)	327.8	1,007.0	294.0	1,301.0
Loss for the year	-	-	-	-	(9.6)	(9.6)	-	(9.6)
Total comprehensive loss for the year	-	-	-	-	(9.6)	(9.6)	-	(9.6)
Contributions and distributions								
Shares issued	-	0.1	-	-	-	0.1	-	0.1
Tier 1 notes issued (net of costs)	-	-	-	-	-	-	322.4	322.4
Tier 1 notes redeemed	-	-	-	-	(47.0)	(47.0)	(294.0)	(341.0)
Dividends	-	-	-	-	-	-	-	-
Interest paid on Tier 1 notes (net of tax)	-	-	-	-	(20.4)	(20.4)	-	(20.4)
Share-based payments	-	-	-	1.1	3.8	4.9	-	4.9
Transfer from merger reserve	-	-	(188.0)	-	188.0	-	-	-
Total contributions and distributions	-	0.1	(188.0)	1.1	124.4	(62.4)	28.4	(34.0)
At 31 December 2021	103.8	93.4	299.5	(4.3)	442.6	935.0	322.4	1,257.4

Year ended 31 December 2020	Share capital £m	Share premium £m	Merger reserve £m	Shares held by trusts £m	Accumulated profit £m	Total shareholders' equity £m	Tier 1 notes £m	Total £m
At 1 January 2020	103.5	93.3	501.2	(6.0)	247.1	939.1	294.0	1,233.1
Profit for the year	-	-	-	-	89.1	89.1	-	89.1
Total comprehensive income for the year	-	-	-	-	89.1	89.1	-	89.1
Contributions and distributions								
Shares issued	0.3	-	-	-	-	0.3	-	0.3
Dividends	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Interest paid on Tier 1 notes	-	-	-	-	(28.1)	(28.1)	-	(28.1)
Share-based payments	-	-	-	0.6	6.1	6.7	-	6.7
Transfer from merger reserve	-	-	(13.7)	-	13.7	-	-	-
Total contributions and distributions	0.3	-	(13.7)	0.6	(8.4)	(21.2)	-	(21.2)
At 31 December 2020	103.8	93.3	487.5	(5.4)	327.8	1,007.0	294.0	1,301.0

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

AS AT 31 DECEMBER 2021

Company number: 08568957	Note	2021 £m	2020 £m
Assets			
Non-current assets			
Investments in Group undertakings	2	842.5	1,024.7
Loans to Group undertakings	3	1,000.0	1,000.0
		1,842.5	2,024.7
Current assets			
Financial investments	4	167.7	45.0
Prepayments and accrued income		0.2	0.6
Amounts due from Group undertakings		27.0	15.7
Cash available on demand		11.5	10.4
		206.4	71.7
Total assets		2,048.9	2,096.4
Equity			
Share capital	5	103.8	103.8
Share premium	5	93.4	93.3
Merger reserve		299.5	487.5
Shares held by trusts		(4.3)	(5.4)
Accumulated profit		442.6	327.8
Total equity attributable to ordinary shareholders of Just Group plc		935.0	1,007.0
Tier 1 notes		322.4	294.0
Total equity		1,257.4	1,301.0
Liabilities			
Non-current liabilities			
Subordinated debt	6	777.9	777.5
		777.9	777.5
Current liabilities			
Other payables		13.6	17.9
		13.6	17.9
Total liabilities		791.5	795.4
Total equity and liabilities		2,048.9	2,096.4

The Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its own income statement and statement of comprehensive income. The loss arising in the year amounts to £9.6m, (2020: profit of £89.1m).

The financial statements were approved by the Board of Directors on 9 March 2022 and were signed on its behalf by:



ANDY PARSONS
Director

STATEMENT OF CASH FLOWS OF THE COMPANY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities		
(Loss)/profit before tax	(7.7)	85.5
Impairment of investments in Group undertakings	188.0	13.7
Share-based payments	4.9	0.8
Income from shares in and loans to Group undertakings	(197.1)	(118.1)
Interest income	(55.6)	(48.1)
Interest expense	57.6	47.1
Decrease in prepayments and accrued income	-	0.1
Decrease in other payables	(8.0)	(73.9)
Taxation paid	(11.3)	6.4
Net cash outflow from operating activities	(29.2)	(86.5)
Cash flows from investing activities		
Decrease in financial assets	-	4.5
Capital injections in subsidiaries	(5.8)	(90.0)
Loans to subsidiaries	-	(175.0)
Dividends received	169.0	90.0
Net cash inflow/(outflow) from investing activities	163.2	(170.5)
Cash flows from financing activities		
Issue of ordinary share capital (net of costs)	0.1	0.3
Proceeds from issue of Tier 1 notes (net of costs)	321.8	-
Redemption of Tier 1 notes	(350.6)	-
Increase in borrowings (net of costs)	-	249.4
Dividends paid	-	(0.1)
Net coupon received on Tier 1 notes	2.9	-
Net interest received on borrowings	15.6	2.6
Net cash (outflow)/inflow from financing activities	(10.2)	252.2
Net increase/(decrease) in cash and cash equivalents	123.8	(4.8)
Cash and cash equivalents at start of year	55.4	60.2
Cash and cash equivalents at end of year	179.2	55.4
Cash available on demand	11.5	10.4
Units in liquidity funds	167.7	45.0
Cash and cash equivalents at end of year	179.2	55.4

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

General information

Just Group plc (the "Company") is a public company limited by shares, incorporated and domiciled in England and Wales.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006, including application of international accounting standards and other disclosure requirements, and International Financial Reporting Standards ("IFRS") as adopted by the UK Endorsement Board. The change in basis of preparation to UK adopted IFRS is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported. The accounting policies followed in the Company financial statements are the same as those in the consolidated accounts with the exception that the Company applies IFRS 9 in its separate financial statements. The financial statements comply with IFRS as issued by the International Accounting Standards Board. Values are expressed to the nearest £0.1m.

1.2 Net investment income

Investment income is accrued up to the balance sheet date. Investment expenses and charges are recognised on an accruals basis.

1.3 Taxation

Taxation is based on profits for the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions for prior periods. Deferred taxation is provided on temporary differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits to utilise carried forward tax losses against which the reversal of underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

1.4 Investments in Group undertakings

Shares in subsidiary undertakings are stated at cost less any provision for impairment.

1.5 Loans to Group undertakings

Investments in subordinated debt issued by subsidiary companies are valued at amortised cost net of impairment for expected credit losses. Expected credit losses are calculated on a 12 month forward-looking basis where the debt has low credit risk or has had no significant increase in credit risk since the debt originated.

1.6 Financial investments

Financial investments are designated at fair value through profit or loss on initial recognition.

1.7 Share-based payments

The Group offers share award and option plans for certain key employees and a Save As You Earn scheme for all employees. The share-based payment plans operated by the Group are all equity-settled plans. Under IFRS 2, Share-based payment, where the Company, as the Parent Company, has the obligation to settle the options or awards of its equity instruments to employees of its subsidiary undertakings, and such share-based payments are accounted for as equity-settled in the Group financial statements, the Company records an increase in the investment in subsidiary undertakings for the value of the share options and awards granted with a corresponding credit entry recognised directly in equity. The value of the share options and awards granted is based upon the fair value of the options and awards at the grant date, the vesting period and the vesting conditions.

2 INVESTMENTS IN GROUP UNDERTAKINGS

	Shares in Group undertakings £m
At 1 January 2021	1,024.7
Additions	5.8
Provision for impairment	(188.0)
At 31 December 2021	842.5
At 1 January 2020	942.5
Additions	95.9
Provision for impairment	(13.7)
At 31 December 2020	1,024.7

Details of the Company's investments in the ordinary shares of subsidiary undertakings are given in note 35 to the Group financial statements. Additions to shares in Group undertakings relate to shares issued by Just Retirement Group Holdings Limited and the cost of share-based payments for services provided by employees of subsidiary undertakings to be satisfied by shares issued by the Company. Investments in Group undertakings are assessed annually to assess whether there is any indication of impairment.

As at 31 December 2021, the market capitalisation of the Group was less than its net assets. The shortfall between the market capitalisation and net assets of the Group was an indicator of possible impairment of Just Group plc's investments in its life company subsidiaries, JRL and PLACL.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

2 INVESTMENTS IN GROUP UNDERTAKINGS continued

Impairment testing was therefore carried out to assess the recoverable amount of the investments in JRL and PLACL at 31 December 2021. The testing assessed the recoverable amount for each subsidiary through a value-in-use calculation based on the expected emergence of excess capital under Solvency II for each subsidiary. The carrying amount of the investment in JRL at 31 December 2021 was £513m. The recoverable amount was calculated to be in excess of this amount, indicating that no impairment of the Group's investment in JRL was required. The carrying amount of the investment in PLACL at 31 December 2021 was £460m. The recoverable amount was calculated as £272m. Accordingly, a provision for impairment of £188m in respect of the investment in PLACL has been recognised at 31 December 2021, largely reflecting the dividend distribution of £169m by PLACL in the year. Upon acquisition of the investment in PLACL in 2016, Just Group plc recognised a merger reserve of £532m. Since the acquisition, impairments in the investment in PLACL totalling £298m have been transferred from the merger reserve to the accumulated profit reserve. The calculation of value-in-use for JRL and PLACL uses cash flow projections based on the emergence of surplus for in-force business on a Solvency II basis, over a 25 year period, together with new business cash flows on a Solvency II basis set out in the Group's business plan approved by the Board. The pre-tax discount rates used were 10.5% for JRL and 8.9% for PLACL. The discount rates were determined using a weighted average cost of capital approach, adjusted for specific risks attributable to the businesses, with the lower rate used for PLACL reflecting that it is largely closed to new business. A one percentage point increase in the discount rates used would reduce the value-in-use of JRL and PLACL by £134m and £32m respectively. The Directors have not identified a reasonably possible change in assumptions which would result in the carrying amount of the Group's investment in JRL to exceed its recoverable amount. For PLACL, future distributions to the Company are expected to reduce the value-in-use. The discount rate used to determine the recoverable amount of Just Group plc's investment in JRL is consistent with the discount rate used to assess the recoverable amount of goodwill in relation to JRL recognised in the Group's consolidated financial statements (see note 13 to the Group's consolidated financial statements). No impairment was required to the carrying value of the goodwill relating to JRL at 31 December 2021.

3 LOANS TO GROUP UNDERTAKINGS

	Loans to Group undertakings £m
At 1 January 2021	1,000.0
Additions	–
At 31 December 2021	1,000.0
At 1 January 2020	825.0
Additions	175.0
At 31 December 2020	1,000.0

Details of the Company's loans to Group undertakings are as follows:

	2021 £m	2020 £m
9.375% perpetual restricted Tier 1 contingent convertible debt (call option in April 2024) issued by Just Retirement Limited in April 2019	250.0	250.0
9.375% perpetual restricted Tier 1 contingent convertible debt (call option in April 2024) issued by Partnership Life Assurance Company Limited in April 2019	50.0	50.0
9.0% 10 year subordinated debt 2026 (Tier 2) issued by Just Retirement Limited in October 2016	250.0	250.0
8.125% 10 year subordinated debt 2029 (Tier 2) issued by Just Retirement Limited in October 2019	25.0	25.0
8.2% 10 year subordinated debt 2030 (Tier 2) issued by Just Retirement Limited in May 2020	100.0	100.0
7.0% 10.5 year subordinated debt 2031 (Tier 2) issued by Just Retirement Limited in November 2020	75.0	75.0
8.125% 10 year subordinated debt 2029 (Tier 2) issued by Partnership Life Assurance Company Limited in October 2019	100.0	100.0
7.0% 10.5 year subordinated debt 2031 (Tier 2) issued by Partnership Life Assurance Company Limited in November 2020	100.0	100.0
5.0% 7 year subordinated debt 2025 (Tier 3) issued by Just Retirement Limited in December 2018	50.0	50.0
Total	1,000.0	1,000.0

4 FINANCIAL INVESTMENTS

	Fair value		Cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Units in liquidity funds	167.7	45.0	167.7	45.0
Total	167.7	45.0	167.7	45.0

All financial investments are measured at fair value through the profit or loss and designated as such on initial recognition. All assets for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measured as a whole.

In the fair value hierarchy, units in liquidity funds are all classified as Level 1 and derivative financial assets are all classified as Level 2. There have been no transfers between levels during the year.

5 SHARE CAPITAL

The allotted, issued and fully paid ordinary share capital of the Company at 31 December 2021 is detailed below:

	Number of £0.10 ordinary shares	Share capital £m	Share premium £m	Merger reserve £m	Total £m
At 1 January 2021	1,038,128,556	103.8	93.3	487.5	684.6
Shares issued in respect of employee share schemes	408,488	–	0.1	–	0.1
Provision for impairment in investment in Group undertakings (see note 2)	–	–	–	(188.0)	(188.0)
At 31 December 2021	1,038,537,044	103.8	93.4	299.5	496.7
At 1 January 2020	1,035,081,664	103.5	93.3	501.2	698.0
Shares issued in respect of employee share schemes	3,046,892	0.3	–	–	0.3
Provision for impairment in investment in Group undertakings (see note 2)	–	–	–	(13.7)	(13.7)
At 31 December 2020	1,038,128,556	103.8	93.3	487.5	684.6

The merger reserve is the result of a placing of 94,012,782 ordinary shares in 2019 and the acquisition of 100% of the equity of Partnership Assurance Group plc in 2016. The placing was achieved by the Company acquiring 100% of the equity of a limited company for consideration of the new ordinary shares issued. Accordingly, merger relief under Section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. The merger reserve recognised represents the premium over the nominal value of the shares issued. Consideration for the acquisition of the equity shares of Partnership Assurance Group plc consisted of a new issue of shares in the Company. Accordingly, merger relief under Section 612 of the Companies Act 2006 applies, and share premium has not been recognised in respect of this issue of shares. The merger reserve recognised represents the difference between the nominal value of the shares issued and the net assets of Partnership Assurance Group plc acquired.

6 SUBORDINATED DEBT

Details of the Company's subordinated debt are shown in note 24 to the Group financial statements.

7 RELATED PARTY TRANSACTIONS**(a) Trading transactions and balances**

The following transactions were made with related parties during the year:

	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Staff costs, Directors' remuneration, operating expenses and management fees charged by Just Retirement Management Services Limited	14.8	18.1
Loan advances to Just Retirement Limited	–	175.0
Loan advances to Partnership Life Assurance Company Limited	–	100.0
Interest on loan balances charged to Just Retirement Limited	63.9	58.3
Interest on loan balances charged to Partnership Life Assurance Company Limited	19.8	13.5
Dividends from Partnership Assurance Group Limited	169.0	90.0

The following balances in respect of related parties were owed by the Company at the end of the year:

	2021 £m	2020 £m
Just Retirement Limited	(0.1)	(0.2)
Just Retirement Management Services Limited	(1.6)	(4.6)

The following balances in respect of related parties were owed to the Company at the end of the year:

	2021 £m	2020 £m
HUB Financial Solutions Limited	0.3	0.3
Just Retirement Group Holdings Limited	0.1	0.1
Partnership Life Assurance Company Limited	0.7	0.7
Loan to Just Retirement Limited (including interest)	759.9	759.2
Loan to Partnership Life Assurance Company Limited (including interest)	253.0	251.8
Amounts owed for Group corporation tax	13.0	3.6

(b) Key management compensation

Key management personnel comprise the Directors of the Company.

Key management compensation is disclosed in note 36 to the Group financial statements.

ADDITIONAL FINANCIAL INFORMATION

The following additional financial information is 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 2021 of £1,168m.

The core surplus generation assumes that future property growth is in line with the best estimate assumption of 3.3%. The cash flow amounts shown are before the interest and principal payments on all debt obligations.

The projection does not allow for the impact of future new business, and return on surplus assets held or dividends from 31 December 2021.

Year	Core surplus generation £m	TMTP amortisation £m	Surplus generation £m
2022	259	(124)	135
2023	239	(124)	115
2024	232	(124)	108
2025	231	(124)	107
2026	234	(124)	110
2027	223	(124)	99
2028	221	(124)	97
2029	223	(124)	99
2030	210	(124)	86
2031	205	(124)	81
2032	192	-	192
2033	185	-	185
2034	181	-	181
2035	167	-	167
2036	169	-	169
2037	147	-	147
2038	143	-	143
2039	133	-	133
2040	124	-	124
2041	113	-	113
2042 - 2046	414	-	414
2047 - 2051	219	-	219
2052 - 2056	78	-	78

SOLVENCY II SURPLUS GENERATION continued**New business contribution**

The table below shows the expected future emergence of Solvency II surplus arising from 2021 new business in excess of 100% of SCR over 35 years from the point of sale. It shows the initial Solvency II capital strain in 2021. The amounts are shown undiscounted.

Year	Surplus generation £m
Point of sale	(40.0)
Year 1	11.6
Year 2	11.3
Year 3	11.2
Year 4	11.1
Year 5	10.9
Year 6	11.3
Year 7	11.7
Year 8	11.8
Year 9	11.7
Year 10	11.8
Year 11	11.7
Year 12	11.5
Year 13	11.5
Year 14	11.1
Year 15	10.6
Year 16	10.3
Year 17	10.0
Year 18	9.5
Year 19	9.1
Year 20	8.8
Years 21 to 25	36.9
Years 26 to 30	22.3
Years 31 to 35	7.4

ADDITIONAL FINANCIAL INFORMATION CONTINUED

FINANCIAL INVESTMENTS CREDIT RATINGS

The sector analysis of the Group's financial investments portfolio by credit rating is shown below:

	Total £m	%	AAA £m	AA £m	A £m	BBB £m	BB or below £m	Unrated £m
Basic materials	264	1.1	–	6	99	154	5	–
Communications and technology	1,430	5.8	122	153	198	920	37	–
Auto manufacturers	319	1.3	–	34	101	184	–	–
Consumer (staples including healthcare)	1,174	4.7	163	276	281	327	39	88
Consumer (cyclical)	187	0.7	–	6	16	139	–	26
Energy	633	2.6	–	219	131	212	71	–
Banks	1,192	4.8	58	91	392	460	152	39
Insurance	845	3.4	6	193	145	501	–	–
Financial – other	481	1.9	99	103	102	76	14	87
Real estate including REITs	661	2.7	39	28	230	325	39	–
Government	2,415	9.7	407	1,589	204	215	–	–
Industrial	920	3.7	–	88	115	577	22	118
Utilities	2,302	9.3	–	82	1,006	1,204	10	–
Commercial mortgages	678	2.7	33	203	281	161	–	–
Ground Rent	263	1.1	134	–	123	6	–	–
Infrastructure loans	1,474	6.0	82	124	398	825	45	–
Other	38	0.2	–	–	38	–	–	–
Corporate/government bond total	15,276	61.7	1,143	3,195	3,860	6,286	434	358
Lifetime mortgages	7,423	30.0						
Liquidity funds	1,311	5.3						
Derivatives and collateral	741	3.0						
Total	24,751	100.0						

INFORMATION FOR SHAREHOLDERS

The following information is unaudited.

ANNUAL GENERAL MEETING

The Company's 2022 Annual General Meeting ("AGM") will be held on Tuesday 10 May 2022 at 10.00am at our registered office, Enterprise House, Bancroft Road, Reigate, Surrey RH2 7RP. More information about the 2022 AGM can be found in the Notice of Meeting, which will be made available to shareholders separately.

SHAREHOLDER PROFILE AS AT 31 DECEMBER 2021

Holdings	No. of holders	% of holders	No. of shares	% of issued share capital
1-5,000	538	51.93	579,665	0.06
5,001-10,000	61	5.89	454,930	0.04
10,001-100,000	186	17.95	6,933,722	0.67
100,001-1,000,000	132	12.74	51,237,643	4.93
1,000,001-10,000,000	93	8.98	321,683,786	30.98
10,000,001-20,000,000	12	1.16	163,267,212	15.72
20,000,001 and over	14	1.35	494,380,086	47.60
Totals	1,036	100.00	1,038,537,044	100.00

JUST GROUP PLC SHARE PRICE

The Company's ordinary shares have a premium listing on the London Stock Exchange's main market for listed securities and are listed under the symbol JUST. Current and historical share price information is available on our website www.justgroupplc.co.uk/investors/data-and-share-information/Share-monitor and also on many other websites.

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.

INVESTOR RELATIONS ENQUIRIES

For all institutional investor relations enquiries, please contact our Investor Relations department whose contact details can be found at www.justgroupplc.co.uk/investors/investor-contacts. Individual shareholders with queries regarding their shareholding in the Company should contact our Registrar, Equiniti Limited.

Shareholders can keep up to date with all the latest Just Group plc news and events by registering with our Alert Service <http://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 and physical copies can be obtained by contacting our registrar, Equiniti Limited.

REGISTRAR

The Company's register of shareholders is maintained by our Registrar, Equiniti Limited. All enquiries regarding shareholder administration, including dividends, lost share certificates or changes of address, should be communicated in writing, quoting the Company's reference number 3947 to the address below or by calling 0371 384 2787 for callers from the UK or +44 (0)121 415 0096 for callers from outside the UK. Lines are open 8.30am to 5.30pm Monday to Friday, excluding UK Bank Holidays. Shareholders can also view and manage their shareholdings online by registering at www.shareview.co.uk.

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

INFORMATION FOR SHAREHOLDERS CONTINUED

DIVIDEND MANDATES

We strongly encourage all shareholders to receive their cash dividends by direct transfer to a bank or building society account. This ensures that dividends are credited promptly to shareholders without the cost and inconvenience of having to pay in dividend cheques at a bank. If you wish to use this cost-effective and simple facility, please elect via www.shareview.co.uk or contact our Registrar, Equiniti Limited.

WARNING ABOUT UNSOLICITED APPROACHES TO SHAREHOLDERS AND "BOILER ROOM" SCAMS

In recent years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in UK investments. These operations are commonly known as "boiler rooms". These "brokers" can be very persistent and persuasive. Just Group plc shareholders are advised to be extremely wary of such approaches and to only deal with firms authorised by the FCA. You can check whether an enquirer is properly authorised and report scam approaches by contacting the FCA on www.fca.org.uk/consumers or by calling the FCA Consumer Helpline on 0800 111 6768.

CAUTIONARY STATEMENT AND FORWARD-LOOKING STATEMENTS

This Annual Report has been prepared for, and only for, the members of Just Group plc (the "Company") as a body, and for no other persons. The Company, its Directors, employees, agents and advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed.

By their nature, the statements concerning the risks and uncertainties facing the Company and its subsidiaries (the "Group") in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. This Annual Report contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements in relation to the current plans, goals and expectations of the Group relating to its or their future financial condition, performance, results, strategy and/or objectives. Statements containing the words: "believes", "intends", "expects", "plans", "seeks", "targets", "continues" and "anticipates" or other words of similar meaning are forward looking (although their absence does not mean that a statement is not forward looking). Forward looking statements involve risk and uncertainty because they are based on information available at the time they are made, based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors which the Company believes are appropriate and relate to future events and depend on circumstances which may be or are beyond the Group's control. For example, certain insurance risk disclosures are dependent on the Group's choices about assumptions and models, which by their nature are estimates. As such, although the Group believes its expectations are based on reasonable assumptions, actual future gains and losses could differ materially from those that we have estimated. Other factors which could cause actual results to differ materially from those estimated by forward-looking statements include, but are not limited to: domestic and global political, economic and business conditions (such as the impact from the COVID-19 outbreak or other infectious diseases and the unfolding situation in Ukraine); asset prices; market-related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of governmental and/or regulatory authorities including, for example, new government initiatives related to the provision of retirement benefits or the costs of social care; the impact of inflation and deflation; market competition; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, gender pricing and lapse rates); risks associated with arrangements with third parties, including joint ventures and distribution partners and the timing, impact and other uncertainties associated with future acquisitions, disposals or other corporate activity undertaken by the Group and/or within relevant industries; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; default of counterparties; information technology or data security breaches; the impact of changes in capital, solvency or accounting standards; and tax and other legislation and regulations in the jurisdictions in which the Group operates (including changes in the regulatory capital requirements which the Company and its subsidiaries are subject to). As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements. The forward-looking statements only speak as at the date of this document and reflect knowledge and information available at the date of preparation of this Annual Report. The Group undertakes no obligation to update these forward-looking statements or any other forward-looking statement it may make (whether as a result of new information, future events or otherwise), except as may be required by law. Persons receiving this Annual Report should not place undue reliance on forward-looking statements. Past performance is not an indicator of future results. The results of the Company and the Group in this Annual Report may not be indicative of, and are not an estimate, forecast or projection of, the Group's future results. Nothing in this Annual Report should be construed as a profit forecast.

DIRECTORS AND ADVISERS

The following is unaudited.

DIRECTORS

Non-Executive Directors:

John Hastings-Bass, Chair
 Ian Carmack, Senior Independent Director
 Paul Bishop
 Michelle Cracknell
 Mary Kerrigan
 Steve Melcher
 Kalpana Shah
 Clare Spottiswoode

Executive Directors:

David Richardson, Group Chief Executive Officer and Managing Director, UK Corporate Business
 Andy Parsons, Group Chief Financial Officer

GROUP COMPANY SECRETARY

Simon Watson

JUST GROUP REGISTERED OFFICE AND REIGATE OFFICE

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 Reigate
 Surrey RH2 7RP
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CORPORATE BROKERS

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 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) of obtaining new business.

Adjusted earnings per share (adjusted EPS) – an APM, this measures earnings per share based on adjusted operating profit after attributed tax, rather than IFRS profit before tax. This measure is calculated by dividing adjusted operating profit after attributed tax by the weighted average number of shares in issue by the Group for the period. For remuneration purposes (see Directors' Remuneration Report), the measure is calculated as adjusted operating profit before tax divided by the weighted average number of shares in issue by the Group for the period.

Adjusted operating profit after attributed tax – the adjusted operating profit before tax APM reduced for the standard tax rate (19% for 2021).

Adjusted operating profit before tax – an APM and one of the Group's KPIs, this is the sum of the new business operating profit and in-force operating profit, operating experience and assumption changes, other Group companies' operating results, development expenditure and reinsurance and financing costs. The Board believes it provides a better view of the longer-term performance of the business than profit before tax because it excludes the impact of short-term economic variances and other one-off items. It excludes the following items that are included in profit before tax: non-recurring and project expenditure, implementation costs for cost saving initiatives, investment and economic profits and amortisation and impairment costs of acquired intangible assets. In addition, it includes Tier 1 interest (as part of financing costs) which is not included in profit before tax (because the Tier 1 notes are treated as equity rather than debt in the IFRS financial statements). Adjusted operating profit is reconciled to IFRS profit before tax in the Business Review.

Alternative performance measure ("APM") – in addition to statutory IFRS performance measures, the Group has presented a number of non-statutory alternative performance measures within the Annual Report and Accounts. The Board believes that the APMs used give a more representative view of the underlying performance of the Group. APMs are identified in this glossary together with a reference to where the APM has been reconciled to its nearest statutory equivalent. APMs which are also KPIs are indicated as such.

Amortisation and impairment of acquired intangibles – relate to the amortisation of the Group's intangible assets arising on consolidation, including the amortisation of intangible assets recognised in relation to the acquisition of Partnership Assurance Group plc by Just Group plc (formerly Just Retirement Group plc).

Auto-enrolment – new legal duties being phased in that require employers to automatically enrol workers into a workplace pension.

Buy-in – an exercise enabling a pension scheme to obtain an insurance contract that pays a guaranteed stream of income sufficient to cover the liabilities of a group of the scheme's members.

Buy-out – an exercise that wholly transfers the liability for paying member benefits from the pension scheme to an insurer which then becomes responsible for paying the members directly.

Capped Drawdown – a non-marketed product from Just Group previously described as Fixed Term Annuity. Capped Drawdown products ceased to be available to new customers when the tax legislation changed for pensions in April 2015.

Care Plan ("CP") – a specialist insurance contract contributing to the costs of long-term care by paying a guaranteed income to a registered care provider for the remainder of a person's life.

Change in insurance liabilities – represents the difference between the year-on-year change in the carrying value of the Group's insurance liabilities and the year-on-year change in the carrying value of the Group's reinsurance assets including the effect of the impact of reinsurance recaptures.

Combined Group/Just Group – following completion of the merger with Partnership Assurance Group plc, Just Group plc and each of its consolidated subsidiaries and subsidiary undertakings comprising the Just Retirement Group and the Partnership Assurance Group.

Defined benefit deferred ("DB deferred") business – the part of DB de-risking transactions that relates to deferred members of a pension

scheme. These members have accrued benefits in the pension scheme but have not retired yet.

Defined benefit de-risking partnering ("DB partnering") – a DB de-risking transaction in which a reinsurer has provided reinsurance in respect of the asset and liability side risks associated with one of our DB Buy-in transactions.

Defined benefit ("DB") pension scheme – a pension scheme, usually backed or sponsored by an employer, that pays members a guaranteed level of retirement income based on length of membership and earnings.

Defined contribution ("DC") pension scheme – a work-based or personal pension scheme in which contributions are invested to build up a fund that can be used by the individual member to provide retirement benefits.

De-risk/de-risking – an action carried out by the trustees of a pension scheme with the aim of transferring investment, inflation and longevity risk from the sponsoring employer and scheme to a third party such as an insurer.

Development expenditure – captures costs relating to the development of new products and new initiatives, and is included within adjusted operating profit.

Drawdown (in reference to Just Group sales or products) – collective term for Flexible Pension Plan and Capped Drawdown.

Employee benefits consultant – an adviser offering specialist knowledge to employers on the legal, regulatory and practical issues of rewarding staff, including non-wage compensation such as pensions, health and life insurance and profit sharing.

Equity release – products and services enabling homeowners to generate income or lump sums by accessing some of the value of the home while continuing to live in it – see Lifetime mortgage.

Finance costs – represent interest payable on reinsurance deposits and financing and the interest on the Group's Tier 2 and Tier 3 debt.

Flexi-access drawdown – the option introduced in April 2015 for DC pension savers who have taken tax-free cash to take a taxable income directly from their remaining pension with no limit on withdrawals.

Gross premiums written – total premiums received by the Group in relation to its Retirement Income and Protection sales in the period, gross of commission paid.

Guaranteed Guidance – see Pensions Wise.

Guaranteed Income for Life ("GIFL") – retirement income products which transfer the investment and longevity risk to the company and provide the retiree a guarantee to pay an agreed level of income for as long as a retiree lives. On a "joint-life" basis, continues to pay a guaranteed income to a surviving spouse/partner. Just provides modern individually underwritten GIFL solutions.

IFRS net assets – one of the Group's KPIs, representing the assets attributable to equity holders.

IFRS profit before tax – one of the Group's KPIs, representing the profit before tax attributable to equity holders.

In-force operating profit – an APM capturing the expected margin to emerge from the in-force book of business and free surplus, and results from the gradual release of prudent reserving margins over the lifetime of the policies. In-force operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

Investment and economic profits – reflect the difference in the period between expected investment returns, based on investment and economic assumptions at the start of the period, and the actual returns earned. Investment and economic profits also reflect the impact of assumption changes in future expected risk-free rates, corporate bond defaults and house price inflation and volatility.

Key performance indicators ("KPIs") – KPIs are metrics adopted by the Board which are considered to give an understanding of the Group's underlying performance drivers. The Group's KPIs are Return on equity, Solvency II capital coverage ratio, Underlying organic capital generation, Retirement Income sales, New business operating profit, Underlying operating profit, Management expenses, Adjusted operating profit, IFRS profit before tax and IFRS net assets.

Lifetime mortgage ("LTM") – an equity release product that allows homeowners to take out a loan secured on the value of their home, typically with the loan plus interest repaid when the homeowner has passed away or moved into long-term care.

LTM notes – structured assets issued by a wholly owned special purpose entity, Just Re1 Ltd. Just Re1 Ltd holds two pools of lifetime mortgages, each of which provides the collateral for issuance of senior and mezzanine notes to Just Retirement Ltd, eligible for inclusion in its matching portfolio.

Management expenses – an APM and one of the Group's KPIs, and are business as usual costs incurred in running the business, including all operational overheads. Management expenses are other operating expenses excluding investment expenses and charges; reinsurance management fees which are largely driven by strategic decisions; amortisation of acquired intangible assets relating to merger and acquisition activity; and other costs impacted by external factors. Management expenses are reconciled to IFRS other operating expenses in note 4 to the consolidated financial statements.

Medical underwriting – the process of evaluating an individual's current health, medical history and lifestyle factors, such as smoking, when pricing an insurance contract.

Net claims paid – represents the total payments due to policyholders during the accounting period, less the reinsurers' share of such claims which are payable back to the Group under the terms of the reinsurance treaties.

Net investment income – comprises interest received on financial assets and the net gains and losses on financial assets designated at fair value through profit or loss upon initial recognition and on financial derivatives.

Net premium revenue – represents the sum of gross premiums written and reinsurance recapture, less reinsurance premium ceded.

New business margin – the new business operating profit divided by Retirement Income sales. It provides a measure of the profitability of Retirement Income sales.

New business operating profit – an APM and one of the Group's KPIs, representing the profit generated from new business written in the year after allowing for the establishment of prudent reserves and for acquisition expenses. New business operating profit is reconciled to adjusted operating profit before tax, and adjusted operating profit before tax is reconciled to IFRS profit before tax in the Business Review.

New business strain – represents the capital strain on new business written in the year after allowing for acquisition expense allowances and the establishment of Solvency II technical provisions and Solvency Capital Requirements.

No-negative equity guarantee ("NNEG") hedge – a derivative instrument designed to mitigate the impact of changes in property growth rates on both the regulatory and IFRS balance sheets arising from the guarantees on lifetime mortgages provided by the Group which restrict the repayment amounts to the net sales proceeds of the property on which the loan is secured.

Non-recurring and project expenditure – includes any one-off regulatory, project and development costs. This line item does not include acquisition integration, or acquisition transaction costs, which are shown as separate line items.

Operating experience and assumption changes – captures the impact of the actual operating experience differing from that assumed at the start of the period, plus the impact of changes to future operating assumptions applied during the period. It also includes the impact of any expense reserve movements, and other sundry operating items.

Organic capital generation/(consumption) – an APM and calculated in the same way as Underlying organic capital generation/(consumption), but includes economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items.

Other Group companies' operating results – the results of Group companies including our HUB group of companies, which provides regulated advice and intermediary services, and professional services to corporates, and corporate costs incurred by Group holding companies and the overseas start-ups.

Other operating expenses – represent the Group's operational overheads, including personnel expenses, investment expenses and charges, depreciation of equipment, reinsurance fees, operating leases, amortisation of intangibles, and other expenses incurred in running the Group's operations.

Pension Freedoms/Pension Freedom & Choice/Pension Reforms – the UK government's pension reforms, implemented in April 2015.

Pensions Wise – the free and impartial service introduced in April 2015 to provide "Guaranteed Guidance" to defined contribution pension savers considering taking money from their pensions.

Prognosys™ – a next generation underwriting system, which is based on individual mortality curves derived from Just Group's own data collected since its launch in 2004.

Regulated financial advice – personalised financial advice for retail customers by qualified advisers who are regulated by the Financial Conduct Authority.

Reinsurance and finance costs – the interest on subordinated debt, bank loans and reinsurance financing, together with reinsurance fees incurred.

Retail sales (in reference to Just Group sales or products) – collective term for GifL and Care Plan.

Retirement Income sales (in reference to Just Group sales or products) – an APM and one of the Group's KPIs and a collective term for GifL, DB and Care Plan. Retirement Income sales are reconciled to IFRS gross premiums in note 6 to the consolidated financial statements.

Return on equity – an APM and one of the Group's KPIs. Return on equity is adjusted operating profit after attributed tax for the period divided by the average tangible net asset value for the period. Tangible net asset value is reconciled to IFRS total equity in the Business Review.

Secure Lifetime Income ("SLI") – a tax efficient solution for individuals who want the security of knowing they will receive a guaranteed income for life and the flexibility to make changes in the early years of the plan.

Solvency II – an EU Directive that codifies and harmonises the EU insurance regulation. Primarily this concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.

Solvency II capital coverage ratio – one of the Group's KPIs. Solvency II capital is the regulatory capital measure and is focused on by the Board in capital planning and business planning alongside the economic capital measure. It expresses the regulatory view of the available capital as a percentage of the required capital.

Tangible net asset value – IFRS total equity excluding goodwill and other intangible assets, net of tax, and excluding equity attributable to Tier 1 noteholders.

Trustees – individuals with the legal powers to hold, control and administer the property of a trust such as a pension scheme for the purposes specified in the trust deed. Pension scheme trustees are obliged to act in the best interests of the scheme's members.

Underlying operating profit – an APM and one of the Group's KPIs. Underlying 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 on-going business activities, and includes surplus from in-force, net of new business strain, cost overruns and other expenses and debt interest. It excludes economic variances, regulatory adjustments, capital raising or repayment and impact of management actions and other operating items. The Board believes that this measure provides good insight into the on-going capital sustainability of the business. Underlying organic capital generation/(consumption) is reconciled to Solvency II excess own funds, and Solvency II excess own funds is reconciled to shareholders' net equity on an IFRS basis in the Business Review.

ABBREVIATIONS

ABI – Association of British Insurers	NAV – net asset value
AGM – Annual General Meeting	NNEG – no-negative equity guarantee
APM – alternative performance measure	ORSA – Own Risk and Solvency Assessment
Articles – Articles of Association	PAG – Partnership Assurance Group
CMI – Continuous Mortality Investigation	PILON – payment in lieu of notice
Code – UK Corporate Governance Code	PLACL – Partnership Life Assurance Company Limited
CP – Care Plans	PPF – Pension Protection Fund
CPI – consumer prices index	PRA – Prudential Regulation Authority
DB – Defined Benefit De-risking Solutions	PRI – United Nations Principles for Responsible Investment
DC – defined contribution	PVIF – purchased value of in-force
DSBP – deferred share bonus plan	PwC – PricewaterhouseCoopers LLP
EBT – employee benefit trust	REIT – Real Estate Investment Trust
EPS – earnings per share	RICS – The Royal Institution of Chartered Surveyors
ERM – equity release mortgage	RP1 – retail price inflation
ESG – environment, social and governance	SAPS – Self-Administered Pension Scheme
EVT – effective value test	SAYE – Save As You Earn
FCA – Financial Conduct Authority	SCR – Solvency Capital Requirement
FPP – Flexible Pension Plan	SFCR – Solvency and Financial Condition Report
FRC – Financial Reporting Council	SID – Senior Independent Director
GDPR – General Data Protection Regulation	SIP – Share Incentive Plan
GHG – greenhouse gas	SLI – Secure Lifetime Income
GIFL – Guaranteed Income for Life	SME – small and medium-sized enterprise
Hannover – Hannover Life Reassurance Bermuda Ltd	STIP – Short Term Incentive Plan
IFRS – International Financial Reporting Standards	tCO₂e – tonnes of carbon dioxide equivalent
IP – intellectual property	TMTP – transitional measures on technical provisions
ISA – International Standards on Auditing	TSR – total shareholder return
JRL – Just Retirement Limited	
KPI – key performance indicator	
LCP – Lane Clark & Peacock LLP	
LTIP – Long Term Incentive Plan	
LTM – lifetime mortgage	
MA – matching adjustment	
MAR – Market Abuse Regulation	

JUST.

THE RETIREMENT SPECIALIST

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Enterprise House
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Reigate
Surrey RH2 7RP
justgroupplc.co.uk

We can achieve more when we
work together, and that's why
we've donated to the COVID-19
support fund



**Covid-19
support
fund**

Supported by the Insurance
and long-term savings industry