

*Together*

we invest  
for a better  
future

**Standard Life**  **Aberdeen**

Strategic report and financial highlights 2019

## Key performance indicators from continuing operations<sup>1</sup>

Fee based revenue KPI R  
**£1,634m**  
 2018: £1,868m

Investment performance<sup>2</sup> KPI R  
**60%**  
 2018: 50%

Cost/income ratio<sup>3</sup> KPI R  
**71%**  
 2018: 68%

IFRS profit/(loss) before tax<sup>3</sup> KPI  
**£243m**  
 2018: (£787m)

Adjusted profit before tax<sup>3</sup> KPI  
**£584m**  
 2018: £650m

Adjusted diluted earnings per share<sup>3,4</sup> KPI R  
**19.3p**  
 2018: 17.8p

Full year dividend per share KPI  
**21.6p**  
 2018: 21.6p

Certain measures, such as fee based revenue, cost/income ratio and adjusted profit before tax are not defined under International Financial Reporting Standards (IFRS) and are therefore termed alternative performance measures (APMs). Further details on APMs are included in Supplementary information in Section 9 of the Annual report and accounts 2019.

## Other financial highlights

Gross inflows  
**£86.2bn**  
 2018: £75.2bn

Net flows  
 Excl. Lloyds Banking Group<sup>5</sup>  
**£17.4bn** outflow  
 2018: £40.9bn outflow

Net flows  
**£58.4bn** outflow  
 2018: £40.9bn outflow

Assets under management and administration (AUMA)  
**£544.6bn**  
 2018: £551.5bn

Diluted earnings per share<sup>3,4</sup>  
 (including discontinued operations)  
**11.1p**  
 2018: 29.1p

## Non-financial highlights

### Clients and customers

#### 2020 Defaqto ratings

- Gold rating for service  
 Wrap, Elevate and Parmenion
- 5 star rating for bespoke portfolio management and managed portfolio service  
 Aberdeen Standard Capital

#### 2019 Financial News Asset Management Awards

- Asset Management Innovation of the Year

#### Best performing trusts/funds of 2019

- Standard Life UK Smaller Companies and Aberdeen Smaller Companies (both top 10 trusts)
- ASI UK Impact Employment Opportunities Equity fund (top 20 fund)

### People

Employee engagement survey KPI R  
 • Actions in place to address feedback from 2018 survey – See page 20

Hampton-Alexander Review 2019 – FTSE100 gender representation  
 • 10th position and most improved company

### Society

FTSE4Good  
 • Ranked in top 4% of companies

Dow Jones Sustainability Indices (DJSI)  
 • Ranked in top 4% of companies in our sector

See page 1 for footnotes.

**KPI** We have revised our key performance indicators (KPIs) in 2019 to reflect our increased focus on revenue rather than flows/AUMA and also to include IFRS profit as a KPI in addition to APMs. The KPIs that we use may not be directly comparable with similarly named measures used by other companies.

See Supplementary information in Section 9 in the Annual report and accounts 2019 for further information.

**R** Metric used for executive remuneration in the proposed 2020 remuneration policy. Gross inflows and net flows were metrics under the 2019 remuneration policy but are not included in the proposed 2020 remuneration policy.

## Contents

The Strategic report and financial highlights 2019 contains extracts from the Group's Annual report and accounts 2019. For further information and a fuller understanding of the results and the state of affairs of the Group, please refer to the full Annual report and accounts 2019 which can be found on our website at [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

Access to the website is available outside the UK, where comparable information may be different.

The auditors' report on the full accounts for the year ended 31 December 2019 was unqualified, and their statement under section 496 of the Companies Act 2006 (whether the Strategic Report and the Directors' Report are consistent with the accounts) was unqualified.

Details of forward-looking statements are on page 68.



This symbol indicates further information is available within this document or on the Group corporate website.

Download this report from:  
[www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

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<sup>1</sup> Continuing operations excludes the UK and European insurance business which was sold to Phoenix on 31 August 2018.

<sup>2</sup> Percentage of AUM above benchmark over three years. Calculated on a Pro forma basis (which combines the results for Standard Life Group and Aberdeen prior to completion of the merger in 2017) and gross of fees. A full definition is included in the Glossary.

<sup>3</sup> The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer to the basis of preparation section of the Group financial statements in the Annual report and accounts 2019.

<sup>4</sup> In accordance with IAS 33, earnings per share has not been restated following the share consolidation in 2018 as there was an overall corresponding change in resources. As a result of the share consolidation and share buybacks, earnings per share from continuing operations for the year ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Group financial statements in the Annual report and accounts 2019 for information relating to the calculation of diluted earnings per share.

<sup>5</sup> Net outflows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Note 5 of the Group financial statements in the Annual report and accounts 2019.

*Together*

we invest for  
a better future

We do it to make a  
difference to the lives  
of our clients and  
customers, our  
employees, society  
and our shareholders

## Our purpose

### Together we invest for a better future.

Our strategy is to build a vibrant and value-creating purpose-led organisation, with the current and future needs of our stakeholders at the heart of all we do.

- For our clients and customers, this means building solutions to create wealth and help meet their needs
- For our employees, it means creating an environment where everyone can thrive
- For society, it means promoting positive change through how we operate and invest
- For our shareholders, it means turning opportunities into sustainable long-term returns

## Our business

### We meet the evolving needs of investors and savers.

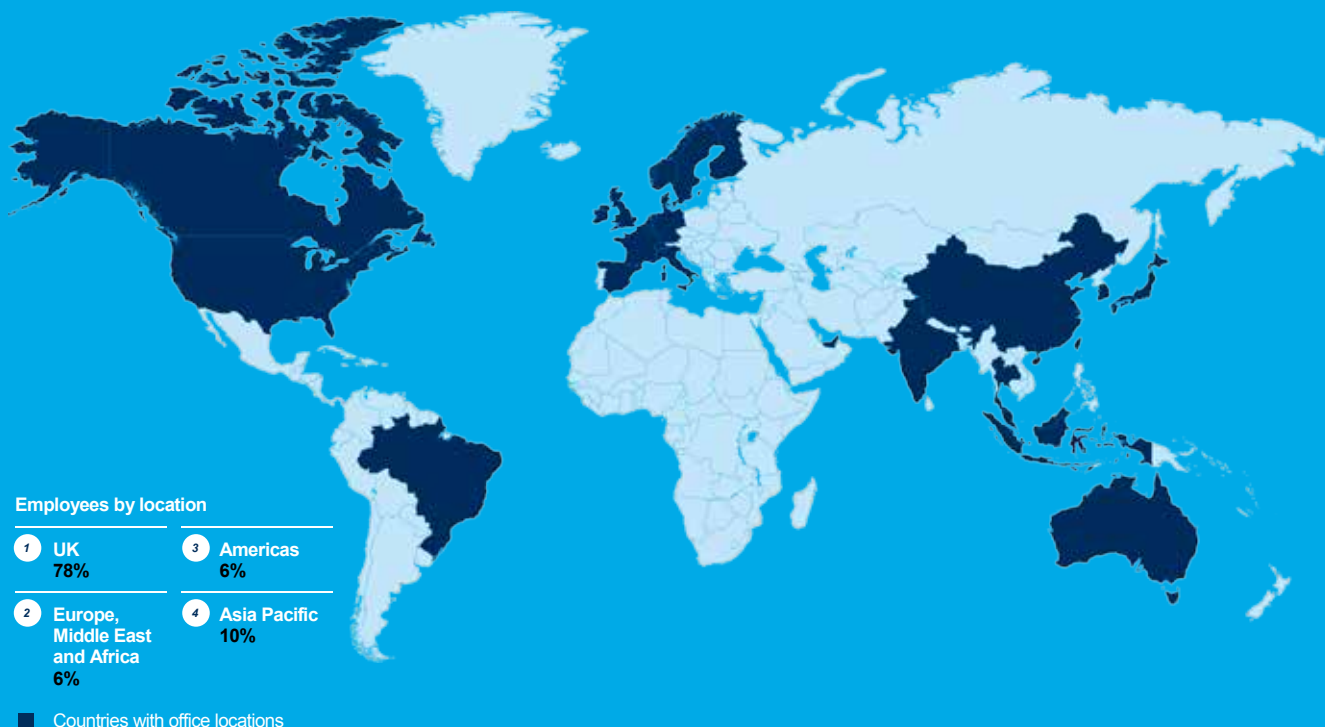
We do this by building lasting relationships and developing innovative products and services. We offer:

- Active asset management to institutional, wholesale and strategic insurance clients
- Wealth management, financial planning and advice services, either directly to customers or through financial advisers

We also have significant holdings in associate and joint venture businesses: Phoenix in the UK, HDFC Life and HDFC Asset Management in India, and Heng An Standard Life in China.

## Our operations

We are headquartered in Scotland and listed in London, with around 6,000 employees in over 50 locations worldwide. We have operations in global financial capitals and important regional centres, which bring us closer to our clients and customers around the world, and provide invaluable knowledge and insight to share with our people.



# A business with purpose



Sir Douglas Flint

2019 was, in many respects, a pivotal year in areas of great significance for our industry and for your company. We have more clarity on a number of geopolitical uncertainties; the finalisation of the agreement by which the UK departed from the European Union; a first stage agreement between the United States and China on trade matters which brought some relief to a trade war that had escalated during 2019; and, the election of a government in the UK with a sizeable majority, unlocking the potential for clear policy choices after a period of inactivity while the UK's position on exiting the EU was settled. In financial markets, we saw smooth leadership transitions at both the European Central Bank and the Bank of England. And finally, in investment markets, the importance of Environmental, Social and Governance (ESG) considerations was elevated into mainstream cognisance as the impact of human influence on climate change was compellingly exposed. Keith talks more about the market context for our business in his review.

## Together we invest for a better future

Never has it been more important to recognise the impact we can have, not just in the financial returns we can deliver for our ultimate beneficiaries, but in the influence we have with the companies in which we invest and how this can contribute to a better future for all our stakeholders. In uncertain times, we have anchored our business with a common and unifying purpose to ensure that we deliver good financial outcomes responsibly, taking into account the concerns and aspirations of all our stakeholders.

I am pleased to report that the work we have done to improve investment performance for our clients and customers has made good progress. Equally important, I am proud of the culture we are building with our people and, through all of the above, our positive role in society and the communities of which we are a vital part.

To enable us to build on where we are, we have continued our progress in transforming our organisation to ensure that we are ready to embrace the challenges and opportunities of today and tomorrow. Nowhere is this more important than contributing to the transition to a lower carbon future and, as an active manager, we take our engagement responsibilities in this regard very seriously. Already we do a great deal, but we can and will do more. We look forward to COP26, the United Nations Climate Change Conference, in Glasgow later this year, at which we hope to demonstrate leadership in the discussions as to what more the investment industry can do.

## Delivering value for shareholders

Last year I highlighted three priorities for 2019. First, improve investment performance; second, progress the integration and transformation of the two businesses into a coherent forward-looking entity; and third, unlock the revenue potential of the combined business.

I am pleased to report that investment performance has shown marked improvement; Keith will cover this in more detail. As regards integration, we made solid progress and while completion will now take a bit longer and cost more to deliver, the synergy benefits targeted have also increased; this is covered in detail in the financial review. Finally, we have been investing to grow our business and further diversify sources of revenue. This includes focusing on building our capabilities and assigning resources to markets where we see the most growth potential, and in the UK bringing together the proven capabilities in our Platforms and Wealth channel.

While the net fund flow of the business is improving, market conditions and competitive pricing are constraining the revenue growth we had expected. This had a consequential negative impact on the carrying value of goodwill on the Group balance sheet and resulted in a further impairment charge. Stephanie talks more about this in the Chief Financial Officer's review.

Market conditions however were very favourable to the unlocking of value from our Indian stakes. We completed four share sales with regard to HDFC Life, no longer regarded as strategic following the sale of our UK and European insurance business in 2018. In addition, we sold 3.02% of our stake in HDFC Asset Management, progressing towards the requirement to create a minimum free float. Together these stake sales realised £1.7bn and generated a profit of £1.5bn. We returned £0.5bn during 2019 through share buybacks. This was a contributing factor to our excellent share price performance over the year, resulting in a total shareholder return of 39%.

Together with the adjusted profits in 2019, these gains also allowed us, as planned, to maintain the dividend at a constant level while the business is transformed, cost synergies are delivered, and future financial performance confirms the sustainability of the level of distribution and provides line of sight to its future growth. As a consequence of this, your Board is proposing a final dividend of 14.3p, the same amount as last year. Assuming shareholders vote to approve this at the upcoming AGM, this would give a total dividend for 2019 of 21.6p, again the same as last year.

## Board activity

Since we reported in August we have announced a number of important changes as we refresh and augment the skills and experience on the Board.

We welcomed Jonathan Asquith and Cecilia Reyes to the Board in September and October respectively. Jonathan brings a wealth of experience in the asset management industry and in financial services more generally and is chairing the Remuneration Committee as well as taking on the responsibilities of Senior Independent Director. Cecilia joins us after a long and distinguished career as Chief Investment Officer and Chief Risk Officer at one of Europe's leading insurance companies.

In his roles as Senior Independent Director and Remuneration Committee Chair, Jonathan has over the past six months spent time with many of our largest institutional shareholders to understand their views on the Company. One important outcome of this is that we will be proposing a new remuneration policy in 2020, a year ahead of the usual cycle. Jonathan shares more about this, and the approach we have taken, in his introduction to the Directors' remuneration report on page 54. We will be asking you to vote on the new proposed policy at our AGM in May.

In February of this year, we announced the appointment of Brian McBride, with effect from 1 May. As we position our business for a technology driven future, his direct experience of developing digital strategies and solutions in consumer-facing businesses tackling rapidly evolving markets will be of great benefit.

Turning to our executive Board directors, at the end of December, Rod Paris stepped down from the Board as part of simplifying our governance structure; he remains Chief Investment Officer and a key member of the executive leadership team.

In October we announced that Martin Gilbert will not seek re-election at the upcoming AGM and will retire from the Group at the end of September this year. This is a significant moment of transition for our business. As I said at the time, it is impossible to overstate Martin's achievement in building Aberdeen Asset Management over 37 years from virtually nothing into a truly global and widely respected investment firm. His foresight in recognising the factors that would reshape the industry and the opportunities that could be delivered from combining with Standard Life, led to the creation of Standard Life Aberdeen in 2017. We owe him a huge debt of gratitude and accept the significant responsibility to build on his legacy.

## Looking ahead

At the opening to my statement I recognised that we now have more clarity, at least in the short term, on some key issues in the last year. Unsurprisingly in these times, other issues have emerged and a level of uncertainty remains for existing geopolitical tensions, all of which deserve continuing watchful oversight.

The spread of the COVID-19 coronavirus in China and beyond has already had a significant impact and could have a material disruptive effect on trade, supply chains and international travel.

## Section 172 statement

The Board recognises that the long-term success of our business is dependent on the way it works with a large number of important stakeholders. The Directors have had regard to the interests of our stakeholders (including, for example, our clients and customers, our people, society and our shareholders) while complying with their obligations to promote the success of the Company in line with section 172 of the Companies Act. The Board has discussed these obligations throughout the year, including how stakeholder engagement is incorporated into our long-term decision-making with further details provided on page 59 of the Annual report and accounts 2019.

The Board's decision-making considers both risk and reward in pursuit of delivering long-term value for all of our stakeholders, and protecting their interests. Awareness and understanding of the current and the potential risks to the business, including both financial and non-financial risks, are fundamental to how we manage the business. Further information on how risks are appropriately assessed, monitored, controlled and governed is provided in the Risk management section.

A key example of stakeholder activity in 2019 was the appointment of Melanie Gee as the non-executive Director for employee engagement. Strong progress has been made in this area and regular communications will continue in 2020.

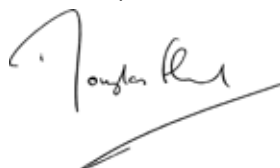
You can read more about how we connect with our stakeholders in the pages that follow.

In more traditional areas of concern, it is clear that the trade and diplomatic relationship between the United States and China will remain a source of friction for some time, particularly in the technology arena.

Likewise the resetting of the UK's trading relationships with the EU and the rest of the world will create both opportunities and challenges for national economies – and investment markets will respond accordingly.

Finally, the empowering yet disruptive impacts of technological innovation and data management will change many business models faster than we have seen in the past. It is for all these reasons we invest heavily in investment research, in our own technology and in human talent to build the agile and responsive active asset management capabilities that we believe are essential to meeting the demands of all our stakeholders.

Let me close by expressing on behalf of shareholders my gratitude to all my colleagues who have worked so hard in the past year to deliver the improved investment performance and organisational change needed to position Standard Life Aberdeen well for future success.



**Sir Douglas Flint**  
Chairman

# Transforming today, investing for tomorrow



Keith Skeoch

2019 was another year of intense change for both our industry and our business. To take advantage of the undoubted opportunities that these changes bring, we continued to invest in transforming the business in order to ensure we are future fit. While there is still important work to be done, particularly on systems integration, I am pleased to report significant progress on the priorities highlighted by Sir Douglas in his report.

Investment performance improved throughout the year. We built on the work done to bring our people together and created a single executive leadership team. This has put strong foundations in place for the development of a shared culture across the business. The heavy lifting to integrate our systems is also well underway.

We started to see evidence of progress in the second half of the year as flows improved. Our progress was also recognised by the industry as we received external recognition for investment performance, the quality of our platforms, our innovation and HR practices.

We also took advantage of favourable market conditions to monetise some of the value of our listed investments in India, in order to extend our share buyback programme and improve our financial resilience.

## Driving performance, delivering for clients and customers

Turning to the financial results, I am pleased with the improved momentum in the second half of the year. IFRS profit before tax from continuing operations increased to £243m (2018: loss of £787m) primarily reflecting the gains realised from the sale of shares in HDFC Life and HDFC Asset Management. Adjusted profit before tax from continuing operations of £584m was a 10% reduction on 2018, mainly due to the impact on revenue of the outflows in both 2018 and 2019.

We have seen a significant improvement in investment performance following a particularly challenging year in 2018. At the end of 2019 74%, 60% and 67% of AUM was outperforming its benchmark over one, three and five years respectively. The three-year metric reflects improved performance in Multi-asset and continued strong performance in Fixed income and Asia Pacific equities. This in turn reflects the work of the team on our process enhancement plans, which helped us review and refine our investment approach on an ongoing basis. We have also developed decision support tools and quantitative frameworks to aid portfolio construction.

It was pleasing then, at the start of 2020, to see this improvement recognised with a number of our funds featuring in Investment Week's coverage of the best performers of 2019. One of those included was our ASI UK Impact Employment Opportunities Equity fund, illustrating our long-held belief that a fund oriented towards ESG considerations does not mean a compromise on returns. Both Standard Life UK Smaller Companies and Aberdeen Smaller Companies were featured in the top ten performing investment trusts, marking an outstanding year for the team.

Our focus, of course, is on meeting the needs of our clients and customers, wherever they are in the world. To this end, as well as improving investment performance, we have maintained our commitment to innovation. We have developed and launched 36 products and 48 funds globally during the year, including our first tactical Emerging Markets Bond Fixed Maturity Product and our China OEIC and China Bond fund. We also launched new and highly innovative technology on our Wrap platform, which allows for greater client portfolio personalisation.

We have evolved our multi-channel approach to focus on four channels: Institutional, Wholesale, Strategic insurance and Platforms and Wealth. This model reflects the new shape of our business and gives a sharp focus to our activities and how we can best utilise our brands. We also work with our partners to get closer to more UK consumers. We made some significant developments in our business in the UK in 2019 including our joint venture with Virgin Money and the launch of a strategic partnership with Skipton Building Society.

## Leadership, culture and strategy

Sustaining our performance, and meeting our ambitions, requires that our people are united – working together towards a common purpose with a shared culture. This starts with leadership. Over the last year we have made a significant investment in our people and have taken major steps forward in building the culture that will enable us to deliver our strategy.

I have realigned my executive leadership team to ensure we can be quick and effective in decision-making. I have also brought together a wider global leadership group, a team of our top leaders from across the organisation who hold collective responsibility for delivering our business plan. These leaders have a key role in achieving our strategy.

Our purpose is that together we invest for a better future. Importantly we do this as a single cohesive team and with the interests of all our stakeholders at the heart of our decision-making.



Given the context for our business – the pace of change, the final stages of our transformation plan and the need to align our people's focus and energy – we are continually evolving our strategy to accelerate our progress towards achieving our ambitions. Alongside our purpose, we have defined our strategic drivers, the imperatives that underline how we will deliver and move forward as a business. Our people are coming together behind this single, focused approach. Details of these strategic drivers are opposite, and on pages 32 to 33.

### A transforming business

We are now over two years on from our merger, and over a year on from the sale of our UK and European insurance business to Phoenix. A great deal has been achieved over the last two years with some 700 milestones delivered as we integrated the two fund management businesses. The positive benefits were reflected in improved investment performance and flows, excluding Lloyds Banking Group, in the second half of the year. Expected cost synergies from integration and transformation have increased. However, given the increased complexity that the separation programme has added to the already challenging integration programme, the expected gross cost of delivery has also increased and the timing of the completion has lengthened. While we plan to complete the build-out of the integrated investment platform and commence migration of portfolios in 2020, migration of all portfolios will now complete in 2021.

Our plan is working but there is still more we need to do, and we will need to sustain our focus and energy on this work while also looking to the future for our business.

Not least in this programme of work is a significant project to complete the full separation of our business from the operations that transferred to Phoenix. As an important strategic partner we will continue to work closely with Phoenix, helping to grow their open book business and as their asset manager of choice.

### Sustainable return for long-term shareholders

Through this period of transformation, we are focused on reshaping our cost base to match our transformed business, while also investing to build a business fit for the future. Our financial stability is supported by our strong balance sheet, including our valuable listed investments in successful third party businesses including HDFC Life, HDFC Asset Management and Phoenix.

In last year's annual report, we stated our intention to maintain our dividend at a stable level through our transformation. During this period, we have sustained the dividend, despite tough market conditions, and our shareholders have also benefited from a substantial return of capital: with £1.75bn returned over 2018/2019 through our 'B' share scheme and our on-market share buyback. In 2020, we also announced a further share buyback of up to £400m.

In 2021 we will be a very different business to what we were at the start of 2018. This will mean a sharp focus on our Asset management, Platforms and Wealth activity. For shareholders who have held our stock for ten years, this represents a total return of 162%. We believe that we are well placed to continue to reward our patient shareholders with long-term value.

## Our strategic drivers

The foundations from which we deliver for all our stakeholders.



### High impact intelligence

Harness our intellectual capital, emotional intelligence and data to generate best in class impact.



### Enduring relationships

Deepen our understanding of customers and clients to ensure we exceed their expectations and build relationships that last.



### Connections without borders

Bring the best of our business to all our markets by constantly connecting our people, capabilities and assets to deliver a seamless proposition.



### Future fit

Build a strong organisation, positioned for growth and ready to anticipate and meet the challenges of tomorrow.



Read more about our strategic priorities on pages 32 to 33.

## Understanding our market

**2019 was unusual for financial markets, with both 'growth' and 'defensive' assets producing strong positive returns. Investors entered the year expecting rising interest rates, but rates actually fell. This, and a flood of central bank liquidity, lifted asset classes across the market.**

Over 2019 we saw global equities rise over 20%, global bonds rise almost 7% and gold rise nearly 20% – a group of assets that rarely march in such close step.

It was also a year when many of the worries expressed by investors at the start of the year proved less taxing by the end. Trade wars, Brexit, a looming US recession and rising interest rates were all much discussed over the year – but all proved less troublesome to markets than many had feared.

That said, the central bank assistance was principally driven by disappointing economic data. Economies struggled to shake off the hangover from the financial crisis of 2008. So while the global economy did grow, it was at lower levels than most expected.

The rise and rise of technology stocks fuelled further significant outperformance of 'growth' over 'value' styles. Similarly, in debt markets the hunt for yield and increased risk appetite resulted in huge demand for emerging market and high yield debt compared to low or negative yielding developed market government debt.

At the start of 2020, many of these themes hold true, though we face the added challenge of dealing with the COVID-19 coronavirus and its potential impact on the world's economy and supply chains. We continue to see weak economic growth and little inflation. Meanwhile, interest rates look set to remain at the current very low levels. In this environment, and given more stretched valuations, we can expect more moderate returns for the year ahead. It continues to be an environment where careful diversification of portfolios is likely to be rewarded.

## Key global trends

### Democratisation of financial risk

Changes in regulation, legislation and demographics are shifting the savings landscape. Increasingly the financial risk of long-term saving is shifting away from governments and institutions towards the individual. In recognition of this, we are scaling up our advice business, which completed two significant acquisitions during 2019. Our strategic partnerships mean we have potential access to millions of UK savers.

### Innovation, technology and digitalisation

Successful innovation is a key driver of value and the next generation of savers will expect a seamless digital customer experience. In 2019, we invested in new capabilities for our award-winning adviser platforms and launched 36 products and 48 new funds. One example is our new index of hedge funds which is a pioneering product in the market and has been one of the most successful UCITS fund launches in 2019.

### Rebuilding trust in financial services

The global financial crisis damaged trust, and rebuilding this trust in the industry has not been helped by some poor corporate practices. We believe the best way we can help regain this trust is investing responsibly, encouraging diversity of thought and practising what we preach in how we act. It also means a continued focus on robust governance and risk management. As an example of acting on our principles, we are offsetting our operational carbon footprint to become carbon neutral in 2020.

### Slow growth, low inflation, compressed return environment

Market volatility and uncertainty will be with us for some time and will continue to drive clients' and customers' demand for outcome-oriented products. We are a leader in 'new active' investment globally. This is an area of focus for us and we have brought together our private markets franchise with our real estate team, and we continue to invest in designing innovative funds.

### A rapidly changing market

Our actions over the course of 2019 ensure we are in a strong position in a global market that continues to be volatile. The pace of change remains relentless and the coming year will naturally bring its own challenges. The outbreak of the COVID-19 coronavirus brings a unique set of risks for global businesses to deal with.

We will also have to deal with the practical challenges that Brexit, and retaining regulatory equivalence, will bring as we continue to serve our valued clients in the European Union. The negotiations on a Free Trade Agreement (FTA) between the UK and EU have begun. As part of our Brexit planning we have considered a range of scenarios and put in place arrangements to mitigate any potential disruption for our customers, clients and operations. We will continue to follow developments closely and regularly review the arrangements we have in place. As a global asset manager we have extensive experience of adapting to regulatory change and working across borders.

Importantly, we now have a government with a sizeable majority. This will bring political stability but also the ability to define and deliver its own economic and social agenda beyond Brexit.

In 2019 we took further action to improve our resilience so that our business is well placed to deal with the uncertainties the constantly changing external environment brings. We continue to invest in innovation, in our culture, our investment processes, our platforms and in the way we develop new funds, alongside the transformation programme, so that we can meet changing client and customer needs as they evolve.

### A positive force for change

One area of notable change in 2019 was the increased attention on ESG factors in investment. Our responsible investment capabilities are nearly 30 years in the making and our impact on the companies we hold to account is important and necessary. In 2019, we voted on issues from human rights and employment practices to single-use plastics and pesticides. The number of environmental and social resolutions we voted on in 2019 increased by 26% compared to the previous year.

One issue that has characterised the past year, probably more than any before, is the overwhelming call to action by people around the world to address the urgent crisis of climate breakdown. We cannot underestimate the role our industry has in addressing this issue. Acting alone, governments around the world will not be able to provide the investment, or the will, to decarbonise the economy. It will need large scale realignment of capital. Through engagement and our voting rights, we can have a positive influence on companies around the world.



**We are innovating to meet our customers' and clients' needs, investing in our culture and championing positive change for society and the environment. We remain financially strong and resilient, delivering sustainable value for shareholders.**

### Looking ahead

Our strong financial position, capital generation potential and focus on operational efficiency enables us to invest in the business to drive profitable revenue growth and shareholder return.

The outlook for the markets and our industry in 2020 is turbulent with the additional complexity of COVID-19. We are focused on what we can control, namely: delivering for our clients, customers, colleagues and shareholders; diversifying our revenues; investing for the future, and maintaining financial discipline. By doing this we will build a business that is fit for the future and well positioned to manage through the uncertainties ahead.

**Keith Skeoch**  
Chief Executive

# Creating and preserving stakeholder value

## Sustainable stakeholder value

Our simple business model is designed to create value and deliver long-term sustainable benefits to all our stakeholders. Read more about our stakeholders on page 59 of the Annual report and accounts 2019.

### For clients and customers



Read more:  
See pages 12 to 17

We focus on delivering outcomes that truly matter to our clients and customers, and are committed to active asset management. We draw on expertise and insight from our teams around the world to deliver long-term investment performance.

Our platforms and wealth management services help us respond to increasing demand for financial advice and guidance, and provide advisers with technology to support their customers effectively.

### For our people



Read more:  
See pages 18 to 21

We aim to provide a market-leading proposition for our people. We have made significant steps in developing new UK terms and conditions and harmonised policies that are fair and consistent.

We are committed to investing in attracting, retaining and developing talent at every career stage and we offer development opportunities that link to our business needs.

Our aim is to understand our people's diverse perspectives and reflect their views in how we operate, through an inclusive and unifying culture.

### For society



Read more:  
See pages 22 to 27

We have important responsibilities to society and the environment.

Through active engagement with the companies in which we invest, we maintain constructive relationships that help us understand their risks and opportunities, and positively influence their business practices. By investing responsibly, we play a critical role in financing the transition to a low-carbon economy, limiting environmental damage, protecting human rights and promoting fair work and pay.

We apply the same principles to our own corporate practices.

### For shareholders



Read more:  
See pages 28 to 33

By combining diverse revenue growth from asset management, platform and wealth capabilities with a strong balance sheet and careful management of our costs, we can create sustainable shareholder value over the long term. The sale of part of our holdings in HDFC Life and HDFC Asset Management has strengthened our capital position.

We have a strong track record of returning value to shareholders which includes the payment of dividends and share buyback activity.

## Our resources to create and preserve value

### Client and customer relationships

We focus on relationships with our clients and customers based on mutual trust and our ability to effectively meet their needs.

We invest in products and services so that they are relevant to our clients and customers today and in the future.

High quality customer service is a key focus for our operations teams.

In addition, we have important brands that we continue to invest in.

### Investment capabilities

We aim to deliver innovative solutions and achieve better long-term investment outcomes for our clients and customers, through a combination of local market knowledge and global oversight. Our capabilities span a broad range of markets, asset classes and strategies which create diversification of our services.

### Talented people

Our ability to deliver for clients and customers relies on having people with the right skills and knowledge, drawn from diverse backgrounds and experiences and through encouraging a collaborative approach.

The skills and knowledge of our people cover a range of areas including planning and advice, investment management and customer service.

### Financial strength

We have a strong capital position which is further supported by substantial listed investments.

We actively manage our balance sheet to ensure we hold enough capital to allow us to invest for future business growth and deliver returns to shareholders.

## How we generate profits and shareholder returns

### Generating revenue

Revenue is primarily generated from asset management and platform and advice fees we charge based on the value of the assets we look after for clients and customers.

### Controlling costs

We control expenses and invest strategically to improve both the scalability and efficiency of our business. Our cost base has a high proportion of fixed costs and we remain focused on reducing and altering our cost base as we reshape our business to respond to the changing external environment.

### Optimising the balance sheet

We ensure that we have the appropriate level of capital and liquidity to support and protect our operations while continuing to invest in our business.

### Delivering profit and shareholder returns

Generating revenue and controlling costs enables us to drive our profit and cash flow that allow us to invest in our business and deliver returns to shareholders. Cash generation for our Asset management and Platforms and Wealth activity is closely aligned with profit.

We balance investing for business growth, investing in our people and continuing to provide returns to shareholders.

*Together we invest for a better future means*

learning from our  
clients and customers  
so we build the  
solutions that meet  
their needs

## How we engage with our clients and customers

We operate across the world, building and evolving relationships with over 12,000 institutional and wholesale clients globally, and over 500,000 customers through our platforms and wealth activity in the UK.

We aim for high-quality service and targeted interactions to build enduring relationships. Our clients and customers want to engage with us in different and evolving ways. Technology is a powerful enabler, so we utilise our digital capabilities, while others prefer a personal, tailored approach.

Our annual conferences, regular events, roadshows and sponsorship activity enable us to share knowledge and gain valuable feedback, while showcasing our capabilities and enhancing our relationships.

We go beyond providing products to act as a trusted adviser. This includes sharing high-impact market intelligence from our Research Institute and our adviser clients have access to our expert technical team. Importantly, it means we can act in partnership to build bespoke solutions that meet our clients' and customers' specific requirements for today and tomorrow.

## Our multi-channel approach

We offer our clients and customers investment capabilities and services through four channels:



## Working with our partners

Our strategic partnerships help us reach more clients and customers globally. In the UK, this includes our partnership with Phoenix, the largest life and pensions consolidator in Europe. Through this partnership we manage money on behalf of Phoenix's customers as their asset manager of choice. We have also established a joint venture with Virgin Money – with the ambition to combine their brand, scale and retail distribution with our market-leading investment solutions and digital expertise to meet the needs of retail investors.

We are also working with Skipton Building Society and their customers now have access to a new range of MyFolio Index funds using our Focus Solutions market-leading technologies.

We also have relationships with asset managers in some of the world's largest economies. We benefit from local expertise and together we are able to help drive product innovation and generate greater insights and active opportunities for clients and customers.

# Building enduring relationships

## Our investment capabilities

As an active asset manager, we look for ways to deepen our understanding of clients and customers to meet and exceed their expectations, wherever they are in the world.

To do this we offer products and innovative solutions across a diverse range of asset classes.

### Equities

One of the world's largest active asset managers offering wide ranging equity strategies.

World-leading global fundamental research platform, providing deep company-level insights across a comprehensive suite of equity funds.

Particular strength across developed and emerging markets.

### Fixed income

One of Europe's largest fixed income managers, offering capabilities across the full spectrum of fixed income markets.

Disciplined, research-driven and team-based approach, enabling us to target repeatable outcomes for clients.

Enhanced scale and resources providing a clear information advantage across global bond markets, allowing us to identify the best investment opportunities for client portfolios.

### Multi-asset

Distinct and complementary multi-asset capabilities to meet a broad range of client needs.

Multi-manager and advanced strategies that constrain and control risk.

Scale, experience and structure to harness investment insight globally.

### Private markets

One of the top ten largest managers of private markets (including real estate) assets globally.

Largest real estate manager in the UK and in the top three in Europe.

Capabilities across real estate, private equity, infrastructure, private credit and real assets, helping to deliver flexible solutions to clients.

### Alternatives

Full range of global hedge fund and diversification strategies across the liquidity spectrum following active and passive approaches.

Outcome-orientated portfolios that use a disciplined and proven research-driven investment process.

Highly experienced team in alternative investing supported by global research coverage.

### Quantitative

Experienced team managing assets across a range of strategies: traditional passive indexation, enhanced indexation, smart beta and active quant using artificial intelligence.

One of the first long-only asset managers to offer an active quantitative approach that uses machine learning to find potential sources of returns.

### Cash/Liquidity

Managing assets for a diverse base of institutional clients.

Experienced team, delivering consistent returns through market cycles.

Offering pooled and tailored solutions to meet client needs.



## How we consider clients and customers in strategic decisions: bringing together private markets

We work with our clients and customers to understand what they want from us and put this at the centre of the solutions we develop. Our ability to innovate and connect our different capabilities helps us to deliver better outcomes. This is what has driven our decision to take a fully integrated approach to private markets.

As global markets evolve, we are seeing a greater number of investors shifting assets from public to private markets. Access to private markets is increasingly considered essential to diversifying investors' portfolios, in order to benefit from areas of market growth.

We have a strong heritage in a wide range of private market capabilities. In 2019 we launched an integrated private markets franchise encompassing infrastructure, natural resources, private credit, private equity and real estate.

In combining real estate with the rest of our private markets capabilities, we believe it will help us improve cohesion and collaboration – leading to improved access to growth markets globally and best-in-class performance for clients.

### Scale and growth

- More than 1,000 investment professionals worldwide
- Spanning a broad range of markets, asset classes and strategies
- Deep knowledge of local markets with the power of coordinated global oversight to drive better investment outcomes
- Across a full suite of asset class capabilities, we seek to provide the solutions to our clients at all stages of their investment life cycle
- Targeted approach to growth that concentrates on the markets where we have a strong track record
- Promotion of our strong brands

### Active expertise

We continue to believe that active management and engagement deliver superior outcomes for clients over the long term.

We believe in a connected team-based ethos and fundamental research delivering insights to exploit market inefficiencies.

To deliver solutions for clients and customers that focus on their desired outcomes, rather than on benchmarks, we believe that all investment approaches require active decision-making at some level. This could be through incorporating fundamental discretionary or through systematic quantitative techniques.

### Preparing for Brexit

Our priority is to ensure we are in the best possible position to provide our customers and clients with continuity of service, regardless of the scope and terms of any agreement which takes effect between the UK and the EU when the transition period comes to an end on 31 December 2020.

Arrangements that we have put in place to mitigate any potential disruption include the establishment of a fully staffed and operational EU MiFID firm in Dublin and we have also expanded the activities of our Luxembourg-based management company.

### Responsible investing

For over two decades, we have led the way in embedding environmental, social and governance (ESG) considerations throughout our investment activities.

We encourage collaboration across asset classes, sharing research, experiences and understanding.

Regional investment teams are further supported by our centralised ESG Investment & Stewardship team. We believe that ESG factors have a material impact on a company's long term performance.

Our research process helps us to understand how well investee companies are managing ESG risks and opportunities alongside financial metrics and then whether the market has priced them accordingly. This insight allows us to make better investment decisions, leading to better outcomes for our clients.

In 2019 we were awarded 33 'Green Stars' across the real estate funds we manage by GRESB – the global ESG benchmark for real estate and infrastructure investments. Four funds achieved Five Star status, placing them in the top 20% of their peers. Additionally, three funds achieved the highest ESG performance of their peer group.

More information about our commitment to responsible investing, and the role our company plays in supporting positive change in society, is on pages 22 to 27.

## Platforms and Wealth

**With changes in demographics and regulation, particularly in the UK, individuals are increasingly having to take responsibility for their savings and investments. As they do so, there is an increasing demand for advice and guidance to meet their needs. The financial adviser community has a vital support role to play.**

- We provide financial advisers with intuitive technology to help them run their businesses effectively and efficiently. We innovate and develop platforms and services to keep pace with the changing lives of UK customers, and to help advisers deliver good quality advice in response. This means developing sustainable and scalable solutions that support them to meet their customers' savings goals.
- We also support customers directly to help them make informed and effective financial decisions. Through our UK-based wealth management services, we offer full financial planning and personal tax advice services to meet long-term financial goals.



**As individuals take greater responsibility for their financial future, demand for quality support and guidance increases. We enable advisers to meet that challenge, as well as support customers directly with their planning.**

Keith Skeoch, Chief Executive

### Making it easier for financial advisers

The highly rated and award-winning platforms we offer in the UK provide differentiated services to suit the full range of customer needs.

To help customers with complex investment requirements, Wrap offers financial advisers one of the fullest and most flexible adviser platforms on the market. Combining technology with customer service, it enables advisers to deliver high-quality financial planning to large numbers of customers.

Elevate is a lower-cost proposition for advisers. Elevate provides advisers with the core services to deliver advice at scale, offering an extensive range of investment options from across the market.

Parmenion integrates discretionary investment management, a range of platform services and intuitive technology. It is well suited to advisers who seek to outsource investment decisions and focus on core financial planning. It is intended that Parmenion will also provide the platform to support customers through our joint venture with Virgin Money.

We focus on continually innovating and improving the functionality across our platforms, all with the intent of making them easier for advisers to use. During 2019 we made progress in a number of areas:

- We repriced our Wrap and Elevate platforms and launched our drawdown price lock on Wrap – which allows advisers to lock their customers charges at their lowest level, with customers benefiting from reduced fees throughout their retirement.
- We launched Individually Managed Accounts on the Wrap platform – a cost-effective and scalable solution that, for the first time, allows advisers to personalise investment solutions for individual customers.
- We launched Parmenion's Sterling Solution in response to demand from advisers – whose customers are looking to diversify their portfolio by investing in a low-risk solution that still has the potential for positive returns.

## Leveraging the value of our strategic partnerships

When we completed the sale to Phoenix of our UK and European insurance business in 2018, we created a strategic partnership with Phoenix in respect of our activity in the UK savings market. Wrap, Elevate and 1825 are all part of the Standard Life brand, through which we already have a relationship with millions of individuals throughout the UK, and are key to this strategic partnership.

Our strategic partnership with Phoenix provides us with the potential access to up to 10 million of their customers in the UK. Under our partnership, Phoenix also uses the Standard Life brand under licence from our company.

The partnership creates the potential for us to offer these customers products and services through our Platforms and Wealth channel. These products are complementary to those provided directly by Phoenix, which are typically workplace and individual pensions. The partnership has also created the potential for revenue growth that will allow us to further invest in our capabilities, including how we innovate and develop our offering to advisers and customers.

## Financial advice and planning for individuals

Our financial planning and advice activity is undertaken through 1825, which brings together experienced professionals from across the UK to help people make sound financial decisions and plan effectively for their futures.

During 2019, we completed two acquisitions that accelerated our growth plans and strengthened our UK-wide presence:

- In July, we completed the acquisition of BDO Northern Ireland's wealth management business
- In November, we completed the acquisition of the wealth advisory business of Grant Thornton UK LLP

Combined, these deals resulted in a £1.8bn increase in assets under advice to a total of £5.7bn. 1825 now has over 110 financial planners and increased reach across the UK.

We continue to see strong opportunity for growth in other areas, particularly retirement advice. We announced our digital retirement advice proposition in 2019 and we will continue to develop this in 2020.

## Discretionary investment management clients

Through Aberdeen Standard Capital we provide a discretionary investment management service across the UK and internationally.

Aberdeen Standard Capital manages investment portfolios for private clients, intermediaries acting for clients, charities and trustees, who can use these services either directly or through a professional adviser.

For professional advisers, there is also a managed portfolio service, available via a variety of well-known platforms.

In 2019 we further evolved our responsible investing offering, as we launched Aberdeen Standard Capital's Global Impact Strategy and fossil-fuel-free income unconstrained strategy. These strategies invest in companies whose activities or products are designed to have a positive social and environmental impact.

*Together we invest for a better future means*

engaging with our  
people to create  
a business where  
everyone can thrive

## How we engage with our people

Our people around the world are encouraged to share their views openly and honestly with our leadership team, through our 'In Conversation with' and 'Meet the Board' sessions, as well as their local and department leaders.

In the UK, our people are represented by an Employee Forum which engages with the leadership team on key decisions. Globally, our people can join one of our diverse employee networks or regional inclusion committees.

In 2019 we continued the development of our digital workplace programme. Due to launch in 2020, it represents a modern and intuitive digital interface for our people across the world. Employees' insight is central to the work which will help foster the culture of the business while providing a seamless experience for our workforce.



You can find out more about our employee engagement activities in the Directors' report on page 58 in the Annual report and accounts 2019.

## Building a workplace fit for the future

Extraordinary change in our industry means ongoing change for our people. We must ensure that how we work, our capabilities and the culture we foster are right for today, tomorrow and the future.

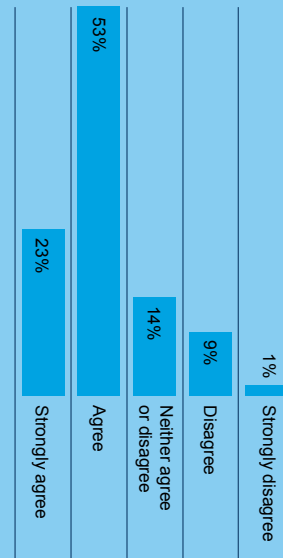
We recognise each of our colleagues is unique and our workforce is drawn from a variety of age groups, family circumstances and career aspirations.

Building an inclusive culture is central to how we operate and our efforts are recognised by our people. We undertook a survey in 2019 to seek views on our inclusive culture. The chart opposite shows the responses from 1,071 of our people. We will reflect their responses in our inclusion activities.

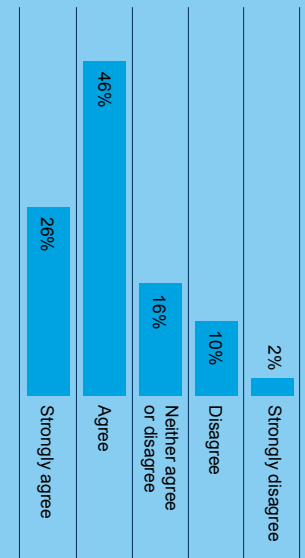


Read more about our approach to diversity and inclusion in our Corporate sustainability report, available on our website [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

I feel I can be myself at work



In my team we make sure our ways of working are inclusive of everyone



## Leading through change and developing our people

In common with most companies, change is constant and leaders at all levels have a critical role in supporting their teams through this change.

Good leadership has great people management as its foundation. In 2019 we have made this a key focus, which we will continue in 2020.

In 2019, employees accessed 66,000 leadership, management and personal development resources.

More than 700 of our managers have benefited from workshops to help them understand what we expect from our people.

In January 2020, we also launched our new system for learning and development, providing an improved experience for our people.

Central to this new proposition is the importance we place on providing access to the training and development to succeed in our organisation.

# All our people contribute to our success

**Our success depends on our ability to retain and attract the right talent to drive business performance.**

## Our employee proposition

In 2019 we undertook significant work to develop our employment proposition in the UK, where the majority of our employees are based, that will enable our people to drive our business forward. It has been the foundation for a new, unified set of UK terms and conditions, which has also been a significant step on our journey towards full integration. We also moved all of our people onto a single HR system for the first time.

Through this piece of work we considered our employment proposition and supporting policies and how to balance our overall offer. Comparisons with our competitors helped us decide where we would choose to be market-leading.

A set of key principles underpinned the detailed development of the new UK terms and conditions and our harmonised policies. As an example it was important that they were fair and consistent, irrespective of how long someone has worked here.

We designed our proposition to support our multi-generational workforce and the upcoming generation that will take our business forward. We are leading the industry in designing a family friendly proposition that is fully inclusive and helps our people to manage their personal and professional responsibilities in a flexible way.



## Our new market-leading parent policy

From 1 January 2020, all of our employees in the UK welcoming a child into their family are entitled to:

- 52 weeks' leave in total
- 40 weeks of full paid leave
- The option to take these 52 weeks as one, two or three periods of leave, during the two years following the birth or placement
- Additional paid leave if they have a pre-term baby

The policy means that the primary caregiver does not have to share their entitlement and end their leave early. The policy applies whether the mother gives birth to the baby, the baby is born via surrogacy, or if the child is adopted. All new parents are eligible, regardless of gender, family set-up or how long they have been at the company.

By equalising the opportunity to take paid leave for parents of all genders, the policy is a tangible step towards ensuring that becoming a parent does not limit their career potential.

The policy has generated positive feedback both from our people and the market. In January 2020 members of the Scottish Parliament lodged a cross-party motion congratulating us on our new parent leave policy.

## Employee feedback

As we reported last year, 69% of our workforce responded to our global employee survey at the end of 2018. The engagement score was 56%.

The main themes that emerged from the survey included the need to improve how we communicate our strategy to colleagues, and how we minimise factors that can prevent people from doing their jobs as effectively as possible.

Positive feedback centred on how our managers lead through change, people feeling able to be themselves at work and our continued focus on all aspects of inclusion.

During 2019, we put actions in place to address this employee feedback. This included a focused programme of internal communications activity to engage our people on our strategy. Our next employee survey, to measure progress, is planned for later in 2020.



**Our purpose, together we invest for a better future, is the North Star for our colleagues that ensures we are truly building a one-team culture across all our businesses and geographies.**

Rose Thomson, Chief HR Officer

### Employee voice at the Board table

The UK Corporate Governance Code has established new requirements for Boards of UK listed companies to set out how employees' views have been considered in Board discussions and decision-making. Melanie Gee is our non-executive Director responsible for leading this work.

In 2019 she set up a Board Employee Engagement Group, which met twice in 2019 and will continue to meet in 2020. The group includes representatives from our UK employee forum, our global employee networks, and our HR function.

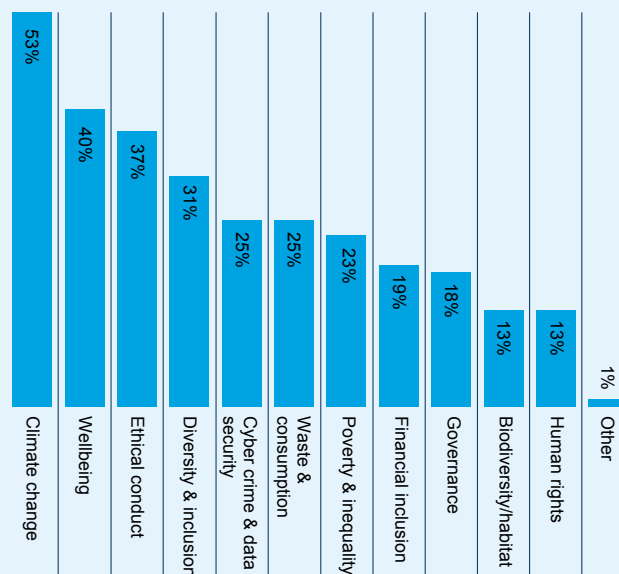
Melanie has implemented a programme of face-to-face activity with non-executive Directors, which has included 'Meet the Board' sessions in Edinburgh, London and Philadelphia.

In tandem, Melanie initiated a series of deep-dive surveys on issues of interest to employees. In 2019 we undertook two surveys focused on ESG and diversity. 1,021 employees responded to the first survey on ESG issues. Climate change came out as the most important issue for our people. You can find out about our response to climate change on page 25.



Read more about Board employee engagement on page 58 in the Annual report and accounts 2019.

### Employees were asked which three ESG themes were most important to them in how we operate as a business



### Gender representation

Balanced representation of men and women is vital to building an inclusive culture and effective business. As part of our HM Treasury Women in Finance Charter pledge, we have set targets for representation of women.

In 2019 our progress was recognised by the Hampton-Alexander Review in which we ranked tenth in the FTSE 100, up from ranking 92nd in 2018. We are pleased with this progress but we are not complacent. We know that sustaining improvement is vital.

A key driver of our gender pay and bonus gaps is the lower number of women in senior roles and the higher number of women in junior roles; and we believe progress against our senior leadership targets will result in a reduction of these gaps.

This is the second year we have disclosed a gender pay gap. Progress has been slow and this pace of change does not meet our aspirations. We are carrying out in-depth analysis to understand where we should be prioritising efforts to make a sustainable and significant change.

**Hampton-Alexander Review 2019**  
10<sup>th</sup> position and most improved company in FTSE 100

### Our Women in Finance Charter targets

Level	Women as % <sup>1</sup>	2020 Target (WiFC)	Change since target set (2017)
Board	45% (5 of 11)	33%	+20%
CEO-1 & CEO-2 <sup>2</sup>	36% (53 of 146)	33% <sup>1</sup>	+9%
Subsidiary directors <sup>3</sup>	40% (8 of 20)	N/A	N/A
UK	46% (2,209 of 4,846)	50% (+/-3%)	-1%
Global	46% (2,861 of 6,213)	50% (+/-3%)	-1%

<sup>1</sup> Data shown as at 7 January 2020.

<sup>2</sup> Targets are set for our senior leadership population CEO-1 and CEO-2 (leaders one and two levels below CEO, minus administration roles).

<sup>3</sup> Relates to Directors of the Company's principal subsidiaries as defined in the Standard Life Aberdeen plc Board Charter and not classified above as Board Directors or CEO-1 or CEO-2.

	Mean pay gap	Median pay gap	Mean bonus gap	Median bonus gap
April 2019	39.5%	31.4%	67.1%	54.2%
April 2018	39.7%	30.6%	69.1%	56.5%



Our full pay gap disclosure and more information about our work on gender equality can be found in our Gender Report [www.standardlifeaberndeen.com/annualreport](http://www.standardlifeaberndeen.com/annualreport)

*Together we invest for a better future means*

championing  
positive change in  
business and society

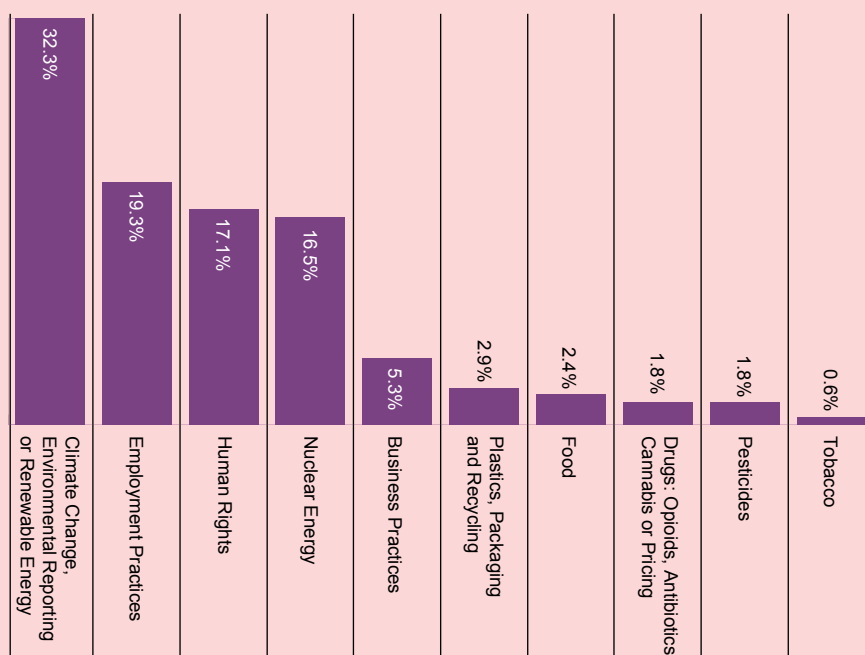


## How we engage with society

At a time when trust in businesses remains low, and people are having to take more responsibility for their own financial futures, it is important that we engage with how today's investment choices can determine the world we live in tomorrow:

- We promote global economic development that is sustainable for the planet and society. As a signatory to the UN Global Compact, we integrate the UN Sustainable Development Goals into our business. These goals offer a clear shared vision for a better future, and a framework that helps us align to client and customer interests.
- We aim to take a lead role in addressing key societal issues, through our investment approach and innovative products and services. An example is impact investing – strategies that seek to generate attractive returns while having a measurable, positive environmental and societal impact.
- We also engage with and support communities and charitable causes – for example, by running programmes that help to promote fair employment and social inclusion
- To protect stakeholder interests, and understand material risks and opportunities we need to address, we collaborate with initiatives both within our industry and more widely
- We worked with an external organisation to gather views of our stakeholders, including our employees and charities, to review our approach to charitable giving. We also carried out a materiality survey to understand the ESG topics that are most important to our stakeholders.

## Shareholder meetings 2019 – environmental and social topics we voted on



As investors, we always pay close attention to the strategy, financial resilience and management performance of the companies in which we invest. We also believe environmental and social factors have a material impact on a company's long-term performance. The number of environmental and social resolutions we voted on in 2019 increased by 26% compared to the previous year. Climate change, environmental reporting and renewable energy topics made up the highest percentage of such resolutions we voted on.



Read more about active engagement at [www.aberdeenstandard.com/responsible-investing](http://www.aberdeenstandard.com/responsible-investing)

## Active stewards and owners

As an active steward of our customers' and clients' capital, we support the principles of good stewardship set out in the UK Stewardship Code. As part of our regular interactions with investee companies, we seek to provide constructive challenge to management and boards.

Voting at shareholder meetings represents one of our most important duties, and we cast our votes in line with our investment views. During the year we voted at 5,193 shareholder meetings, and on 58,839 resolutions.

Unlike certain passive investment strategies, where research may be limited, we review proposed resolutions and where appropriate engage with stakeholders, including proxy advisors, investee companies and the proponents of resolutions, before reaching a decision.

We conduct independent internal research to ensure we are comfortable with our voting positions rather than outsource decisions and simply follow a proxy voting service's recommendations.

# Investing responsibly

**Environmental, social and governance (ESG) investment focuses on active engagement, with the goal of improving the performance of assets we manage around the world.**

There are numerous academic studies and research that examine the relationship between integrating ESG considerations and strong stewardship with investment performance. We believe, supported by strong evidence, that

- Long-term responsible investing is important for all investment managers in order to fulfil their fiduciary duties
- There is no trade-off in terms of financial return
- Funds with strong ESG characteristics, and effective management of material ESG risks, typically are at lower risk of suffering losses

This is consistent with our investment approach in looking to generate sustainable, consistent and positive risk-adjusted returns for clients and customers over the long term.

## Active engagement

We engage actively with investee companies for two core reasons:

- To understand more about company management, which enables us to learn more about a company's strategy and performance
- To encourage best practice and drive change

Through our discussions we share insights from our experiences and knowledge across geographies and asset classes.

We expect the companies in which we invest to be good corporate citizens. Where we believe we need to encourage change we do so through constructive dialogue, engagement, voting, and other stewardship tools depending on the asset class.

In 2019, we challenged, advocated, or made recommendations to companies around the world on topics including climate change and the transition to a low carbon economy, executive remuneration, deforestation, labour practices, plastics recycling and board composition.

## Using our influence

To help encourage best practice where we operate, we are actively involved, directly and indirectly, in the ongoing development of policy initiatives on a broad range of topics, including stewardship, sustainable finance, ESG integration, audit quality, the audit market, gender diversity and climate change.

We participate in a number of influential committees, including the Investment Association's committees on Stewardship and on Sustainable and Responsible Investment. Through our membership of the Stewardship, Market Integrity & ESG investment standing committee – which is part of the European Fund and Asset Management Association – we take an active role in monitoring and seeking to influence European policy developments.

We seek opportunities to engage with policymakers directly by replying to calls for evidence and feedback on policy developments, and also by meeting with officials to discuss changes to policy relating to sustainable finance, ESG integration and corporate governance.

We have also been involved in several policy consultations that have provided opportunities to share information and collaborate within our industry. The purpose of these is to promote the best interests of our clients:

- In the UK, for example, we contributed to consultations in 2019 by the Department for Business, Energy & Industrial Strategy, aiming to improve quality and competition in the audit market
- We also took part in the German Regierungskommission consultation on proposed amendments to the Deutscher Corporate Governance Kodex, which proposes improvements to governance arrangements in German companies



**Our objective is to deliver the best outcomes for our clients and customers, and that is why we make ESG considerations core to our investment approach.**

Euan Stirling, Global Head of Stewardship and ESG Investment



# Our approach to tackling climate change

**The risks of climate change, and the implications for individuals, businesses and investors, are increasing. We believe companies should be transparent on the financial implications of climate change for their business, and set out what action they are taking.**

The Taskforce on Climate-Related Financial Disclosures (TCFD) encourages company disclosure of material climate-related risks and opportunities. We are fully supportive of the recommendations and have published our first TCFD report, detailing our approach.

## Governance

Our Chief Executive is the overall executive lead for our work on climate change. He delegates operational oversight to the Chief Operating Officer and investment oversight to the Chief Investment Officer. We have a working group that addresses the impact of climate change risks and opportunities on our investment activities, and another to ensure we have the governance, strategy and metrics to manage our material climate-related risks and opportunities.

## Strategy

Through our operations and investments, we have a strategy to support the transition to a low-carbon future. We believe that understanding climate-related risks and opportunities leads to better investment decisions. In 2019 we published a report setting out our approach to this, titled 'Climate Change: Our approach for investors'. We also published two white papers for investors: 'Investing in a changing climate' and 'Going Green: A climate policy toolkit for investors'.

Providing climate-related research and data to understand its financial materiality is a core part of our strategy. We have developed capabilities to assess the carbon footprint across our Equity and Credit portfolios. We have also selected a specialist provider to help deepen our understanding of the financial impact of different climate change scenarios on our portfolios.

Operationally, we focus on the material areas of our carbon footprint and have long-term targets to reduce our emissions. We aim to reduce where we can, then offset what remains. We have pledged to offset our entire operational footprint in 2020 by supporting projects around the world that help to reduce carbon emissions – such as renewable energy and social impact projects.

## Risk and opportunity management

We monitor risks and opportunities related to climate change and align these with the TCFD framework. For our investments, we assess the financial materiality of transition and physical risks across regions, sectors and companies. Our aim is to influence and assess which companies will perform well in a low-carbon world, so stewardship and engagement are critical.



## Metrics and targets

We have been measuring our operational carbon footprint since 2006. It is mostly comprised of the energy we use in our buildings and air travel, and the data is independently assured. From a baseline year of 2018, we aim to reduce emissions from our fleet of cars and from energy use in our buildings by 50% by 2030, and our energy use in Megawatt hours (MWh) by 30% by 2030. We also pledge to procure 100% renewable electricity at the offices we operate across the globe by the end of 2020.

Our total greenhouse gas emissions are down 39% in comparison to 2018. Greenhouse gas emissions from our fleet and energy use are down 32%, and energy use (MWh) is down by 33%.

Having reliable climate-related data is critical to effective investment decisions. We currently provide a carbon footprint for portfolios in Equities, Fixed income and Real estate. This helps identify carbon-intensive companies and drive corporate engagement, but has limitations as a backwards-looking measure. As of 2020 we introduced an ESG House Score for each listed company to create a consistent framework for analysing and communicating our ESG company views across our listed company investments. One quadrant of the scorecard is climate change, providing both backward (carbon footprint) and forward looking data (such as targets and projects) to assess a company's response to its climate risks.



Read more in our TCFD report, available on our website [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

## Operational greenhouse gas emissions – Continuing operations

	2019			2018		
	Location-based (tonnes CO <sub>2</sub> e) <sup>1</sup>	Market-based (tonnes CO <sub>2</sub> e) <sup>2</sup>	MWh <sup>1</sup>	Location-based (tonnes CO <sub>2</sub> e)	Market-based (tonnes CO <sub>2</sub> e)	MWh
Scope 1	1,784	1,784	6,420	2,667	2,667	10,201
Scope 2	4,807	2,147	17,109	7,069	4,376	24,908
Scope 3	13,078	12,870	–	22,482	22,106	–
<b>Greenhouse gas emissions</b>	<b>19,669</b>	<b>16,801</b>	<b>23,529</b>	<b>32,218</b>	<b>29,149</b>	<b>35,109</b>
<b>Tonnes CO<sub>2</sub>e/FTE ratio</b>	<b>3.2</b>	<b>2.7</b>	<b>3.8</b>	<b>5.2</b>	<b>4.7</b>	<b>5.7</b>

<sup>1</sup> 2019 emissions data have been independently assured by Bureau Veritas. Bureau Veritas assurance can be found at [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

<sup>2</sup> Emissions have been calculated using renewable energy contracts, residual mix emissions factors for European sites, and grid mix emissions factors for all other sites.

# Working collaboratively for a better society

**We want to drive meaningful social and environmental change, but we know we cannot do this alone. Collaborating with others is key to delivering innovative solutions that address key societal issues.**

We are taking direct action relating to a number of the UN's 17 Sustainable Development Goals (SDGs). SDG 17, Partnerships for the Goals, underpins everything we do as we believe collaborating with others enables greater impact. We work to understand the material risks and opportunities for our business and stakeholders, and link up with others to take targeted action – whether as part of investor groups or in multi-partner charity projects.

We believe that people have a right to equality of opportunity, for work to pay fairly, and to find routes out of poverty. Promoting fair work and inclusive employment is an area of particular focus for us, and aligns with SDG 8 – Decent Work and Economic Growth.

## Living Hours

Our company is one of four organisations piloting the Living Wage Foundation's 'Living Hours' programme. Living Hours provides a new standard for ensuring more certainty over working hours, and more predictable work patterns and pay. It calls on employers to provide the right to fair notice periods, and contracts offering guaranteed minimum hours of work unless the worker requests otherwise.

Our company has also been part of the Living Wage Foundation's steering group, providing strategic guidance on this project.

## Big Issue Invest

We aim to provide investment strategies that reflect society's concerns about key issues, and promote societal as well as financial returns.

We collaborate with Big Issue Invest, the social investment arm of The Big Issue, and an example of our work with them is our UK Impact Employment Opportunities Equity Fund. The fund aims to promote 'decent jobs' – stable employment, with wages that enable people to live at a socially acceptable standard, and opportunities for learning and progression – particularly in the UK's most deprived communities.

In 2019 we published the fund's first annual report assessing the impact it has made since it was launched in 2018, which highlights the positive progress the fund is making towards its societal aims. A percentage of the fund's annual management charge also goes to Big Issue Invest, to help finance social enterprises that deliver business solutions to social problems.

 Read more in our Corporate sustainability report, available on our website [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

## Our impact through charitable giving

During 2019 we reviewed the social and environmental impact of our approach to charitable giving. Combined with data from measurement of past community investment programmes and philanthropy, we conducted stakeholder interviews and analysed activities taking place externally.

Some of our key charity partnerships in recent years have highlighted the significant value they get from our strategic support and in-kind expertise. These include:

- Career Ready and The Prince's Trust in the UK – which focus on building skills and confidence in young people, to help break down barriers to employment
- Primary school breakfast clubs in the UK and MANNA, a nutrition services provider in the USA – which help to support wellbeing and social inclusion
- AbleChildAfrica, a UK charity that works with local partners in Africa to improve the lives of children with disabilities.

Additionally, there is clear demand from our people and the public for us to do more to respond to climate and ecological breakdown. We aim to reflect the insights built up in our new social and environmental impact strategy later in 2020.

We are also committed to maintaining our charitable contribution at a consistent level, both directly and through the Standard Life Aberdeen Charitable Foundation.



**£3.4m** total charitable contribution in 2019  
(2018: £3.2m)

**17,921** total number of volunteering hours donated by our people in 2019  
(2018: 15,118)

# A responsible business

## Global code of conduct

Our global code of conduct, which details the standards of behaviour we expect in our business, is reviewed and updated annually. All our employees are required to read, agree and adhere to the principles of the code which focuses on doing the right thing and putting our clients and customers at the heart of our business.

In 2019, 100% of employees confirmed they understand and will comply with the code. Reminders are sent to individuals who have not completed the confirmation and these are escalated through line management. A six-monthly report is presented to our Conduct and Conflicts Committee. If employees have any concerns relating to issues covered by the code such as bribery and corruption, environmental or human rights issues, we encourage them to speak to their manager in the first instance. If they feel they cannot raise their concern in this way, or wish to raise it anonymously, we provide an independent and confidential hotline that they can use.

## Working with our suppliers

We aim to build effective and supportive relationships with our suppliers. Our supplier code of conduct sets out the standards and principles we require our suppliers to follow, and that we expect them to demand from their own supply chains.

We also recognise the importance of prompt payment. Our organisation has gone through significant change and bringing together two businesses has meant operating two finance systems. Whilst in general our payment turnaround times have been maintained within Prompt Payment Code requirements, for one of our entities we have fallen short of the standards we committed to. We have put actions in place to put this back on track. We are moving to one combined payment system with well-defined supplier terms. This will include a renewed commitment to our policy of prompt payment.

## Modern slavery statement

We want to do all we can to help tackle human trafficking, forced labour, bonded labour and child slavery. We worked to raise awareness of modern slavery issues with a new employee training module in 2019, which was completed by 92% of employees, and we continue to encourage good practices among our suppliers and the companies in which we invest. Our 2019 statement and outcomes are published on our website, reinforcing our commitment to this important issue.

## Human rights policy

Our policy summarises our approach to identifying and upholding the human rights of our people, clients and customers, community and those impacted by our suppliers, partners and the companies we invest in. As an investor, we assess the management of human rights impacts and engage when appropriate to highlight issues and promote good practice. We publish the outcomes of our ESG engagements with investee companies in a quarterly summary available on our website.

## Financial crime prevention

We have a zero-tolerance approach to financial crime, bribery and corruption. Policies, frameworks and controls are in place to help ensure that we only receive or pay money to or from clients, third parties, partners and suppliers that we've identified as suitable to do business with. Mandatory annual training is held for our employees, which requires passing a test that confirms their understanding of both our policies and the part our people play. We also maintain a register for gifts and entertainment we receive or provide. Processes for reporting and reviewing breaches of our policies are in place. In 2019 we had no breaches. Further information on our approach to managing the risk of fraud and financial crime is included within the Risk management section.

## Non-financial information statement

Standard Life Aberdeen aims to comply with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. This information is intended to help stakeholders better understand how we address key non-financial matters. This aligns with the work we already do in support of the Taskforce on Climate-Related Financial Disclosures, UN Global Compact and UN Sustainable Development Goals. Further details of the activities we undertake in supporting these frameworks is available in our Corporate sustainability report. Details of our principal risks and how we manage those risks are included in the Risk management section.

Reporting requirement	Relevant policies and publications	Where to find more information
<b>Environment</b>	<b>Our approach to climate change</b>	Our role in society (page 25)
<b>Employees</b>	<b>Global code of conduct<sup>1</sup></b>	Our role in society (page 27)
	<b>Gender representation</b>	Our people (pages 19 to 21)
	<b>Anti-bribery and corruption</b>	Our role in society (page 27)
<b>Human rights</b>	<b>Human rights policy<sup>1</sup></b>	Our role in society (page 27)
	<b>Modern slavery statement<sup>1</sup></b>	Our role in society (page 27)
<b>Social matters</b>	<b>Our impact through charitable giving</b>	Our role in society (page 26)
	<b>Supplier code of conduct<sup>1</sup></b>	Our role in society (page 27)
<b>Other matters</b>	<b>Business model</b>	Our stakeholders and business model (pages 10 to 11)
	<b>Non-financial KPIs</b>	Highlights (Inside front cover) Our role in society (page 25)

<sup>1</sup> Group policy published on our website at [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport)

*Together we invest for a better future means*

creating long-term  
sustainable value  
for shareholders

## How we engage with our investors and shareholders

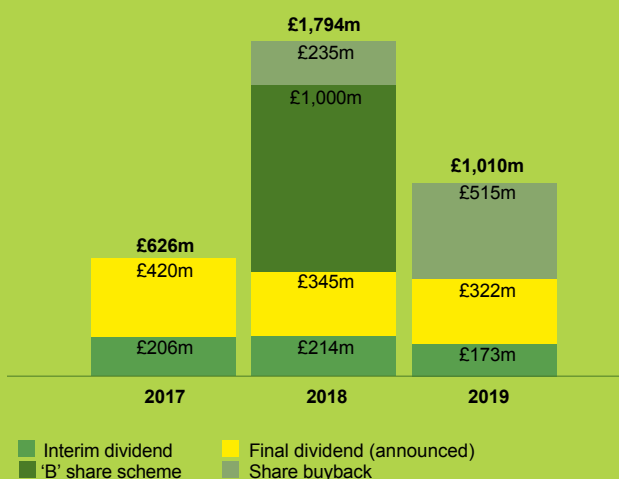
We have an extensive programme of investor engagement involving Directors and members of our executive leadership team. This includes meeting with institutional investors, fund managers, analysts and shareholder representative groups to discuss a wide range of topics including business strategy, financial performance, operational activities and corporate governance.

We are equally committed to the interests of our one million individual retail shareholders, engaging through a variety of channels including regular direct communications, the information that we publish on our website and a dedicated shareholder phone line.



Read more about how we engage with shareholders on page 59 in the Annual report and accounts 2019.

## Using strength of balance sheet to create value for shareholders



**“Our strong capital position has enabled us to reward shareholders through the period of transformation of the business.”**

As well as the payment of regular dividends, we have also returned an additional £1.75bn to shareholders during 2018 and 2019 through the 'B' share scheme and the share buyback programme. On 7 February 2020 we announced a further share buyback of up to £400m.



Read more on page 41.

## The strength of our capital position and balance sheet supports ongoing investment in the business and continuing returns to shareholders

### Investing in the business:

- Growing our platforms and wealth proposition
- Enhancing our investment capabilities and global coverage
- Attracting, retaining and developing talented people

### Continuing returns to shareholders:

- Maintaining dividend through period of transformation
- Over £1bn returned to shareholders in 2019
- Creating strong capital surplus and distributable reserves

## +162%

Total shareholder return over 10-year period to 31 December 2019 (FTSE 100: +104%)

## £1.7bn

Group capital surplus

## £2.3bn

Distributable reserves

# Key source of further shareholder value

We have significant and valuable investments in leading companies in the UK, India and China. As well as representing substantial potential for future growth and giving insight into important markets, these investments are a source of earnings and dividends, further strengthen our balance sheet and provide a strong source of value for shareholders.

## Phoenix



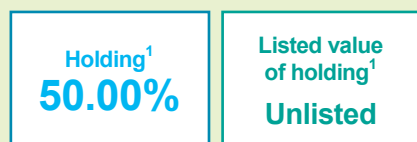
- We are asset manager of choice for Phoenix (£146bn of AUM)
- Potential for new asset management mandates from further Phoenix acquisitions
- Provides Platforms and Wealth access to up to 10m potential customers

## HDFC Asset Management



- Leading asset manager in India, one of the world's fastest growing markets
- Potential collaboration opportunity as investor behaviours and regulations change
- Sale of 3.02% for £0.2bn in 2019 – further reduction in stake required to achieve 25% required free float by August 2021 (free float currently c20%)

## Heng An Standard Life



- Long-term strategic opportunity through exposure to the pensions market in China which is expected to grow significantly
- Approval obtained in Q1 2019 to form a pensions company
- Potential collaboration opportunity to use our investment expertise with HASL

## HDFC Life



- Consistently ranked in top three private life insurers in India
- Sale of 14.49% for £1.5bn in 2019
- Intention to monetise holding over time – 9% of holding locked-up until end March 2021; 5.73% unrestricted

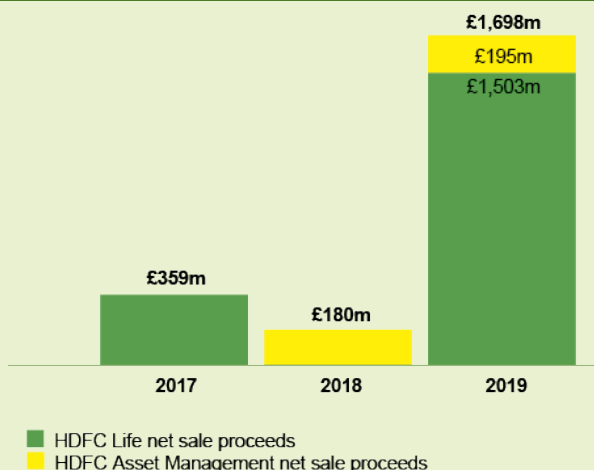
<sup>1</sup> As at 9 March 2020.

## Realising the value of our listed investments

The successful public listings of HDFC Life in 2017 and HDFC Asset Management in 2018, resulted in greater transparency of the value of these investments.

During 2019, we reduced our stake in HDFC Life through sales totalling 14.49%, realising £1.5bn of net proceeds. We also sold a 3.02% share of HDFC Asset Management.

Over the last three years we have generated total cash proceeds of £2.2bn which allows us to invest for future business growth and deliver returns to shareholders.





# Our investment case

## Transforming today, investing for tomorrow

We are transforming our business and continue to invest for future growth.

We aim to:

Increase diversification into growth areas to drive overall revenue growth

Continue to reduce and alter our cost base

This will allow us to drive growth in future earnings and cash generation. Combined with our strong balance sheet, with potential for further stake sales of listed associates – supports ongoing investment in innovation, technology and our people. This is aligned with our strategic priorities for growth and to generate sustainable dividends and returns to shareholders.

## Drivers of our business

We believe that we are well positioned for future growth.

### Asset management

AUM<sup>1</sup>  
**£469bn**

- Active asset management for institutional and wholesale clients
- Offering innovative investment solutions at scale across four regions

### Platforms and Wealth

AUMA<sup>1</sup>  
**£86bn**

- Advisory and platforms services for intermediaries and individuals
- Award-winning customer service across UK market

### Associates and JVs

Value<sup>2</sup>  
**£4.3bn**

- Strategic benefits for accessing customers
- Managed for capital realisation and efficiency on the balance sheet

<sup>1</sup> Stated prior to eliminations.

<sup>2</sup> Listed value as at 9 March 2020.

# The foundation for long-term growth

## Our strategic drivers



### High impact intelligence

Harness our intellectual capital, emotional intelligence and data to generate best in class impact.



### Enduring relationships

Deepen our understanding of customers and clients to ensure we exceed their expectations and build relationships that last.



### Connections without borders

Bring the best of our business to all our markets by constantly connecting our people, capabilities and assets to deliver a seamless proposition.



### Future fit

Build a strong organisation, positioned for growth and ready to anticipate and meet the challenges of tomorrow.

## 2019 progress

- Gained industry recognition for our investment capabilities, including winning Asset Management Innovation of the Year at the 2019 Financial News Asset Management Awards
- Launched innovative new technology on Wrap platform – Individually Managed Accounts
- Partnered with Asian Infrastructure Investment Bank to drive ESG investing and develop sustainable debt capital markets in emerging Asia
- Developed our global ESG offering by more deeply embedding it into our proposition to meet client and customer demand
- Won industry awards across all three of our UK platforms recognising our service to clients and customers
- Lower fee based revenue in 2019 reflected continued net outflows which were impacted by investor sentiment, as well as weaker 2018 investment performance in both Equities and Multi-asset
- Established joint venture with Virgin Money, which will aim to serve UK retail customers by combining a unique mix of Virgin Money's brand, scale and retail distribution expertise with our market-leading investment solutions
- Significantly strengthened our private markets and real estate franchise globally
- Refreshed the 1825 visual identity to create a closer association with the valuable Standard Life brand, strengthening 1825's brand positioning in the marketplace
- Collaborated across our EMEA business to put robust arrangements in place to mitigate any impact of Brexit on our clients, customers and operations
- Heng An Standard Life was granted approval to establish and develop a pensions business in China
- Achieved key integration milestones: employees are now co-located, and we are making strong progress towards one common IT platform with employees now on the same human resources and risk management systems
- Experienced delays in the integration of our investment platform due to additional complexity resulting from the separation of technology infrastructures
- Continued to expand our 1825 advice business with two further acquisitions completed in 2019
- Introduced a new price lock on the Wrap platform, an innovative approach for customers utilising income drawdown

## Performance highlights

### Investment performance KPI

1 year: 74% 2018: 47%  
 3 years: 60% 2018: 50%  
 5 years: 67% 2018: 62%



### Fee based revenue KPI

£1,634m 2018: £1,868m

### Net flows

Excl. Lloyds Banking Group  
 £17.4bn outflow  
 2018: £40.9bn outflow



### AUMA

£544.6bn 2018: £551.5bn

### Gross inflows

£86.2bn 2018: £75.2bn



### Cost/income ratio KPI

71% 2018: 68%

### Adjusted profit before tax KPI

£584m 2018: £650m

### IFRS profit/(loss) before tax KPI

£243m 2018: (£787m)



## Focus for 2020 and beyond

- Further expand our capabilities, including next generation fixed income, sustainable development equity funds and enhancements to our quantitative and systematic investing franchise
- Develop market-leading digital capability to provide digital advice at retirement
- Deliver a global, integrated investment platform

- Optimise performance for our chosen channels: Institutional, Wholesale, Strategic insurance, Platforms and Wealth – in order to drive profitable growth
- Continue to develop trusted client relationships at a local level through our investment centres worldwide
- Enable the technology strategy that will deliver the digital needs of the business for engaging with clients and customers
- Leverage UK strategic partnerships to grow retail business and access new customers

- Drive accelerated growth and increase flows through combining proven capabilities in platforms and wealth channel
- Continue to embed our group-wide culture and the agreed behaviours that have been collectively identified by our leaders in order to drive successful team performance
- Further develop modern working practices to enhance efficiency and the work environment
- Build increased connectivity between teams to enable delivery of shared strategic priorities

- Complete integration and platform activity, and progress Phoenix separation activity to ensure that we are 'fit for growth'
- Focus on operational efficiency and cost control through the implementation of our simplified global operating model
- Seek further opportunities to grow and diversify our business, including by selective bolt-on acquisitions
- Further improve scalability of our platforms to benefit from industry growth in this channel

### Key risks

Read more about risk management on pages 44 to 48.

- 1 Strategic risk
- 2 Financial risk
- 3 Conduct risk
- 4 Regulatory and legal risk
- 5 Process execution and trade errors
- 6 People
- 7 Technology
- 8 Business resilience and continuity
- 9 Fraud and financial crime
- 10 Change management
- 11 Supplier risk
- 12 Financial management process

# Focus on profitable growth and financial discipline



Stephanie Bruce

“  
We continue to focus on financial discipline through a period of change internally and as a result of the impact of ongoing external pressures. We have intensified our focus on profitable growth to ensure the business is fit for our future strategies.  
”

2019 has been a busy year across the business:

- The focus on delivering value for clients has generated much improved investment performance across one, three and five-year benchmarks and we have enhanced our focus on client and customer service. These have contributed to the improving trend in the pattern of flows into and from the business.
- We are seeing growth in new services and from past investments
- We have continued to progress with the transformation activity, which incorporates both the aspects arising from the corporate transactions in 2017/18, and the development of the business in line with our strategic priorities for success in these more volatile market conditions
- We have invested in the business to support new opportunities which align to our strategic priorities, including growing our Platforms and Wealth proposition, enhancing our investment capabilities and global coverage and attracting, retaining and developing talented people
- We have realised value from our listed investments in India which has benefited our balance sheet
- We have completed the £750m share buyback programme

#### IFRS profit benefited from India stake sales:

We delivered IFRS profit before tax from continuing operations of £243m in 2019, an increase of £1bn from the loss of £787m in 2018. This principally reflects the gains realised from the sale of shares in HDFC Life and HDFC Asset Management of £1.5bn. In addition, the arbitration case with Lloyds Banking Group (LBG) was resolved in our favour, resulting in receipt of compensation of £140m. In 2019 there was an asset management goodwill impairment of £1,569m (2018: £880m) partly offset by a reversal of the impairment relating to our investment in Phoenix of £243m (2018: loss on impairment £228m).

#### Looking forward we will continue to focus on:

- Diversification of revenue streams to drive profitable growth
- Ensuring our cost base is future fit
- Capital generation to support investment in the business and shareholder returns

The following commentary provides more detail on our financial results.

#### Alternative performance measures

We assess our financial performance using a variety of measures. Some of these measures are defined under IFRS such as IFRS profit. Others, such as adjusted profit, are not defined under IFRS and are therefore termed alternative performance measures (APMs). APMs are used to help provide a fuller understanding of the performance of our business.

APMs should be read together with the Group's IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section in the Annual report and accounts (ARA) 2019. Further details on alternative performance measures including reconciliations to relevant IFRS metrics are provided in the Supplementary information section in the ARA 2019.

Key performance indicators	2019	2018
Fee based revenue	<b>£1,634m</b>	£1,868m
Investment performance – 3 years <sup>1</sup>	<b>60%</b>	50%
Cost/income ratio <sup>2</sup>	<b>71%</b>	68%
IFRS profit/(loss) before tax <sup>2</sup>	<b>£243m</b>	(£787m)
Adjusted profit before tax <sup>2</sup>	<b>£584m</b>	£650m
Adjusted diluted earnings per share <sup>2,3</sup>	<b>19.3p</b>	17.8p
Full year dividend per share	<b>21.6p</b>	21.6p

Other financial highlights	2019	2018
Gross inflows	<b>£86.2bn</b>	£75.2bn
Net flows		
Excluding LBG <sup>4</sup>	<b>(£17.4bn)</b>	(£40.9bn)
Total	<b>(£58.4bn)</b>	(£40.9bn)
Assets under management and administration	<b>£544.6bn</b>	£551.5bn
Diluted earnings per share (including discontinued operations) <sup>2,3</sup>	<b>11.1p</b>	29.1p

All figures are shown on a continuing operations basis unless otherwise stated.

Adjusted profit before tax of £584m is a decrease of 10% on 2018, reflecting principally the impact on revenue of the outflows in both 2018 and 2019. The fee based revenue decrease of 13% has been driven by a 19% reduction in revenue in the institutional and wholesale channels, with revenue in Platforms and Wealth channel increasing by 4%. Revenue has been adversely impacted by flows and margin, partly offset by a benefit from markets.

- Continued net outflows are disappointing, however the trend is improving. In 2019, net outflows reflect the expected LBG tranche withdrawal of £41bn. Excluding this item, net outflows reduced by 57% on 2018 to £17bn and H2 2019 net outflows of £1.5bn was an improvement of 91% on H1 2019 of £15.9bn. This trend includes the benefit of both the continued strengthening of investment performance, albeit there is a time lag until such improvements are reflected in flows, and the continued high levels of client and customer service we provide. Stronger investment performance also contributed to an increase in revenue from performance fees to £37m (2018: £9m).
- On margins, the overall average revenue yield has decreased to 27.9bps (2018: 31.1bps) which principally reflects the lower proportion of assets that we manage for our clients in Equities and Multi-asset
- Fee based revenue, particularly in relation to equities, benefited from positive market movements. The average daily MSCI World Index was 2% higher in 2019 than 2018.

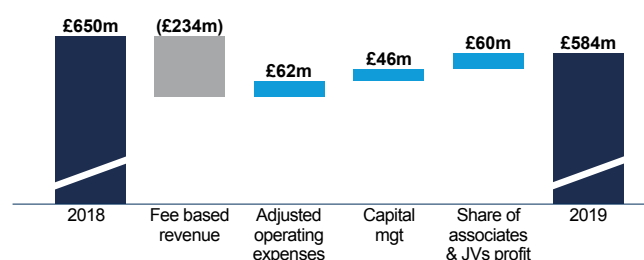
Adjusted operating expenses are 4% lower than 2018. We are undertaking a targeted cost reduction programme of which more details are provided below and also continuing to invest in the business to support future sustainable growth. However, our cost income ratio at 71% remains too high, reflecting the fact that our cost base has a high proportion of fixed costs. Our focus will continue on reducing and altering our cost base as we reshape our business in order that it is set up to take advantage of the trends impacting our industry globally.

Adjusted diluted earnings per share was 19.3p. We have continued to deliver value to shareholders through a substantial return of capital which continues to benefit earnings per share. This includes £515m returned in 2019 in respect of the previously announced £750m share buyback programme which completed in 2019. On 7 February 2020, we announced a further share buyback of up to £400m and expect that it will complete in the second half of 2020.

With the proposed final dividend of 14.3p, the full year dividend per share will be the same as 2018. This is aligned with the Board's stated intention for the period of transformation.

Adjusted profit before tax from continuing operations	2019 £m	2018 £m
Fee based revenue	<b>1,634</b>	1,868
Adjusted operating expenses	<b>(1,333)</b>	(1,395)
Adjusted operating profit	<b>301</b>	473
Capital management	<b>37</b>	(9)
Asset management associates and joint ventures	<b>57</b>	46
<b>Asset management, Platforms and Wealth</b>	<b>395</b>	510
<b>Insurance associates and joint ventures</b>	<b>189</b>	140
<b>Adjusted profit before tax</b>	<b>584</b>	650

#### Analysis of adjusted profit before tax



<sup>1</sup> Percentage of AUM above benchmark. Calculated on a Pro forma basis and gross of fees. A full definition is included in the Glossary on page 66.

<sup>2</sup> The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer to the basis of preparation section of the Group financial statements in the ARA 2019.

<sup>3</sup> In accordance with IAS 33, earnings per share has not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the year ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Group financial statements in the ARA 2019 for information relating to the calculation of diluted earnings per share.

<sup>4</sup> Net outflows excluding LBG do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Note 5 of the Group financial statements in the ARA 2019.

## Asset management, Platforms and Wealth

Reduction in revenue reflects impact of net outflows in Institutional and Wholesale. Positive impact of synergies on operating expenses.

Revenue analysis	Fee based revenue		Fee revenue yield	
	2019 £m	2018 £m	2019 bps	2018 bps
Institutional and Wholesale	1,011	1,253	42.8	47.9
Strategic insurance partners	317	347	12.2	13.1
Platforms and Wealth				
Wrap and Elevate	150	142	25.3	25.6
Wealth <sup>1</sup>	107	105	48.4	57.5
<b>Fee revenue<sup>2</sup></b>	<b>1,585</b>	<b>1,847</b>	<b>27.9</b>	<b>31.1</b>
SL Asia	12	12		
Performance fees	37	9		
<b>Fee based revenue</b>	<b>1,634</b>	<b>1,868</b>		

<sup>1</sup> Wealth fee revenue yield calculation excludes revenue of £13m (2018: £16m) for which there are no attributable assets.

<sup>2</sup> Restated to include revenue and assets under advice relating to our 1825 advice business. Previously AUMA excluded assets under advice.

### Fee based revenue

#### Institutional and Wholesale

Fee based revenue in Institutional and Wholesale reduced by 19% to £1,011m (2018: £1,253m) reflecting outflows which were concentrated in Equities and Multi-asset. The average fee revenue yield decreased to 42.8bps (2018: 47.9bps), reflecting the lower proportion of higher margin Multi-asset and Equity assets.

Performance fees, which primarily relate to Institutional and Wholesale, increased to £37m (2018: £9m) reflecting improved investment performance and included £12m in relation to maturing Real estate funds.

#### Strategic insurance partners

Revenue from Strategic insurance partners reduced to £317m (2018: £347m) as a result of net outflows, in particular the £41bn LBG tranche withdrawals.

#### Platforms and Wealth

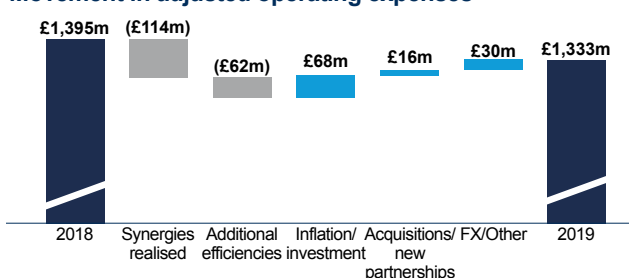
Platforms and Wealth comprises our Wrap and Elevate platforms, our Parmenion discretionary investment management platform, our 1825 financial planning and advice business, and the Aberdeen Standard Capital discretionary investment management business. It also includes assets relating to our joint venture with Virgin Money which will utilise Parmenion platform technology.

Revenue from Wrap and Elevate increased by 6% to £150m (2018: £142m) reflecting the continuing growth in our platform offering.

Wealth fee based revenue increased to £107m (2018: £105m) largely due to higher average assets. The average revenue yield decreased to 48.4bps (2018: 57.5bps), as a result of £3.5bn of lower margin assets in this channel from Virgin Money in Q1 2019.

### Adjusted operating expenses

#### Movement in adjusted operating expenses



Adjusted operating expenses decreased by 4% to £1,333m (2018: £1,395m) mainly due to further synergies of £114m which included lower staff, premises and infrastructure costs arising through the ongoing integration process. In addition we realised further efficiencies of £62m from investing in transforming our business, from improving the efficiency of how we work and enhancing our infrastructure.

Cost inflation of £68m includes wage inflation as well as investment in enhanced capabilities. There were also £16m of higher costs following acquisitions in our 1825 advice business, acquisitions in the US and Asia during 2018 and early 2019, and expenses relating to our new partnership with Virgin Money.

The cost/income ratio, which includes our share of associates' and joint ventures' profit, was 71% (2018: 68%) reflecting principally the fall in revenue. Excluding our share of associates' and joint ventures' profit, the cost/income ratio was 82% (2018: 75%).

We remain focused on financial discipline and actions are underway to align our cost base to the current revenue outlook. This includes completion of the integration activity and modernising and improving the efficiency and scalability of our Platforms and Wealth business.



Further information on the fee revenue yield is included in the Supplementary information section in the ARA 2019.

## Synergies

We have made solid progress with the integration and we are advanced in implementing our simplified operating model. We now expect to deliver £400m of annual synergies, £350m by end of 2020 and an additional £50m during 2021.

However, the integration of our investment platform is proving more complex and is now expected to take until 2021 to complete due to additional complexity resulting from the separation of technology infrastructures required following the sale of our UK and European insurance business to Phoenix.

As at 31 December 2019, actions have been taken which will deliver £283m of annualised synergies, benefiting 2019 operating expenses by £234m (2018: £120m) with further benefits to come in 2020 and 2021. Cost synergies have been realised from a reduction in staff costs, rationalisation of premises, and efficiencies in supplier spend.

The related implementation costs, which are included in restructuring expenses, incurred to date are £436m, of which £214m were incurred in 2019. We expect that the total costs to deliver the £400m of annualised synergies will be £555m, compared to the previous estimate of £430m to deliver £350m of synergies, reflecting additional costs relating to the investment platform integration.

## Capital management

Capital management generated a profit of £37m (2018: loss £9m) mainly due to the positive impact of markets on pooled investment fund holdings and the benefit of lower finance costs following the repurchase of £408m of subordinated debt in 2019.

## Asset management associates and joint ventures

Our share of profit from asset management associates and joint ventures increased to £57m (2018: £46m) due to strong revenue growth in HDFC Asset Management.

Our percentage ownership of HDFC Asset Management at 31 December 2019 reduced to 26.91% (2018: 29.96%) due to the sale of 3.02% of the shares in December 2019 in order to increase the public shareholding towards the minimum required under Indian listing rules by August 2021. This sale generated net cash proceeds of £195m.

## Insurance associates and joint ventures

	Ownership at 31 Dec 2019 %	2019 £m	Ownership at 31 Dec 2018 %	2018 £m
Phoenix	19.97	136	19.98	86
HDFC Life	14.73	36	29.23	42
HASL	50.00	17	50.00	12
<b>Adjusted profit before tax</b>		<b>189</b>		<b>140</b>

Adjusted profit before tax in our insurance associates and joint ventures increased by 35% to £189m (2018: £140m) mainly due to the inclusion of a full 12-month share of Phoenix adjusted profit in 2019 arising from our stake in Phoenix following the sale of our UK and European insurance business on 31 August 2018. Our share of Phoenix adjusted profit before tax included a reduced benefit from actuarial assumption changes of £30m (2018: £42m).

HDFC Life profits increased in 2019 due to strong premium growth. However, our share of profits decreased to £36m (2018: £42m) due to the reduction in our shareholding from 29.23% to 14.73%. Our combined sales of 14.49% of HDFC Life generated net cash proceeds of £1.5bn.

Our share of HASL profits increased to £17m (2018: £12m) mainly due to favourable investment returns.

## Profitability

**IFRS profit before tax from continuing operations increased to £243m (2018: loss £787m) mainly due to the gain on sale of shares in both HDFC Life and HDFC Asset Management.**

IFRS profit	2019 £m	2018 £m
Adjusted profit before tax	584	650
Adjusting items	(333)	(1,397)
Share of associates' and joint ventures' tax expense <sup>1</sup>	(8)	(40)
<b>Profit/(loss) before tax from continuing operations</b>	<b>243</b>	<b>(787)</b>
Tax expense	(28)	(43)
<b>Profit/(loss) for the year from continuing operations</b>	<b>215</b>	<b>(830)</b>
Profit attributable to non-controlling interests	(5)	(5)
<b>Profit/(loss) for the year from continuing operations attributable to equity shareholders of Standard Life Aberdeen plc</b>	<b>210</b>	<b>(835)</b>
IFRS profit from discontinued operations	56	1,665
<b>Profit for the year attributable to equity shareholders of Standard Life Aberdeen plc</b>	<b>266</b>	<b>830</b>

<sup>1</sup> 2019 includes £38m (2018: £3m) relating to a tax credit on adjusting items.

Adjusting items are shown in the table below.

The profit on disposal of interests in associates of £1,542m includes £1,337m relating to the combined sales of 14.49% of the shares in HDFC Life and £204m, pre-tax, from the sale of 3.02% of the shares in HDFC Asset Management.

Restructuring and corporate transaction expenses were £407m (2018: £239m) primarily reflecting ongoing transformation costs for integration, separation from Phoenix, and implementing our simplified operating model. 2019 also included £49m relating to the repurchase of subordinated debt. Further details on restructuring and corporate transaction expenses are provided in the Supplementary information section in the ARA 2019.

The amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts increased to £1,844m (2018: £1,155m) mainly due to the £1,569m (2018: £880m) impairment of the asset management goodwill intangible asset in 2019. The impairment reflects the impact of 2019 net outflows, market conditions and competitive pricing on future revenue projections and excludes expected significant benefits from planned future expense savings. Further details are provided in Note 15 of the Group financial statements in the ARA 2019.

The reversal of impairment of associates of £243m relates to our investment in Phoenix. The Phoenix share price has recovered in 2019 and the impairment recognised in 2018 has therefore been reversed. Further details are provided in Note 16 in the ARA 2019.

Investment return variances and economic assumption changes loss of £25m relates to our share of Phoenix adjusting items. Further details are provided in Note 13 in the ARA 2019.

Other adjusting items of £158m include £140m relating to the settlement of arbitration with LBG. Restructuring and corporate transaction costs above include £20m of variable compensation funded from the settlement.

Analysis of adjusting items	2019 £m	2018 £m
Profit on disposal of interests in associates	1,542	185
Restructuring and corporate transaction expenses	(407)	(239)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(1,844)	(1,155)
Reversal of/(loss on) impairment of associates	243	(228)
Investment return variances and economic assumption changes	(25)	54
Other	158	(14)
<b>Total adjusting items from continuing operations</b>	<b>(333)</b>	<b>(1,397)</b>

### Settlement of arbitration with Lloyds Banking Group/ Scottish Widows

On 24 July 2019, the Group announced that it had agreed a final settlement with LBG in relation to the arbitration proceedings concerning LBG's attempt to terminate investment management arrangements with the Group.

We are pleased with the settlement with LBG and believe that it represents a fair and positive outcome. The retention of c£35bn of assets in our passive strategies as well as active real estate portfolios, positions us to benefit from scale and growth in these growing parts of the asset management industry. As part of the settlement we received an upfront payment of £140m. Further details are included in Note 5 of the Group financial statements in the ARA 2019.

The initial withdrawals of £41bn of the previously announced c£70bn of transferring LBG AUM were made in H2 2019. An additional c£25bn is expected to be withdrawn by the end of March 2020. The remaining tranche withdrawals are expected to be made over the following 12 months.

### IFRS profit from discontinued operations

The IFRS profit from discontinued operations of £56m in 2019 reflects a change in the value of indemnities relating to the sale of the UK and European insurance business to Phoenix. 2018 included the £1,780m gain on sale of the insurance business.

The FCA announced in July 2019 that they had fined SLAL £31m for failures relating to non-advised sales of annuities. As part of the sale of SLAL we provided an indemnity to Phoenix covering this fine, and provided for an estimate of the financial impact of this indemnity in our 2018 results. As a result of this indemnity provision there was no adverse impact of the fine on our 2019 results.

### Phoenix separation costs

We announced in May 2018 that we expected to incur one-off costs relating to the separation of the UK and European insurance business sold to Phoenix of approximately £250m. As this work has progressed additional complexity has been identified relating to the separation of the technology infrastructure and as a result these one-off separation costs are now expected to be £310m. Total separation costs accounted for to date amount to £170m and include £37m in 2019 (£133m in 2018).



## Tax expense from continuing operations

The total IFRS tax expense attributable to the profit for the year was £28m (2018: £43m) including a credit of £41m (2018: credit £52m) relating to adjusting items. The effective tax rate on total IFRS profit is 11.5% (2018: negative 5.5%). The main factors that have caused the effective tax rate to be below the UK rate of corporation tax of 19% are:

- The gains arising from the sales of shares in HDFC Life did not give rise to taxable gains due to reliefs available under India's tax legislation and its international tax treaties, and the long-term capital gain arising from the sale of shares in HDFC Asset Management was subject to tax in India at a lower rate than the UK corporation tax rate
- The reversal of the loss on the impairment of investments in associates is not taxable and our share of profit from our associate and joint venture holdings is already included on a net of tax basis and so no further amount is included in the tax expense

These factors are partially offset by:

- Impairment losses on intangible assets are not tax deductible
- Deferred tax assets have not been recognised on tax losses in some jurisdictions in which we operate and existing deferred tax assets relating to certain overseas tax losses brought forward have been written down due to uncertainty of recovery

The tax expense attributable to adjusted profit before tax totalled £115m (2018: £138m), of which £46m (2018: £43m) represents equity holders' share of tax which is borne directly by our associates and joint ventures. The effective tax rate on adjusted profit is 19.7% (2018: 21.2%). This difference to the 19% UK rate primarily reflects the deferred tax not recognised on certain tax losses and the write down of deferred tax assets.

## Total tax contribution from continuing operations

Total tax contribution is a measure of all the taxes the Group pays to and collects on behalf of governments in the territories in which we operate. Our total tax contribution for continuing business was £526m (2018: £538m). Of the total £211m (2018: £218m) was borne by Standard Life Aberdeen whilst £315m (2018: £320m) represents tax collected by us on behalf of the tax authorities. Taxes borne by the Group mainly consist of corporation tax, employer's national insurance contributions and irrecoverable VAT. The taxes collected figure is mainly comprised of pay-as-you-earn deductions from employee payroll payments, employee's national insurance contributions, VAT collected and income tax collected on behalf of HMRC on platform pensions business.

## Tax policy

Understanding tax risk, how to manage it, and how it impacts all our stakeholders are important elements of running our business responsibly and as a responsible business we recognise the contribution the taxes we pay and collect make to wider society. The tax environment is also dynamic and to ensure we meet our responsibilities we employ an in-house tax team to oversee the tax affairs of the Group and have a tax risk management policy that is approved annually by the Board.



You can read our tax strategy on our website  
[www.standardlifeaberndeen.com/annualreport](http://www.standardlifeaberndeen.com/annualreport)

## Investment performance

**Investment performance over three years improved in 2019 to 60% (2018: 50%).**

	1 year		3 years		5 years	
	2019	2018	2019	2018	2019	2018
Equities	59	40	31	31	31	29
Fixed income	83	50	86	76	72	64
Multi-asset	68	20	46	35	61	62
Alternatives	89	77	98	82	100	79
Real estate	39	71	48	56	36	61
Quantitative	44	69	52	59	58	67
Cash/Liquidity	91	81	88	81	88	82
<b>Total</b>	<b>74</b>	<b>47</b>	<b>60</b>	<b>50</b>	<b>67</b>	<b>62</b>

<sup>1</sup> Investment performance excludes non-discretionary portfolios and funds, where no applicable index is available. Includes strategic insurance partners.

Our investment teams have a continuous improvement philosophy, with the initiatives identified over the past two years supporting the improved investment outcomes across a range of strategies.

Three-year investment performance improved in 2019, with 60% (2018: 50%) of total assets under management ahead of benchmark on a gross of fees basis. This reflects improved investment performance within Multi-asset, in particular in absolute return strategies such as GARS, and strong performances for Fixed income, Cash/Liquidity and Alternatives. This was partly offset by weaker performance in Real estate and Quantitatives.

Weaker three-year performance continued in most Equity classes, although strong performance continued in Asia Pacific equities. Shorter-term equity performance over one year improved in most Equity classes with Emerging markets equities particularly strong. A number of capabilities such as Smaller Companies and European Long-Term Quality equities have maintained strong performance resulting in top decile ranking relative to peers.

We are encouraged by additional strategies receiving positive ratings from investment consultants, bringing the total to 46 strategies. The new ratings were in liability driven investments, Alternatives/Private markets and Fixed income.

The investment performance calculation covers 79% of total AUM, with certain assets excluded where no applicable index is available, such as private markets and Aberdeen Standard Capital funds. Further details about the calculation of investment performance are included in the Glossary.

## Assets under management and administration and net flows

**AUMA at £545bn is lower than 2018 (£552bn) due to redemptions, including LBG tranche withdrawals of £41bn, partly offset by increased gross inflows and positive market movements. Net outflows continued but slowed to £17bn excluding LBG tranche withdrawals.**

	Gross inflows		Net flows	
	2019 £bn	2018 £bn	2019 £bn	2018 £bn
Institutional	27.1	19.3	(14.2)	(27.7)
Wholesale	20.2	18.4	(7.3)	(12.1)
Strategic insurance partners (Excluding LBG tranche withdrawals <sup>1</sup> )	26.9	28.6	(3.4)	(5.5)
Platforms and Wealth				
Wrap and Elevate	7.0	8.5	2.3	4.2
Wealth	7.1	2.7	4.7	0.4
Eliminations	(2.1)	(2.3)	0.5	(0.2)
<b>Total (Excluding LBG tranche withdrawals<sup>1</sup>)</b>	<b>86.2</b>	<b>75.2</b>	<b>(17.4)</b>	<b>(40.9)</b>
LBG tranche withdrawals <sup>1</sup>	–	–	(41.0)	–
<b>Total</b>	<b>86.2</b>	<b>75.2</b>	<b>(58.4)</b>	<b>(40.9)</b>

<sup>1</sup> Net outflows excluding Lloyds Banking Group (LBG) do not include the tranche withdrawals relating to the settlement of arbitration with LBG. Refer to Note 5 of the Group financial statements in the ARA 2019.

### Gross and net flows

#### Institutional and Wholesale

Institutional gross inflows improved significantly in 2019 to £27.1bn (2018: £19.3bn) with a higher level of inflows in Quantitatives, Fixed income and Alternatives, which benefited from a win of £5.5bn in Q4 of a lower margin US advisory mandate. Wholesale gross inflows increased to £20.2bn (2018: £18.4bn).

Net outflows continued reflecting investor sentiment towards emerging markets and equity markets more generally, as well as weaker 2018 investment performance in both Equities and Multi-asset. However, net outflows for Institutional and Wholesale significantly reduced to £21.5bn (2018: £39.8bn) due to lower redemptions in Equities and Multi-asset, strong Cash/Liquidity flows and the higher gross inflows described above.

Multi-asset redemptions were dominated by GARS, despite the significant improvement in investment performance, with GARS net outflows of £10.6bn (2018: £16.7bn) reducing GARS AUM in Institutional and Wholesale channels to £10.6bn (2018: £19.9bn).

#### Strategic insurance partners

Gross inflows of £26.9bn (2018: £28.6bn) continued to benefit from additional assets from our strategic partnership with Phoenix and included £10.6bn (2018: £8.5bn) from LBG. Net outflows were £3.4bn (2018: £5.5bn) reflecting redemptions from maturing insurance business in long-term run-off, partly offset by the gross inflows.

Tranche withdrawals of LBG funds were £41bn (£27bn in Q3 2019 and £14bn in Q4 2019).

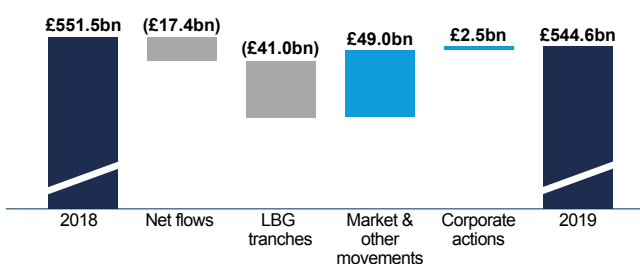
#### Platforms and Wealth

Net inflows continued on Wrap and Elevate at £2.3bn (2018: £4.2bn). This is an encouraging level of inflows given the weak market sentiment caused by the political uncertainty in the UK during 2019, as well as a further reduction in defined benefit to defined contribution transfers. Wealth had strong net inflows of £4.7bn (2018: £0.4bn) including £3.5bn from Virgin Money in H1 2019.

 Further information on AUMA and net flows are included in the Supplementary information section in the ARA 2019

### AUMA

#### Movement in AUMA



For 2019, we changed our definition of AUMA to include assets under advice as we continue to build scale in the 1825 business. Opening assets under advice of £4.0bn are included within market and other movements in the chart above.

AUMA has benefited from positive market movements supported by robust investment performance, primarily within Equities and Multi-asset.

Corporate actions include £1.8bn of assets under advice following 1825's acquisition of Grant Thornton's wealth advisory business and BDO Northern Ireland's wealth management business. These acquisitions increase Wealth assets and help to drive forward our advice capability in alignment with the strategic ambitions for our financial planning and advice business in the UK.

AUMA	2019 £bn	2018 £bn
Institutional	160.6	166.7
Wholesale	72.4	72.5
Strategic insurance partners	235.8	255.0
Platforms and Wealth		
Wrap and Elevate	62.6	54.2
Wealth	23.4	10.9
Eliminations	(10.2)	(7.8)
<b>Total AUMA</b>	<b>544.6</b>	<b>551.5</b>

## Financial strength and liquidity

### Strong balance sheet and capital generation to support investment and shareholder returns.

#### Shareholder equity

IFRS equity attributable to equity holders of Standard Life Aberdeen plc decreased to £6.6bn (2018: £7.4bn) mainly due to distributions to shareholders including the return of capital. This was partly offset by profitability in the year which included the gain on sale of shares in both HDFC Life and HDFC Asset Management.

Intangible assets of £1.7bn (2018: £3.4bn) primarily relate to goodwill, customer relationships, technology and brands from acquired businesses. The reduction in intangibles is due to the impairment of asset management goodwill of £1.6bn, further details are provided in Note 15 of the Group financial statements in the ARA 2019.

The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £1.1bn (2018: £1.1bn). Further details are provided in Note 34 in the ARA 2019.

Subordinated liabilities reduced to £0.7bn (2018: £1.1bn) reflecting the repurchase of debt in March 2019. Further details are provided in Note 33 in the ARA 2019.

We hold £275m (2018: £179m) in newly established investment vehicles which the Group has seeded and co-investments of £84m (2018: £37m). The Group sets limits for investing in seed capital and co-investment activity and regularly monitors exposures arising from these investments. Additional detail is provided in Note 38 in the ARA 2019.

#### Surplus regulatory capital

Capital resources comprise shareholders' equity reduced by a number of deductions (including deductions for intangible assets, defined benefit pension plan surpluses and significant investments in certain associates). Under regulatory rules, the vast majority of the value of our shareholdings in listed associates is not recognised in capital resources. At 31 December 2019, the indicative regulatory capital position was as follows:

CRD IV Group regulatory capital position	2019 £bn	2018 £bn
Common Equity Tier 1 capital resources	2.2	1.1
Tier 2 capital resources	0.6	0.6
Total capital resources	2.8	1.7
Total capital requirements	(1.1)	(1.1)
<b>Surplus regulatory capital</b>	<b>1.7</b>	<b>0.6</b>

The £1.7bn capital surplus above includes a deduction to allow for the proposed final dividend in 2019 which will be paid in May 2020. Capital resources includes c£0.3bn from holdings in insurance associates and JVs that will no longer be eligible following changes to the capital regime during 2021. The position is also shown before a deduction for the further share buyback of up to £400m announced in February 2020.

#### Capital generation

Our strong capital position supports ongoing investment in the business and delivering shareholder returns.

#### Adjusted capital generation

This measure aims to show how adjusted profit contributes to regulatory capital, and therefore provides insight into our ability to generate capital to support the payment of dividends to shareholders. As explained further in Section 9, Supplementary information in the ARA 2019, adjusted capital generation is a new APM that we are reporting for the first time.

Adjusted capital generation	2019 £m	2018 £m
Adjusted profit after tax	469	512
Remove staff pension scheme returns	(29)	(21)
Remove associates' and joint ventures' adjusted profit after tax	(200)	(143)
Add associates' and joint ventures' dividends received	93	47
<b>Adjusted capital generation</b>	<b>333</b>	<b>395</b>


Adjusted capital generation reduced to £333m (2018: £395m) as a result of the lower revenue in 2019. The increase in dividends was primarily due to holding our Phoenix associate for a full year.

#### Net movement in surplus regulatory capital

In addition to the adjusted capital generation, significant capital was generated in 2019 through the £1.7bn of proceeds from the sale of shares in HDFC Life and HDFC Asset Management.

The primary uses of capital in 2019 related to £0.5bn for the payment of the interim and final dividends to shareholders and £0.4bn for funding the remainder of the £750m share buyback programme which commenced in 2018.

Analysis of movements in surplus regulatory capital	2019 £bn
Opening 1 January	0.6
Adjusted capital generation	0.3
HDFC Life and HDFC Asset Management sale proceeds	1.7
Restructuring and corporate transaction expenses (net of tax)	(0.3)
Dividends	(0.5)
Remainder of £750m share buyback programme	(0.4)
Other	0.3
<b>Closing 31 December</b>	<b>1.7</b>

 Note 46 of the Group financial statements in the ARA 2019 includes a reconciliation between IFRS equity and surplus regulatory capital and also details of our capital management policies.

## Liquidity management

### Cash and liquid resources

Cash and liquid resources were £2.7bn at 31 December 2019 (2018: £2.6bn) which includes cash and cash equivalents of £1.3bn (2018: £0.9bn), short-term debt securities (Certificates of Deposit) of £0.9bn (2018: £1.2bn), bonds of £0.3bn (2018: £0.3bn) and holdings in pooled investment funds of £0.2bn (2018: £0.2bn). Of these cash and liquid resources £1.4bn were held in the Standard Life Aberdeen plc holding company (2018: £1.3bn).

### Net cash inflows

Following the sale of the UK and European insurance business in 2018, the IFRS consolidated statement of cash flows now presents a shareholder view of cash generation, and therefore the Group no longer reports adjusted cash generation as an alternative performance measure. Further details are provided in Section 9, Supplementary information in the ARA 2019.

Net cash inflows from operating activities were £201m which includes outflows from restructuring costs, net of tax, of £242m and the LBG settlement inflow, net of tax, of £113m.

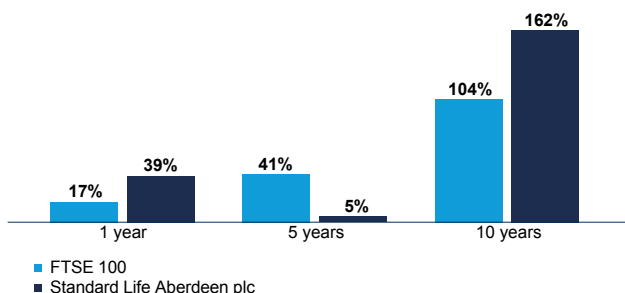
Cash inflows from investing activities of £1.8bn includes proceeds of £1.7bn from the sale of shares in HDFC Life and HDFC Asset Management.

Cash outflows from financing activities of £1.6bn primarily relate to the repayment of subordinated debt of £0.5bn, the purchase of shares as part of the buyback programme of £0.5bn and £0.5bn for dividends paid in the year.

## Shareholder return

### Total shareholder return (TSR)

TSR represents the total return to shareholders in a period and includes share price growth and the reinvestment of dividends. The TSR was 39%, 5% and 162% over one-year, five-years and ten-years respectively.



### Earnings per share<sup>1</sup>

Adjusted diluted earnings per share was 19.3p and diluted earnings per share from continuing operations was 8.8p. This reflects our focus on financial discipline and a 22% reduction in our share count arising from the £1.75bn capital return to shareholders via the 'B' share scheme and related share consolidation, and share buyback programme.

<sup>1</sup> In accordance with IAS 33, earnings per share have not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the year ended 31 December 2019 is not directly comparable with the prior year. Refer to Note 12 of the Group financial statements in the ARA 2019 for information relating to the calculation of diluted earnings per share.

## Dividends

### Dividend policy

Management actions, in terms of improving underlying profitability and reducing the share count, are designed to deliver a level of dividend that is sustainable and progressive over the medium term. As disclosed in last year's Annual report and accounts, it is the Board's current intention that the total annual dividend per share will be held at the 2018 level of 21.6p while the business is transformed, cost synergies are delivered and future financial performance confirms the sustainability of this level of distribution and provides line of sight to its future growth.

### Proposed dividend

The Board is recommending a final dividend for 2019 of 14.3p (2018: 14.3p) per share. Subject to shareholder approval, this will be paid on 19 May 2020 to shareholders on the register at close of business on 3 April 2020.

The dividend payment is expected to be £322m. At 31 December 2019 Standard Life Aberdeen plc held £1.4bn of cash and liquid resources and £2.3bn of distributable reserves, which will be used to support the dividend.

The final dividend, combined with the 2019 interim dividend of 7.3p, brings the total dividend for the year to 21.6p. Adjusted capital generation for 2019 was £333m, with a further £1,698m of capital generated from HDFC stake sales.

### How the dividend is funded

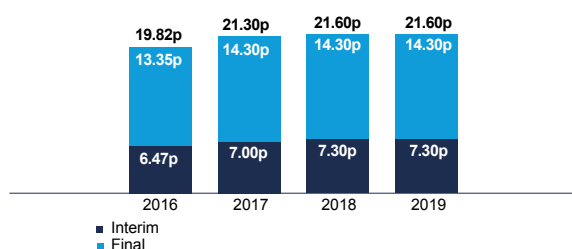
External dividends are funded from the cumulative dividend income that Standard Life Aberdeen plc receives from its subsidiaries and associates. To provide some protection against fluctuations in these dividends, Standard Life Aberdeen plc holds a buffer of distributable cash and liquid resources. The need to hold appropriate regulatory capital is the primary restriction on the Group's ability to pay dividends. Further information on the principal risks and uncertainties that may affect the business and therefore dividends is provided in the Risk management section of this Strategic report.

### Return of capital

The general meeting on 25 June 2018 approved a return of capital of £1bn via a 'B' share scheme, and a return of up to £750m by a share buyback programme. The 'B' share scheme return took place in November 2018 and the £750m share buyback was completed in December 2019. A total of 273m shares have been repurchased in 2018 and 2019 at an average price of £2.75 per share.

Following the sale of shares in HDFC Asset Management in December 2019, we announced that we intended to undertake a further share buyback programme. On 7 February 2020 we announced a further share buyback of up to £400m and expect that it will complete in the second half of 2020.

### Dividend per share paid by the Company



## Viability statement

In accordance with the UK Corporate Governance Code, the Directors have carried out a robust assessment of the key risks facing the Group in considering the Group's viability and longer-term prospects. This assessment is based on information known today.

### Viability

We consider that three years is an appropriate period for this viability assessment as this is in line with our business planning horizon and the period over which strategic actions such as the launch of new investment propositions are typically delivered.

The key processes used by the Board to assess viability are set out below.

**The business planning process** includes the projection of Group profitability, regulatory capital and liquidity over a three year period, under a range of scenarios. The most severe economic scenario assumes a significant global recession in 2020 with a sharp fall in global equity markets of around 45% before recovering by 15% in 2021 and by 15% in 2022; bond yields fall and remain at lower levels throughout the forecast period. Viability was not threatened under any of the scenarios explored.

**Stress testing and scenario analysis** looks at the key risk exposures of the business and the financial resilience of the business to severe, and in some cases extreme, individual and combined stresses. We explored a broad range of stresses that could adversely impact future profitability, capital and liquidity including:

- Individual stresses applied to fixed interest, equity and property market values, reduction in bps fees and increased costs
- Combined stress scenarios considering severe economic conditions, poor fund performance, adverse flows, a spike in operational errors, integration/ separation/ transformation stalling and pressure on fees

The most onerous scenario incorporated the severe economic scenario with flows being 20% worse than experienced in 2018 and transformation stalling resulting in transformation costs increasing by 50% and the cost-savings anticipated from this activity being deferred by 12 months.

Whilst capital was eroded and liquidity fell under all scenarios, the strength and quality of our capital base and the diverse range of management actions available mean that the Group is able to withstand these extreme stresses and remain viable. The range of possible management actions that are available includes reducing costs, deferring project expenditure, realising the value of our holdings in joint ventures and listed associates, and reducing dividends.

**Reverse stress testing** gives a quantitative and qualitative understanding of extreme but plausible risk scenarios which could threaten business model viability.

In 2019 we explored three scenarios which were:

- A market shock with adverse impacts on our joint ventures and listed associates: this work highlighted that viability was only threatened under a specific set of assumptions and the likelihood of this scenario occurring was considered very remote.

- A significant breakdown in the SLA-Phoenix relationship: this work highlighted that, in the event of a breakdown in the relationship, SLA's viability was not expected to be threatened over the short to medium-term as a result of any commercial impacts; the work also highlighted the importance of actions being taken to reduce the operational reliance on Phoenix for certain outsourced services.
- The outage of a key payment mechanism: SLA's viability was considered most at risk from a prolonged outage impacting one or more of SLA's significant customer / client segments or SLA's main corporate banking counterparty. Mitigants are in place to reduce this risk including contingency plans to respond to short-term outages and controls around the use of outsourced service providers.

Developments relating to reverse stress tests performed in previous years were also reassessed to support the Board in their assessment of viability.

Reverse stress tests are, by their very nature, intended to explore scenarios that could potentially threaten viability. However, the remoteness of the scenarios reviewed and the mitigants that are in place mean the viability assessment is supported and no qualification is considered necessary.

### Assessment of viability

The Directors confirm that they have a reasonable expectation that Standard Life Aberdeen will be able to continue in operation and meet its liabilities as they fall due over the next three years.

### Longer-term prospects

The Directors have determined that three years is an appropriate period over which to assess prospects. In addition to aligning with our business planning horizon this reflects the timescale over which changes to major regulations and the external landscape affecting our business typically take place.

The Group's prospects are primarily assessed through the strategic and business planning process which considers our business model and how this is designed to be sustainable and resilient in the long term as described on pages 10 to 11 and 13 to 17 of this report.

The Directors' assessment of prospects also takes into account:

- The Group's strong surplus regulatory capital, as set out on page 41
- The substantial holdings of Group cash and liquid resources as set out on page 42
- The Group's holdings in listed associates as set out on page 30

### Assessment of prospects

Based on the above, the Directors consider the Group's focus on operational and strategic delivery, including the completion of transformation activity, will deliver the environment, capability and focus to grow revenue sources and manage the cost base. The Group's financial position and business model are considered to support the assumptions within the business plan regarding maintaining a strong capital position and the dividend policy described on the previous page.

# Strong risk management focused on delivering the right outcomes

## Our approach to risk management

A strong risk and compliance culture flows from our strategic drivers and behaviours and is fundamental to how we manage the business. Effective risk-based decision-making is essential to the delivery of the right outcomes for our clients, customers and all our stakeholders. Ultimate accountability for risk management rests with the Board who oversee the effectiveness of the Enterprise Risk Management (ERM) framework.

## Three lines of defence

We operate 'three lines of defence' in the management of risk so that there are clearly defined roles and responsibilities within our ERM framework:

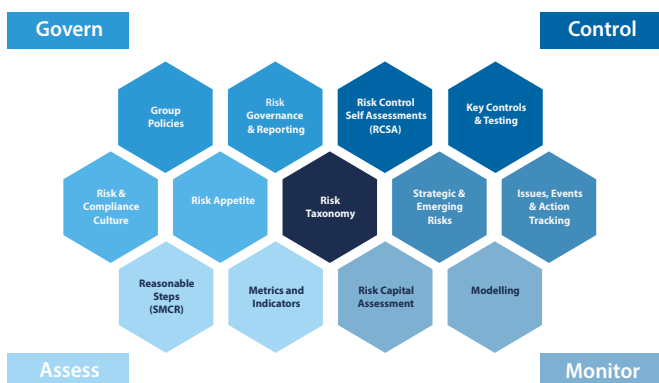
- **First line:** Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls
- **Second line:** Risk oversight is provided by the Risk and Compliance function which reports to the Chief Risk Officer
- **Third line:** Independent verification of the adequacy and effectiveness of our risk and control management systems is provided by our Internal audit function under the direction of the Chief Internal Auditor

## Enterprise Risk Management framework

As part of our corporate transformation, we have continued to strengthen the ERM framework and embed it in the activities of our business. This ensures that the framework keeps pace with industry standards and is appropriate for the risk profile of the business.

During 2019, key improvements to the ERM framework included:

- Streamlining the policy framework to support the management of risk in all locations
- Completing the roll-out of our risk system, Shield, so that it can be used by all our people
- Strengthening our risk appetite framework by introducing new risk tolerances to support governance and risk management
- Extending and refining our risk taxonomy to support better articulation and discussion of the risks
- Continuing the programme to refresh risk-control self-assessments across our global functions
- Implementing a single internal capital adequacy assessment process across Standard Life Aberdeen
- Extending the Senior Manager and Certification Regime across all of our UK regulated subsidiaries, including training and support for our senior managers and certified staff



## Business risk environment

Our commercial risk profile improved in 2019. Investment performance strengthened in contrast to a particularly challenging year in 2018. Gross inflows strengthened across a range of asset classes. However, net flows have remained negative and revenue margins across the industry continue to be under pressure.

We have strengthened our capital and liquidity positions while also returning capital to our shareholders through our buyback programme.

In the near-term, operational stretch continues to exist as work is progressing to transform the business. It is proving complex to undertake the separation activity and associated consequences and will require further cost to do so. Ongoing actions are in place to retain talent and support staff engagement. We have undertaken careful resource planning with executive ownership and accountability for delivery of our transformation programmes, alongside delivery of our business as usual activities.

Following the ratification of the EU/UK Withdrawal Agreement in January, the Brexit process has entered a transition period up to 31 December 2020. We will closely monitor developments in relation to the negotiations for the UK's future relationship with the EU and actively engage with industry groups such as the Investment Association. This phase of Brexit presents the prospect of further political and commercial uncertainty in the UK.

We maintain a heightened level of vigilance to risks to our operations from cyber intrusion. Dedicated teams of internal experts, augmented by external expert input, help to ensure we actively manage this continually evolving risk.

We are managing the impact of COVID-19 coronavirus, utilising business continuity and resilience processes where appropriate. Its spread could begin to materially impact the global economy and delivery of our business plan. Our joint venture in China, HASL, is similarly managing its operations given its exposure to risks impacting the wider Chinese market.

We continue to strengthen our conduct risk framework and ensure that we bring the interests of our clients and customers to every conversation.

We are committed to managing our direct impact on climate change and are very mindful of the positive influence we can have as a global active fund manager, for example, to encourage positive change by companies in which we choose to invest. You can read more about our approach to tackling climate change on page 25.

## Emerging risks

We are vigilant to emerging risks which could impact our strategy and operations. Many of these have geopolitical, economic, societal, technological, legal/regulation and environmental themes. We draw on internal experts and external specialist reports to build a picture of how these risks could crystallise in the future and inform our approach to addressing them. Specifically, emerging risks include availability of talent in our future workplace, new cyber threats, disruptive technologies, unprecedented market shifts and climate change.

## Our principal risks and uncertainties

The specific risks we face as a business are driven by what we choose to do and how we do it, as well as the wider environment in which we operate. We group these under 12 principal risks which form the basis of our detailed risk taxonomy. This sets the framework for assessing, monitoring, controlling and governing the risks of the business. Our principal and emerging risks were subject to robust assessment by the Board and the principal risks are described in the following pages.

**1 Strategic risk**

Risks to our business	Our approach to managing these risks	Strategic drivers
<p>Those risks which threaten the achievement of the strategy through failing to meet customer/client expectations, poor strategic decision-making, implementation or response to changing circumstances.</p> <p>Our strategy is to build a vibrant and value-creating purpose-led organisation, with the current and future needs of our stakeholders at the heart of what we do. We build solutions for our customers and clients to create wealth and help meet their needs. We have strategic holding in associates and joint venture businesses in the UK, India and China that generate value for our shareholders. Performance failure in any of these strategic activities may have short-term and/or long-term financial impacts.</p> <p><b>How has this risk evolved in 2019</b></p> <p>The Chief Executive's review (pages 6-9) outlines how this risk has evolved across the drivers of investment performance, flows, ESG (climate risk in particular), Brexit and geopolitical uncertainty more generally.</p>	<ul style="list-style-type: none"> <li>The Chief Executive (supported by the executive leadership team) is responsible for the development and promotion of our strategy and the monitoring of its progress and success</li> <li>Regular assessments of the business plan are performed</li> <li>Brexit planning has refocused to consider the operational impacts of the outcome of UK/EU negotiations in advance of the end of the transition period</li> <li>Actively involved with ESG from an investment and operating perspective and the TCFD (page 25)</li> <li>Representation on the boards of our associates and joint ventures as well as wider business engagement</li> </ul>	<ul style="list-style-type: none"> <li>High impact intelligence</li> <li>Enduring relationships</li> <li>Connections without borders</li> <li>Future fit</li> </ul>

**2 Financial risk**

Risks to our business	Our approach to managing these risks	Strategic driver
<p>The risk that we have insufficient financial resources or suffer loss from adverse markets or the failure/default of counterparties.</p> <p>Our business is exposed to the overall level of revenue margins on our investment mandates, platforms and wealth services as well as inflows and outflows throughout the year and global markets. Financial discipline is required to manage our cost base and align it to our revenue outlook to manage our overall financial efficiency. Our capital and liquidity positions are directly impacted by our profitability.</p> <p><b>How has this risk evolved in 2019</b></p> <p>The cost/income ratio has risen due to falls in revenue which have only been partially offset by reductions in our costs. The loss of the LBG mandates was compensated by a one-off gain arising from the settlement with LBG. Targeted disposals of shares in our Indian associates generated value that strengthens our capital base and increases strategic optionality for the future.</p>	<ul style="list-style-type: none"> <li>Capital is held against our risks and we review these risks on an ongoing basis</li> <li>In light of the ongoing transformation activities, we remain vigilant to opportunities to generate further cost efficiencies</li> <li>Stress testing assesses our financial resilience to market risk, operational risk and business risk</li> <li>We maintain external liquidity facilities as part of a wider liquidity management framework</li> <li>Management of fees and costs in relation to our proposition</li> </ul>	<ul style="list-style-type: none"> <li>Future fit</li> </ul>

**3 Conduct risk**

Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risk that through our behaviours, strategies, decisions and actions we fail to meet customer/client expectations, and/or deliver unfair outcomes, and/or have poor market conduct.</p> <p>Our business relies on our ability to ensure fair client and customer outcomes. Failure to achieve these outcomes poses significant reputational damage and likely financial losses for our business.</p> <p><b>How has this risk evolved in 2019</b></p> <p>Our conduct risk framework was strengthened during 2019 and our conduct risk metrics have been stable throughout the year.</p>	<ul style="list-style-type: none"> <li>A Global Code of Conduct which is applicable for all of our people</li> <li>Mandatory training modules embed a strong conduct culture across our business</li> <li>Conduct embedded within our Enterprise Risk Management Committee, Client Committee and Conduct &amp; Conflicts Committee to ensure we are meeting our commitments</li> <li>Regular conduct risk agenda items at the Risk and Capital Committee</li> </ul>	<ul style="list-style-type: none"> <li>Enduring relationships</li> <li>Connections without borders</li> </ul>

**Trends**

- ▲ Increase
- ◀ ▶ Stable
- ▼ Decrease

**Link to strategic priorities**



High impact intelligence



Enduring relationships



Connections without borders



Future Fit

**4 Regulatory and legal risk**

**Risks to our business**

The risk of regulatory or legal sanction, reputational damage or financial consequences as a result of a failure to comply with, or adequately allow for changes in, all applicable laws and legislation, contractual requirements or regulations in any of the countries in which we operate.

As part of a highly regulated global industry, we work with a number of different regulators and legal systems. The high volume of regulatory change continues and this often presents interpretation and implementation challenges and hence risk of non-compliance.

**How has this risk evolved in 2019**

Delivery of certain regulatory projects was challenged by tight implementation deadlines.

The complexity of MiFID II highlighted some prior implementation challenges which needed to be remediated.

**Our approach to managing these risks**

- Legal team support for our senior management in relevant areas across our business
- Scanning of the regulatory horizon to ensure we engage early in any areas of potential regulatory change
- Open and transparent relationships with our key regulators to support trust and clarity in terms of their expectations

**Strategic drivers**

Connections without borders  
Future fit

**Operational risks (5-12)**

**5 Process execution and trade errors**

**Risks to our business**

The risk that people, processes, systems or external events impede our ability to meet our strategic objectives.

Risks arising from process execution and trade errors are inherent in our business and we seek to minimise the incidence and impact of these through our controls and management actions. Our transformation programme will deliver simpler and more reliable processes, however while this programme is being implemented this principal risk will be elevated.

**How has this risk evolved in 2019**

While there has been a rise in risk events that warrant investigation and remediation, this has not led to any material adverse impact on our customers or clients, or breached our risk appetite. Outages of important systems were successfully dealt with through our incident management processes.

**Our approach to managing these risks**

- Monitoring underlying causes of operational errors with a view to identify commonalities that require action
- Strengthening our three lines of defence by promoting greater accountability and awareness of risks and improving processes to address risk issues
- Well-established incident management processes for dealing with system outages that impact important processes that might cause harm to customers or clients
- Continued improvements to key components of our ERM framework

**Strategic drivers**

Connections without borders  
Future fit

**6 People**

**Risks to our business**

The risk that resources and employment practices do not align with our strategic objectives.

We are a people business and the engagement of our people is critical to the implementation of our business plan, our strategy and the overall success of the business.

**How has this risk evolved in 2019**

The ongoing transformation programme and industry environment continued to place extensive demands on our people. Involuntary turnover remained stable in 2019 and well within acceptable business levels.

**Our approach to managing these risks**

- Significant progress in 2019 in building stronger staff cohesion and commenced the roll-out of refreshed values and purpose, improving communication and harmonising UK employees' terms and conditions
- Promoting stability, engagement and diversity in our workforce
- Actively seek to be a leading employer with a strong employer proposition

**Strategic drivers**

High impact intelligence  
Connections without borders  
Future fit



## 7 Technology ▲

Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risk of the failure of technology systems to adapt to changing business needs and from unwanted actions of unauthorised users including through cyber-attacks.</p> <p>Our current IT estate is complex and will remain so until separation from Phoenix is complete. Our dependence on third party outsource firms also adds a level of risk that needs to be managed in a dedicated way. Our business is exposed to a wide range of threats which can impact its resilience and continuity, e.g. weather events, internal failure, external intrusion or supplier failure.</p> <p><b>How has this risk evolved in 2019</b></p> <p>Separation of our technology infrastructure is proving more complex than anticipated. This is covered in more detail in the Chief Financial Officer's overview on page 37.</p>	<ul style="list-style-type: none"> <li>Ongoing benchmarking of our IT systems environment to identify areas for improvement</li> <li>Regular penetration testing and crisis management exercises</li> <li>Ongoing programme of investment and improvements in enhancing and developing controls in IT infrastructure</li> <li>Outsourcing some critical IT processes to Cognizant with a view to enabling these services to be delivered and developed by a specialist third party</li> </ul>	<p>Connections without borders</p> <p>Future fit</p>

## 8 Business resilience and continuity ◀ ▶

Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risk of business interruptions from a range of internal and external incidents or threats including environmental and climatic issues, terrorism, economic instabilities, pandemic and operational incidents.</p> <p>Our business is exposed to a wide range of threats which can impact its resilience and continuity.</p> <p><b>How has this risk evolved in 2019</b></p> <p>During 2019, the risk of internally-generated disruption remained broadly stable however, the risks from external parties especially cyber intruders increased as tools for exploiting IT vulnerabilities became more widely available.</p> <p>Concerns around Brexit-related supplier disruption abated as 2019 progressed.</p>	<ul style="list-style-type: none"> <li>Enhancing our operational resilience framework to strengthen our responses to disruptions</li> <li>Business continuity and contingency planning processes which are regularly reviewed and tested</li> <li>Operating workplace recovery locations to allow key functions to continue servicing clients and customers</li> <li>Managing the impact of COVID-19 coronavirus, utilising business continuity and resilience processes where appropriate</li> </ul>	<p>Enduring relationships</p> <p>Connections without borders</p>

## 9 Fraud and financial crime ◀ ▶

Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risk of fraudulent and dishonest activities.</p> <p>As a business, we handle clients' and customers' money which exposes us to the risk of fraud. We also engage with a wide number of external parties and we have to be vigilant to the risk that these parties are connected with criminal behaviour or are subject to sanctions by national or global authorities.</p> <p><b>How has this risk evolved in 2019</b></p> <p>We continue to experience very low levels of fraud and have sound processes in place to identify customer and client activity linked with financial crime globally.</p>	<ul style="list-style-type: none"> <li>Controls covering anti-money laundering, anti-bribery, fraud and other areas of financial crime</li> <li>Continued investment in systems and process to improve our monitoring of fraud and financial crime risks</li> <li>Global Code of Conduct and Policy Framework providing our people with minimum standards and drives our culture</li> </ul>	<p>Enduring relationships</p> <p>Connections without borders</p>

## 10 Change management ◀ ▶

Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risks of failure in the management of strategic and operational change initiatives.</p> <p>This risk is a function of implementing strategies for effecting change, controlling change and helping staff to adapt to change. We have a significant change programme arising from the ongoing integration of legacy systems and the decoupling of IT systems from Phoenix.</p> <p><b>How has this risk evolved in 2019</b></p> <p>The complexity of this work has led to some delay and to increased budget forecasts for the change programme. We are closely managing the potential impact of the IR35 tax change on our contractor population.</p>	<ul style="list-style-type: none"> <li>Central management of major change projects with clear governance processes and consolidation of our change workload</li> <li>Defined roles for second and third lines in overseeing the progress of change activities</li> <li>Actively managing risks around IT contractors arising from IR35</li> </ul>	<p>Connections without borders</p> <p>Future fit</p>

11 Supplier risk <span style="float: right;">◀ ▶</span>		
Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risk that suppliers fail to deliver products/services in accordance with their contractual obligations.</p> <p>Outsourcing of key activities to firms with specialist capabilities is part of our strategy. We remain responsible for the delivery of activities by these firms and continue to streamline the delivery of these services so as to reduce complexity. Increased outsourcing brings with it an increased risk associated with the failure of that supplier to deliver the service required of them.</p> <p><b>How has this risk evolved in 2019</b></p> <p>Cognizant became a key supplier of IT support services in 2019.</p> <p>We actively engaged with our key suppliers in relation to their Brexit preparations throughout 2019 so as to mitigate the impact of disruption to their services were a no-deal Brexit to arise. We are closely monitoring the negotiations between the UK and EU during the transition period.</p>	<ul style="list-style-type: none"> <li>• Strong relationships with our external providers to ensure we understand the risks that they pose to our operations and reputation</li> <li>• Maintaining close oversight of our key suppliers and their impact on the risk profile of the business</li> <li>• Improvements to our operational resilience framework include actions to better manage the risks from our suppliers</li> </ul>	<p>Enduring relationships</p> <p>Connections without borders</p> <p>Future fit</p>
12 Financial management process <span style="float: right;">◀ ▶</span>		
Risks to our business	Our approach to managing these risks	Strategic drivers
<p>The risk of the failure of financial planning processes.</p> <p>Sound and reliable financial reporting is critical to informing how the business is performing and for future planning. It is also essential for the disclosures that we provide to external stakeholders. Failures in these processes have the potential to result in sub-optimal decisions being taken by our business and our shareholders.</p> <p><b>How has this risk evolved in 2019</b></p> <p>This risk was broadly stable throughout 2019 however delays were experienced with the payment of invoices in respect of some subsidiaries during 2019 which required remedial action.</p>	<ul style="list-style-type: none"> <li>• Financial reporting is aligned to external reporting standards and industry best practices</li> <li>• Our Audit Committee challenges reporting as part of financial planning and control processes</li> <li>• The second line challenges our business plan to support decision-making</li> <li>• Transformation of the Finance function is ongoing</li> </ul>	<p>Connections without borders</p> <p>Future fit</p>

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Pages 2 to 49 constitute the Strategic report which was approved by the Board and signed off on its behalf by:

A handwritten signature in black ink that reads "Kenneth A. Gilmour". The signature is written in a cursive style with a large initial 'K'.

**Kenneth A Gilmour**  
Company Secretary,

Standard Life Aberdeen plc (SC286832)

10 March 2020

# Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 9 March 2020 are listed below.



**Sir Douglas Flint CBE –  
Chairman**

Appointed to the Board	Age
November 2018	64
Nationality	Shares
British	89,024

**Board committees:** NC

Sir Douglas' wide-ranging international and financial experience is an important asset to the business as it delivers against its strategy. His strong track record of board leadership as a chairman helps to facilitate open and constructive boardroom discussion.

Previously, Sir Douglas served as chairman of HSBC Holdings plc from 2010 to 2017. For 15 years prior to this he was HSBC's group finance director, joining from KPMG where he was a partner. Between 2005 and 2011 he also served as a non-executive director of BP plc.

In other current roles, Sir Douglas is chairman of IP Group plc, and serves as HM Treasury's special envoy to China's Belt and Road Initiative.

Additionally, he is chairman of the Just Finance Foundation, non-executive director of the Centre for Policy Studies, member of the global advisory council of Motive Partners and board member of the Institute of International Finance. He also chairs the Corporate Board of Cancer Research UK and is a trustee of the Royal Marsden Cancer Charity.

He holds a BAcc (Hons) from the University of Glasgow, a PMD from Harvard Business School and is a Member of the Institute of Chartered Accountants of Scotland.



**Keith Skeoch –  
Chief Executive**

Appointed to the Board	Age
May 2006	63
Nationality	Shares
British	2,615,458*

Keith joined the business in 1999 as Chief Investment Officer of Standard Life Investments, before becoming Chief Executive of that division in 2004. In 2015 he was appointed Chief Executive of Standard Life plc, and led the merger with Aberdeen Asset Management in 2017. He was named as sole Chief Executive in 2019. He has accountability for the day-to-day running of the business, and leads its integration and transformation activities.

Keith started his career in 1979 at the Government Economic Service. He moved into financial services in 1980 and became chief economist with James Capel (HSBC Securities from 1996), where he was latterly managing director of international equities.

Keith holds a BA from the University of Sussex and an MA from the University of Warwick. In recognition of his wider contribution to the financial services industry, particularly his work in response to the global financial crisis, he has been awarded honorary doctorates from the University of Sussex and Teesside University. For services to the economics profession, he has been named a Fellow of the Society of Business Economists.

He is deputy chair of the Investment Association, and assumes the role of chair on 1 May 2020. He is also a board member of the Financial Reporting Council and a trustee of the Edinburgh International Festival.



**Stephanie Bruce –  
Chief Financial Officer**

Appointed to the Board	Age
June 2019	51
Nationality	Shares
British	Nil

Stephanie was appointed Chief Financial Officer on joining the Board in June 2019. She is a highly experienced financial services practitioner with significant sector knowledge, both technical and commercial. She brings experience of working with boards and management teams of financial institutions in respect of financial and commercial management, reporting, risk and control frameworks and regulatory requirements.

Before joining Standard Life Aberdeen, Stephanie was a partner at PwC, a member of the Assurance Executive and led the financial services assurance practice. She joined Price Waterhouse in 1990, qualified as a chartered accountant in 1993 and joined the PwC partnership in 2002.

During her career, she has specialised in the financial services sector, working with organisations across asset management, insurance and banking, with national and international operations.

Stephanie is a council member of the Institute of Chartered Accountants of Scotland and the chair of the audit committee for the Institute. Stephanie is also an associate of the Association of Corporate Treasurers.

She holds a Bachelor of Laws (LLB) from the University of Edinburgh.

## Key to Board committees

- R Remuneration Committee
- RC Risk and Capital Committee
- A Audit Committee
- NC Nomination and Governance Committee
- Committee Chair

\* Shares include qualifying awards as described on page 88 of the Directors' remuneration report within the Annual report and accounts 2019



**Martin Gilbert –**  
Vice Chairman Standard Life Aberdeen  
and Chairman Aberdeen Standard  
Investments

<b>Appointed to the Board</b>	<b>Age</b>
August 2017	64
<b>Nationality</b>	<b>Shares</b>
British	1,010,016*

Martin brings significant entrepreneurial and executive leadership experience, with a particular focus on global client engagement and business development. He is co-founder and former chief executive of Aberdeen Asset Management and was a director from 1983. In March 2019 he was appointed Vice Chairman, Standard Life Aberdeen and Chairman, Aberdeen Standard Investments.

Martin is a non-executive director and senior independent director of Glencore plc, and non-executive chairman of the online bank Revolut. He is a member of the Monetary Authority of Singapore's international advisory panel and the BritishAmerican Business international advisory board. From January 2016 to October 2018 he was deputy chairman of Sky PLC having joined the board in 2011.

A chartered accountant, Martin holds an MA in Accounting and a Bachelor of Laws (LL.B) from the University of Aberdeen. He is Adjunct Professor of Finance at Imperial College Business School and, in 2014 he was awarded a Doctorate of Letters from Heriot-Watt University. Martin also has two honorary degrees for services to business and entrepreneurship from University of Aberdeen and Robert Gordon University.

In October 2019 Martin advised that he will not seek re-election at the Standard Life Aberdeen 2020 Annual General Meeting, and will retire from the Company on 30 September 2020.



**Jonathan Asquith –**  
Non-executive Director and Senior  
Independent Director

<b>Appointed to the Board</b>	<b>Age</b>
September 2019	63
<b>Nationality</b>	<b>Shares</b>
British	20,000
<b>Board committees:</b>	<b>R</b> <b>NC</b>

Jonathan has considerable experience as a non-executive director within the investment management and wealth industry. This brings important insight to his roles as Senior Independent Director and Chair of our Remuneration Committee.

Jonathan is deputy chairman and senior independent director of 3i Group plc and non-executive director of CiCap Limited (Coller Capital), Northill Capital Services Limited and Northill UK Management Holdings Limited. Previously, he has been chairman of Citigroup Global Markets Limited, Citibank International Limited, Dexion Capital PLC and AXA Investment Managers. He has also been a director of Ashmore Group plc and AXA UK PLC.

In his executive career Jonathan worked at Morgan Grenfell for 18 years, rising to become group finance director of Morgan Grenfell Group, before going on to take the roles of chief financial officer and chief operating officer at Deutsche Morgan Grenfell. From 2002 to 2008 he was a director of Schroders, during which time he was chief financial officer and later executive vice chairman.

He holds an MA from the University of Cambridge.



**John Devine –**  
Non-executive Director

<b>Appointed to the Board</b>	<b>Age</b>
July 2016	61
<b>Nationality</b>	<b>Shares</b>
British	28,399
<b>Board committees:</b>	<b>A</b> <b>NC</b> <b>R</b> <b>RC</b>

John's previous roles in asset management, his experience in the US and Asia and his background in operations and technology, are all areas of importance to our strategy. John's experience is important to the Board's discussions of financial reporting and risk management, and in his role as Chair of our Audit Committee.

John was appointed a Director of Standard Life plc in July 2016. From April 2015 until August 2016, he was non-executive Chairman of Standard Life Investments (Holdings) Limited.

He is non-executive chairman of Credit Suisse International, Credit Suisse Securities (Europe) Limited and a non-executive director of Citco Custody Limited and Citco Custody (UK) Limited.

From 2008 to 2010, John was chief operating officer of Threadneedle Asset Management Limited. Prior to this, he held a number of senior executive positions at Merrill Lynch in London, New York, Tokyo and Hong Kong.

He holds a BA (Hons) from Preston Polytechnic and is a Fellow of the Chartered Institute of Public Finance and Accounting.



**Melanie Gee –  
Non-executive Director**

<b>Appointed to the Board</b>	<b>Age</b>
November 2015	58
<b>Nationality</b>	<b>Shares</b>
British	67,500
<b>Board committees:</b>	<b>NC</b> <b>RC</b> <b>A</b>

Melanie brings to the Board significant executive experience in creating successful businesses and leading teams of bankers in various roles. This experience was derived from her career in financial services, where she has specialised in advisory and corporate finance work. She has also had a particular focus on the evolution of cultures and working practices, and is able to draw on these insights as our designated non-executive Director for employee engagement.

Melanie was appointed as a Director of Standard Life plc in November 2015. She is a non-executive director and chair of the healthcare company Syncona Limited, a FTSE 250 company. She is also chair of Ridgeway Partners Holdings Ltd and of its wholly-owned subsidiary Ridgeway Partners Limited. Melanie was appointed a managing director of Lazard and Co. Limited in 2008 and became a senior adviser in 2012.

Previously Melanie held various roles with UBS, having been appointed a managing director in 1999 and served as a senior relationship director from 2006 to 2008. She was a non-executive director of The Weir Group PLC between 2011 and 2017 and the Drax Group plc between 2013 and 2016.

She holds an MA in Mathematics from the University of Oxford.



**Martin Pike –  
Non-executive Director**

<b>Appointed to the Board</b>	<b>Age</b>
September 2013	58
<b>Nationality</b>	<b>Shares</b>
British	69,476
<b>Board committees:</b>	<b>RC</b> <b>NC</b> <b>A</b>

Martin provides broad commercial insight into strategy and risk to the Board, and to his role as Chair of our Risk and Capital Committee. He has particular knowledge of enterprise-wide risk management. His actuarial and strategic consultancy background brings a strong understanding of what drives success in the markets in which we operate.

Martin was appointed as a Director of Standard Life plc in September 2013. He is also chairman and non-executive director of Faraday Underwriting Limited – where he is a member of the audit and risk committee and chair of the nomination and remuneration committee. Between 2015 and 2018 he served as a non-executive director of esure Group plc where he was chair of the remuneration committee.

He joined R Watson and Sons, consulting actuaries, in 1983, and progressed his career with the firm to partner level. His senior roles included head of European insurance and financial services practice, Watson Wyatt from 2006 to 2009, vice-president and global practice director of insurance and financial services, Watson Wyatt during 2009, and managing director of risk consulting & software for EMEA, Towers Watson from 2010 to 2013.

Martin holds an MA in Mathematics from the University of Oxford. He is a Fellow of the Institute and Faculty of Actuaries and a Fellow of the Institute of Directors.



**Cathleen Raffaelli –  
Non-executive Director**

<b>Appointed to the Board</b>	<b>Age</b>
August 2018	63
<b>Nationality</b>	<b>Shares</b>
American	9,315
<b>Board committees:</b>	<b>RC</b> <b>R</b>

Cathi has strong experience in the financial technology sector and background in the platforms sector, as well as international board experience. She brings these insights to her role as non-executive chairman of the boards of Elevate Portfolio Services Limited and Standard Life Savings Limited. This role provides a direct link between the Board and the platform businesses that help us connect with customers and their advisers.

Cathi is a non-executive director of Federal Home Loan Bank of New York, where she is vice chair of the compensation and human resources committee and of the technology committee. She is also a member of the executive committee. She is managing partner of Hamilton White Group, LLC which offers advisory services, including business development, to companies in financial services growth markets. In addition, she is managing partner of Soho Venture Partners Inc, which offers third party business advisory services.

Previously, Cathi was lead director of E\*Trade Financial Corporation, non-executive director of Kapitall Holdings, LLC and president and chief executive officer of ProAct Technologies Corporation.

She holds an MBA from New York University and a BS from the University of Baltimore.

**Key to Board committees**

- R** Remuneration Committee
- RC** Risk and Capital Committee
- A** Audit Committee
- NC** Nomination and Governance Committee
- Committee Chair



**Cecilia Reyes –  
Non-executive Director**

<b>Appointed to the Board</b>	<b>Age</b>
October 2019	61
<b>Nationality</b>	<b>Shares</b>
Swiss and Philippine	Nil
<b>Board committees:</b>	<b>R</b> <b>RC</b>

Cecilia brings great insight from operating in leadership positions in international financial markets. Her direct experience of risk management and her knowledge of the investment process are of great benefit to the work of the Board.

Before joining our Board, Cecilia was with Zurich Insurance Group Ltd (Zurich) for 17 years where she was most recently its group chief risk officer, leading the global function comprising group risk management and responsible for its enterprise risk management framework.

Prior to that, she was their group chief investment officer, responsible for the execution of the investment management value chain – including analysis, development and global implementation of the investment strategy for the group's investments. In both positions, she was a member of Zurich's executive committee.

Cecilia started her career at Credit Suisse, following which she held senior positions at ING Barings, latterly as head of risk analysis, asset management. She is also the founder of Pioneer Management Services GmbH which seeks to develop a non-profit social enterprise.

She holds a BSc from Ateneo de Manila University, an MBA from the University of Hawaii and a PhD (Finance) from the London Business School, University of London.



**Jutta af Rosenberg –  
Non-executive Director**

<b>Appointed to the Board</b>	<b>Age</b>
August 2017	61
<b>Nationality</b>	<b>Shares</b>
Danish	8,750
<b>Board committees:</b>	<b>R</b> <b>A</b>

Jutta has extensive knowledge of international management and strategy, from sector operational roles in a number of listed companies. Her previous experience, which includes group finance and auditing, risk management and mergers and acquisitions, allows her to offer valuable perspectives to strategic discussions.

Jutta was appointed a non-executive director of Aberdeen Asset Management PLC in January 2013. She is a non-executive director of JPMorgan European Investment Trust plc and chair of its audit committee. In addition, she is a non-executive director of NKT A/S and Nilfisk Holding A/S, and chairs the audit and remuneration committees of both organisations. She is also a member of the supervisory board of BBGI SICAV S.A, where she chairs the audit committee.

Previously, she was the executive vice president, chief financial officer, of ALK-Abelló A/S and was chairman of Det Danske Klasselotteri A/S.

A qualified accountant, she holds a Master's degree in Business Economics and Auditing from Copenhagen Business School.

**Board diversity  
Gender**



**Executive and  
Non-executive mix**



**Nationality**



**Tenure as at March 2020**



# Remuneration



Jonathan Asquith

## Directors' remuneration report

### Remuneration Committee Chairman's statement

This report sets out what the Directors of Standard Life Aberdeen were paid in 2019 and how we will pay them in 2020, together with an explanation of how the Remuneration Committee reached its recommendations. It also sets out the proposed remuneration policy which, subject to shareholder approval at the 2020 AGM, will apply from that date. Where tables and charts in this report have been audited by KPMG LLP we have marked them as 'audited' for clarity.

### Approval

The Directors' remuneration report was approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Jonathan Asquith', with a flourish at the end.

Jonathan Asquith

Chairman, Remuneration Committee

10 March 2020

This is my first report to shareholders, having been appointed to the Board and as Remuneration Committee Chair in September 2019. I would like to thank Richard Mully who served as the previous Committee Chairman, the Board, and my fellow Committee members for their support.

On appointment, I took the opportunity to meet with a number of our key institutional shareholders and their representatives as well as to undertake a review of our approach to executive remuneration. The outcome is the new remuneration policy which I now present for your approval, together with the summarised Remuneration Committee's report on Directors' remuneration for the year ended 31 December 2019.

We recognise that it is important for all companies, not least major investors such as Standard Life Aberdeen, to consider carefully how their executives are paid. We need to be able to attract and retain talented individuals from diverse backgrounds to manage our businesses and ensure that they are appropriately incentivised. In setting the terms of remuneration for the most senior employees, we must ensure that the interests of a broad range of stakeholders including shareholders, clients, regulators and the wider workforce are respected; their trust is central to our Company and therefore of foremost importance to the pay decisions that we take.

### Changes to the executive leadership team (ELT) and Board succession during 2019

In March 2019, it was confirmed that Keith Skeoch had been appointed as the sole CE, with Martin Gilbert remaining on the Board in his new role as Vice Chairman. Subsequently, it was announced in October 2019 that Martin would leave the Company on 30 September 2020. He relinquished his executive reports with effect from the date of that announcement. His time reduced to 4 days per week from 1 January 2020, with his remuneration (fixed and variable opportunity) pro-rated accordingly from that date. He will not seek re-election as a Director at the 2020 AGM.

Stephanie Bruce was appointed to the Board as CFO with effect from 1 June 2019. Her remuneration arrangements were disclosed as part of our Annual report and accounts 2018. The performance targets attached to her initial award are set out on page 89 of the Annual report and accounts 2019. Her predecessor, Bill Rattray retired from the Board on 31 May 2019 and remained employed to support transition to Stephanie until 31 December 2019. His remuneration for the period of time he was on the Board is set out on page 59 and his remaining remuneration is detailed on page 87 of the Annual report and accounts 2019.

It was also announced on 17 December 2019 that Rod Paris would step down from the Board with effect from 31 December 2019, while continuing his valuable work as CIO of the Company. His remuneration for the 2019 performance year, as well as the vesting and release of deferred awards granted in his capacity as an executive Director, will be delivered in accordance with existing policy. In line with this, his shareholding requirement under the current policy will remain in-force until the end of 2020.

There were also extensive changes on the non-executive Director front. Sir Douglas Flint stepped up to Chairman on 1 January following the retirement of Sir Gerry Grimstone. Richard Mully and Simon Troughton stepped down from the Board at the Annual General Meeting in May. Following my appointment on 1 September 2019, Cecilia Reyes also joined the Board as a non-executive Director and a member of the Remuneration Committee from 1 October 2019. All non-executive Directors' fee arrangements for 2020 are set out on page 93 of the Annual report and accounts 2019.



### Variable remuneration outcomes in respect of 2019

The targets for the Executive Incentive Plan (EIP) in 2019 covered a range of focus areas that the Board regarded as critical in challenging management to drive stretch performance while operating within appropriate risk settings. The outcome of the scorecard is set out on page 57 and summarised in the table below.

Executive Director	Final outcome (% of max)	Final outcome (% of salary)	Final outcome (£000s)
Keith Skeoch	20.83%	125%	750
Martin Gilbert	20.83%	83%	498
Rod Paris	22.83%	137%	616
Stephanie Bruce <sup>1</sup>	22.83%	47%	246
Bill Rattray <sup>1</sup>	19.83%	29%	129

<sup>1</sup> Outcome (% of annual salary) has been prorated to reflect the period of time spent on the Board.

### Financial performance

Performance against financial metrics accounts for 80% of the bonus opportunity for executive Directors. As set out in the Chairman's review, investment performance for our clients and customers improved in the year, with positive effects on their returns. Despite this improving background, the balance of financial metrics in the EIP scorecard landed below target. This has given rise to a final assessment of 8.33% of maximum on financial measures.

It should be noted that four of the financial performance metrics are included in the Underpin condition for the 2018 EIP Deferred Award. The final outcome of this award is not due to be assessed until 2022 and will be reported at that time; it is likely, however, that the result will be negatively impacted by the financial performance for 2019.

### Non-financial performance

In addition to the above, the Committee set a range of non-financial (10%) and personal (10%) performance targets for the executive Directors, amounting to 20% of bonus opportunity in total. The Remuneration Committee assessed that a final score of 6.5% out of 10% of the maximum on non-financial measures was appropriate. This was driven by the following key factors:

- A positive assessment for achievements under strategic delivery, in particular unlocking of value from our Indian stakes
- Considerable progress on our people agenda including the formation of a new leadership team
- Progress against key milestones for integration and transformation

Full detail on the Committee's assessment is provided on page 86 of the Annual report and accounts 2019 together with the achievements of each of the individual executive Directors against the personal targets which make up the final 10% of their scorecards.

### Remuneration Committee assessment

To consider whether the awards generated by the scorecard were fair in the broader performance and risk context, the Remuneration Committee considered the following factors:

- The outcome from the perspective of overall Company performance including one-off items
- The shareholder experience during 2019
- The input from the Risk and Capital Committee, and Audit Committee
- The context of incentive funding across the workforce

The Remuneration Committee concluded that there were no grounds for exercising its discretion to amend the outcome of the process.

### Looking back at the 2019 AGM

The Board changes announced in March 2019 included the transition away from the co-CEO structure and Martin Gilbert's appointment as Vice Chairman, the prospective appointment of Stephanie Bruce as Finance Director and the detailed terms of the appointment of the new Chairman.

All of these changes had remuneration implications and it became clear in the lead up to the 2019 AGM that some shareholders had concerns in this area. As such, prior to the 2019 AGM, the Chairman held discussions with a number of our largest shareholders and their representatives. Having listened to the concerns raised, the Committee approved further conditionality on the one-off deferred award made to Stephanie Bruce. This was in the form of a performance condition linked to efficiency targets and was communicated to the Stock Exchange on 30 April 2019. At the AGM 57.98% of shareholders' votes cast were in favour of the resolution to approve the Directors' remuneration report. As a result, the Company committed to consult further with shareholders and report back on their concerns and how the Company proposed to address them.

This consultation got under way as soon as practicable after my appointment as Chairman of the Remuneration Committee and involved letters to our leading shareholders and follow up meetings with them and their proxy voting advisers in the fourth quarter of 2019. In these meetings, the discussion points around the 2019 AGM were recognised to be one-off issues of which the key agenda items were:

- Martin Gilbert's remuneration with effect from 13 March 2019 to reflect his new role as Vice Chairman. By the time of the consultation, Martin's decision to step down from this role and retire from the Company had already been announced and the issue was treated as closed.
- Stephanie Bruce's one-off deferred award with a face value of £750,000 which was the subject of the performance condition referred to above

Stephanie Bruce was considered a critical addition to the Board to deliver our strategic plan and her recruitment from outside the financial sector presented particular challenges. As a partner at PricewaterhouseCoopers LLP, her annual emoluments were exclusively in cash and included a share of partnership profits which were relatively dependable, while not guaranteed. On leaving the partnership, she forfeited the right to these payments and transitioned to a pay model with a higher proportion of pay truly at risk. In compensation for her loss of partnership earnings going forward, the Committee felt it was appropriate to grant her a one-off deferred award, to which the performance conditions set out on page 89 of the Annual report and accounts 2019 were subsequently attached.

Shareholders made it clear that they had not expected the Company to use its general discretions in the remuneration policy to grant an award of this kind. On behalf of the Committee I acknowledged their concerns and agreed that prior consultation with key investors would be considered should a similar issue arise in the future. I also confirmed that assessment of performance against the targets for Stephanie Bruce's one-off award would be separately verified, noting that the first performance assessment is due to take place in June 2020 on the anniversary of her appointment.

I also took the opportunity during my shareholder meetings to discuss our thinking regarding remuneration arrangements and solicited views on the future shape and direction of executive remuneration at the Company. The encouragement received from shareholders and their representatives to consider alternative approaches and the points that they raised informed the decision by the Remuneration Committee to propose the new remuneration policy set out below.

### Changes to remuneration for 2020

As outlined in both the Chairman's message and the Chief Executive's review, 2019 was a pivotal year for both our industry and our business. Looking forward we need to position our Company for 2020 and beyond to ensure we are ready to meet the turbulent challenges facing markets and our industry. This demands a remuneration policy and package for our executive Directors that motivates and incentivises delivery against our plan, whilst aligning their long-term interests with those of shareholders.

Our existing remuneration policy is only two years old, but changes to the business since it was first proposed and practical issues around its implementation in the form of the current EIP have undermined its suitability. In particular, much of the current remuneration policy focuses on the achievement of budgetary targets around adjusted profits; this gives rise to four key issues:

- The Company has a substantial and costly programme of integration and systems restructuring work to complete following the Standard Life/Aberdeen Asset Management merger and the sale of the UK and European insurance businesses to Phoenix in 2018. The cost-effective and timely delivery of these 'below the line' items is not addressed by the incentives embedded in the EIP.
- While the existing EIP achieves a degree of shareholder alignment by delivering rewards in the form of shares, there is no explicit linkage between the quantum delivered and any of the conventional independent measures of shareholder value
- The Phoenix transaction provides the Company with the opportunity to reorganise its capital structure via the realisation of value in non-core assets and the return of excess capital to shareholders. Since this process has little impact on Adjusted Earnings, it again falls outside the scope of the EIP.
- The EIP has been established as a multi-year plan, with financial performance measured in the main over trailing periods of up to three years; awards are then subject to annual re-tests on challenging criteria until vesting. The complexity of the structure makes outcomes highly unpredictable and significantly weighted towards trailing performance rather than future growth, while its rigidity does not equip it well to deal with evolving strategic challenges in a fast-changing environment.

These factors, together with feedback obtained from our investors through our meetings over the last six months, have led the Committee to develop the new remuneration policy which is proposed for approval at this year's AGM. It has been designed to address the shortcomings identified above and to ensure that our remuneration policy is structured appropriately to drive delivery of our strategy and meet the following core principles:

**Simple and transparent:** easy for participants and wider stakeholders to understand.

**Alignment to performance:** executive remuneration aligned to overall performance of the Company.

**Reward short and long-term performance:** rewards delivery of short-term plans and long-term shareholder returns.

**External landscape:** considers the evolving external landscape for executive reward.

**Market competitive:** attracts and retains the right talent to deliver our strategy.

### Key elements of our new policy

For simplicity and ease of understanding, the new remuneration policy is structured to conform substantially with existing market norms. It has six key features:

**Base salary** – set to reflect the role and experience of the relevant individual, with increases typically in line with the wider workforce, adjusted where appropriate for changes in role or responsibilities.

**Benefits and pensions** – aligned with the wider workforce.

**Annual bonus** – rewarding management for the efficient and timely execution of the stretching plan agreed with the Board over the short term (12 months), with a majority focus (75%) on financial performance. Non-financial performance (20%) makes up most of the balance, concentrating on the achievement of desired outcomes in our relationships with our customers and our people. The remaining 5% is reserved to reward the achievement of specific personal targets set for each of the executive Directors. Underpinning the final outcome is Board discretion, where Risk and Conduct matters are considered along with any other contextual references such as sustainability of outcomes. Given the importance of these aspects, they can have a substantial impact on final awards, notwithstanding performance against the targets set.

**Long-Term Incentive Plan (LTIP)** – aligning management expectations with those of the Board and shareholders over the long term (five years), with a three year performance measurement period and subsequent two year retention period. Performance measures are linked to the creation of long-term shareholder value and must include a minimum of two measures of which one should be absolute and one relative in nature.

**Shareholding requirement** – remains 500% of salary for CE and 300% for CFO. For executive Directors serving from this year's AGM the post-employment shareholding requirement has been extended to two years following departure from the Board.

**Quantum** – there is no increase in the overall opportunity available to any of the executive Directors as a result of the change from the existing to the proposed remuneration policy.

### 2020 policy implementation

A core part of the design of our new remuneration policy was to maintain a similar remuneration potential at target and maximum for executive Directors as their potential under the current policy. The proposed 2020 remuneration package for our executive Directors is detailed on page 96 of the Annual report and accounts 2019. The Board increased salaries in line with the salary increase being awarded to our employees. Pension has been reduced to align to the pension opportunity for our wider workforce. There has been no change to the incentive pay opportunity or the proportion potentially available to recipients in cash, as distinct from deferred. We have chosen adjusted diluted earnings per share (EPS) and relative total shareholder return (TSR) as the two shareholder value measures to be used as the basis for judging performance for the 2020 LTIP.

Further detail regarding the proposed new policy and its implementation for 2020 is summarised in the 'At a glance' section on page 58 and set out in full in the 'Future remuneration policy' section starting from page 96 of the Annual report and accounts 2019.

## Shareholder consultation

As we reported in an RNS announcement in November, the Committee consulted extensively with shareholders and their representatives in the development of this policy and their views have helped us to shape our final proposals. The shareholders that we consulted were supportive of the proposed approach going forward, and in particular:

- Increased alignment to shareholders through the introduction of an LTIP
- Greater levels of transparency for both management and shareholders on how performance and remuneration outcomes align through a simplified model for delivery which removes trailing performance measures and performance retests

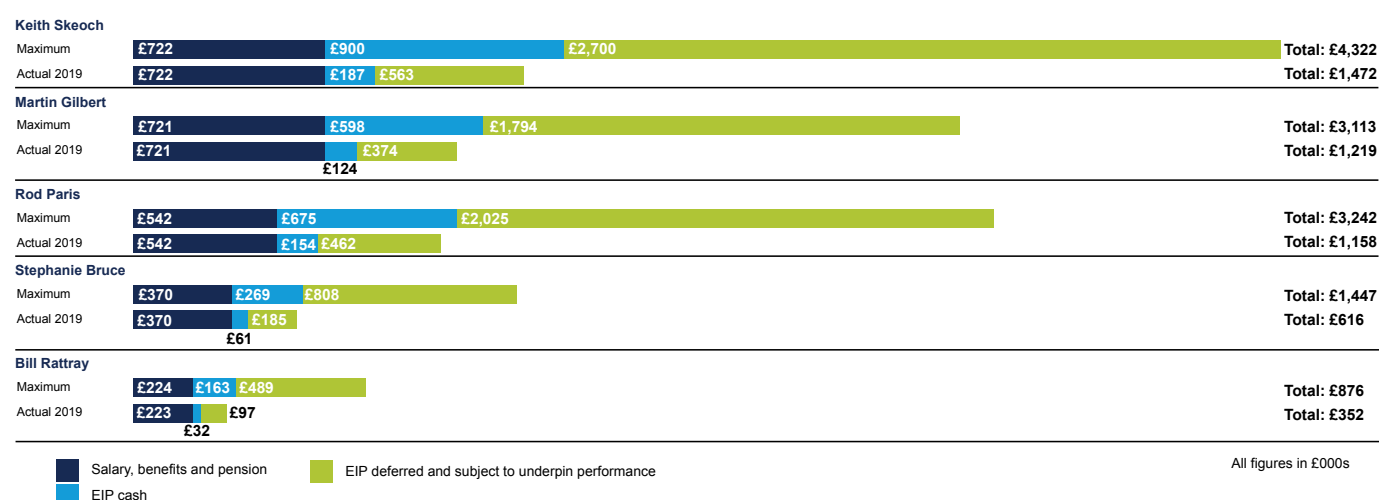
Shareholders and their representative bodies also provided helpful commentary which have guided the implementation of the new policy for our executives in 2020. I thank them for both their time and contribution.

On behalf of the Board, I invite you to read our Remuneration Report and welcome your feedback.

## At a glance – 2019 Remuneration outcomes

### 2019 Remuneration outcomes

This chart shows the outcome for each executive Director based on 2019 performance compared to the maximum opportunity.



<sup>1</sup> The figure for Stephanie Bruce has been pro-rated to reflect her appointment to the Board on 1 June 2019.

<sup>2</sup> The EIP opportunity for Martin Gilbert has been pro-rated to reflect the change in his opportunity as a result of his change in role on 13 March 2019.

<sup>3</sup> Bill Rattray retired from the Board on 31 May 2019. The EIP outcome and opportunity shown above has been pro-rated to reflect the period of time spent on the Board.

### The 2019 EIP scorecard outcome

In determining the final outcome for the EIP, the Remuneration Committee took advice from the Risk and Capital Committee and the Audit Committee, while also considering culture and conduct, the shareholder experience and pay for the wider workforce. As a result of this, the Committee concluded that there would be no further discretion applied to the scorecard outcome. The following table sets out the final outcome for the 2019 EIP, including the personal performance assessment. The table also details the final value derived for each individual.

	Financial metrics (maximum 80%)	Non-financial metrics (maximum 10%)	Personal Performance (maximum 10%)	Formulaic outcome (% of maximum)	Board approved final outcome (% of maximum)	Maximum opportunity (% of salary)	Total payable (% of salary)	Total payable (£000s)	EIP cash (£000s)	EIP deferred (£000s) <sup>1</sup>
<b>Keith Skeoch</b>	8.33%	6.5%	6.0%	20.83%	20.83%	600%	125%	750	187	563
<b>Martin Gilbert<sup>2</sup></b>	8.33%	6.5%	6.0%	20.83%	20.83%	399%	83%	498	124	374
<b>Rod Paris</b>	8.33%	6.5%	8.0%	22.83%	22.83%	600%	137%	616	154	462
<b>Stephanie Bruce<sup>3</sup></b>	8.33%	6.5%	8.0%	22.83%	22.83%	350%	47%	246	61	185
<b>Bill Rattray<sup>4</sup></b>	8.33%	6.5%	5.0%	19.83%	19.83%	350%	29%	129	32	97

<sup>1</sup> Deferred awards will be made in 2020, in the form of nil cost options under the Deferred Bonus Plan rules. Performance Underpins are applied, as set out on page 87 of the Annual report and accounts 2019.

<sup>2</sup> Martin Gilbert's total opportunity was 600% of salary until the 13 March 2019 and 350% of salary thereafter as a result of his change in role to Vice Chairman of the Company.

<sup>3</sup> Stephanie Bruce's total opportunity was 350% of salary from 1 June 2019 to 31 December 2019.

<sup>4</sup> Bill Rattray retired from the Board on 31 May 2019. The EIP outcome has been pro-rated to reflect the period of time spent on the Board.

## At a glance – proposed remuneration policy and 2020 implementation

### Key elements of our proposed policy (full policy set out on page 96 of the Annual report and accounts 2019)

The tables below summarise the key elements and implementation of the new policy. The policy for Chairman and non-executive Director fees remains unchanged.

**Salary:** Core reward for undertaking the role, normally reviewed annually.

**Change from current policy:** No change

**Pension and benefits:** Provides a competitive and flexible retirement benefit that does not create an unacceptable level of financial risk or cost to the Company. Provides market competitive cost effective benefits. The level of pension and benefits is reviewed periodically in line with the opportunity offered to other employees in the Company.

**Change from current policy:** Reduction in pension quantum proposed. This is to bring executive Director pension into line with the opportunity available to the wider workforce.

**Bonus:** Annual plan designed to reward the delivery of the Company's business plan in a range of financial and non-financial areas.

- Performance assessed against key financial, non-financial and personal performance measures
- Awards will vest at 25% for threshold performance, 50% for target performance and 100% for maximum performance with straight line vesting between these points
- Awards are delivered 50% in the form of cash and 50% in the form of a deferred award. The deferred award is delivered in shares and vests in equal tranches over three years. Retention is applied as required by regulation. Cash and deferred awards are subject to malus and clawback.

**Change from current policy:** The EIP is replaced by an annual bonus and LTIP award. Annual bonus performance will be assessed against forward looking metrics measured over 12 months, rather than based on trailing performance.

**Long-Term Incentive Plan (LTIP):** Designed to incentivise and reward long-term performance and shareholder value creation.

- Performance measures will include an absolute and relative measure
- Awards are subject to a three-year performance period with vested awards subject to a further two-year holding period
- Awards are subject to malus and clawback
- The first LTIP award will be made following the 2020 AGM, subject to the policy's approval

**Change from current policy:** New element of remuneration (partly replaces the EIP).

**Shareholding guidelines:** Executive Directors are required to build up substantial interests in the Company. The shareholding requirement for executive Directors remains at 500% of salary for Keith Skeoch as CE and 300% of salary for Stephanie Bruce as CFO. Executive Directors are required to hold shares to the value of the shareholding requirement for two years following departure from the Board. Martin Gilbert will be subject to the policy in place at the time of the announcement of his departure, i.e. one year post-cessation of employment with the Company.

**Change from current policy:** Increase from current post employment shareholding requirement of 12 months to 24 months.

**Quantum:** There is no increase in the quantum of opportunity available to any of the executive Directors as a result of the change from the existing to the proposed remuneration policy.

### Annual bonus

At the beginning of each year the Remuneration Committee sets the performance measures for the annual bonus based on strategic priorities. For 2020, 75% of the measures are based on financial performance, with the remainder based on non-financial performance.

The following table sets out the performance scorecard to be used based on the Company's strategic priorities:

Focus area	Weighting	Example performance metrics to be used to assess 2020
<b>Positioning for growth</b>	45%	Investment performance, Fee based revenue, Cost/income ratio
<b>Delivering for our shareholders</b>	30%	Profitability and delivery of key strategic initiatives
<b>Investing in our people and our customer experience</b>	20%	Performance against key people objectives (including people engagement and diversity) and key customer objectives (including customer advocacy)
<b>Individual objectives</b>	5%	Key individual deliverables

### The 2020 LTIP award

The first award under the LTIP plan will be made following the 2020 AGM, subject to the approval of the remuneration policy. Targets for the award will be measured for the three-year period ended 31 December 2022 and are set as follows:

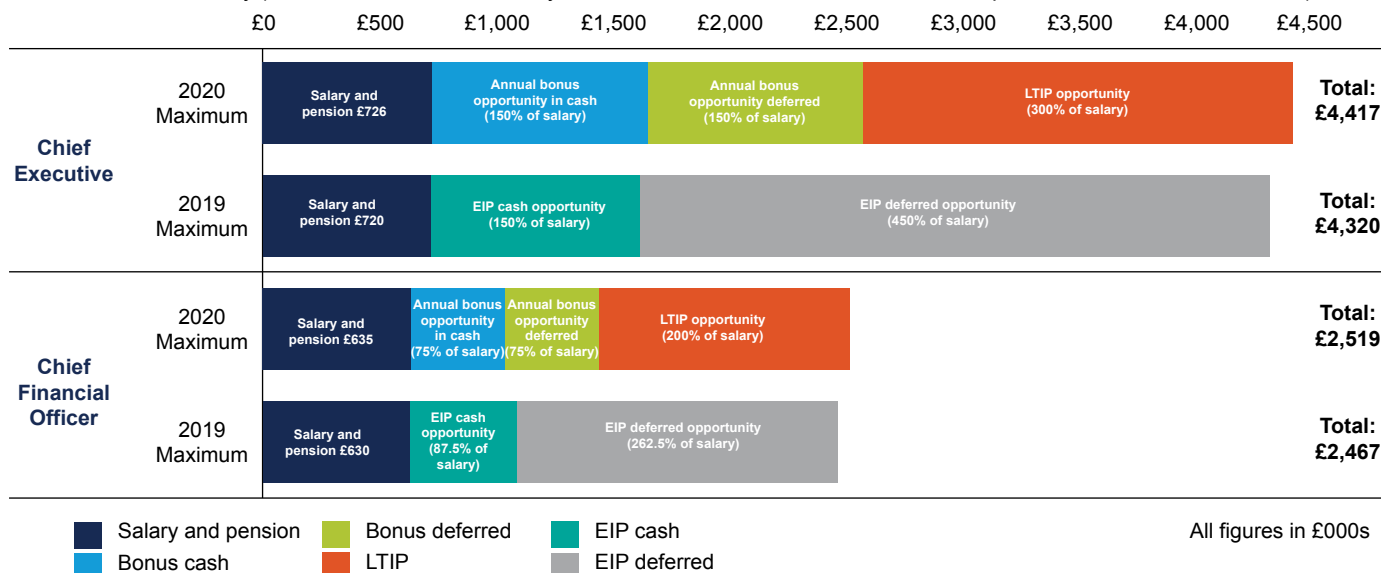
Performance measure	Weighting	Threshold performance (25% vesting)	Stretch performance (100% vesting)
Adjusted diluted EPS Compound Annual Growth Rate (CAGR)	50%	5%	15%
Relative TSR <sup>1</sup>	50%	Equal to the median company	Equal to, or in excess of, the upper quartile company

<sup>1</sup> Measured against a bespoke group of relevant asset management competitors.

### Comparison of opportunities of the policy in 2020 compared to 2019

The following chart compares the implementation of the previous policy to the proposed policy. Salary and pension for 2020 shown below includes the following adjustments:

- Salary of £615k for the CE, and £538k for the CFO (representing a 2.5% increase, in line with the wider workforce)
- Pension of 18% of salary (a reduction from 20% of salary, and in line with the maximum contribution in place across the wider workforce)



The terms of Martin Gilbert's retirement were agreed at the time of the announcement relating to his departure. In line with the prevailing policy at that time, Martin Gilbert will continue to receive a pension of 20% of salary until his departure. He will have a maximum opportunity for 2020 Annual Bonus of 204% of salary, to be pro-rated for time served (he will not be eligible to receive a 2020 long-term incentive award). His salary will remain as £480,000, reflecting the pro-rated value based on his working four days per week.

### Single total figure of remuneration – executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the executive Directors who served as a Director at any time during the financial year ending 31 December 2019:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s <sup>1</sup>	Pension allowance paid in year £000s	Other payments £000s <sup>2</sup>	Fixed pay sub-total £000s	EIP paid in cash <sup>3</sup> £000s	EIP deferred <sup>4</sup> £000s	Long-term incentives with performance period ending during the year £000s <sup>5,6</sup>	Variable sub-total £000s	Total remuneration for the year £000s
<b>Keith Skeoch</b>	2019	600	1	120	1	722	187	563	0	750	1,472
	2018	600	1	120	1	722	–	367	–	367	1,089
<b>Martin Gilbert</b>	2019	600	1	120	–	721	124	374	–	498	1,219
	2018	600	2	120	–	722	–	367	–	367	1,089
<b>Rod Paris</b>	2019	450	1	90	1	542	154	462	0	616	1,158
	2018	450	1	90	1	542	151	454	40	645	1,187
<b>Stephanie Bruce<sup>7</sup></b>	2019	308	–	62	–	370	61	185	–	246	616
	2018	–	–	–	–	–	–	–	–	–	–
<b>Bill Rattray<sup>8</sup></b>	2019	186	–	37	–	223	32	97	–	129	352
	2018	450	1	90	–	541	77	229	0	306	847

<sup>1</sup> This includes the taxable value of all benefits paid in respect of the relevant year. Included for 2019 are medical premiums at a cost to the group of £518 for Keith Skeoch and Rod Paris and £1,274 for Martin Gilbert.

<sup>2</sup> Keith Skeoch, Martin Gilbert and Rod Paris participate in the Standard Life Sharesave Plan. Keith Skeoch and Rod Paris participate in the Standard Life (Employee) Share Plan – the maximum annual award of matching shares in 2019 was £600.

<sup>3</sup> This figure shows the annual cash bonus paid in respect of the year.

<sup>4</sup> This figure shows the annual deferred EIP awarded in respect of the year. In the event that all, or part, of the award fails to satisfy the Underpin performance condition and subsequently lapses, the single figure outcome will be restated in the following Annual report and accounts.

<sup>5</sup> The values reported for 2018 have been restated to reflect the value of the shares vesting in respect of the three-year performance measurement period ending on 31 December 2018. Where the awards vested in 2019 the price has been restated using the share price on the vesting date. For 2018, the Executive LTIP vested at 0% and the Standard Life Investments LTIP vested at 3.175% of maximum, with the outcome restated in the table above at the vesting price of £2.5775. The previous share price used (based on the three month average to 31 December 2018) was £2.6415.

<sup>6</sup> For 2019, both the Executive and Standard Life Investments LTIPs failed to achieve threshold performance and will vest at 0%.

<sup>7</sup> Appointed 1 June 2019 – all figures reflect amounts paid/awarded since the date of appointment.

<sup>8</sup> Stepped down from the Board on 31 May 2019. The values shown represent the emoluments paid for the period spent on the Board.

**Single total figure of remuneration – non-executive Directors (audited)**

The following table sets out the single total figure of remuneration for each of the non-executive Directors who served as a Director at any time during the financial year ending 31 December 2019. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

Non-executive Directors		Fees for year ended 31 December £000s	Taxable benefits in year ended 31 December £000s	Total remuneration for the year ended 31 December £000s
<b>Sir Douglas Flint<sup>1</sup></b>	<b>2019</b>	<b>475</b>	<b>1</b>	<b>476</b>
	2018	14	–	14
<b>Simon Troughton<sup>2</sup></b>	<b>2019</b>	<b>75</b>	<b>1</b>	<b>76</b>
	2018	200	13	213
<b>Jonathan Asquith<sup>3</sup></b>	<b>2019</b>	<b>46</b>	<b>–</b>	<b>46</b>
	2018	–	–	–
<b>John Devine</b>	<b>2019</b>	<b>131</b>	<b>3</b>	<b>134</b>
	2018	124	3	127
<b>Melanie Gee</b>	<b>2019</b>	<b>117</b>	<b>4</b>	<b>121</b>
	2018	114	4	118
<b>Richard Mully<sup>2</sup></b>	<b>2019</b>	<b>46</b>	<b>8</b>	<b>54</b>
	2018	124	8	132
<b>Martin Pike</b>	<b>2019</b>	<b>128</b>	<b>3</b>	<b>131</b>
	2018	114	5	119
<b>Cathleen Raffaeli<sup>4</sup></b>	<b>2019</b>	<b>149</b>	<b>3</b>	<b>152</b>
	2018	35	–	35
<b>Jutta af Rosenberg</b>	<b>2019</b>	<b>94</b>	<b>–</b>	<b>94</b>
	2018	94	1	95
<b>Cecilia Reyes<sup>5</sup></b>	<b>2019</b>	<b>24</b>	<b>–</b>	<b>24</b>
	2018	–	–	–

<sup>1</sup> Appointed to the Board with effect from 1 November 2018. Appointed Chairman with effect from 1 January 2019. Sir Douglas Flint is eligible for life assurance of 4x his annual fee. For 2019 this figure relates to the period 19 December-31 December which was the relevant period that cover was in place.

<sup>2</sup> Stepped down from the Board on 14 May 2019.

<sup>3</sup> Appointed to the Board with effect from 1 September 2019.

<sup>4</sup> Appointed to the Board with effect from 1 August 2018.

<sup>5</sup> Appointed to the Board with effect from 1 October 2019.

# Consolidated financial information

## Consolidated income statement

For the year ended 31 December 2019

	2019 £m	2018 <sup>1</sup> £m
<b>Income</b>		
Investment return	464	(116)
Revenue from contracts with customers	1,743	1,955
Insurance contract premium income	66	73
Profit on disposal of interests in associates	1,542	185
Other income	178	34
<b>Total income from continuing operations</b>	<b>3,993</b>	<b>2,131</b>
<b>Expenses</b>		
Insurance contract claims and change in liabilities	156	1
Change in non-participating investment contract liabilities	265	(78)
Administrative expenses		
Restructuring and corporate transaction expenses	374	231
Impairment of goodwill – asset management	1,569	880
Other administrative expenses	1,651	1,746
<b>Total administrative expenses</b>	<b>3,594</b>	<b>2,857</b>
Change in liability for third party interest in consolidated funds	21	(5)
Finance costs	36	45
<b>Total expenses from continuing operations</b>	<b>4,072</b>	<b>2,820</b>
Share of profit from associates and joint ventures	79	130
Reversal of/(loss on) impairment of interest in associates	243	(228)
<b>Profit/(loss) before tax from continuing operations</b>	<b>243</b>	<b>(787)</b>
<b>Tax expense attributable to continuing operations</b>	<b>28</b>	<b>43</b>
<b>Profit/(loss) for the year from continuing operations</b>	<b>215</b>	<b>(830)</b>
Profit for the year from discontinued operations	56	1,698
<b>Profit for the year</b>	<b>271</b>	<b>868</b>
<b>Attributable to:</b>		
Equity shareholders of Standard Life Aberdeen plc		
From continuing operations	210	(835)
From discontinued operations	56	1,665
Equity shareholders of Standard Life Aberdeen plc	266	830
Other equity holders		
From discontinued operations – perpetual notes <sup>2</sup>	–	28
Non-controlling interests		
From continuing operations – preference shares	5	5
From discontinued operations – ordinary shares	–	5
	271	868
<b>Earnings per share from continuing operations</b>		
Basic (pence per share)	8.9	(29.3)
Diluted (pence per share)	8.8	(29.3)
<b>Earnings per share</b>		
Basic (pence per share)	11.2	29.1
Diluted (pence per share)	11.1	29.1

<sup>1</sup> The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation in the Group financial statements of the Annual report and accounts 2019.

<sup>2</sup> The presentation of amounts attributable to certain perpetual debt instruments in 2018 has been restated to show these amounts separately as related to other equity holders rather than as part of non-controlling interests.

Reconciliation of consolidated adjusted profit before tax to IFRS profit for the year

For the year ended 31 December 2019

	2019			2018 <sup>1</sup>		
	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
<b>Adjusted profit before tax</b>						
Asset management, platforms and wealth <sup>2</sup>	395	–	395	510	–	510
Insurance associates and joint ventures	189	–	189	140	–	140
UK and European insurance	–	–	–	–	210	210
<b>Adjusted profit before tax</b>	<b>584</b>	<b>–</b>	<b>584</b>	<b>650</b>	<b>210</b>	<b>860</b>
Adjusted for the following items						
Restructuring and corporate transaction expenses	(407)	–	(407)	(239)	(264)	(503)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(1,844)	–	(1,844)	(1,155)	–	(1,155)
Profit on disposal of subsidiaries	–	–	–	–	1,780	1,780
Profit on disposal of interests in associates	1,542	–	1,542	185	–	185
Reversal of/(loss on) impairment of associates	243	–	243	(228)	–	(228)
Investment return variances and economic assumption changes	(25)	–	(25)	54	(41)	13
Other <sup>3</sup>	158	56	214	(14)	44	30
<b>Total adjusting items</b>	<b>(333)</b>	<b>56</b>	<b>(277)</b>	<b>(1,397)</b>	<b>1,519</b>	<b>122</b>
Share of associates' and joint ventures' tax expense	(8)	–	(8)	(40)	–	(40)
Profit attributable to non-controlling interests – ordinary shares	–	–	–	–	5	5
<b>Profit/(loss) before tax expense<sup>4</sup></b>	<b>243</b>	<b>56</b>	<b>299</b>	<b>(787)</b>	<b>1,734</b>	<b>947</b>
Tax (expense)/credit attributable to						
Adjusted profit	(69)	–	(69)	(95)	(77)	(172)
Adjusting items	41	–	41	52	41	93
<b>Total tax expense</b>	<b>(28)</b>	<b>–</b>	<b>(28)</b>	<b>(43)</b>	<b>(36)</b>	<b>(79)</b>
<b>Profit/(loss) for the year</b>	<b>215</b>	<b>56</b>	<b>271</b>	<b>(830)</b>	<b>1,698</b>	<b>868</b>

<sup>1</sup> The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation in the Group financial statements of the Annual report and accounts 2019.

<sup>2</sup> The Asset management, platforms and wealth segment was previously named Asset management and platforms.

<sup>3</sup> The Other adjusting item in 2019 relating to continuing operations includes £140m received in relation to the settlement of arbitration with Lloyds Banking Group/ Scottish Widows (LBG).

<sup>4</sup> For discontinued operations profit before tax expense attributable to equity holders consists of profit before tax of £56m (2018: £1,780m) less tax expense attributable to policyholders' returns of £nil (2018: £46m).

The Group's key alternative performance measure is adjusted profit before tax.



## Consolidated statement of financial position

As at 31 December 2019

	2019 £m	2018 <sup>1,2</sup> £m
<b>Assets</b>		
Intangible assets	1,707	3,404
Pension and other post-retirement benefit assets	1,163	1,111
Investments in associates and joint ventures accounted for using the equity method	1,509	1,444
Property, plant and equipment	266	61
Deferred tax assets	74	61
Financial investments	2,115	2,115
Receivables and other financial assets	560	697
Current tax recoverable	9	6
Other assets	55	46
Assets held for sale	767	762
Cash and cash equivalents	1,615	1,110
	<b>9,840</b>	<b>10,817</b>
Assets backing unit linked liabilities (excluding held for sale)		
Financial investments	1,528	1,659
Receivables and other financial assets	10	11
Cash and cash equivalents	44	30
	<b>1,582</b>	<b>1,700</b>
<b>Total assets</b>	<b>11,422</b>	<b>12,517</b>

<sup>1</sup> The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation in the Group financial statements of the Annual report and accounts 2019.

<sup>2</sup> The Group has made a presentational change to show its unit linked liabilities and the assets backing these liabilities separately.

	2019	2018 <sup>1,2</sup>
	£m	£m
<b>Liabilities</b>		
Third party interest in consolidated funds	119	26
Subordinated liabilities	655	1,081
Pension and other post-retirement benefit provisions	55	38
Deferred income	67	75
Deferred tax liabilities	87	100
Current tax liabilities	19	22
Derivative financial liabilities	3	4
Other financial liabilities	1,315	1,161
Provisions	102	105
Other liabilities	5	9
Liabilities of operations held for sale	747	657
	<b>3,174</b>	<b>3,278</b>
Unit linked liabilities (excluding held for sale)		
Investment contract liabilities	1,152	1,468
Third party interest in consolidated funds	416	228
Other unit linked liabilities	14	4
	<b>1,582</b>	<b>1,700</b>
<b>Total liabilities</b>	<b>4,756</b>	<b>4,978</b>
<b>Equity</b>		
Share capital	327	353
Shares held by trusts	(134)	(115)
Share premium reserve	640	640
Retained earnings	2,886	2,778
Other reserves	2,845	3,782
<b>Equity attributable to equity shareholders of Standard Life Aberdeen plc</b>	<b>6,564</b>	<b>7,438</b>
Non-controlling interests		
Ordinary shares	3	2
Preference shares	99	99
<b>Total equity</b>	<b>6,666</b>	<b>7,539</b>
<b>Total equity and liabilities</b>	<b>11,422</b>	<b>12,517</b>

<sup>1</sup> The Group has initially applied IFRS 9 and IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Refer Basis of preparation in the Group financial statements of the Annual report and accounts 2019.

<sup>2</sup> The Group has made a presentational change to show its unit linked liabilities and the assets backing these liabilities separately.

Approved by the Board and signed on its behalf by the following Directors:



**Sir Douglas Flint**  
Chairman, 10 March 2020



**Stephanie Bruce**  
Chief Financial Officer, 10 March 2020

# Glossary

## Aberdeen Asset Management or Aberdeen

Aberdeen Asset Management PLC, or Aberdeen Asset Management PLC and its subsidiaries.

## Adjusted operating expenses

Adjusted operating expenses is a component of adjusted profit and relates to the day-to-day expenses of managing our business.

## Adjusted profit

Adjusted profit before tax is the Group's key alternative performance measure. Adjusted profit excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Fair value movements in contingent consideration
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group

Adjusted profit also excludes impacts arising from investment return variances and economic assumption changes in the Group's insurance entities. It is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities except where they are directly related to a significant management action, are excluded from adjusted profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from adjusted profit and is presented within profit before tax.

Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary shares. Similarly to preference shares, coupons paid on perpetual debt instruments classified as equity for which interest is only accounted for when paid is excluded from adjusted profit. This includes our share of interest payable on Tier 1 debt instruments held by associates. Coupons payable on perpetual debt instruments classified as equity for which interest is accrued are included in adjusted profit before tax.

## Assets under management and administration (AUMA)

AUMA is a measure of the total assets we manage, administer or advise on behalf of our clients and customers. It includes assets under management (AUM), assets under administration (AUA) and assets under advice (AUAdv). AUMA does not include assets for associates and joint ventures.

AUM is a measure of the total assets that Aberdeen Standard Investments manages on behalf of individual customers and institutional clients. AUM also includes assets managed for corporate purposes.

AUA is a measure of the total assets we administer for customers through our Platforms.

AUAdv is a measure of the total assets we advise our customers on, for which there is an ongoing charge.

## Board

The Board of Directors of the Company.

## Capital management

Capital management is a component of adjusted profit and relates to the return from the net assets of the shareholder business, net of costs of financing. This includes the net assets in defined benefit staff pension plans and net assets relating to the financing of subordinated liabilities.

## Chief Operating Decision Maker

The executive leadership team.

## Company

Standard Life Aberdeen plc. Prior to the merger, Standard Life plc.

## Cost/income ratio

This is an efficiency measure that is calculated as adjusted operating expenses divided by adjusted operating income, and includes the share of associates' and joint ventures' profit before tax.

## CRD IV

CRD IV is the European regulatory capital regime (comprising the Capital Requirements Directive and Capital Requirements Regulation) that applies to investment firms.

## Director

A director of the Company.

## Earnings per share (EPS)

EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, such as share options awarded to employees.

## Effective tax rate

Tax expense/(credit) attributable to equity holders' profit divided by profit before tax attributable to equity holders' profits expressed as a percentage.

## Executive leadership team

Responsible for providing overall leadership of the business and comprises: Chief Executive, General Counsel, Chief Financial Officer, Global Head of Distribution, Head of EMEA, Chief of Staff, Chief Investment Officer, Chief HR Officer, Chief Operating Officer, Chief Corporate Affairs Officer, Head of Americas and Head of Asia Pacific.

## Fair value through profit or loss (FVTPL)

FVTPL is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.

## FCA

Financial Conduct Authority of the United Kingdom.

## Fee based revenue

Fee based revenue is a component of adjusted profit and includes revenue we generate from asset management charges (AMCs), platform charges and other transactional charges. AMCs are earned on products such as mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the customer, with our major indirect exposure to rising or falling markets coming from higher or lower AMCs. Fee based revenue is shown net of fees, costs of sale, commissions and similar charges. Costs of sale include revenue from fund platforms which is passed to the product provider.

### Fee revenue yield (bps)

The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets under management, administration or advice. It is calculated as annualised fee based revenue (excluding performance fees, SL Asia, Focus and Threesixty) divided by monthly average fee based assets.

### Global absolute return strategies (GARS)

A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Aberdeen Standard Investments. The investment objective is to target a level of return over a rolling three-year period equivalent to cash plus 5% a year (gross of fees), and to do so with as little risk as possible.

### Group, Standard Life Aberdeen Group or Standard Life Aberdeen

Relates to the Company and its subsidiaries.

### ICAAP

Internal Capital Adequacy Assessment Process. The ICAAP is the means by which the Group assesses the level of capital that adequately supports all of the relevant current and future risks in its business.

### International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are prepared in accordance with IFRS as endorsed by the EU. All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. The IFRS financial results in the Strategic report and in the Group financial statements of the Annual report and accounts 2019 have been prepared on the basis of the IFRS accounting policies as disclosed in the Group financial statements section of the Annual report and accounts 2019.

### Investment performance

Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmarks on a gross of fees basis. Benchmarks differ by fund and are defined in each fund's Investment Management Agreement (for example, the benchmark for our GARS unit trust fund is six-month GBP LIBOR). For total AUM, the investment performance calculation covers 79% of Aberdeen Standard Investments AUM, with certain assets excluded such as non-discretionary portfolios e.g. full replication tracker funds or funds where no applicable index is available such as Aberdeen Standard Capital funds. Investment performance is calculated as if Standard Life Group and Aberdeen had always been merged.

### Key performance indicators (KPI)

A measure by reference to which the development, performance or position of the business can be measured effectively.

### Net flows

Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients and customers. Gross outflows or redemptions is the money withdrawn by clients or customers during the period.

### Phoenix or Phoenix Group

Phoenix Group Holdings plc or Phoenix Group Holdings plc and its subsidiaries.

### Pillar 1

Under CRD IV, Pillar 1 focuses on fixed overhead requirements and the Group's exposure to credit and market risks in respect of risk-weighted assets, and sets a minimum requirement for capital based on these measures.

### Pillar 2

The requirement for companies to assess the level of additional capital held against risks not covered in Pillar 1.

### Pillar 3

This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. The Group's Pillar 3 disclosures will be published on the Group's website at [www.standardlifeaberdeen.com/annualreport](http://www.standardlifeaberdeen.com/annualreport) before 30 June 2020.

### Platform

An investment platform (e.g. Wrap or Elevate) which is essentially a trading platform enabling investment funds, pensions, direct equity holdings and some life assurance contracts to be held in the same administrative account rather than as separate holdings.

### Pro forma basis

The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. Pro forma results for the Group are prepared as if Standard Life Group and Aberdeen had always been merged and are included for comparative periods to assist in explaining trends in financial performance by showing a full 12 months performance for the combined Group for all years.

### Reported basis

The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. The financial statements for 2017 have been prepared on this basis, with Aberdeen results included only from the date of merger onwards. This is referred to as the Reported basis.

### Standard Life

Following completion of the sale of our UK and European insurance business to Phoenix in August 2018, we have retained ownership of the Standard Life brand while also licensing it to Phoenix. The Standard Life brand continues to be a prominent feature of our retail platforms.

### Strategic insurance partners

A measure of the assets managed on behalf of a number of strategic partners such as Lloyds Banking Group and Phoenix.

### Subordinated liabilities

Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital.

### Underpin

In relation to remuneration, refers to a further performance condition that is required to be met in addition to the performance targets when determining the vesting of an award.

# Shareholder information

## Registered office

1 George Street  
Edinburgh  
EH2 2LL  
Scotland

Company registration number: SC286832

## For shareholder services call:

0345 113 0045\*

\*Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

## Secretary

Kenneth A Gilmour

## Registrar

Link Market Services Limited (Link)

## Auditors

KPMG LLP

## Solicitors

Slaughter and May

## Brokers

JP Morgan Cazenove  
Goldman Sachs

## Shareholder services

We offer a wide range of shareholder services. For more information, please:

- Contact our registrar, Link, who manage this service for us. Their details can be found on the inside back cover.
- Visit our share portal at [www.standardlifeaberdeenshares.com](http://www.standardlifeaberdeenshares.com)

## Sign up for Ecommunications

Signing up means:

- You'll receive an email when documents like the Annual report and accounts, Half year results and AGM guide are available on our website
- Voting instructions for the Annual General Meeting will be sent to you electronically

## Set up a share portal account

Having a share portal account means you can:

- Manage your account at a time that suits you
- Download your documents when you need them



To find out how to sign up, visit  
[www.standardlifeaberdeenshares.com](http://www.standardlifeaberdeenshares.com)

## Preventing unsolicited mail

By law, the Company has to make certain details from its share register publicly available. Because of this, it is possible that some registered shareholders could receive unsolicited mail or phone calls. You could also be targeted by fraudulent 'investment specialists'. Remember, if it sounds too good to be true, it probably is.

You can find more information about share scams at the Financial Conduct Authority website [www.fca.org.uk/consumers/scams](http://www.fca.org.uk/consumers/scams)

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the Standard Life Aberdeen Share Account – by contacting Link, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please visit [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

## Financial calendar

Full year results 2019	10 March
Ex-dividend date for 2019 final dividend	2 April
Record date for 2019 final dividend	3 April
Last date for DRIP elections for 2019 final dividend	29 April
Annual General Meeting – Edinburgh	12 May
Dividend payment date for 2019 final dividend	19 May
Half year results 2020	7 August
Ex-dividend date for 2020 interim dividend	20 August
Record date for 2020 interim dividend	21 August
Last date for DRIP elections for 2020 interim dividend	9 September
Dividend payment date for 2020 interim dividend	29 September

## Analysis of registered shareholdings at 31 December 2019

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	64,848	65.51	26,315,015	1.13
1,001-5,000	29,280	29.58	59,236,620	2.53
5,001-10,000	2,678	2.71	17,635,622	0.75
10,001-100,000	1,570	1.59	37,377,678	1.60
#100,001+	608	0.61	2,198,158,789	93.99
<b>Total</b>	<b>98,984</b>	<b>100</b>	<b>2,338,723,724</b>	<b>100</b>

# These figures include the Company-sponsored nominee – the Standard Life Aberdeen Share Account – which had 1,005,103 participants holding 651,170,271 shares.

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# Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategy, objectives, plans, goals and expectations of Standard Life Aberdeen plc (Standard Life Aberdeen) and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of management about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. These statements are based on assumptions and assessments made by Standard Life Aberdeen in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and depend on circumstances which may be or are beyond Standard Life Aberdeen's control, including among other things: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by Standard Life Aberdeen or its affiliates and/or within relevant industries; the value of and earnings from Standard Life Aberdeen's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches; natural or man-made catastrophic events; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations (including changes to the regulatory capital requirements that Standard Life Aberdeen is subject to) in the jurisdictions in which Standard Life Aberdeen and its affiliates operate. As a result, Standard Life Aberdeen's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements.

Persons receiving this document should not place undue reliance on forward-looking statements. Neither Standard Life Aberdeen nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of Standard Life Aberdeen and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, Standard Life Aberdeen's or its affiliates' future results.

# Contact us

**Got a shareholder question? Contact our shareholder services team.**

## **UK and Ireland**

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+44 (0)20 3367 8224\*

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**visit** [www.standardlifeaberdeenshares.com](http://www.standardlifeaberdeenshares.com)

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36243 Niederaula  
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**visit** [www.standardlifeaberdeenshares.com](http://www.standardlifeaberdeenshares.com)

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