Strategic report and financial highlights 2016

Standard Life

# MAKING WORLD-CLASS OUR STANDARD

# Contents



The Annual report and accounts 2016 and the Strategic report and financial highlights 2016 are published on the Group's website at **www.standardlife.com/annualreport**

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

The Strategic report and financial highlights 2016 contains extracts from the Group's Annual report and accounts 2016. 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 2016 which can be found on our website at **www.standardlife.com/annualreport**

The auditors' report on the full accounts for the year ended 31 December 2016 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.

**How to navigate this report**

Page cross reference

For more information visit our corporate website: **www.standardlife.com/annualreport**

# Highlights

## Financial highlights

**Assets under administration (AUA)** KPI
**£357.1bn**
2015: £307.4bn

**Operating profit** KPI
**£723m**
2015: £665m

**Net flows** KPI
**£2.6bn outflow**
2015: £6.3bn inflow

**Underlying cash generation** KPI
**£502m**
2015: £459m[1]

**Operating return on equity** KPI
**15.2%**
2015: 14.2%[2]

**Cost/income ratio** KPI
**62%**
2015: 63%

**Full year dividend per share** KPI
**19.82p**
2015: 18.36p

We include measures here which have not been determined to be KPIs but we believe are integral to the Group's performance.

**IFRS profit after tax attributable to equity holders**
**£368m**
2015: £276m

**Basic earnings per share**
**18.7p**
2015: 13.5p

2015 comparatives are in relation to continuing operations unless otherwise stated.

1 Comparative has been restated. See Chief Financial Officer's overview.

2 Comparative includes discontinued operations.

## Non-financial highlights

**Movement in Standard Life brand net promoter score** KPI
**Down 11**
2015: Up 5

See p45 for more information on our non-financial KPIs

**Employee engagement survey** KPI
Engagement
**65%**
2015: 63%

Enablement KPI
**62%**
2015: 64%

KPI **Key performance indicator**

Key performance indicators (KPIs) are defined as the measures by which the development, performance or position of the business can be measured effectively.

**We were established in Edinburgh in 1825. Today we're an investment company employing 6,300 people - through operations in the UK, Europe, North America, Asia and Australia.**

**Our purpose is to invest for a better future. We do it to make a difference. For our customers and clients, our people and our shareholders. This takes the combined skills, expertise and collaboration of a team of people who are committed to excellence in all they do.**

**Our simple business model is designed to help us generate value over the long term. We manage, administer and advise on assets for customers and clients and our businesses are focused on meeting their investment needs.**

**Wherever we operate, we aim to make a positive long-term impact. Whether it's by encouraging people to save for their future, by investing responsibly, or by providing support and expertise to benefit the communities around us.**

# Growing our business…


**We look after the investment needs of customers and clients in 45 countries.**

## Where we operate

We have offices in many of the world's financial centres and market locations. Operating this way lets us understand where and how markets and trends are developing and also how best we can respond to them.

Our head office is in Edinburgh with key operations in London, Dublin and Frankfurt. We also have regional hubs in Boston and Hong Kong for asset management.

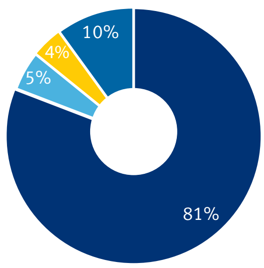
Our associate businesses in India, HDFC Life and HDFC Asset Management, are based in Mumbai. Our joint venture in China, Heng An Standard Life, operates out of Tianjin.

## Expanding our reach

We are building on the strong foundation of our business in the UK, with acquisitions during 2016 that have strengthened our position in the advice and adviser platform markets. We continued to expand internationally too, including a new office in Tokyo and commencing a strategic partnership with Challenger, a leading retirement income group in Australia.

**AUA by geography**[1]
(£bn)

**£357.1bn +16%**

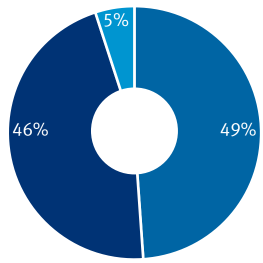



| | |
|---|---|
| UK | £288bn |
| Europe | £38bn |
| Asia | £18bn |
| North America | £13bn |

1 Relates to geography of customer and client.

**Operating profit by business**[2]
(£m)

**£723m +9%**




| | |
|---|---|
| Standard Life Investments | £383m |
| Pensions and Savings | £362m |
| India and China | £36m |

2 Diagram excludes operating loss from 'Other'.

# …to meet customer and client needs

## Our businesses

| | Standard Life Investments | Pensions and Savings | India and China |
|---|---|---|---|
| **Overview** | Standard Life Investments specialises in active asset management. Our key markets are in the UK, Europe, North America and Asia. We offer a wide range of investment solutions and funds, all supported by a distinctive investment philosophy *Focus on Change.* | Our Pensions and Savings business is a leading provider of long-term savings and investment propositions. We are primarily based in the UK, with operations in Ireland and Germany and serve around 4.5 million customers and clients. Our main aim is to help people manage their money today and save for their future. | Through a combination of associate and joint venture life businesses, we have extensive reach in the key savings markets in India and China. We also have a wholly owned business in Hong Kong. Across these businesses, we help to look after the life insurance needs of over 25 million customers. |
| **How we operate** | Our investment funds and solutions are available to clients through two distribution channels.<br><br>Our **Institutional** channel manages assets for a wide range of institutions, such as pension fund clients, government authorities, corporates, charities and insurance companies.<br><br>Our **Wholesale** channel provides funds and solutions to retail investors through wholesale distributors and platforms.<br><br>We also provide active asset management services for life insurance books to the wider Standard Life Group and to strategic partners such as the Phoenix Group.<br><br>Our associate business, HDFC Asset Management, is a leading manager of mutual funds in India. | In the UK, through our **Workplace** channel, we offer pensions, savings and flexible benefits schemes to employees through their employers.<br><br>Our **Retail** channel is a mix of intermediary relationships (financial advisers), direct customer relationships and our own financial planning business (1825).<br><br>Our valuable mature book includes **UK mature Retail** as well as spread/risk products, such as annuities and protection.<br><br>In Ireland and Germany, we offer savings and investment products to a variety of customers and clients. | **HDFC Life**, our associate business in India, sells individual and group life insurance policies via a network of around 400 branches as well as through a number of key bancassurance relationships.<br><br>**Heng An Standard Life** (HASL), our joint venture business in China has 82 offices offering life and health insurance products on both a group and individual basis. Sales are predominantly made direct to customers and clients. HASL also maintains relationships with bank and insurance brokers.<br><br>We operate as Standard Life in **Hong Kong**, selling insurance and savings products via insurance brokers. |
| **Operating profit** | **£383m**<br>(2015: £342m) | **£362m**<br>(2015: £357m) | **£36m**<br>(2015: £27m) |
| **Outlook** | We expect the low interest rate and compressed return climate in financial markets to continue.<br><br>We will continue to develop innovative investment solutions and global distribution to further diversify our business. This includes expanding our liability aware offering and range of multi-asset investment solutions. We are also strengthening our private markets capabilities.<br><br>We will continue to expand our geographic reach through developing our own distribution and building strong relationships with strategic partners.<br><br>See p26 for more information | We believe the demand for financial advice will continue to grow. To meet that demand, we aim to continue growing our platform business and to pursue further opportunities to build scale in our 1825 financial advice business.<br><br>Our Workplace business is expected to continue to benefit from ongoing implementations from auto enrolment, securing a steady flow of regular contributions into our pension products.<br><br>We will respond to European Union developments in a way that takes into account the best interests of customers, clients and our business.<br><br>See p30 for more information | Following the announcement in August 2016, the aim is to complete the proposed combination of the life insurance businesses of HDFC Life and Max Life within the next 12 months, subject to necessary approvals being obtained.<br><br>We are well positioned for expected future growth in the life insurance markets in India and China. We continue to develop our future business strategy in mainland China and Hong Kong.<br><br>In China, HASL continues to work towards gaining a pensions licence from the China Insurance Regulatory Commission.<br><br>See p34 for more information |

**Sir Gerry Grimstone,**
Chairman

# An unpredictable and changing world

2016 was not a good year for experts and much happened that was unpredicted and unexpected. In the UK we have had a change of leadership in Government and a great shift in terms of the future direction for the nation as a result of the decision to leave the European Union. In the US there is a new President, clearly different from his predecessor. It has been a time of great and significant change and it will be some years for the long-term effects to become apparent. The good news is that our business has had, in its 191-year history, a very good track record of being able to navigate times of internal, economic, and societal change, all whilst keeping its customers and clients absolutely at the heart of what it does. Change brings comparative advantage for well-run businesses, provided they anticipate and adapt.

Across the world, markets continued to feel the effects of short-term peaks and troughs and this has affected our investment performance in certain asset classes. However, we have a very fine investment management business and a good many excellent investment professionals and I'm confident that our robust processes will continue to deliver strong performance over the longer term.

The major developments in our business in 2016 have been aimed at increasing the depth and reach of what we do. Increased scale is allowing us to improve our operational efficiency and to widen the services we can provide to our customers and clients around the world.

### Our dividend

Together with our focus to deliver against our established strategy, we have again generated another solid set of financial results. We continued to make good profits, continued to invest in our operations for the future, and continued to manage our balance sheet effectively.

I am very pleased to confirm, as a result of our strong performance, another year of increased dividend payments to our shareholders. Our final dividend for 2016 is 13.35p per share (up 8.2% on 2015) and gives a total 2016 dividend of 19.82p per share (up 8.0% on 2015). If our shareholders approve the final dividend at our Annual General Meeting in May this year, it will be paid out on 23 May 2017.

### Business overview

During 2016, we made several key announcements, designed to further our ambitions. We made a significant strategic investment in the adviser platform market by acquiring Elevate. Together with our own Wrap platform, this gives us a much bigger footprint in the UK marketplace. The demand for platforms and also for professional financial advice has grown as more people are empowered to take control of their long-term savings plan. We also acquired three independent advice businesses as part of our growth strategy for our 1825 brand.

Our investment expertise in both public and private markets continued to develop and our global investment activities further expanded both geographically and in the range of clients we serve. We are closely monitoring potential changes both in regulation and customer behaviour in asset management and we are determined to maintain our position as a successful global investment company of significant expertise and scale.

We have very substantial investments in India through our partner HDFC – one of the leading players in both asset management and life insurance. A change in legislation gave us the opportunity to increase our investment in HDFC Life, which has continued to expand in the Indian life and pensions market, as well as geographically too into the Gulf region. HDFC Life is also working towards combining its life insurance business with that of Max Life, which will give it significantly increased scale and opportunity.

### European Union

The decision of the people of the UK to leave the European Union after over 40 years is one of profound importance which is bound to impact our business. For example, we use 'passporting' to service our 500,000 customers in Ireland, Germany and Austria through branches of our UK business, and to allow our Ireland business to service those UK customers invested in our International Bond. Whatever the outcome of the negotiations that will shortly start between the UK and the EU, our intention is to maintain current levels of service for all our customers.

It is no secret that, prior to the referendum, I publicly advocated the advantages that membership of the single market gives to the financial services industry in the UK, and to Standard Life, our customers and clients. It's now clear that many of these advantages will no longer be available. The people have spoken, the politicians are preparing for the Article 50 negotiations and we, as a responsible business, will do everything we can to make a success of the UK's new position in the world.

We intend to play our full part in influencing the negotiations and helping to build a solution that is right for the UK. We believe that this will benefit our customers, our shareholders, our employees and, ultimately, our country.

### Culture and governance

Our company's culture is built on a set of strong values, including customer focus and trust. We embody these values in everything that we do. Governance and conduct are the measures we put in place, in part, to ensure we are continuing to follow our values consistently. I have always been very vocal in championing effective governance at board level. In 2016, we continued to look at how best we can serve the needs of our business, our customers and clients and, of course, our shareholders.

Against this background, it was particularly disappointing that the outcome of the Financial Conduct Authority's thematic review into the sale of non-advised annuities showed that a portion of annuity sales that we made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity. We are continuing the work to ensure we put things right and have made a provision in our accounts for the costs that we may incur in relation to this.

We have strengthened the governance and oversight of our principal insurance company, Standard Life Assurance Limited, by appointing an independent Chairman, Lynne Peacock, who already sits on the plc Board, and an additional three very experienced non-executives, Amanda Bowe, Richard Houghton and David Marock. This in turn will allow the plc Board to devote more time to its strategic oversight of the whole of Standard Life.

In other Board changes, we said goodbye to Crawford Gillies and Isabel Hudson, and I was very pleased to welcome John Devine as a non-Executive Director. John previously chaired Standard Life Investments and is a highly experienced operational practitioner and independent director, with previous roles at Threadneedle Asset Management Limited and Merrill Lynch.

In January 2017 we announced that Paul Matthews would be stepping down from the Board as Chief Executive of Pensions and Savings on 1 March 2017, prior to his retirement on 31 August 2017. His successor, Barry O'Dwyer, joins the Board from 1 March, bringing with him a great deal of customer insight experience from his role as CEO of Standard Life Assurance Limited.

## Sustainability

As you would expect for a business that has been around for 191 years, operating in a sustainable way is central to what we do. I am very pleased that, once again, our people's hard work and dedication to making your business efficient, effective and responsible, was recognised in our best-ever achievements in both the Dow Jones and FTSE4Good sustainability rankings. We also received a 'Silver Class' award from independent experts RobecoSam for our corporate sustainability work. You can read more about our corporate and social responsibility activities in the Sustainability section of this report.

## Standard Life Foundation

I announced the launch of the Standard Life Foundation at our AGM in May 2016. This independent charity carries on the spirit of the former Standard Life Charitable Trust, but with a new and enhanced focus. I also announced that a substantial endowment would be gifted to the Foundation too. This endowment, in the region of £80 million, represents the vast majority of the proceeds of the disposal of unclaimed demutualisation shares and related dividends.

Lord Darling, the former Chancellor of the Exchequer, is chair of the Foundation, supported by a team of very experienced trustees. The Foundation will focus on independent research to strengthen financial well-being and resilience in the UK. I expect it to become highly-regarded and a very influential force in commissioning and disseminating research, both on its own account and working alongside other like-minded organisations too.

## Finally...

Businesses only succeed if they hold true to their values and constantly try to do the right thing. In a business like ours, customers and clients need to trust us and this trust is hard-earned.

Our achievements during 2016 are down to our dedicated employees. Tremendous people work for Standard Life and I'm very grateful to all of them for their hard work and talent. I'd also like to thank our shareholders for your continued support.

Over recent years we have fundamentally reshaped Standard Life and, very importantly, have created substantial value for shareholders. Standard Life has the potential to achieve much more and your company is in good shape to continue creating value for you in this increasingly complex and ever-changing world.

Gerry Grimstone

**Sir Gerry Grimstone**
Chairman

Standard Life plc

**Keith Skeoch,**
Chief Executive

# Creating a world-class investment company

## Q&A with Keith Skeoch, Chief Executive

### Q How would you describe Standard Life's performance in 2016?

**A** Overall, we performed well. Our results show a picture of a business that is playing to its strengths and growing in times of profound political change and market volatility. We improved our financial discipline to increase profits, maintain our financial strength and grow dividends. We also saw our targeted investments in diversification help increase our assets and revenues.

We continued to attract new assets from customers and clients with £42bn of gross inflows across our business. One of the hallmarks of 2016 was the industry wide retreat from parts of the investment market, which saw the most challenging conditions for the UK mutual funds industry in over 20 years.

However, we experienced modest net outflows of £2.6bn, less than 1% of assets at the start of 2016. This included outflows from our mature books which are in long-term run-off. Against these headwinds fee based revenue grew by 5% which, combined with careful cost control, helped us deliver a 9% increase in operating profit. Our strategy to build a well-diversified business helps our company to cope with significant change. What was encouraging was the £4.1bn of net inflows into the areas we regard as the long-term drivers of Standard Life's growth.

### Q What are Standard Life's ambitions?

**A** Our ambition is to create a world-class investment company: a global business which competes in our home markets and against the leading companies across the world.

To do this we will have to bring together the best from our successful active asset management, wealth management and pension and savings businesses to meet the changing shape of saver and investor needs.

We will build on our asset management skills, the quality of our advice to customers, the strength of the propositions that sit on our distribution platforms and the administration skills that lie behind them. This combination has allowed us to attract a highly diversified customer and client base which we want to continue growing.

### Q You talk about world-class – what does this mean?

**A** I believe to be world-class will mean our business is truly valued by savers, admired by the market and a source of pride for our people.

Our simple and consistent business model has been the foundation for our success for over a decade now and this continues to serve us well. However, to meet our ambitions we need to increase the pace of change and delivery in the business over the next year.

Building on the work undertaken in 2016, we will continue to broaden and deepen our investment capabilities through new product innovation and identifying investment opportunities. This will allow us to both strengthen our relationships with our customers and, ultimately, give them the investment outcomes they expect.

We'll continue to look for new opportunities to run our business more efficiently to drive real long-term value for all of our stakeholders. And we'll continue to focus on attracting the best talent from around the world to make our ambitions a reality.

### Q You have been in the role for 18 months now, what changes have you introduced to make the business operate more effectively?

**A** My role is to ensure the business continues to evolve and progress. In my view the best way of doing this is to build a well-diversified global investment company where we work effectively together to drive value for customers, clients, and shareholders.

Since I took on the role of Chief Executive I've focused on improving our financial discipline and on ensuring we continue with targeted investments in diversification to generate growth. Delivering long-term value is not just about growing the business but also bringing it closer together and building a strong culture focused on delivering for shareholders and customers. It is a culture based on collaboration, diversity, respect and inclusion.

A culture is not developed overnight. It takes time to win the hearts and minds of those involved and is only evidenced through actions and behaviours. One key indicator of how we are progressing is our employee survey scores. Against the backdrop of change, it was pleasing that our employee engagement score increased slightly compared to the previous year.

So we are making good progress and we are already seeing the benefits of working more closely together, delivering a number of initiatives in the last year across the business.

We delivered new investment propositions across an increasingly broad range of asset classes and geographies to meet the emerging needs of our Institutional, Wholesale, Retail and Workplace customers and clients. Our very successful MyFolio suite of funds was also launched in Germany.

We opened a Tokyo office to further our reach in Japan and began a new strategic collaboration with Bosera International – one of China's leading asset managers. In North America and Asia, we continued to develop strategic partnerships with global names like John Hancock and Sumitomo Mitsui.

In the UK our financial adviser platform proposition grew following the acquisition of Elevate, building on our already successful platform business, and ensuring we now work with a broader adviser population. Our own UK-wide financial planning brand, 1825, continued to develop through the acquisition of three financial planning businesses.

We also announced a very exciting development for our associate business in India, with the proposed combination of the life insurance businesses of HDFC Life and Max Life.

### Q How does the leadership team you have in place play its part in delivering Standard Life's strategy?

**A** My executive team brings together leadership skills and expertise from across the business. It's responsible for developing a single strategic plan that identifies our targeted investments in diversification and capitalises on the opportunities open to our asset management and pension and savings businesses, and those created by our various partnerships around the world. We also have a diverse, experienced and strong leadership population supporting the executive team in implementing our single strategy.

A key element of our strategy is recognising the importance of effective succession planning within that leadership population. We actively demonstrated this following the recent announcement that Paul Matthews is to retire this year. Barry O'Dwyer, a key member of the Pension and Savings management team, will take on Paul's responsibilities and replace him on the plc Board. I think this is a great example of the strength of talent we have at Standard Life and the importance we place on effective succession planning.

### Q How will the UK's exit from the European Union impact on Standard Life's strategy?

**A** The process and implications of the UK leaving the EU remain uncertain and we continue to monitor developments closely. However, Standard Life has a strong track record of adapting to changing markets and regulation. As a business we already operate successfully throughout the world as well as across borders in the EU. We have clients in 45 countries around the world, served by our own presence in 18 countries, and we operate across various regulatory regimes. I'm confident that we will continue to identify new opportunities that our developing relationship with the EU will bring. The uncertainty created by the UK's exit from the EU reinforces the global nature of our business. This aspect of our strategy won't change. We will continue to focus on creating innovative solutions, funds and propositions and working with regulators to deliver them to our customers and clients across the world.

### Q What's next for the business?

**A** For me it's simple, we need to continue to deliver steady progress in becoming the world-class business that I've described.

The external environment may be challenging at the moment but I believe we need to continue to look to the long term. As a business we'll be celebrating our 200th birthday in 2025 and we are proud of our heritage. Our longevity has been built on holding true to our values, understanding the evolving needs of our customers and clients and continuously rising to meet the demands of the world around us.

Our purpose in everything that we do is to invest for a better future. We will continue to do this with the aim of making a real difference to the lives of our stakeholders.

**Keith Skeoch**
Chief Executive

Standard Life plc

## World-class sponsorship

**Our ambition to be world-class is also expressed through our sponsorships and each one has a direct link to our shared values.**

### Sir Andy Murray

It's been a fantastic year for current world number one Andy Murray, capped off with a knighthood. His commitment to excellence and ambition to be the best is directly aligned to our values and reflects what we stand for.

### The Ryder Cup

Our partnership with the Ryder Cup has provided opportunities to raise awareness of our brand through one of the world's most iconic sporting events. Like the Ryder Cup, we too have a culture based on teamwork and shared values of integrity and respect. We were therefore delighted to confirm our extended partnership to Paris in 2018.

### The British and Irish Lions

During 2016 we also announced our sponsorship of the British and Irish Lions' team and the tour to New Zealand in summer 2017. We believe that teams which work together succeed together and win. The Lions personify this and we're already looking forward to a thrilling rugby test series.


# A simple and consistent business model...

**Our scalable businesses are well positioned to manage, administer and advise on assets to meet a range of customer and client needs, and to create value for our stakeholders.**

## Our simple business model...

### Increasing assets
We aim to grow the assets that we administer or manage, by deepening our relationships with existing customers and by attracting new customers.

### Growing revenue
We aim to grow revenue by providing propositions which customers and clients value because of the quality of our service and the long-term investment returns we deliver. Most of the fees we charge are based on the level of assets managed or administered.

### Lowering unit costs
We aim to reduce our unit costs by controlling expenses and investing carefully to improve both the scalability and efficiency of our business.

### Driving profit
Increasing assets, growing revenue and lowering unit costs enables us to drive our profit and further invest in growing our business.

Cash generation is closely aligned with profit.

### Optimising the balance sheet
We ensure that we have the appropriate level of capital to support our operations and provide protection for our policyholders, while continuing to focus on growing our capital-efficient fee business. We balance investing for business growth with continuing to pay growing dividends to shareholders.

## ...is designed to be sustainable and resilient over the long term...

**We are well positioned to take advantage of four trends that continue to shape the global savings and investment landscape.**

### Democratisation of financial risk
Customers and clients are having to take more responsibility for their and their families' financial futures – driving the need for financial guidance, advice and simpler products and services.

### Rebuilding trust in financial services
The global financial crisis damaged trust in financial services organisations. We will play our part in helping to rebuild this trust – by demonstrating we are committed to doing the right thing, being transparent in the way we operate and, through our products and services, offering value to our customers and clients.

### Innovation, technology and digitalisation
We aim to develop innovative products and services – helping us to work more efficiently while improving the ways customers and clients can access, invest and keep track of their assets.

### Slow growth, low inflation, compressed return environment
In these market conditions, customers and clients are looking for simple and transparent products, with clear outcomes that will meet their investment needs.

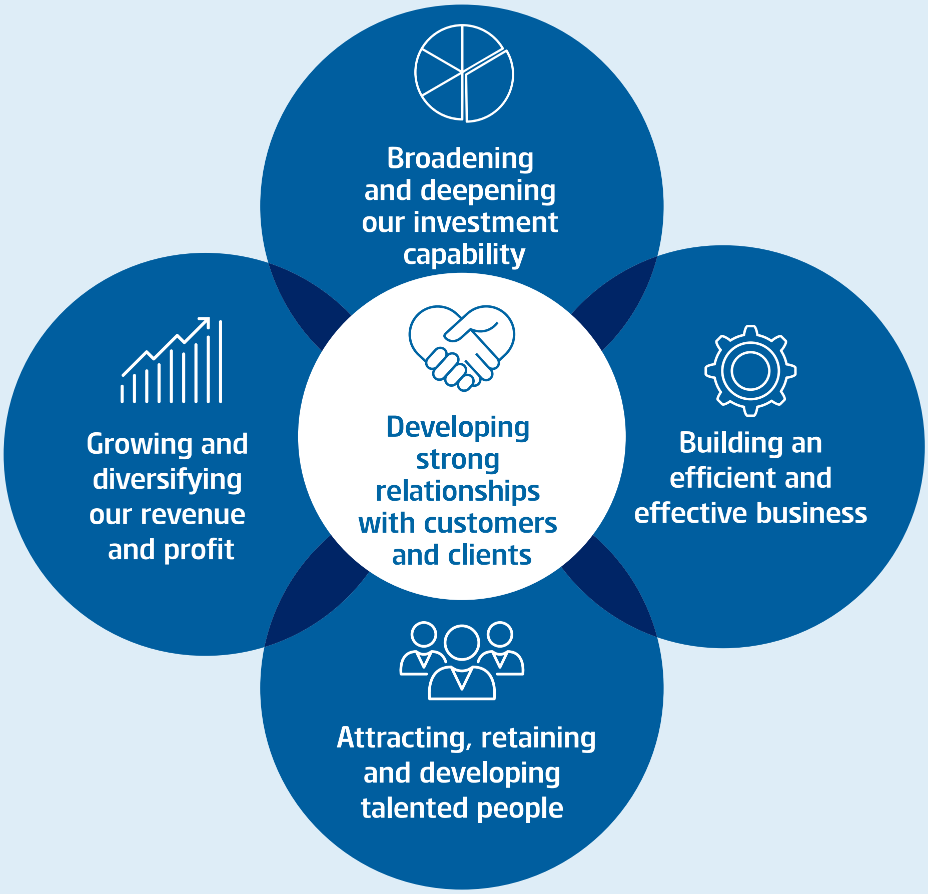
## ...to create value for our stakeholders

**We aim to create value for our stakeholders by:**

- Providing investment growth and excellent service for our customers and clients
- Using our influence as an investor to encourage responsible thinking and practices in other organisations
- Providing employment and opportunities for career growth to our people
- Delivering increased profits and dividends to grow shareholder value

# …with a strategy to achieve our world-class ambitions

**Our strategy is designed to help us make the most of our market opportunities and support our world-class ambitions.**




### Delivering our strategic objectives

Building a world-class investment company means providing real value for our customers and clients over the long term. It takes a commitment to teamwork and excellence in everything we do – and ensuring that our people have the skills, resources and knowledge to deliver.

Our strategic objectives are the key areas that we are focusing on to deliver against our business model. By developing strong relationships with customers and clients and broadening and deepening our investment capability, we can increase assets and grow our revenue. We can lower our unit costs and grow our profits by building an efficient and effective business.

Attracting, retaining and developing our people will support us in performing strongly in the future.

Together our investments in diversification will help improve the resilience of our business model and the returns and value it delivers for our shareholders.

See p10-19 for more information

# Broadening and deepening our investment capability

"We have continued to demonstrate our capabilities as a forward-looking, responsible company, as we look to deliver the investment outcomes our customers and clients expect."

**Rod Paris,**
Chief Investment Officer

## 2016 summary

### Key activities

- Continued to expand our liability aware range with launch of our unique Integrated Liability Plus Solutions
- Increased our focus on private markets where we believe better investment returns are possible over the long term
- Enhanced choice of investment funds with 16 funds launched during 2016
- Launched MyFolio in our European markets following its success in the UK
- Embedded Environmental, Social and Governance principles into our investment processes

**Assets under administration (AUA)** KPI

**£357.1bn +16%**

**Net flows** KPI

**£2.6bn outflow**

### Key risks

Read more on p36-41

- Customer and client preferences and demand
- Investment performance
- Talent management

### Objective

Broadening and deepening our investment capability gives us the potential to attract a wider range of future customers and clients. We design propositions and fund choices to deliver the outcomes they expect over the long term.

Success is measured by delivering investment performance that meets the desired outcomes of our customers and clients. Our propositions and fund choices demonstrate our capabilities as a forward-looking, responsible investor. As a long-term asset manager, our customers and clients expect us to have a long-term view on how their investments will perform.

### Market forces

We are well positioned to benefit from global trends that are shaping the savings and investments landscape. This includes the potential for slower economic growth and the compressed return environment continuing for longer which we expect will drive demand for active asset management.

### 2016 performance

Our short-term investment performance was weaker in 2016 and this had an adverse impact on net flows. Net outflows of £2.6bn were less than 1% of assets at the start of 2016. Our overall long-term investment performance remains strong.

See p29 for more information about our investment performance

We launched 16 new funds across a range of different asset classes, including Equities, Multi-asset and Fixed income. New funds, with specific objectives, are part of our ongoing aim to meet the investment needs of our customers and clients

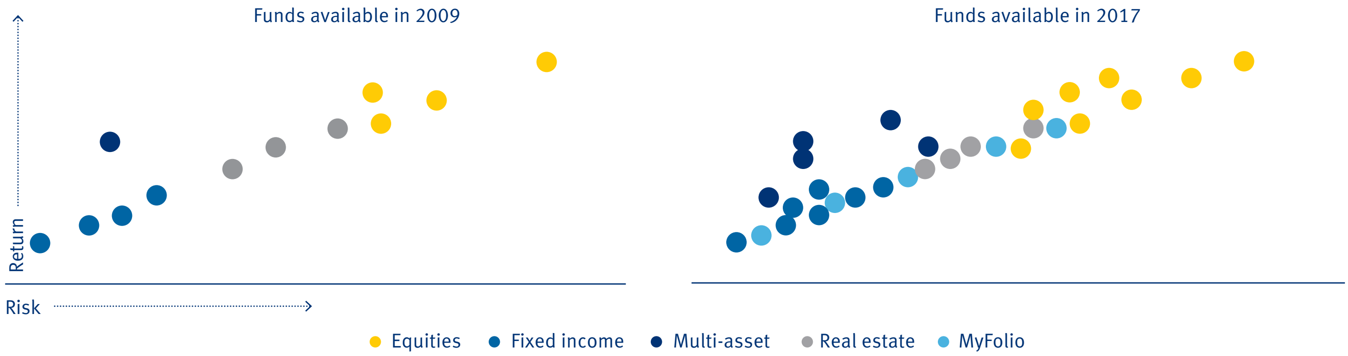
Our MyFolio range of risk-based funds, which launched in 2010, reached £10bn in assets under management – a positive demonstration of our reputation and ability to actively manage assets over the long term.

### Outlook and 2017 objectives

We expect the compressed/low-return market environment to persist during 2017. Our main objective is to continue to innovate and seek new, diverse investment opportunities, including:

- Further strengthen our private markets capability such as private equity, real estate and illiquid credit
- Convert our strong pipeline for our Integrated Liability Plus Solution with further variants planned
- Target opportunities from growing global markets for outsourcing of management of insurance assets

## Broadening capabilities to meet the needs of our customers and clients




Today, our ability to offer a broader range of funds compared to 2009 is a direct result of focusing on what our customers and clients want in terms of fund choice and expected outcome, together with continuing to follow our Focus on Change philosophy.

## Focus on Change – a distinctive investment philosophy

Our distinctive investment philosophy, Focus on Change, lies at the heart of our wide range of investment funds and solutions. Focus on Change helps analyse key factors driving the market price of an investment and identifies the drivers that the wider market may have missed. Our core belief is that our experienced investment professionals can consistently add value to client portfolios by exploiting these market inefficiencies.

We recognise that corporate governance along with responsible stewardship of a business' capital, employees, customers, environment and society has a fundamental impact on long-term investment returns. Our commitment to socially responsible investing is a fundamental component of our Focus on Change investment philosophy and process.

## The future of platform development

**Elevate**
Our acquisition of Elevate helps us create one of the largest and fastest growing adviser platform businesses in the UK – with combined assets under administration of over £40bn, and supporting over 3,000 adviser businesses.

The addition of the Elevate adviser platform provides further scale, expertise and resources to support the growing market demand for platform services and high-quality financial advice.

# Building an efficient and effective business

> "Our continuing investment in technology is helping us to develop increasingly scalable operations. We are able to administer growing volumes of assets efficiently."

**Colin Walklin,**
Group Chief Operating Officer



## 2016 summary

### Key activities

- Continued to evolve our IT systems to reduce ongoing costs and increase scalability
- Enhanced our position as a leading platform provider following the acquisition of Elevate
- Increased automation in customer operations processes

**Cost/income ratio** KPI

**62% -1% pt**

**Assets under administration** KPI

**£357.1bn +16%**

**Operating profit** KPI

**£723m +9%**

### Key risks

Read more on p36-41

- Change management
- IT failure and security
- Outsourcer relationship management
- Political change

### Objective

Efficient and effective operations are critical for our business. They help us provide outstanding service to our customers, advisers and employers at a competitive unit cost.

We're transforming our operating platform to make it more modern, flexible and scalable. We are also focusing on efficiency – allowing us to deliver new products to market faster and effectively manage unit costs. The surrounding architecture – which includes our IT systems, the processes we follow and external service providers we use – gives us greater flexibility and reduces ongoing maintenance costs.

### Market forces

To meet the expectations of our customers, advisers and employers, we've continued to work to deliver modern, consistent experiences across all of our platforms. Innovation, technology and digitalisation are major market trends – and we are investing in technology that helps us to become more scalable and operate more efficiently.

We're supportive of changes that will improve regulation, and we respond in an efficient and effective manner. For example, we've been early adopters of the European Market Infrastructure Regulation (EMIR) principles, designed to improve transparency and reduce risk in the derivatives market.

### 2016 performance

We celebrated 10 years of our Wrap platform. Since launching in 2006, the platform has been adopted by over 1,500 financial advice and wealth management firms, and currently serves over 200,000 customers.

We successfully embedded our new trade order management system – the core investment platform for our fund managers – and we've made significant progress with improving the technology and systems we use to manage investment data.

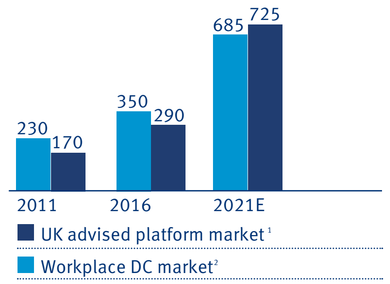
The cost/income ratio, which measures our efficiency, improved by 1% point to 62%. This includes the benefit of synergies delivered from the integration of Ignis. We have generated over £50m of annual cost synergies from this acquisition.

### Outlook and 2017 objectives

- Invest in technology to increase scalability, reduce ongoing costs and increase our ability to adapt to change
- Modernise the information storage systems in our Pensions and Savings business to address risks around technology going out of date and to reduce costs
- Transform the way we use digital platforms to provide information to customers and clients

## A focus on growing our business and efficiency

**Advised platform and DC pension markets expected to grow strongly (£bn)**

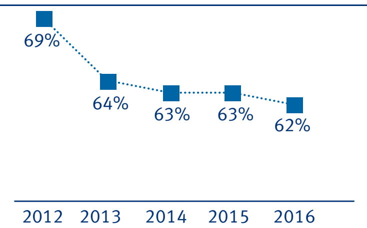



[1] Source: Fundscape.

[2] Source: Spence Johnson.

**Sharpening focus on efficiency**

**Cost/income ratio**




### Growth opportunity

- Financial advisers are turning to platforms to drive scalability and efficiency and address the growing need for advice
- The shift from defined benefit to defined contribution (DC), together with auto enrolment, is driving growth in DC pensions

### Efficiency

- We have an established track record of driving down unit costs
- We see opportunities for further efficiencies including streamlining our customer operations and the integration of Elevate

# Attracting, retaining and developing talented people

> "We are committed to bringing out the best in our people and enabling them to reach their potential."
>
> **Sandy Begbie,**
> Chief People Officer

## 2016 summary

### Key activities

- Developed our people managers with a tailored 12-month training programme
- Encouraged our people to develop their skills through external board appointments
- Implemented the Living Wage Foundation's latest UK hourly rate of £8.45 (£9.75 in London)

### Employee engagement survey

KPI Engagement

**65% +2% pts**

KPI Enablement

**62% -2% pts**

### Key risks

read more on p36-41

- Political change
- Talent management

## We underpin everything we do with clear, consistent values


### Objective

We invest in our employees' development because we know that engaged people are central to building long-term customer and client relationships, contributing to our businesses' performance, reputation, profitability and long-term shareholder value.

### Market forces

We compete in a global marketplace where talented people are in high demand. We invest in mentoring, coaching and development programmes for our people as part of their ongoing career development.

We have a robust succession planning process in place for our strategic executive committee members. This includes ongoing talent management for people who have the potential and drive to become our future business leaders.

### 2016 performance

Around 1,200 of our people were supported through employee networks. We launched a Carers Network for people who are, or support, carers and also LGBT+ Allies, which aims to raise awareness of lesbian, gay, bisexual and transgender issues in the workplace.

We continued our commitment to employing young people, recruiting 46 graduates and 158 people through our youth employment initiatives. 8% of our people in the UK and Ireland are aged 25 or under, compared to just 0.5% in 2010.

Our peoples' contribution to business innovation and support for our communities was celebrated through our annual Inspiration Awards.

We had some small changes in the overall engagement and enablement scores from our latest employee survey. In 2017, we will create action plans to address the key themes from the survey.

### Outlook and 2017 objectives

- Continue to invest in our leaders and further develop our strong talent pipeline
- Promote the continued importance and benefits of cooperation and collaboration to create high performing teams
- Progress the policies and initiatives for a diverse and inclusive culture, including working towards our targets for the proportion of women in leadership roles
- Identify and address key actions from our employee engagement survey

See p45 for more information about our employee engagement and enablement

## Our commitment to gender equality

We are committed to providing an inclusive workplace where everyone is valued for who they are and what they contribute.  A key aspect of this is gender equality. We know it is an area where we have more work to do.

In September 2016, we signed the UK's HM Treasury Women in Finance Charter. This makes firm and public commitments to support actions which will improve the representation of women in our industry, including progressive target setting for our leadership population. By the end of 2021, we aim to have 30-35% women in leadership roles across our business (2016: 25%).

## Developing relationships through strategic partnerships

We have established partnerships in parts of the world that are strategically important to us. This includes North America – one of the most competitive markets in the world for institutional and wholesale asset management – where we partner with leading financial services company John Hancock.

In 2016 we extended the range of funds we offer to John Hancock's retail investors, by launching the Global Focused Strategies Fund. We have also increased our distribution and client service operations in Boston to support our growing activity in this area. At the end of 2016, we managed £5.4bn of assets through this strategic partnership.

# Developing strong relationships with customers and clients

"Our strong relationships with customers, clients and advisers have been the driving force of our success."

**Colin Clark,**
Global Client Director

## 2016 summary

### Key activities

- Continued to expand and diversify Standard Life Investments' client base by geography, channel, client type and range of funds – supported by innovative solutions and commitment to service excellence
- Supported leading advisers and consultants in the UK to embed workplace and platform solutions
- Continued to grow strategic partnerships that serve clients in markets worldwide – including John Hancock in the US

**Movement in Standard Life brand net promoter score** KPI

**Down 11**

### Key risks

Read more on p36-41

- Customer and client outcomes
- Customer and client preferences and demand
- Outsourcer relationship management

## A compelling proposition

### Administration

We offer innovative products and services that allow customers and clients to easily manage their savings and investments. We make the most of technology to ensure people can easily access, service and consolidate their assets.

### Asset management

We're an active asset manager. We offer market-leading investment products that have clear investment outcomes. Our approach is supported by a team of investment experts and a philosophy which is focused on anticipating market change and carefully managing risks.


### Advice

We offer financial planning and advice to help clients achieve a wide range of financial goals. We also offer a platform for independent advisers that helps them capitalise on the growing demand for their services and to serve their clients more efficiently.

### Objective

We focus on putting customers and clients first, and we always aim to operate in a timely and efficient way. If we don't meet our own high standards, we look to put it right. Our processes and technology are designed to enable us to deliver great customer experiences that are also scalable, to support the future growth of our business.

### Market forces

Increased regulatory and legislative complexity, as well as political uncertainty, have meant a greater need for advice and tailored investment solutions. Individual and institutional clients are looking to trusted organisations and advisers to help them make the right choices. In the UK, we've also seen increased complexity through pension freedoms – where people have greater choice in how they take their pension.

We're also competing against offerings from other organisations. We therefore aim to offer a premium service, consistent with our overall proposition.

### 2016 performance

During 2016 we continued to strengthen how we support the needs of our increasingly diverse range of institutional and wholesale clients. We've also looked for opportunities to diversify through our strategic relationships.

With individuals taking more responsibility for their finances and seeking advice, our Wrap platform has remained a popular choice for advisers – as it allows them to consolidate and manage clients' financial plans more efficiently. The acquisition of Elevate has strengthened our position in the UK advised platform market, connecting us with more advisers and customers.

Our brand net promoter score is an important measure of customer advocacy. In 2016 our score fell by 11 points. We believe the reasons for this include the processes around pension freedoms – which is a complex area – and lower customer confidence in financial services as a whole. We also saw challenges arising from new technology designed to improve customer experience. We've planned a number of actions for 2017 to improve customer experiences – including automating and simplifying key processes, better self service online, and greater collaboration to better understand customer needs.

We have also continued our work to address the findings of the Financial Conduct Authority's thematic review into the sale of non-advised annuities. The review showed that a portion of annuity sales that we made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity.

### Outlook and 2017 objectives

- Continue to develop client relationships – including through new distribution partnerships and growing global brand awareness – and how we connect with advisers through our platform business
- Integrating new technology to improve our telephone systems and online capabilities to deliver services that are scalable, automated and cost efficient
- Continue to collaborate across our business to keep improving customer, client and adviser experiences

## Creating shareholder value in India

In April 2016, we increased our stake in HDFC Life from 26% to 35%.

In August 2016, it was announced that HDFC Life and Max Life had agreed terms to combine their life insurance businesses. They are working towards completing this transaction which is expected to strengthen HDFC Life's position as a leading private sector life insurance business in India. The proposed transaction is subject to regulatory, court and other necessary approvals.

The strategic benefits include increased scale and enhanced distribution and product mix. For example, the combined business would have bank assurance relationships – where insurance products are sold through bank branches– with three of the top six private sector banks in India.

# Growing and diversifying our revenue and profit

"Our targeted opportunities to further diversify our business help us to grow revenues and profits."

**Luke Savage,**
Chief Financial Officer

## 2016 summary

### Key activities

- Completed the acquisition of Elevate, making us one of the UK's largest and fastest growing adviser platform businesses
- 1825, our financial advice business, completed three further acquisitions
- Increased our holding in HDFC Life to 35% and also announced the proposed combination of this business with Max Life

**Underlying cash generation** KPI

**£502m +9%**

**Operating profit** KPI

**£723m +9%**

**Full year dividend per share** KPI

**19.82p +8%**

### Key risks

Read more on p36-41

- Counterparty risk
- Investment performance
- Longevity risk
- Market risk
- Regulatory change

### Objective

We remain focused on growing and diversifying revenue and profit, to deliver sustainable value for our shareholders and other key stakeholders. We aim to do this by creating a world-class investment company that is well diversified by geography, distribution channel, client type, asset class and across the value chain.

To support diversification, we will continue to pursue organic growth opportunities from our own resources and activities – while also carefully targeting appropriate acquisitions and new strategic partnerships.

### Market forces

As people are having to take more responsibility for their financial futures, we've seen a growing demand for financial advice and guidance. This presents an opportunity for us to diversify and grow our sources of revenue – in particular, through our financial advice business 1825.

We've seen increased customer and client appetite for simple and transparent products that have clear investment objectives, and to take a more active approach to managing their investments. These are areas of strength for our business, built on our track record of strong long-term investment performance and innovation.

### 2016 performance

We benefited from our diversified client base with business channels responding in different ways to the market environment – which was impacted by political and economic developments in the UK, the US and other parts of the world. We also enhanced our focus on financial discipline.

We continued to expand our global capabilities and distribution through new strategic relationships. These relationships are an important way of supporting our global growth and diversification plan by providing a cost-effective way of quickly accessing new markets.

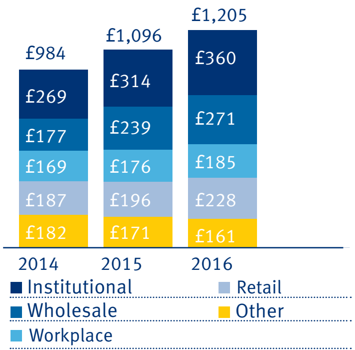
### Outlook and 2017 objectives

- Expand our business in Europe, North America and Asia to continue extending our global reach
- Grow our 1825 financial advice business through organic growth and acquisitions
- Pursue a structured programme to seek further opportunities to grow and diversify our business, while also reducing costs

## Delivering diversified and sustainable growth

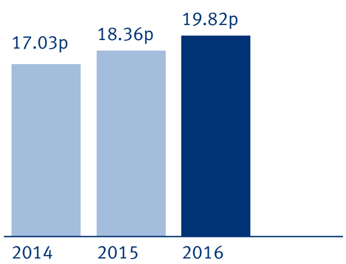
**Growth fee based revenue (£m)**

**£1,205m +10%**




**Full year dividend per share**

**19.82p +8%**




### Growth, diversification, performance

- We have delivered strong increases in revenue and profit by leveraging the scalability of our growth businesses
- We continue to diversify geographically
- We are well positioned to capture revenue across the value chain through advice, administration and asset management
- Our performance allows us to continue to pursue our progressive dividend policy

See the Glossary for definitions of our growth channels and mature books of business

**Luke Savage,**
Chief Financial Officer

# Delivering diversified and sustainable growth

## "Our financial performance demonstrates continued growth and resilience during a period of market uncertainty."

**Q How would you summarise Standard Life's performance in 2016?**

**A** Standard Life has demonstrated the benefits of our diversified business, delivering a robust set of results against a backdrop of challenging market conditions.

We have continued to attract high levels of gross flows, indicating strong demand for our products, but we saw an increase in redemptions, particularly in wholesale markets which were impacted by weaker investor sentiment. We delivered another year of increased revenue which together with our improved focus on cost discipline has driven a 9% increase in operating profit to £723m.

**Q You announced that there would be an increased focus on efficiency across the business during 2016. How has that work progressed so far and what can we expect during the remainder of 2017?**

**A** Standard Life has a good track record over recent years of improving operational efficiency. This has been demonstrated by the reduction in the cost/income ratio which has fallen by seven percentage points since 2012. The integration of Ignis which has delivered over £50m of annual cost savings and our investment in IT architecture are good examples of what we have done to improve efficiency. Whilst, in the short term, the investment to build our 1825 business and the acquisition of Elevate will impact the downward trajectory in the cost/income ratio, we are confident that the underlying direction remains unchanged. We remain focused on delivering further operational efficiencies at the same time as continuing to invest in the growth of our business.

**Q Standard Life has a strong capital and cash position. How can we expect to see this being used?**

**A** Our strong capital position is very important to us. It provides a buffer to support our progressive dividend policy which has continued uninterrupted for the last 10 years, something we are all very proud of. It also allows us to make strategic investments and acquisitions to grow our business, such as our increased stake in HDFC Life and the acquisition of Elevate. We intend to maintain our progressive dividend policy and continue to invest capital where we believe it increases shareholder value.

**Q Can you explain what is included in the results in relation to the FCA's enhanced annuity thematic review?**

**A** Our IFRS profit before tax includes a non-operating impact of £175m relating to a provision for an estimate of the redress payable to customers, the costs of conducting the review, and other related expenses. At this stage there is significant uncertainty relating to all of these elements. Note 40 of the Group financial statements in the Annual report and accounts 2016 provides further background, and explains that we are seeking for up to £100m of the financial impact to be mitigated by insurance. Discussions are ongoing with our insurers and, as a result, no insurance recovery has been recognised as an asset in these financial statements.

### Alternative performance measures (APMs)

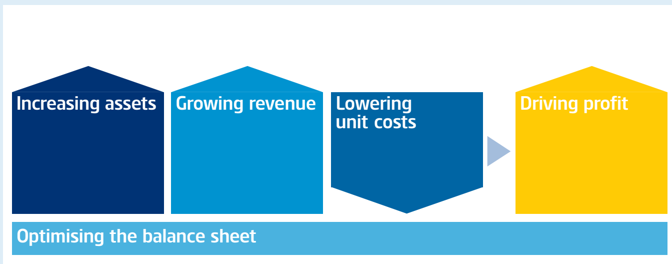
We assess our financial performance using a variety of measures. Some of these measures are defined under IFRS such as IFRS profit. Others, such as operating profit, are not defined under IFRS and are therefore termed alternative performance measures.

Further details on alternative performance measures including reconciliations to relevant IFRS metrics are provided in Supplementary information in Section 11 in the Annual report and accounts 2016. Definitions for APMs are included in the Glossary.

### Financial performance

2015 comparatives exclude the Canadian and Singapore discontinued operations unless otherwise stated.

### Our business model



## Increasing assets

### Assets under administration and net flows

The increase in AUA from £307.4bn to £357.1bn was driven by market movements, including benefits from a lower Sterling exchange rate since the EU referendum, and the acquisition of the Elevate platform business.

Net outflows were £2.6bn (2015: inflows £6.3bn) against a backdrop of market uncertainty and weaker short-term investment performance. Resilient net inflows of £4.1bn across our growth channels were offset by net outflows of £7.1bn from our mature books, which are in long-term run-off. Gross inflows remained strong at £42.1bn (2015: £43.0bn) but redemptions increased to £44.7bn (2015: £36.7bn).

Our growth channels saw continued positive net flows, benefiting from product and client diversification. Standard Life Investments experienced net outflows of £0.7bn (2015: inflows £10.3bn). Institutional benefited from the breadth of our product offering with net inflows of £1.1bn (2015: £3.3bn). This was outweighed by net outflows of £1.7bn (2015: inflows £9.3bn) from Wholesale where investors reacted to market volatility and short-term investment performance. Pensions and Savings growth net inflows of £5.9bn (2015: £6.7bn) were driven by strong platform flows and growing contributions into existing Workplace schemes.

Net outflows from our mature books reduced by £1.7bn to £7.1bn, helped by a £1.2bn new mandate secured from Phoenix.

| Net flows | 2016 £bn | 2015 £bn |
|---|---|---|
| Standard Life Investments growth | **(0.7)** | 10.3 |
| Pensions and Savings growth | **5.9** | 6.7 |
| Eliminations and other growth | **(1.1)** | (2.1) |
| **Total growth channels** | **4.1** | 14.9 |
| Standard Life Investments third party strategic partner life business | **(2.7)** | (4.8) |
| Pensions and Savings mature fee | **(3.5)** | (3.1) |
| Pensions and Savings spread/risk | **(0.9)** | (0.9) |
| **Total mature books** | **(7.1)** | (8.8) |
| Associate and joint venture life businesses | **0.4** | 0.2 |
| **Total net flows** | **(2.6)** | 6.3 |

Further information on AUA and net flows are included in the Supplementary information section in the Annual report and accounts 2016

## Growing revenue

### Fee based revenue

Fee based revenue increased by 5% to £1,651m (2015: £1,579m) driven by higher average asset levels, including the benefit of exchange rate movements. Average fee revenue yield remained broadly in line with the prior year.

Fee based revenue in the UK Pensions and Savings and Standard Life Investments growth channels increased by 11% and 9% respectively. This was partly offset by a £21m reduction in Hong Kong due to lower regular premium new business. Fee based revenue from our mature business reduced in line with expected outflows.

### Spread/risk margin

Spread/risk margin, which mainly relates to income earned on annuities, decreased by £11m to £134m. 2016 includes a £22m benefit from an acceleration of payments from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. This was more than offset by a £26m reduction due to a number of other components including mortality experience in 2016 and new business profits. Although we had expected fewer asset and liability opportunities to exist in the low yield environment, we took advantage of a number of periods of market volatility to deliver a benefit of £25m (2015: £30m).

Operating assumption and actuarial reserving changes provided a benefit of £42m (2015: £44m), primarily relating to future longevity assumptions.

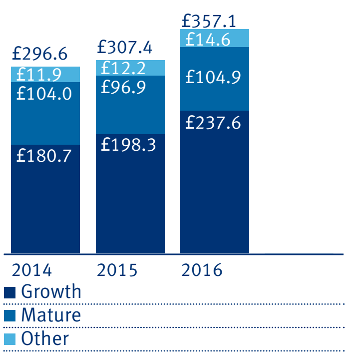
## Lowering unit costs

We invest to enhance our propositions and capabilities in a disciplined manner that aims to improve both the scalability and efficiency of our business. The cost/income ratio which includes our share of associates' and joint ventures' (JVs) profit before tax, has improved by 1% point to 62%. This reflects not just the rise in revenue but also our continued cost discipline and drive for greater cost efficiencies.

Operating expenses increased by 3% to £1,159m (2015: £1,124m) reflecting further investment in expanding the distribution and global reach of Standard Life Investments, building scale in the 1825 business, the acquisition of Elevate, ongoing investment in technology in our Pensions and Savings business and the impact of exchange rate movements.

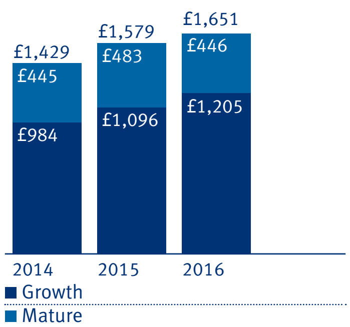
**Assets under administration**
(£bn)

**£357.1bn +16%**



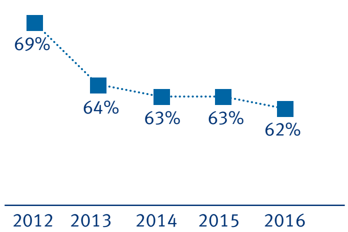

**Fee based revenue**
(£m)

**£1,651m +5%**




**Cost/income ratio**
(%)

**62% -1% pt**



## Driving profit

Operating profit before tax increased by 9% and IFRS profit from continuing operations[1] increased by 33%.

See p115, p141 and p142 in the Annual report and accounts 2016 for further details on operating profit and reconciliation of operating profit to IFRS profit

### Operating profit before tax

Operating profit before tax continues to be a key measure which helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing non-operating items.

Operating profit before tax increased by £58m to £723m, driven by higher fee revenue in our growth channels. Capital management increased by £12m to £21m largely due to the benefit of a higher pension scheme surplus. Our share of profit from associates and JVs continued to grow with strong performance from HDFC Life and HDFC Asset Management in India and further progress from Heng An Standard Life in China.

Operating profit benefited by approximately £20m from lower average Sterling exchange rates in 2016 compared to 2015.

#### Underlying performance

Underlying performance increased by 8% to £681m (2015: £630m) and includes the £22m spread/risk margin benefit from an acceleration of payments from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. Underlying performance excludes the £42m (2015: £44m) of operating assumption and actuarial reserving changes which benefited operating profit.

### IFRS profit[1]

IFRS profit from continuing operations increased to £368m (2015: £276m) due to a 9% increase in operating profit and reduced restructuring costs offset by the £175m provision for annuity sales practices.

Short-term fluctuations in investment return and economic assumption changes generated a profit of £8m (2015: loss £63m) mainly due to a narrowing of credit spreads and a fall in yields.

Restructuring and corporate transaction expenses reduced to £67m (2015: £115m), and included £24m relating to the integration of Ignis, £5m for staff pension scheme restructuring, £4m of costs relating to the Elevate acquisition, £15m Pensions and Savings transformation costs and a number of other business unit restructuring programmes and corporate transactions.

2015 also included a £46m non-operating restructuring loss in Hong Kong following regulatory change.

The non-operating loss includes £175m relating to the provision for annuity sales practices.

The total tax expense attributable to equity holders' profit from continuing operations was £68m (2015: £77m). Further details are included on the next page.

Other[2] profit from continuing operations comprises the share of associates' and joint ventures' tax of £13m (2015: £13m). In 2015, this also included a Singapore IFRS loss before tax of £42m which largely related to expenses in respect of the closure of that business. The 2015 IFRS profit from discontinued operations of £1,147m included the gain on sale of the Canadian business of £1,102m.

| IFRS profit | 2016 £m | 2015 £m |
|---|---|---|
| Operating profit before tax | **723** | 665 |
| Non-operating loss before tax | **(274)** | (257) |
| Total tax expense | **(68)** | (77) |
| Other[2] | **(13)** | (55) |
| **IFRS profit from continuing operations[1]** | **368** | 276 |
| IFRS profit from discontinued operations | **-** | 1,147 |
| **Total IFRS profit[1]** | **368** | 1,423 |

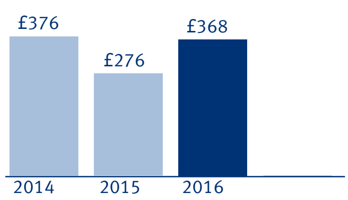
| Analysis of non-operating loss before tax | 2016 £m | 2015 £m |
|---|---|---|
| Short-term fluctuations in investment return and economic assumption changes | **8** | (63) |
| Restructuring and corporate transaction expenses | **(67)** | (115) |
| Impairment of intangible assets | **(19)** | (7) |
| Provision for annuity sales practices | **(175)** | - |
| Other operating profit adjustments | **(21)** | (72) |
| **Non-operating loss before tax** | **(274)** | (257) |

1 After tax attributable to equity holders of Standard Life plc. For further details on our IFRS results, see the Group's IFRS consolidated income statement on p113 in the Annual report and accounts 2016.

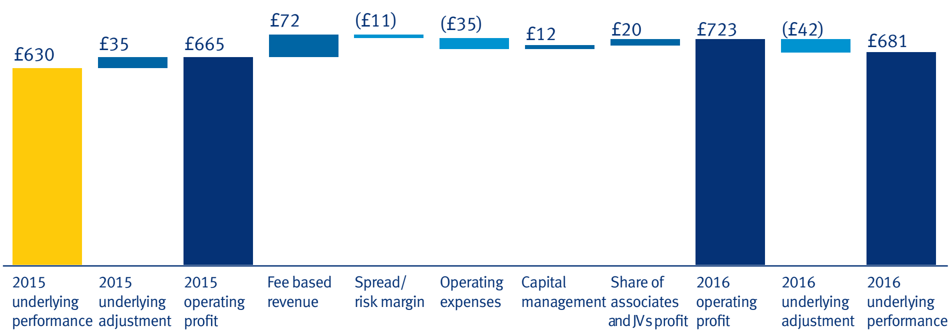
2 Singapore was presented as a discontinued operation within operating profit, but under IFRS 5 it was included in continuing operations. Therefore a reclassification was required. For further details see Note 2 in the Group financial statements section in the Annual report and accounts 2016.

**IFRS profit[1]**
(£m)

**£368m +33%**




**Movement in underlying performance and operating profit**
(£m)



## Underlying cash generation

This measure provides insight into our ability to generate cash that supports further investment in the business and the payment of dividends to our shareholders.

Underlying cash generation increased to £502m driven by the growth in fee based revenue within underlying performance.

| Reconciliation of underlying cash generation | 2016 £m | 2015[1] £m |
|---|---|---|
| **Underlying performance** | **681** | 630 |
| Associates and JVs adjustment[1] | **(60)** | (44) |
| Current tax on underlying performance | **(106)** | (114) |
| DAC/DIR adjustment | **(2)** | 5 |
| Fixed and intangible assets adjustment | **(11)** | (18) |
| **Underlying cash generation** | **502** | 459 |

## Group tax expense from continuing operations

The total tax expense attributable to equity holders' profits from continuing operations was £68m (2015: £77m), of which £127m (2015: £114m) related to operating items and a credit of £59m (2015: credit £37m) to non-operating items. The reduction in the tax expense mainly reflects non-recurring items which increased the tax charge in 2015. The effective tax rate was 14%[2] (2015: 19%[2]) compared to a UK corporation tax rate of 20% (2015: 20.25%). The main reasons for the rate being less than the UK corporation tax rate are the inclusion within profit before tax of our share of post-tax profit of JVs and associates with no added tax charge and low tax rates relating to profit attributed to non-controlling interests which are included in profit before tax. These are also expected to reduce the effective tax rate in future periods. There are also a number of one-off items affecting both years. Excluding the effect of the accounting for JVs and associates profit and non-controlling interests the effective tax rate would be 18% (2015: 25%). Excluding these effects, in the medium term we would expect the effective tax rate on profit attributable to equity holders (subject to one-off items in any given year) to be broadly in line with the UK corporation tax rate.

In 2016, our total tax contribution from continuing operations to tax authorities in all the jurisdictions in which we operated was £1,149m (2015: £1,059m). Of the total, £451m (2015: £332m) was taxes borne by the Group whilst £698m (2015: £727m) represents tax collected by us on behalf of tax authorities. Taxes borne are higher than 2015 mainly due to increased UK corporation tax payments relating to investment returns on policyholder investments. Of the taxes collected, the largest items are pay-as-you-earn (PAYE) deductions from pension payments made to customers and from employee payroll payments.

## Tax policy

Understanding tax risk, how to manage it, and how it impacts all our stakeholders are important parts of running our business responsibly. The Group proactively manages tax risks and employs an experienced in-house tax team to oversee the affairs of the Group. We have a tax risk management policy that is approved annually by the Board and have published our tax strategy on our website at **www.standardlife.com/annualreport**

## Optimising the balance sheet

### Solvency II capital surplus[3]

Our capital surplus is the amount of capital resources (referred to as Own funds) that the Group holds in excess of its capital requirement. The calculation of the Group's capital resources and requirement is governed by the Solvency II regulatory regime. Under Solvency II, every insurer is required to identify its key risks – e.g. that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the Solvency capital requirement (SCR). The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200. Around 90% of the Group SCR relates to Standard Life Assurance Limited (SLAL), our principal insurance company.

We are strongly capitalised with a Solvency II capital surplus (Investor view) of £3.3bn (2015: £3.3bn) representing a solvency cover of 214% (2015: 222%). Capital requirements have increased by £0.2bn as a result of lower interest rates and higher equity values. We disclose an Investor view of our solvency position as this provides insight into the solvency capital provided by equity and debt investors.

The Solvency II Investor view capital surplus of £3.3bn would change by £0.2bn or less following a:

- 20% rise or fall in equities, or
- 100bps rise or fall in fixed interest yields, or
- 50bps rise or fall in credit spreads

The Regulatory view solvency cover prescribed by Solvency II regulations is 176% (2015: 162%). The Regulatory view capital surplus excludes £0.2bn (2015: £1.2bn) of capital in subsidiaries that is not deemed to be freely transferrable around the Group. The Regulatory view capital surplus increased to £3.1bn (2015: £2.1bn) due to a reduction in unrecognised capital following methodology and legislative changes. In addition, the Regulatory view solvency cover is diluted by the inclusion of £1.2bn (2015: £0.7bn) of capital requirements for with profits funds and our defined benefit pension scheme. These capital requirements are covered in full by capital resources in those funds.

| | 31 December 2016[3] | | | | 1 January 2016[3] | | | |
|---|---|---|---|---|---|---|---|---|
| **Reconciliation of Standard Life Investor view and Regulatory view** | **Investor view** | **Less unrecognised capital** | **Add with profits funds and pension scheme** | **Regulatory view** | Investor view | Less unrecognised capital | Add with profits funds and pension scheme | Regulatory view |
| Own funds | **£6.2bn** | **(£0.2bn)** | **£1.2bn** | **£7.2bn** | £6.0bn | (£1.2bn) | £0.7bn | £5.5bn |
| Solvency capital requirement (SCR) | **(£2.9bn)** | **-** | **(£1.2bn)** | **(£4.1bn)** | (£2.7bn) | - | (£0.7bn) | (£3.4bn) |
| **Solvency II capital surplus** | **£3.3bn** | **(£0.2bn)** | **-** | **£3.1bn** | £3.3bn | (£1.2bn) | - | £2.1bn |
| **Solvency cover** | **214%** | | | **176%** | 222% | | | 162% |

1 Underlying cash generation now includes dividends received from our Indian associates. Prior period figures have been restated. Further details are included in the Supplementary information section in the Annual report and accounts 2016.

2 Tax expense attributable to equity holders' profits divided by profit before tax expense attributable to equity holders' profits. Includes profit attributable to non-controlling interests.

3 31 December 2016 based on draft regulatory returns. 1 January 2016 based on final regulatory returns.

## Operating return on equity

Operating return on equity measures our success in generating operating profit relative to our shareholder capital. We will continue to manage our capital position to ensure that we generate sustainable returns for our shareholders. For example, in April 2016 we invested £179m to increase our stake in HDFC Life.

Operating return on equity increased to 15.2% (2015: 14.2%) reflecting strong operating profit partly offset by a higher tax charge.

Our key growth channels including Standard Life Investments Institutional and Wholesale, and UK Workplace and Retail are 'capital-lite' which means that they do not require significant amounts of additional capital as they continue to grow.

Operating return on equity continues to be diluted by the impact of the c£1bn pension scheme surplus. Excluding the impact of the pension scheme, operating return on equity was 18.8% (2015: 16.9%).

## Dividends

### Dividend policy

Our progressive dividend policy is to grow the annual dividend from the prior year pence per share payment at a rate that is sustainable over the long term.

### Proposed dividend

The Board is recommending a final dividend for 2016 of 13.35p per ordinary share which is an increase of 8.2% on last year's final dividend. Subject to shareholder approval, this will be paid on 23 May 2017 to shareholders on the register at close of business on 18 April 2017.

The dividend payment which is expected to be £262m is strongly supported by underlying cash generation. At 31 December 2016 Standard Life plc held £0.9bn of cash and liquid resources and £1.6bn of distributable reserves.

The final dividend, combined with the 2016 interim dividend of 6.47p, brings the total dividend for the year to 19.82p – an increase of 8.0% on the 2015 full year dividend.

### How the dividend is funded

External dividends are funded from the cumulative dividend income that Standard Life plc receives from its subsidiaries. To provide some protection against fluctuations in subsidiary dividends, Standard Life plc holds a buffer of distributable cash and liquid resources. This buffer is dynamic and takes into account expected future subsidiary dividend flows and the risks to those 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.

## Liquidity management

Standard Life plc, the Group holding company, holds substantial cash and liquid resources. At 31 December 2016, Standard Life plc held £395m (2015: £522m) of cash and short-term debt securities, £304m (2015: £290m) of bonds and £201m (2015: £200m) of holdings in pooled investment funds managed by Standard Life Investments.

We continue to maintain a strong liquidity position and this was again shown in internal stress testing undertaken during 2016.

The increase in dividends received from subsidiaries includes approximately £50m related to capital released following the integration of Ignis.

In April 2016 we increased our stake in HDFC Life by 9% to 35%. This was funded from existing Standard Life plc resources. In October 2016 we completed the purchase of the Elevate platform business. This purchase was funded by Standard Life Assurance Limited, but the cost impact will be absorbed by Standard Life plc's resources over time.

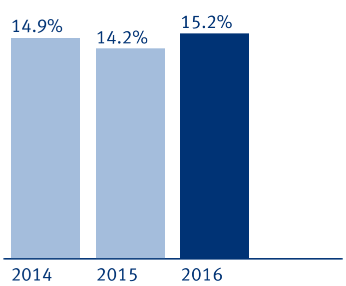
In April 2016 we extended the maturity date of our syndicated revolving credit facility by a further year to 2021. This £400m facility is held as part of our contingency funding plans and is currently undrawn.

| Standard Life plc cash and liquid resources | 2016 £m | 2015 £m |
|---|---|---|
| **Opening 1 January** | **1,012** | 630 |
| Canada net retained proceeds | **-** | 460 |
| Dividends received from subsidiaries | **457** | 355 |
| Cash dividends paid to shareholders | **(370)** | (343) |
| Cash investments in associates and JVs | **(177)** | (3) |
| Cash investments in subsidiaries | **(31)** | (44) |
| Other | **9** | (43) |
| **Closing 31 December**[1] | **900** | 1,012 |

1 31 December 2016 excludes £36m of cash in the Unclaimed Assets Trust. The residual assets of this trust (after claims and costs have been settled) are expected to be donated to the Standard Life Foundation. IFRS presentation at 31 December 2016 consists of investments in subsidiaries at FVTPL of £276m, debt securities of £605m and cash and cash equivalents of £55m.

**Operating return on equity**
(%)

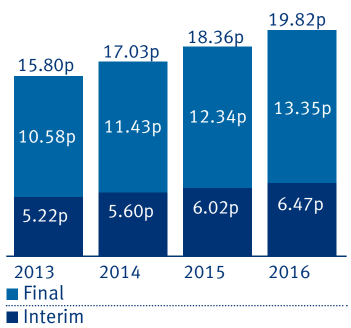
**15.2% +1% pt**




Comparatives include discontinued operations

**Dividend per share**
(pence)

**19.82p +8%**



## Business performance

Our reportable segments have been identified in accordance with the way that we are structured and managed. In 2015 discontinued operations for segmental reporting purposes related to our Canadian business which was sold on 30 January 2015 and our Singapore business, the closure of which was announced in June 2015.

### Analysis of operating profit[1] from continuing operations

| | Standard Life Investments | | Pensions and Savings[2] | | India and China | | Other[3] | | Eliminations[4] | | Total continuing | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m |
| Fee based revenue | **885** | 843 | **861** | 808 | **17** | 38 | **-** | - | **(112)** | (110) | **1,651** | 1,579 |
| Spread/risk margin | **-** | - | **134** | 145 | **-** | - | **-** | - | **-** | - | **134** | 145 |
| **Total operating income** | **885** | 843 | **995** | 953 | **17** | 38 | **-** | - | **(112)** | (110) | **1,785** | 1,724 |
| Total operating expenses | **(537)** | (532) | **(655)** | (610) | **(22)** | (36) | **(57)** | (56) | **112** | 110 | **(1,159)** | (1,124) |
| Capital management | **-** | - | **22** | 14 | **-** | - | **(1)** | (5) | **-** | - | **21** | 9 |
| Share of associates' and joint ventures' profit before tax | **35** | 31 | **-** | - | **41** | 25 | **-** | - | **-** | - | **76** | 56 |
| **Operating profit before tax** | **383** | 342 | **362** | 357 | **36** | 27 | **(58)** | (61) | **-** | - | **723** | 665 |
| Underlying adjustments[5] | **-** | - | **(42)** | (35) | **-** | - | **-** | - | **-** | - | **(42)** | (35) |
| **Underlying performance** | **383** | 342 | **320** | 322 | **36** | 27 | **(58)** | (61) | **-** | - | **681** | 630 |
| Reversal of underlying adjustments | **-** | - | **42** | 35 | **-** | - | **-** | - | **-** | - | **42** | 35 |
| Share of associates' and joint ventures' tax expense | **(11)** | (11) | **-** | - | **(2)** | (2) | **-** | - | **-** | - | **(13)** | (13) |
| Non-operating items | **(50)** | (53) | **(207)** | (131) | **(3)** | (47) | **(14)** | (26) | **-** | - | **(274)** | (257) |
| Total tax expense | **(63)** | (53) | **(25)** | (38) | **-** | 5 | **20** | 9 | **-** | - | **(68)** | (77) |
| Singapore included in discontinued segment | **-** | - | **-** | - | **-** | (42) | **-** | - | **-** | **-** | **-** | (42) |
| **Profit for the year attributable to equity holders of Standard Life plc** | **259** | 225 | **130** | 188 | **31** | (59) | **(52)** | (78) | **-** | - | **368** | 276 |

1 Operating profit is IFRS profit before tax adjusted to remove the impact of short-term market driven fluctuations in investment return and economic assumption changes, restructuring costs, amortisation and impairment of intangible assets acquired in business combinations, gain or loss on the sale of a subsidiary, associate or joint venture and other one-off items which are not indicative of the long-term operating performance of the Group. The impact of the restructuring of the UK staff pension scheme has been adjusted so that 2016 operating profit is based on the expected long-term pension expense, which results in a £5m increase to operating profit before tax (2015: £35m) and a corresponding increase to non-operating restructuring and corporate transaction expenses – refer to Note 10 in the Group financial statements section in the Annual report and accounts 2016 for further details.

2 UK and Europe has been renamed as Pensions and Savings.

3 Other primarily relates to corporate centre costs and head office related activities.

4 Eliminations primarily relate to revenue and expenses included in both the Pensions and Savings business and Standard Life Investments. Therefore, at a Group level an elimination adjustment is required to remove intra Group impacts.

5 Relates to operating assumption changes of £42m (2015: £44m), included in the spread/risk margin and principally in respect of longevity assumption changes. The 2015 underlying adjustment also included £9m shareholder support provided to the German with profits business, included in operating expenses.

# Delivering innovative, client focused, funds and solutions

"Continued revenue growth, together with controlled management of costs, has delivered increased profitability."

**Keith Skeoch,**
Chief Executive, Standard Life Investments

Standard Life Investments is a leading active asset manager. We offer market-leading investment funds and solutions to our third party clients through two main distribution channels:

- **Institutional:** managing assets for a wide range of institutions, such as pension fund clients, government authorities, corporates, charities and insurance companies
- **Wholesale:** providing funds and solutions to retail investors through wholesale distributors and platforms

We also provide active asset management services for life insurance books to the wider Standard Life Group and to strategic partners such as the Phoenix Group.

As truly active managers, we place significant emphasis on rigorous research and a strong team ethos. This, combined with disciplined risk management and shared commitment to a culture of investment excellence, is key to helping our clients look to their future with confidence.

Our distinctive investment philosophy, Focus on Change, lies at the heart of our wide range of investment funds and solutions. Focus on Change helps analyse key factors driving the market price of an investment and identifies the drivers that the wider market may have missed. Our core belief is that our experienced investment professionals can consistently add value to client portfolios by exploiting these market inefficiencies.

We recognise that corporate governance along with responsible stewardship of a business' capital, employees, customers, environment and society has a fundamental impact on long-term investment returns. Our commitment to socially responsible investing is a fundamental component of our Focus on Change investment philosophy and process.

### Investing for the longer term

An uncertain political backdrop has the potential to dampen global economic growth: the form Brexit takes and the trade and immigration policies implemented by the new US administration makes the path for asset prices more complicated. A number of supportive factors are still in play: the US corporate profits recession is ending, fiscal policy is expected to be expansionary, and financial stress is contained at least for the time being. China is experiencing a slowing economy but remains on course to rebalance away from investment and to consumption.

In a world of slow growth, low inflation and compressed returns, there are still cyclical opportunities to be found. Our view emphasises sustainable yield as an investment theme, while searching for specific growth opportunities.

Britain's decision to leave the EU may also affect our future operating environment. We are monitoring developments on behalf of our stakeholders and we remain ready to adapt our business to future changes in regulations and markets. We remain committed to our strategy of European business development. Work has commenced to identify the optimal structure and distribution model in order to continue to meet our clients' needs.

We support the aims of the Financial Conduct Authority (FCA) Market Study of the asset management industry and are committed to improving transparency, value and outcomes for customers and clients. As a truly active asset manager we have always been committed to delivering consistent, long-term investment outperformance, and we welcome any moves which help individuals understand the merits of different approaches to investing. We will continue to work with the FCA throughout the period of its market study.

We remain well positioned to deliver profitable and diversified growth. We are broadening our offering to clients through a strong pipeline of new investment funds and solutions. Our track record of client co-development and commercialising innovation positions us well to continue to meet the changing demands of our clients. At the same time we continue to invest to drive performance, to raise our profile and to enhance our infrastructure to support our growth ambitions.

### Overview

- Total AUM up 10% to £277.9bn
- Fee based revenue from growth channels increased by 9% to £680m
- Gross inflows, in our growth channels, were resilient at £28.5bn (2015: £31.4bn), while net outflows of £0.7bn (2015: inflows £10.3bn) were impacted by higher redemptions
- EBITDA margin of 45% (2015: 42%), achieved one year ahead of stated target on acquisition of Ignis
- Operating profit increased by 12% to £383m (2015: £342m) driven by increased fee revenue and controlled growth in expenses
- Cost/income ratio improved to 58% (2015: 61%) with continued integration of the Ignis business and ongoing cost discipline
- Weaker short-term investment performance with 20% of growth channels funds ahead of benchmark over one year, 76% over three years and 88% over five years

## Increasing assets

AUM increased by 10% to £277.9bn (2015: £253.2bn) driven by market and other movements, of which around one-third relates to favourable foreign exchange gains. The increase has been offset somewhat by the natural run-off from our mature books together with net outflows in our Wholesale channel against a background of volatile markets.

### Resilient growth channels flows

Gross flows across our growth channels remained strong at £28.5bn (2015: £31.4bn), largely into Institutional and Wholesale. This result reflects the breadth of our product offering, our expanding global distribution capability and the increasingly diverse range of client segments served. Net outflows of £0.7bn (2015: inflows £10.3bn) were recorded; Institutional net inflows of £1.1bn (2015: £3.3bn) were offset by Wholesale net outflows of £1.7bn (2015: inflows £9.3bn). This reinforces the benefit of our diversified client base where we have seen a clear difference in investor sentiment in our two main distribution channels. Wholesale redemptions increased as retail clients react quickly to volatile markets and weaker short-term investment performance while Institutional clients have longer term investment horizons and are happier to ride out periods of market volatility.

### By channel:

**Institutional[1] – record gross inflows**

Our Institutional business saw record gross flows of £15.6bn during 2016 (2015: £11.1bn). Redemptions also increased to £14.5bn (2015: £7.8bn) resulting in net inflows of £1.1bn (2015: £3.3bn). The quality and breadth of our offering is demonstrated through net inflows into private equity, real estate and multi-asset.

**Wholesale[1] – challenging markets**

Investor sentiment has been weak in this channel globally given market volatility, the EU referendum result, other political uncertainty and weaker short-term investment performance. Despite this, we have achieved a top 5 gross sales position[2] in the UK wholesale market for 17 consecutive quarters and remain well positioned with a share of gross sales of 4.7%[3] (2015: 5.4%). In terms of net sales, our ranking was 30th in 2016. Lower gross flows and significantly increased redemptions of £13.8bn (2015: £7.5bn) led to a net outflow of £1.7bn (2015: inflows £9.3bn). Net inflows into MyFolio and fixed income are particularly strong although multi-asset saw net outflows during the year, largely due to GARS net outflows of £3.9bn.

### By asset class:

Multi-asset experienced net outflows of £3.8bn (2015: inflows £9.5bn), £3.9bn of net outflows from Wholesale offset by £0.1bn of Institutional inflows. Gross flows into GARS slowed during 2016 to £10.2bn (2015: £17.0bn) with redemptions also increasing to £14.5bn (2015: £7.7bn) resulting in net outflows of £4.3bn (2015: inflows £9.3bn). The launch of the Liability Aware Absolute Return III fund and the Global Focused Strategies fund in the US helped other multi-asset solutions net inflows to reach £0.5bn.

Total growth channels gross flows excluding GARS were £18.3bn (2015: £14.4bn) with net inflows of £3.6bn (2015: £1.0bn). Our diversified fund offering is demonstrated by continued demand for asset classes such as our MyFolio range of funds, which saw net inflows of £1.6bn (2015: £1.9bn) as AUM increased to £10.5bn (2015: £8.1bn). Other flows echoed market sentiment with investors continuing to retreat from equities towards fixed income with net outflows of £0.3bn (2015: £nil) and net inflows of £1.1bn (2015: £0.3bn) respectively. Real estate also saw net outflows of £0.3bn (2015: inflows £0.3bn). Other asset classes saw net inflows of £1.0bn (2015: £0.8bn).

### By geography:

North America returned net outflows in the year of £0.7bn (2015: inflows £3.0bn), with over half as a result of fund rationalisation activity. European and Asian net outflows of £1.5bn and £0.1bn respectively (2015: inflows of £3.4bn and £1.2bn respectively), reflected the impact of investment volatility on wholesale markets. This also impacted our domestic UK business with net inflows reducing to £0.1bn (2015: £4.4bn). In India, our share of HDFC AMC net inflows increased to £1.5bn (2015: £0.8bn).

### Mature books

Our mature books business, which is in natural run-off, saw overall net outflows of £4.8bn (2015: £6.8bn). This was due to net outflows of £2.7bn (2015: £4.8bn) from the assets managed on behalf of Phoenix Group as well as net outflows of £2.1bn (2015: £2.0bn) from the life insurance books we manage for Standard Life Group. Notably, 2016 included the award of a new mandate for £1.2bn of assets from Phoenix Group, as our relationship with this strategic partner develops. 2015 included a £1.4bn one-off redemption by Phoenix Group.

Further information on AUM and net flows is included in the Supplementary information section in the Annual report and accounts 2016

| | Gross Inflows | | Net flows | | AUM | |
|---|---|---|---|---|---|---|
| | **2016 £bn** | 2015 £bn | **2016 £bn** | 2015 £bn | **2016 £bn** | 2015 £bn |
| Institutional[1] | **15.6** | 11.1 | **1.1** | 3.3 | **87.0** | 67.0 |
| Wholesale[1] | **12.1** | 16.8 | **(1.7)** | 9.3 | **50.1** | 45.9 |
| Wealth | **0.8** | 0.9 | **(0.1)** | 0.2 | **6.8** | 6.5 |
| Ignis[1] | **-** | 2.6 | **-** | (2.5) | **-** | 11.1 |
| **Total growth channels** | **28.5** | 31.4 | **(0.7)** | 10.3 | **143.9** | 130.5 |
| Standard Life Group | **3.5** | 4.1 | **(2.1)** | (2.0) | **90.2** | 83.1 |
| Phoenix Group | **1.2** | 0.2 | **(2.7)** | (4.8) | **43.8** | 39.6 |
| **Total strategic partner life business – mature books** | **4.7** | 4.3 | **(4.8)** | (6.8) | **134.0** | 122.7 |
| **Total** | **33.2** | 35.7 | **(5.5)** | 3.5 | **277.9** | 253.2 |

1 During 2016 Ignis funds were merged into Standard Life Investments funds and are now reported within Institutional and Wholesale. This has resulted in a transfer of £11.1bn AUM out of Ignis into Institutional (£9.8bn) and Wholesale (£1.3bn) through Market and other movements.

2 Source: Pridham market report Q4 2016.

3 Source: Investment Association Q4 2016.

## Growing revenue

### Increased fee based revenue

Growth channels fee based revenue increased by 9% to £680m due to higher AUM, a continued shift in mix towards our higher margin growth products and favourable foreign exchange movements. Total fee based revenue grew by 5% to £885m with a robust performance from our mature business. The average revenue yield on growth AUM was 53bps (2015: 52bps) and for mature books reduced slightly to 16bps (2015: 17bps) due to lower performance fees.

## Lowering unit costs

### Controlled operating expense growth

We have reduced our cost/income ratio to 58% (2015: 61%), which is helped by the integration of Ignis together with the operational leverage inherent within our business model. We have maintained flexibility in our cost base which provides resilience in current market conditions. Total operating expenses increased modestly by 1% to £537m demonstrating our ability to continue expanding our investment capabilities and global reach while maintaining cost discipline.

## Driving profit

Operating profit before tax increased by 12% to £383m driven by the increase in fee revenue and the closely controlled growth in expenses. Operating return on equity increased to 39.5% (2015: 36.3%).

EBITDA, which is closely aligned with operating profit, increased to £395m. Our EBITDA margin grew to 45% (2015: 42%), achieving the target set when we acquired Ignis.

Total IFRS profit[1] increased to £259m (2015: £225m) due to strong operating performance and the benefit of lower Ignis integration costs.

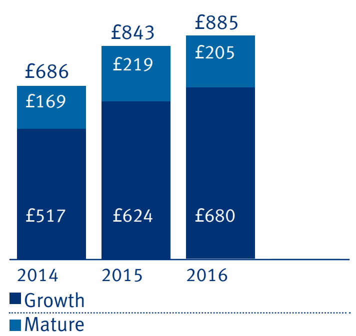
| | **2016 £m** | 2015 £m |
|---|---|---|
| Fee based revenue | **885** | 843 |
| Operating expenses | **(537)** | (532) |
| Share of associates' profit before tax | **35** | 31 |
| **Operating profit before tax** | **383** | 342 |
| Interest, depreciation and amortisation | **12** | 10 |
| **EBITDA** | **395** | 352 |
| Reversal of interest, depreciation and amortisation | **(12)** | (10) |
| Non-operating items | **(50)** | (53) |
| Tax expense[2] | **(74)** | (64) |
| **Total IFRS profit[1]** | **259** | 225 |

1 After tax, from continuing operations, attributable to equity holders of Standard Life plc.

2 Tax expense includes share of associates' tax expense.

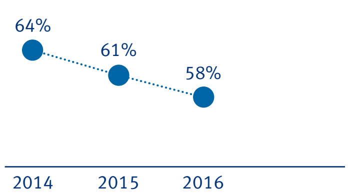
**Fee based revenue**
(£m)

**£885m +5%**



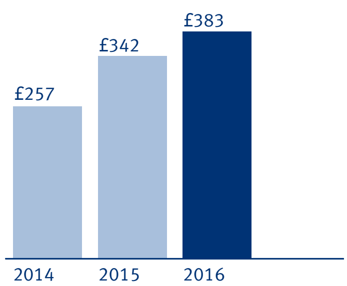

**Cost/income ratio**
(%)

**58% -3% pts**




**Operating profit before tax**
**(£m)**

**£383m +12%**



## Ignis integration

As at 31 December 2016, in our second full year of ownership, the migration of the Ignis business onto the Standard Life Investments platform is substantially complete, with the final integration costs to be incurred in H1 2017.

The integration of Ignis has allowed us to deliver annual synergies in excess of £50m and helped us to achieve an EBITDA margin for the combined business of 45%, a year ahead of target.

## Delivering long-term investment performance

Investment performance in 2016 was weak as short-term performance was adversely impacted by the market reaction to macro-economic and geopolitical events. Over one year, 20% of growth channels funds were ahead of benchmark. Despite this, the longer-term performance remains strong; 76% of funds were ahead over three years while 88% were ahead of benchmark over five years (2015: one year 88%, three years 95%, five years 90%).

Portfolios were positioned for a modest recovery in economic growth. Market volatility, initially in China but more latterly in response to the result of the UK's referendum on EU membership, undermined investor confidence, boosting prices for defensive assets at the expense of more growth orientated stocks. Performance did, however, stage a late recovery as investors regained their appetite for risk assets. However, this rebound was insufficient to offset the losses from earlier in the year.

## Increasing diversification

We continue to build efficient and effective global operations with a presence in 29 cities worldwide including our Head Office in Edinburgh and regional hubs in Boston and Hong Kong. As well as our own distribution, we have developed strong relationships with strategic partners in the US, Canada, India, Asia, Japan and in the UK including the wider Standard Life Group, giving us an increasingly international client base across 45 countries. A recent example of this is our strategic partnership with Bosera International, in mainland China, with whom we are collaborating on a manufacturing basis, including joint product innovation and investment management cooperation. In February 2017 we also announced the commencement of a strategic partnership with Challenger, a leading retirement income group in Australia.

We are increasingly diversified with innovative investment solutions, such as liability aware and a range of multi-asset investment solutions as well as investment capabilities in traditional asset classes, including equities and fixed income. We are also working to strengthen our private markets capability.

## Awards and recognition

Our dedication to meeting clients' financial needs resulted in us winning a number of industry awards, including:

- UK Fixed Income Manager of the Year and Global Fixed Income Manager of the Year 2016 – Professional Pensions Investment Awards
- Best Targeted Absolute Return Fund Provider – Moneyfacts Awards
- Large Fund Manager of the Year – Local authority pension fund awards
- UK Equity Income Unconstrained platinum award – Portfolio Adviser Fund Awards 2016
- UK Core Fixed Income and Pan-Europe Small Cap Equity winner – Institutional Investor 2016 European Money Management Awards
- Global Fixed Income – Financial Times PIPA Awards 2016
- Best Application of ESG – Asia Asset Management Best of the Best 2016
- Best House for Absolute Returns – Asia Asset Management Best of the Best 2016
- Standard Life Wealth won 'Boutique Investment Management' at the Charity Times Awards
- Boston office ranked best medium-sized employer – 2016 Pensions & Investments' Best Place to Work in Money Management awards

## Building our private markets capability

### A large and growing asset base

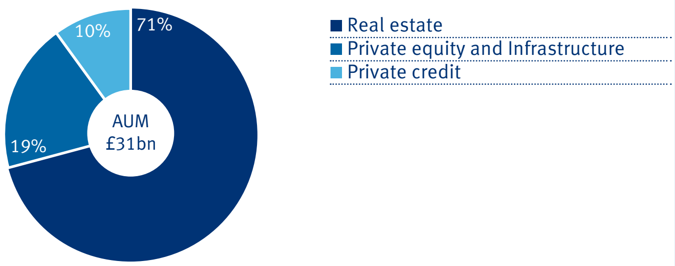
- Traditionally only larger more sophisticated investors were able to target this market through specialist managers
- More investors are looking to 'capture' illiquidity premia and 'dampen' listed market volatility
- c10% annual growth in private market assets over the last decade

| The private markets universe[1] | |
|---|---|
| **Private equity (~$2.1 trillion)**<br>• Levereged buyouts<br>• Growth investing<br>• Venture capital<br>• Mezzanine capital<br>• Distressed | **Real assets (~$2.4 trillion)**<br>• Real estate<br>• Infrastructure<br>• Agriculture<br>• Energy<br>• Commodities |
| Fund of funds (~$0.6 trillion) | |
| **Retail alternatives (not measured)**<br>Vehicles providing non-accredited investors with exposure to the above strategies | |

[1] Source: McKinsey Global Wealth & Asset Management Practice.

### Creating one private markets platform

- Focus on co-creation, product development and distribution
- Leverage existing capabilities and client relationships – typically our institutional clients have one individual responsible for private markets
- Look to strengthen existing capabilities



# Building lasting relationships with our customers

**"We want to help and support people in managing their money today and saving for their future. By understanding their needs we use our skills and knowledge to advise, guide, inform and importantly, develop the right products and services."**

**Paul Matthews,**
Chief Executive Pensions and Savings

Our Pensions and Savings business is a leading provider of long-term savings and investment propositions. Our main aim is to help people manage their money today and save for their future.

In the **UK** we offer products and services through two broad growth channels:

- **Retail:** pensions and savings where the relationship is either directly with the customer, or with their financial adviser
- **Workplace:** pensions, savings and flexible benefits to employees through their employers

We also own businesses that specialise in financial advice and risk and compliance services.

The **Europe** business consists of our domestic and international bond businesses in Ireland as well as our business in Germany.

Our valuable mature book includes UK **mature Retail**, which includes business that was predominantly written before demutualisation and **spread/risk** products, such as annuities and protection, which provide a sustained contribution to our profit.

Close collaboration with Standard Life Investments allows us to support customers with a full suite of solutions. Pensions and Savings accounts for 84% of total MyFolio AUA. Standard Life Investments manage 71% of our Workplace AUA and 21% of our Wrap assets. The interaction between the two businesses helps strengthen our relationship with our customers by improving the quality of our propositions and the choices available.

## Broadening and deepening relationships

We acquired the Elevate platform from AXA on 31 October 2016, bringing a further £11.1bn of AUA to the business. Elevate, with its broad market appeal, award-winning service and positive net flows, will complement our existing Wrap platform with c£30bn of assets which is focused on the wealth management market. Together our platforms have over £44bn of assets and they will give more than 3,000 adviser firms access to the full range of Standard Life's pension and investment capabilities.

We continue to grow our 1825 financial advice business which offers a full financial planning and personal tax advice service. Offering a wide range of investment options, supported by investment experts and technology, clients are able to access support how and when they need it. We have completed the acquisition of four quality adviser firms to date, broadening our reach across the country and bringing total assets under advice in 1825 up to £3.2bn.

Our Workplace business continues to build scale. Since auto enrolment began in 2012 we have supported over 8,000 employers to set up Qualifying Workplace Pension Schemes (QWPS), with over one million members enrolled into these schemes.

## External factors

A number of external factors have impacted global economic growth and led to increased uncertainty, increasing the customer need for advice, guidance and information. Volatility in financial markets resulted in lower daily average asset values in the first half of the year, whilst the rise in market levels increased asset values in the second half of 2016. The weakening of Sterling led to an increase in the value of overseas denominated assets.

The EU referendum result in favour of leaving the EU surprised global markets in June and combined with other factors brought challenging conditions for sales. We operate branches in Ireland and Germany and there is a risk that regulations may change and impact on our current operating structure. We will respond to these developments in a way that takes into account the best interests of customers, clients and our Pensions and Savings business.

The Financial Conduct Authority's thematic review into the sale of non-advised annuities showed that a portion of annuity sales that we made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity. We are continuing the work to ensure we put things right and have made a provision in our accounts for the costs that we may incur in relation to this.

### Overview

- AUA up 21% to £181.5bn driven by the acquisition of Elevate, market movements and net inflows
- Growth channels gross inflows of £13.5bn – the highest year ever
- Growth channels net inflows of £5.9bn – down 12% as customers continue to take advantage of pension freedoms
- Operating profit before tax remained stable at £362m (2015: £357m), including a £5m loss from Elevate
- Operating expenses are stable in real terms after excluding costs relating to the growth of 1825 and the acquisition of Elevate. We remain committed to driving further cost efficiencies to support future growth.

## Increasing assets

| | Gross inflows | | Net flows | | AUA | |
|---|---|---|---|---|---|---|
| | **2016 £bn** | 2015 £bn | **2016 £bn** | 2015 £bn | **2016 £bn** | 2015 £bn |
| UK Retail[1] | **8.1** | 7.5 | **3.7** | 3.9 | **62.9** | 42.6 |
| UK Workplace | **4.1** | 4.1 | **1.7** | 1.9 | **37.4** | 33.0 |
| Europe growth fee[1] | **1.3** | 1.6 | **0.5** | 0.9 | **11.2** | 9.6 |
| **Total growth channels** | **13.5** | 13.2 | **5.9** | 6.7 | **111.5** | 85.2 |
| UK mature Retail | **0.6** | 0.7 | **(2.5)** | (2.4) | **34.3** | 32.7 |
| Spread/risk | **0.2** | 0.2 | **(0.9)** | (0.9) | **16.1** | 14.9 |
| Europe mature fee | **0.7** | 0.7 | **(0.1)** | 0.2 | **10.1** | 8.4 |
| Conventional with profits | **-** | - | **(0.9)** | (0.9) | **0.6** | 1.3 |
| **Total mature books** | **1.5** | 1.6 | **(4.4)** | (4.0) | **61.1** | 57.3 |
| Assets not generating revenue from products | **-** | - | **-** | - | **8.9** | 7.7 |
| **Total Pensions and Savings** | **15.0** | 14.8 | **1.5** | 2.7 | **181.5** | 150.2 |

1 Platform AUA of £44.2bn (Wrap, Elevate and Fundzone) comprises of £41.7bn (2015: £24.4bn) reported within UK Retail and £2.5bn (2015: £2.1bn) relating to Wrap International Bond reported within Europe growth fee.

## Growth channels

### UK Retail
UK Retail AUA has increased 48% to £62.9bn (2015: £42.6bn), reflecting the acquisition of Elevate, strong platform inflows and positive market movements. Retail gross inflows exceeded £8bn for the first time.

Following pension freedoms we have seen more of our customers moving into our drawdown products, with total assets invested in drawdown products increasing by 21% to £16.4bn (2015: £13.6bn) reflecting both inflows and positive market movements. Gross Retail outflows increased by 22% to £4.4bn as the size of our proposition grows and customers make use of drawdown functionality.

### UK Workplace
UK Workplace AUA increased by 13% to £37.4bn (2015: £33.0bn), benefiting from net inflows of £1.7bn. Whilst we have seen fewer large scheme transfers across the market as employers adapt to new pension regulations, we are benefiting from growing contributions into existing schemes which provide a steady long-term source of growth.

Our success in attracting new flows through auto enrolment has resulted in a 5% increase in regular premiums to £3.1bn. Regular premiums now account for 75% of Workplace inflows.

Our Workplace business continues to be a source of growth for our retail businesses with £2.2bn of assets transferring in 2016.

### Europe growth fee
In our Europe business, AUA in our growth channels of £11.2bn is up 17% on 2015 with net inflows of £0.5bn and favourable foreign exchange and market movements.

## Mature books

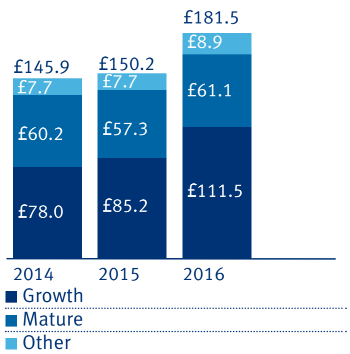
### UK mature Retail
As expected, we continue to see stable net outflows on our UK mature Retail book of business. This included £0.3bn transferred to our Active Money Personal Pension product (included in our growth channels), with customers continuing to take advantage of pension freedoms. We engage with our customers who are approaching retirement or have maturing policies to help ensure they are equipped to make informed decisions. This is valued by our customers with many choosing to continue to save with us.

### Spread/risk
Spread/risk AUA increased by 8% to £16.1bn, with net outflows from scheduled annuity payments of £0.9bn, offset by the benefit from reductions in yields increasing the value of bond investments backing our annuity book.

### Europe mature fee
Europe mature fee includes our German with profits book which was closed to new business in April 2015, resulting in net outflows of £0.1bn in 2016.

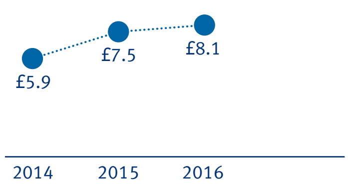
**Pensions and Savings AUA** (£bn)

**£181.5bn +21%**



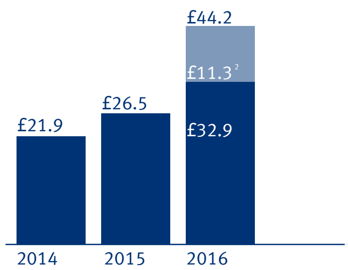

**UK Retail gross inflows** (£bn)

**£8.1bn +8%**




**Platform AUA (Wrap, Elevate and Fundzone)** (£bn)

**£44.2bn +67%**




2 Elevate acquired 31 October 2016.

Further information on AUA and net flows are included in the Supplementary information section in the Annual report and accounts 2016

| Profitability | UK | | Europe | | Pensions and Savings | |
|---|---|---|---|---|---|---|
| | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m | **2016 £m** | 2015 £m |
| Fee based revenue | **664** | 631 | **197** | 177 | **861** | 808 |
| Spread/risk margin | **119** | 143 | **15** | 2 | **134** | 145 |
| **Total operating income** | **783** | 774 | **212** | 179 | **995** | 953 |
| Operating expenses | **(487)** | (455) | **(168)** | (155) | **(655)** | (610) |
| Capital management | **23** | 15 | **(1)** | (1) | **22** | 14 |
| **Operating profit before tax** | **319** | 334 | **43** | 23 | **362** | 357 |
| Underlying adjustments[1] | **(38)** | (43) | **(4)** | 8 | **(42)** | (35) |
| **Underlying performance** | **281** | 291 | **39** | 31 | **320** | 322 |
| Reversal of underlying adjustments | **38** | 43 | **4** | (8) | **42** | 35 |
| Non-operating items[2] | **(213)** | (106) | **6** | (25) | **(207)** | (131) |
| Total tax expense | **(13)** | (31) | **(12)** | (7) | **(25)** | (38) |
| **Total IFRS profit[3]** | **93** | 197 | **37** | (9) | **130** | 188 |

1 Relates to operating assumption changes of £42m (2015: £44m), included in the spread/risk margin and principally in respect of longevity assumption changes. The 2015 underlying adjustment also included £9m shareholder support provided to the German with profits business, included in operating expenses.

2 Non-operating items primarily relate to a provision for annuity sales practices of (£175m), short-term fluctuations in investment return and economic assumption changes of £13m (2015: (£54m)) and restructuring and corporate transaction expenses of (£38m) (2015: (£75m)).

3 After tax attributable to equity holders of Standard Life plc from continuing operations.

## Growing revenue

### Fee based revenue

UK fee based revenue increased by 5% to £664m. Fee based revenue benefited from a combination of strong net inflows together with positive movement in market levels over the second half of the year. Our continued focus on the growth of 1825 and the acquisition of Elevate has enabled us to diversify our sources of revenue, increasing fee revenue by £8m. Average fee revenue yield remained broadly stable at 58bps (2015: 59bps).

### Spread/risk margin

UK spread/risk margin decreased by £24m to £119m. Operating assumption and actuarial reserving changes provided a benefit of £38m (2015: £43m), primarily relating to future longevity assumption changes. Although we had expected fewer asset and liability opportunities to exist in the low yield environment, we took advantage of volatility in financial markets mainly in H1 2016 to deliver a benefit of £25m (2015: £30m). A number of other components contributed to a lower spread/risk margin than 2015 including adverse mortality experience and reduced new business. These reductions were partly offset by an £18m payment in 2016 from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. This effectively brings forward some of the payments expected in future years under the previous scheme rules.

## Lowering unit costs

### Operating expenses

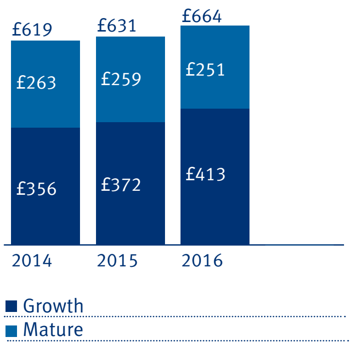
UK operating expenses increased by £32m to £487m, impacted by the continued drive to scale our business. The growth of 1825 and acquisition of Elevate incurred operating expenses of £21m. The cost/income ratio rose to 62% (2015: 59%) which also included the impact of lower spread/risk margin in 2016. Excluding the acquisition of Elevate and the growth of 1825 the cost/income ratio would have been 60%.

Ongoing investment in technology to reduce future customer operations and IT maintenance costs has allowed further process automation and customer self service. Examples of our progress include:

- In 2016, 30% of our customers who took action following pension freedoms transacted entirely online
- Our online Good to Go proposition meets the needs of smaller employers efficiently by processing pension schemes on the same day and has secured c3,500 schemes in 2016 (c7,500 to date)

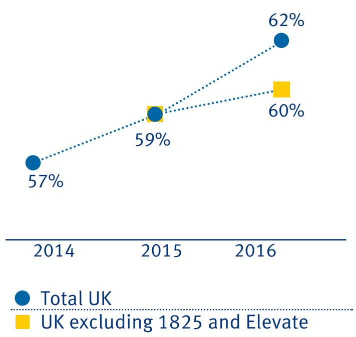
**UK fee based revenue** (£m)

**£664m +5%**



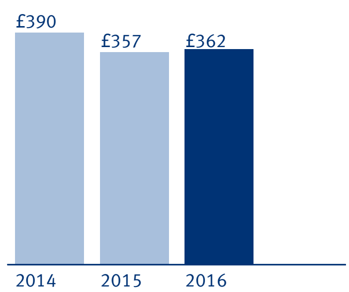

**UK cost/income ratio** (%)

**62% +3% pts**




**Pensions and Savings operating profit before tax** (£m)

**£362m +1%**



## Driving profit

### Operating profit

Pensions and Savings operating profit before tax remained stable at £362m (2015: £357m) including a loss of £5m from Elevate, £2m of which is underlying trading. Operating profit includes the £22m spread/risk margin benefit from an acceleration of payments from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II.

### UK

UK operating profit reduced by £15m to £319m. The reduction was due to a £24m reduction in the spread/risk margin and a £5m loss for Elevate. Excluding this our operating profit improved by £14m, with an 11% increase in our growth channels fee revenue.

### Europe

Europe operating profit increased by £20m to £43m. The 2015 result was lower due to the impact of the £9m one-off shareholder support provided to the German with profits business. In 2016 our German business benefited from a £5m reduction in actuarial reserves due to lower maintenance expenses. The 2016 spread/risk result includes the benefit of a £4m payment from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. The 2016 result also benefited from favourable foreign exchange movements of £2m.

### Operating return on equity

Operating return on equity decreased to 13.4% (2015: 15.2%) reflecting higher opening shareholder net assets and a higher tax charge. Operating return on equity continues to be diluted by the impact of the £1.1bn pension scheme surplus. Excluding the impact of the pension scheme surplus, operating return on equity was 20.4% (2015: 22.1%).

### Total IFRS profit

Pensions and Savings total IFRS profit decreased by £58m to £130m. This is mainly due to a higher non-operating loss of £207m (2015: £131m). The non-operating loss includes a provision of £175m for the costs that we may incur in relation to the FCA's review of our annuity sales practices. This was partly offset by favourable short-term fluctuations in investment return and economic assumption changes and lower restructuring and corporate transaction expenses compared to 2015.

### Awards and recognition

- Best Group Personal Pension Provider, Money Observer Pension Awards 2016
- Group Pension Provider of the Year, Corporate Adviser Awards 2016
- Group Personal Pension provider of the Year, Pensions Insight DC Awards 2016
- Wrap awarded a Platinum Platform rating, Adviser Asset 2016
- Wrap awarded Best Platform Provider with AUM over £15bn, Schroders UK Platform Awards 2016
- Elevate awarded Best Platform Provider with AUM up to £15bn, Schroders UK Platform Awards 2016
- Elevate awarded Best Platform for Adviser Service, Schroders UK Platform Awards 2016

## Integrating two award winning platforms

We're delighted to have won the Best Large Adviser Platform Provider (AUM over £15bn) award at the Schroders UK Platform Awards 2016.

This award shows the exceptionally high standard of our Wrap Platform.

Elevate also won the Best Smaller Adviser Platform (AUM up to £15bn) award. This is an exciting time for us as we work towards bringing together two of the best platforms in the industry.

These awards are important because they are voted for by the adviser community, advocating the strength of our advisory relationships.

Schroders
UK PLATFORM AWARDS 2016
Best Platform Provider
(AUM over £15 billion)
WINNER

## Our online retirement journey

We want to expand our provision of advice and guidance to more people, enhancing engagement with our customers and the opportunity for Standard Life.

An excellent example is how we guide our customers online through their retirement journey. Here we've built an efficient, scalable solution meeting the needs of customers following the introduction of pension freedoms.

By 31 December 2016, almost 54,000 customers had used our online retirement journey.

# Well positioned for future growth

Our India and China life business consists of our life associate in India, HDFC Life; our life joint venture in China, Heng An Standard Life; and our wholly owned business in Hong Kong. The results of our Indian asset management associate business, HDFC Asset Management Company, are included in the Standard Life Investments section of this Strategic report.

Our operations in India and China continue to strengthen and are well positioned for future growth in the region.

### Growing our presence in India

HDFC Life is currently one of India's leading life insurance companies with a 16% market share in the private sector. It has a broad product portfolio which provides over 20 million customers with innovative insurance and savings solutions.

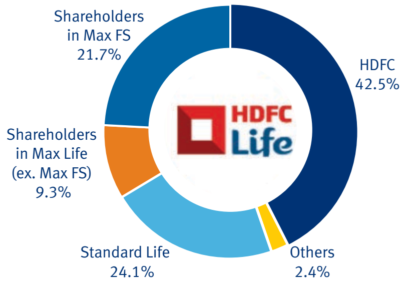
We continue to be encouraged by the future outlook for the life insurance market in India. The insurable population is anticipated to reach 750 million in 2020 and life insurance is projected to comprise 35% of total savings by the end of this decade. Demographic factors such as a growing middle class, young insurable population and increasing awareness of the need for protection and retirement planning are anticipated to support the growth of the life insurance and pensions industry in India.

In April 2016, we completed the transaction to increase our stake in HDFC Life from 26% to 35% for £179m.

In August 2016, we announced that HDFC Life had agreed terms with Max Life Insurance Company Limited (Max Life), Max Financial Services Limited (Max FS) and Max India Limited for the combination of the life insurance businesses of HDFC Life and Max Life. The strategic benefits of this transaction include increased scale and enhanced distribution and product mix. Max Life's bancassurance relationships with three of the leading private sector banks in India will complement HDFC Life's already strong distribution capability.

The proposed transaction is subject to several regulatory, court and other necessary approvals. Although the Insurance Regulatory and Development Authority of India (IRDAI) expressed reservations on the proposed scheme, the transaction parties are working through these with the IRDAI and aim to complete the transaction in the next 12 months.

Following completion, Standard Life, based on current shareholdings, would hold a 24.1% stake in the enlarged entity. The shares of HDFC Life would list on the Bombay Stock Exchange and the National Stock Exchange of India, subject to approval of these stock exchanges and the Securities and Exchange Board of India.




Anticipated shareholdings in post-completion HDFC Life, based on current shareholdings in HDFC Life and anticipated pre-completion shareholdings of Max Life. Max FS is listed on the National Stock Exchange of India (MFSL NSE) and the Bombay Stock Exchange (500271 BSE).

After a significant amount of change over recent years the regulatory framework is now fairly stable with the Government of India focused on ensuring greater social security for Indian citizens. HDFC Life has responded well to these historic changes maintaining its position as one of the leading private companies in the life insurance market and will continue to work with regulators, in order to better understand and shape future changes and adapt to them efficiently and effectively.

### Positioned for future growth in China and Hong Kong

Heng An Standard Life continues to build a sustainable and profitable business by offering a range of insurance and savings products to a growing customer base in mainland China. Both profitability and sales are ahead of 2015.

The Chinese insurance market has grown in recent years to become the second largest in the world and we believe that the prospects for future growth remain very positive, driven by an increasing middle class and wealthy population who are living longer and are more aware of the need for protection, medical insurance and retirement provision. Heng An Standard Life, through its extensive sales network and product range, is well positioned to meet this need. It also continues to investigate opportunities to increase its presence in the growing pensions market and has now submitted an application to the China Insurance Regulatory Commission for a new pension insurance company licence.

In Hong Kong, market volatility and recent regulatory changes have made growing flows challenging. We remain focused on retaining and efficiently managing the policies currently on our books as we continue to define our future business strategy.

### Overview

**India**

- Increased our stake in HDFC Life to 35% in April 2016
- Proposed combination of the life insurance businesses of HDFC Life and Max Life announced in August 2016
- HDFC Life operating profit increased to £34m in 2016 driven by the growth in premium income
- HDFC Life dividend, paid in December 2016, was 22% higher compared to the prior year and Standard Life's share of the dividend was £8m

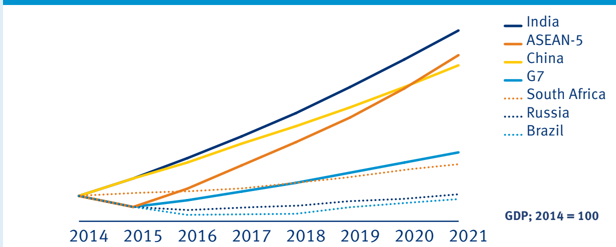
**China**

- Heng An Standard Life's operating profit and net flows increased by over 70% in 2016

**Hong Kong**

- Fee based revenue and net flows reduced in Hong Kong due to lower regular premium business which we stopped selling in 2015

### Growth opportunity in the Indian insurance market




Source: International Monetary Fund, March 2016. Graph reflects relative growth in GDP.

- India is the 10th largest life insurance market in the world with Rs 3.7trillion in total premiums in 2016
- Life insurance penetration expected to rise from 2.7% today towards the global average of 3.5% benefitting from factors such as a growing middle class, young insurable population and increasing awareness of the need for protection and retirement planning

## Increasing assets

Total AUA increased by 64% to £4.6bn reflecting favourable market movements, including the benefit from a lower Sterling exchange rate. HDFC Life's AUA increased to £3.4bn (2015: £1.8bn). £0.8bn of the increase reflects our higher share of HDFC Life AUA following our stake increase in April 2016.

AUA in Heng An Standard Life increased to £0.6bn (2015: £0.5bn) and Hong Kong also increased to £0.6bn (2015: £0.5bn).

Net inflows continued to increase in our associate and joint venture businesses to £362m in 2016 (2015: £230m). Net inflows in HDFC Life were £295m of which £49m relates to the increased ownership. Net flows in Heng An Standard Life increased to £67m compared to net flows of £36m in the prior year.

In Hong Kong, net inflows decreased to £46m (2015: £63m) as a result of lower regular premium new business.

Further information on AUA and net flows is included in the Supplementary information section in the Annual report and accounts 2016

## Growing revenue

HDFC Life's commitment to digital leadership and product innovation for its customers has driven the development of the successful 'Click2' online product series and award-winning cancer care plan. Through their broad product range, premium income increased by 18% compared to 2015.

Heng An Standard Life's new business sales have increased by 39% compared to 2015.

In Hong Kong fee based revenue decreased by £21m due to lower regular premium business which we stopped selling in 2015. This reduction is expected, as regular premium business generates most of its revenue during the first two years from policy issue date.

## Lowering unit costs

In Hong Kong, we continue to manage costs whilst investing in new propositions in response to changes in regulation. Our focus on cost management resulted in a reduction in operating costs compared to 2015.

## Driving profit

Operating profit before tax increased to £36m driven by an increase in operating profit from HDFC Life to £34m[1] (2015: £21m) and an increase in Heng An Standard Life to £7m (2015: £4m). Both our associate and JV businesses continue to benefit from growth in premium income.

This increase was partly offset by an operating loss in Hong Kong of £5m (2015: operating profit £2m), due to falls in both revenue and expenses as the business product mix continues to adjust following the regulatory changes in 2015. We are considering further actions to address the loss making position.

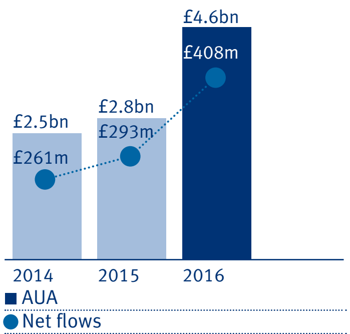
Total IFRS profit increased to £31m (2015: loss £59m). 2015 included a £46m non-operating restructuring loss in Hong Kong following regulatory change and a Singapore IFRS loss before tax of £42m which largely related to the closure of that business.

| | 2016 £m | 2015 £m |
|---|---|---|
| Share of associates' and joint ventures' profit before tax | **41** | 25 |
| Hong Kong fee based revenue | **17** | 38 |
| Hong Kong operating expenses | **(22)** | (36) |
| **Operating profit before tax** | **36** | 27 |
| Share of associates' and joint ventures' tax expense | **(2)** | (2) |
| Non-operating loss | **(3)** | (47) |
| Total tax expense | **-** | 5 |
| Singapore included in discontinued segment | **-** | (42) |
| **Total IFRS profit/(loss) after tax** | **31** | (59) |

Note: Results are presented on the basis of Standard Life ownership percentages during 2016 and do not include the 40% share in HDFC Asset Management which is included in the results for Standard Life Investments. HDFC Life ownership was 26% until the end of April 2016 and then 35% from May 2016, Heng An Standard Life ownership is 50% and Hong Kong is 100%.

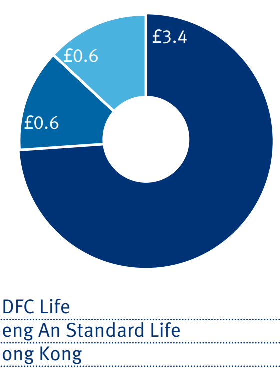
[1] Based on Standard Life ownership percentages during 2016. Assuming a constant 26% shareholding the operating profit in 2016 would have been £28m compared to £21m in 2015.

### AUA and net flows



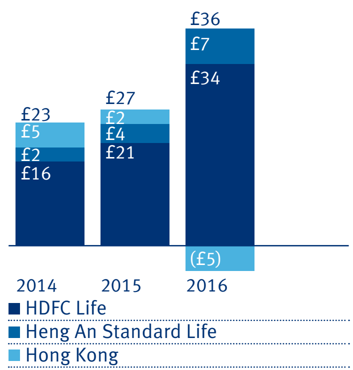

### AUA split by business at 31 December 2016 (£bn)

**£4.6bn +64%**




### Operating profit before tax (£m)

**£36m +33%**



# Effectively managing risk in an uncertain environment

**"Our risk management framework continues to operate effectively in a constantly changing risk environment. This is essential for protecting the interests of our customers and clients while providing a sound platform for growth and building long-term value."**

**Raj Singh,**
Chief Risk Officer

## Our approach to risk management

The consistent application of effective and pre-emptive risk management across our business protects the value of Standard Life in the short-term while encouraging the development of long-term value. We ensure that:

- Well informed risk-reward decisions are taken in pursuit of our business plan objectives
- Capital is delivered to areas where most value can be created from the risks taken

Our approach to risk management, delivered through our Enterprise Risk Management (ERM) Framework, is well embedded in our business. The pace of change in the business and risk environment, and the threats and opportunities arising from it, mean we will always review and adapt our methods to ensure we are well placed to respond pre-emptively.

Over the past year our risk management approach has received external recognition. In May 2016, Standard & Poor's increased their rating on the Risk and Capital Models component of our framework to 'positive' and maintained their 'strong' rating of our overall ERM Framework.

We also received two external awards; Insurance Risk Manager of the Year (February 2016, Risk Magazine) and Insurance Risk and Actuarial Function of the Year for 2017 (January 2017, Insurance ERM).

We are building a simplified, well diversified and scalable world-class investment company and in order to deliver this effective risk management is essential. We must ensure that change is successfully implemented with any change in our overall risk profile understood. This includes the ongoing integration of Elevate and 1825 acquisitions.

## Business and risk environment

The wider environment proved to be challenging in 2016. We continue to operate under a heightened level of uncertainty with political, financial and regulatory risks being the predominant themes over the year. We expect this heightened level of uncertainty to continue in 2017.

The major political event for our business in 2016 was the UK's vote to leave the EU. We will be directly impacted by the outcome of the negotiations between the UK and EU, although the details may not be known for some time. We have a strong track record of successfully responding to changing circumstances and are ready to adapt our business as appropriate to any post-Brexit changes in regulations and markets.

The outlook for financial markets is uncertain; however, we have a robust Focus on Change investment philosophy and a strong, resilient capital position which we have subjected to a wide range of stress and scenario testing. This allows us to be prepared for whatever market conditions we face.

Given the vital role that our industry has in society, we are subject to high levels of political and regulatory focus. In 2017 the regulatory agenda will continue to evolve with the outcome of a number of market studies and new regulatory initiatives. Also, the UK Government will look to determine its priorities and agenda. We are directly engaged with government, industry bodies and regulators to make sure that our knowledge and experience informs the decisions that are taken.

### Our principal risks and uncertainties

The specific risks that 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 are operating. We group these risks into categories which include Strategic, Conduct, Operational, Financial Market and Credit and Demographic and Expense.

From within these categories we have identified our principal risks and uncertainties. These should not be considered to be an exhaustive list of all the risks that the Company faces, but rather those which we currently believe have the greatest potential to affect our business model, future performance, solvency or liquidity. These principal risks were subject to robust assessment by the Board during 2016.

As our strategic development continues and we respond to changes in the external environment, it is to be expected that both the risks themselves and the relative importance of these may change.

### Viability statement

The Directors confirm that they have a reasonable expectation that Standard Life will be able to continue in operation and meet its liabilities as they fall due over the next three years. The Directors' assessment takes into account Standard Life's current capital and liquidity position, as described in the Chief Financial Officer's overview, which shows a Solvency II regulatory capital surplus of £3.1bn and substantial cash and liquid resources held by Standard Life plc.

The key processes used by the Board to assess the prospects of Standard Life are set out below. The assessment process is overseen by the Risk function and is subject to challenge from executive management and the Risk and Capital Committee, as well as Board consideration.

**The business and strategic planning processes:** Strategic planning is a continuous process which underpins business planning. Strategic planning considers the sustainability and resilience of our business model as described on page 8 of this report, which is key to ensuring our business remains viable. Business planning is an annual process which projects the performance, regulatory capital and liquidity of Standard Life over a three year period, and considers multiple scenarios including a severe downside economic scenario. The severe downside used in 2016 assumes that the global economy tips into a severe recession; global equities fall and long-term interest rates reach new lows. Our projected capital positions are a measure of the capital we need in the business to cover our risks, including financial and operational risks, under such stress scenarios. Our analysis shows that, whilst capital is eroded under the severe downside scenario, the strength and quality of our capital base is such that regulatory solvency is maintained and our business remains viable.

**Quantitative stress and scenario testing** which investigates Standard Life's liquidity and capital positions' exposure to specific risks and combined scenarios. Stresses are calibrated at the 1-in-200 probability level, or more extreme, and test Standard Life's resilience to market, credit, expense and demographic shocks. Standard Life remains solvent in such circumstances and can support potential cash outflows.

**Reverse stress testing** which gives a quantitative and qualitative understanding of plausible but severe risk scenarios which could threaten the viability of Standard Life, and informs related management actions. The scenarios assessed evolve over time and are informed by the principal risks set out later in this section. Whilst a limited number of scenarios can be assessed each year the insight from previous years' exercises often remain relevant. This year scenarios assessed risk events related to failures of key third parties, significant regulatory change and political change, major shocks to financial markets, cyber threats, and reputational damage caused by matters of conduct in parts of Standard Life or its joint ventures. The assessment showed that, taking into account mitigating actions, Standard Life is resilient to extreme events as a result of its embedded risk management framework.

**Oversight of risk within the business** delivered through the Own Risk and Solvency Assessment (ORSA) processes described in this section.

We consider that three years is an appropriate period for this viability assessment, which is in line with our core business planning process. It is the period over which major strategic actions, such as the launch of new investment propositions, are typically delivered. It also takes into account the uncertain economic environment and changing political and regulatory environment, and the timescale over which changes to major regulations and the external landscape affecting our business typically take place. We consider that the severe scenarios assessed as part of our reverse stress testing are appropriate over this three year period.

## Risk governance

### Enterprise risk management framework

Standard Life's ERM framework enables a risk based approach to managing our business. It integrates concepts of strategic planning, operational management and internal control. Our framework has been developed and embedded in the business over several years.

- **Risk culture:** The way we think and act as individuals and as a business. It encompasses our attitudes, capabilities and behaviours. Our culture drives how we identify, understand and openly discuss, and act on, current and future risks.
- **Risk control process:** The practices by which we manage financial and non-financial risks within Standard Life. They are used to identify, assess, control and monitor risk.
- **Strategic risk management:** This forms an integral part of the strategic planning process and is directly linked to our corporate objectives. It supports the development of long-term value by ensuring that well informed risk-reward decisions are taken in pursuit of our business plan. It also helps to ensure that capital is distributed to the areas where most value can be created from the risks taken.
- **Risk and capital models:** The models that we use to measure our risk exposures and capital position and the work that we do to test and understand the sensitivity of these positions
- **Emerging risks:** The aim of emerging risk management is to identify risks before they materialise. This gives us time to engage with the risk, understand it and respond accordingly. We use our emerging risk process to inform reverse stress testing and capital adequacy requirements across Standard Life. Our proactive screening process which looks across broad sources of risk including geopolitical, technological, environmental and societal, helps us to anticipate future threats.

### ORSA process

The ORSA is the set of processes that underpin our ERM framework. The purpose of the ORSA is to inform and develop:

- Our understanding of the current and potential risks to the business over the product lifecycles. This includes both financial and non-financial risks including environmental, social and governance (ESG) risks and their potential to affect both the long and short-term value of the business.
- Our appetite for these risks and how we manage them
- Our own assessment of current solvency and capital requirements with respect to the risks
- A forward-looking assessment of the risk and solvency needs of the Company over a multi-year time horizon in light of the business plans

The ORSA plays a key role in supporting decision making and strategy development at our boards and risk committees.

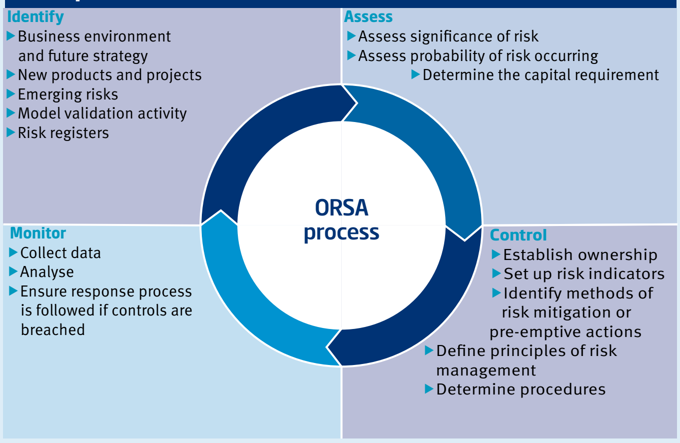
### Three lines of defence

We operate a 'three lines of defence' model of risk management, with clearly defined roles and responsibilities for individuals and committees:

- **First line:** Day-to-day risk management is delegated from the Board to the Chief Executive and, through a system of delegated authorities and limits, to business managers
- **Second line:** Risk oversight is provided by the Chief Risk Officer and supported by the specialist Risk Management and Compliance functions across Standard Life as well as through established risk committees such as the Enterprise Risk Management Committee (ERMC) and with reporting to the Risk and Capital Committee (RCC). The majority of members of the ERMC are senior first line representatives. Independent oversight is provided by non-executive Directors at the RCC.
- **Third line:** Independent verification of the adequacy and effectiveness of the internal risk and control management systems is provided by our internal audit function. This is independent from all other operational functions. It operates subject to supervision and challenge by the Audit Committee.

**Enterprise risk management framework**


**ORSA process**



## STRATEGIC RISK

### Our definition and appetite

Risks which threaten the achievement of our strategy through poor strategic decision making, implementation or response to changing circumstances. We recognise that core strategic activity brings with it exposure to strategic risk. However, we seek to proactively manage and control these exposures.

| The risks to our business and how we managed them in 2016 | Our principles in managing these risks | Link to strategy |
|---|---|---|
| **Investment Performance (New)** | | |
| Our strategy to be a world-class investment company is underpinned by our ability to offer our customers and clients superior long-term investment performance through active management.<br><br>Poor investment performance relative to peers, benchmarks or internal targets may impact our ability to grow assets under administration and can increase the level of outflows across our business. This in turn can also cause a stagnation or decline in revenues.<br><br>Short periods of market dislocation and heightened volatility, such as that seen in 2016, carries a risk that investment performance is weaker. However, our Focus on Change investment philosophy has a good track record of delivering resilient long-term performance.<br><br>In 2016 we reviewed our investment processes to ensure they continue to work effectively for our customers and clients. | ▶ Our Focus on Change investment philosophy is driven by a robust and repeatable investment decision process which is highly disciplined, research intensive and risk informed<br>▶ Our investment philosophy is designed to operate through the cycle and provides the opportunity to outperform throughout the cycle<br>▶ We regularly engage with our customers and clients on service and performance<br>▶ We review our internal processes and investment decisions in light of results on an ongoing basis | Broadening and deepening our investment capability<br><br>Growing and diversifying our revenue and profit |
| **Customer and Client Preferences and Demand** | | |
| Delivering our business plan requires us to attract and retain customers and clients across our business. We are therefore exposed to the risk that our propositions do not keep pace with emerging customer preferences or fail to meet the needs and expectations of customers and clients.<br><br>The UK pensions and savings market continues to evolve as we seek to meet our customers' savings and retirement needs. As customer needs and behaviours develop we continue to place a focus on ensuring their long-term investment solutions are fit for purpose.<br><br>We have made a number of key propositional enhancements to our Pensions and Savings business with the purchase of Elevate and growth of our financial advice business 1825. Also, our highly differentiated Workplace proposition continues to increase engagement with employers and employees.<br><br>Standard Life Investments has delivered a number of new solutions to meet client needs. For example, the Integrated Liability Plus Solution (ILPS) fund range for our Institutional growth channel and the expansion of our Global Focused Strategies Range into the US. | ▶ The development of our new and existing propositions start from the customer or client need<br>▶ We regularly seek customer feedback on our performance and use focus groups to help with proposition development<br>▶ We invest in initiatives to build trust and long-term relationships with customers | Developing strong relationships with customers and clients<br><br>Broadening and deepening our investment capability |
| **Political Change** | | |
| Political change can impact us directly through new laws or indirectly by altering the wider environment. Decisions taken by the UK and Scottish governments, but also those in other locations where we operate, can significantly alter circumstances and change the way we do business. We witnessed several significant political events in 2016.<br><br>Following the UK's vote to leave the EU in June, our business operations in Europe will be directly impacted by the outcome of the forthcoming negotiations. Also, the recent announcement from Theresa May confirming that the UK will leave the European single market provides an indication of the environment we will face outside the EU.<br><br>The result of the presidential election in the US is likely to result in policy changes that may impact global growth and financial markets.<br><br>Since the change of leadership within the UK Government we have seen different approaches being taken, for example with secondary annuities. As we look forward to the 2017 budget we may see further changes that could impact our business and our customers and clients.<br><br>In light of actual and potential political changes we are evaluating possible scenarios and preparing to adapt our business as appropriate. | ▶ We constructively engage with key decision makers in the best interests of our stakeholders, for example by contributing to consultations<br>▶ Political risks are considered under our stress and scenario testing programme (which includes both quantitative and reverse stress testing) and emerging risk process<br>▶ For the most extreme scenarios we maintain appropriate business continuity and contingency plans and these are regularly tested and reviewed | Building an effective and efficient business<br><br>Attracting, retaining and developing talented people |

**Trends**

Increase    Decrease    Stable

## STRATEGIC RISK *continued*

| The risks to our business and how we managed them in 2016 | Our principles in managing these risks | Link to strategy |
|---|---|---|
| **Regulatory Change** | | |
| We operate in a highly regulated industry and our global growth requires us to comply with an increasing number of regulatory regimes.<br><br>New or changing regulations can create opportunities for our business but can also increase risk. They can increase compliance costs, impact profitability and demand for our propositions, or tie up resources which may slow the delivery of other developments to support our growth plans.<br><br>In 2016 the FCA carried out a number of thematic reviews, which we were part of, and also published the initial findings of its Asset Management Market Study which we await the final conclusions of in 2017.<br><br>While we see the level of regulatory change risk increasing, we remain well placed to deal with significant developments on the horizon including the Markets in Financial Instruments Directive II, Packaged Retail and Insurance-based Investment Products, European Union General Data Protection Reform and the likely introduction of a pension dashboard. | ▶ Ongoing regulatory compliance is governed via our Standard Life Policy Framework<br>▶ We maintain strong and open relationships with our regulators and engage early with areas of potential regulatory change<br>▶ Regulatory changes are considered under our stress and scenario testing programme and emerging risk process | **Growing and diversifying our revenue and profit** |
| **Strategic Transition and Delivery (New)** | | |
| We continue our strategic delivery towards a simplified, well diversified and scalable world-class investment company. We aim to take advantage of a number of growth opportunities in the key markets in which we operate.<br><br>There is a risk that we fail to deliver long-term value for shareholders because we are unable to successfully deliver this strategic transition.<br><br>We have continued to deliver on our transition over 2016 with the growth of our investment business and through acquisitions such as Elevate. | ▶ Our Strategic Executive Committee has responsibility for our corporate strategy and execution of a single strategic plan<br>▶ Our Chief Strategy Officer has responsibility to further develop our strategy<br>▶ Inorganic growth opportunities are fully assessed to ensure they align with strategic priorities | **Impacts all areas of strategy** |

## CONDUCT RISK

### Our definition and appetite

The risk that through our behaviours, strategies, decisions and actions the business, or individuals within the business, do not do the right thing and/or do not behave in a manner which:

- Pays due regard to treating our customers and clients fairly
- Is consistent with our disclosures and setting of customer and client expectations
- Supports the integrity of financial markets

We recognise that our core strategic activity brings with it exposure to conduct risk which must be understood and managed. However, there is no appetite for purposeful or deliberate actions (behaviours/decisions) which result in conduct risk.

| The risks to our business and how we managed them in 2016 | Our principles in managing these risks | Link to strategy |
|---|---|---|
| **Customer and Client Outcomes** | | |
| We are exposed to the risk of unfair customer and client outcomes as a result of our business not acting in the right way. This can arise from failed or poorly designed processes, badly designed or performing propositions, poor customer communications or conduct by our people. Unfair customer outcomes can also lead to significant reputational damage and material financial losses for our business.<br><br>The standards that we aspire to internally, as well as those expected of us by regulators, third parties and our customers are consistently being raised. However, higher standards mean that there is a greater risk of failing to meet these, which leads to our assessment that this risk is increasing.<br><br>As we transition to a world-class investment company we must ensure that we effectively manage any conflicts of interest across different parts of our business to support fair outcomes for customers. This includes embedding our robust conduct risk framework into any newly acquired businesses.<br><br>At the FCA's request, we shall be reviewing all non-advised annuity sales from July 2008 to identify whether our customers received sufficient information about enhanced annuity options. It is essential that conduct risk is properly understood and managed throughout this process in order to deliver fair customer outcomes.<br><br>Our response to increased redemption requests after the EU referendum, from UK property funds, protected investors. We took action to do the right thing to achieve the best possible outcome for our customers and clients. | ▶ Our Standard Life Code of Conduct sets out the standards required of colleagues and mandatory training embeds this across the business<br>▶ Our Conduct Risk Policy helps to ensure that the standards and outcomes we set are implemented consistently across the business<br>▶ Strong oversight and challenge is provided within our business by our Conduct and Compliance risk centre<br>▶ We maintain a strong and open relationship with the FCA and other regulators<br>▶ Ensuring fair treatment of our customers and clients is continually reinforced through the culture of Standard Life | **Developing strong relationships with customers and clients** |

## OPERATIONAL RISK

### Our definition and appetite

Risk of loss or adverse consequences resulting from inadequate or failed internal processes, people or systems, or from external events. We have limited appetite for large operational losses due to the related reputational damage and opportunity costs. We will seek to manage existing operational risk exposures and proactively control new exposures.

| The risks to our business and how we managed them in 2016 | Our principles in managing these risks | Link to strategy |
|---|---|---|
| **IT Failure and Security, including cyber risk** | | |
| Our business relies on a wide range of IT systems and our strategy requires greater use of online functionality to meet customer preferences, improve efficiency and manage costs.<br><br>This exposes us to the risk of failure of key systems, and technological security risks such as cyber-attacks.<br><br>Over time we expect our increasing global profile to raise the threat from cyber-attacks. We continue to work with our external providers to ensure that our response is appropriate to the scale and nature of the threat.<br><br>In 2016 we established a Chief Information Security Office to oversee and set the security priorities across the business. The Security Office has specified our risk appetite for cyber risk in order to better measure the risk and drive the appropriate responses to it. | ▶ We continuously invest in modernising our IT infrastructure via internal change programmes<br>▶ We work with specialist external cyber risk experts to identify new risks and develop our response to them<br>▶ IT failure, security and cyber risk are considered under our stress and scenario testing programme and emerging risk process<br>▶ For the most extreme scenarios we maintain appropriate business continuity and contingency plans and these are regularly tested and reviewed | Building an efficient and effective business |
| **Outsourcer Relationship Management** | | |
| We use a number of outsourcing providers to operate and deliver core systems, capabilities and processes. Key relationships include Citigroup for our investment business and FNZ's role in the delivery of platform functionality for our Pensions and Savings business.<br><br>These types of business arrangements allow us to access specialist services and skills, and enable our business to run more efficiently and cost effectively.<br><br>The failure of a material outsourcing provider could lead to significant costs and disruption to our operations until we recover the situation or put alternative solutions in place.<br><br>Our acquisition of Elevate broadens our relationship with FNZ. This change in risk exposure is well understood and was assessed as part of our due diligence. | ▶ Our outsourcing policy sets out standards that must be complied with<br>▶ We maintain strong relationships with external providers to ensure that the risks arising are well understood<br>▶ Outsourcing risks are considered under our stress and scenario testing programme<br>▶ For the most extreme scenarios we maintain appropriate business continuity and contingency plans and these are regularly tested and reviewed | Developing strong relationships with customers and clients<br><br>Building an efficient and effective business |
| **Change Management** | | |
| In today's dynamic world successful businesses need to be able to respond effectively and efficiently to changes around them.<br><br>We run a large change portfolio with an increased level of activity arising from regulatory changes, transition activity for acquisitions and wider strategic initiatives. This exposes us to the risk that change takes longer or costs more than expected or that the change does not meet its intended objective.<br><br>Our risk committees maintain a strong focus on ensuring the effective management of our change risk portfolio. | ▶ Change management forms part of our operational risk management framework which provides a robust and established framework under which change is managed, reported and implemented<br>▶ In recent years, our business has built up significant experience of successfully responding to change, whilst continuing to develop market-leading propositions for customers | Building an efficient and effective business |
| **Talent Management** | | |
| The strength of our business is built on our people and it is essential that we are able to attract and retain people with the skills and capabilities that we need to deliver our business plan.<br><br>We are exposed to the risk that we are not able to do this, that it can only be achieved at a higher cost than expected or that key individuals leave the business unexpectedly.<br><br>As significant new powers are devolved to the Scottish Parliament it is essential for our business that these are used to make Scotland an attractive place for talented individuals to live and work.<br><br>We continue to develop the diversity of our workforce and are involved in a wide range of initiatives aimed at promoting social mobility and increased diversity across the organisation. These include how we consider diverse Board representation, talent pipeline development, talent acquisition, as well as actions to ensure a more inclusive workplace. In 2016 we signed up to the HM Treasury Women in Finance Charter. | ▶ We regularly benchmark our terms and conditions against the market<br>▶ Our Sustainability section explains the range of initiatives that we use to support employee wellbeing and engagement<br>▶ We maintain succession plans for key individuals which are regularly reviewed<br>▶ Our Emerging Leaders Development Support and Accelerated Development Support programmes help to build our talent pipeline | Broadening and deepening our investment capability<br><br>Attracting, retaining and developing talented people |

## FINANCIAL MARKET AND CREDIT RISKS

### Our definition and appetite

Risk of losses due to risks inherent in financial markets. Standard Life has appetite for market risk exposures where exposures arise as a consequence of core strategic activity. We have an appetite for credit risk to the extent that acceptance of this risk optimises Standard Life's risk adjusted return.

| The risks to our business and how we managed them in 2016 | Our principles in managing these risks | Link to strategy |
|---|---|---|
| **Market Risk** | | |
| Our business is exposed to market risk from the direct investment of shareholder assets, indirectly from UK and German with profits funds in our Pensions and Savings business, and as a result of fluctuations in fees that we earn which are linked to the value of underlying assets in both our Pensions and Savings and investment businesses.<br><br>Over time this risk is becoming more important as the contribution of spread business to our overall revenue reduces and we become more focused on fee based revenue as we transition to a world-class investment company.<br><br>Global political and economic events caused financial markets to be volatile over 2016 and we expect this uncertainty to continue in 2017. This volatility in markets has an impact on asset values as well as investor sentiment.<br><br>Our rigorous stress and scenario testing programme during 2016 once again confirmed we have a resilient capital position which means we are well prepared for whatever market conditions we face in the future. | ▶ We set limits for market risk exposures where this is appropriate<br>▶ We use our stress and scenario testing programme to understand our sensitivities to markets and identify mitigating actions<br>▶ Hedging is used to manage market risks faced by policyholders in our with profits funds where appropriate | Growing and diversifying our revenue and profit |
| **Counterparty Risk** | | |
| In response to economic, political and regulatory developments we saw a number of ratings downgrades from external credit rating agencies in 2016.<br><br>During this time our governance processes in relation to investment mandates have operated effectively and we remain comfortable with the credit quality of our cash counterparties and other investments.<br><br>Our forward-looking assessment, given the current uncertainty affecting financial markets, is for credit risk to remain stable but at an elevated level. | ▶ Our credit risk management policy sets out the standards that must be complied with<br>▶ Limits for individual counterparties are overseen by our Group Credit Risk Committee<br>▶ Where appropriate, counterparties are collateralised and internal credit assessments are used<br>▶ Exposures are proactively monitored with mitigation action taken where necessary | Growing and diversifying our revenue and profit |

## DEMOGRAPHIC AND EXPENSE RISK

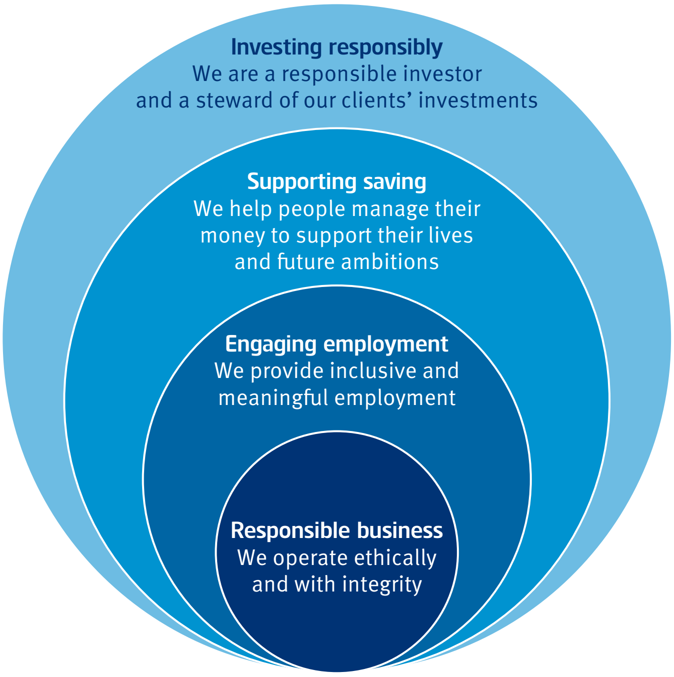
### Our definition and appetite

Risk that arises from the inherent uncertainties as to the occurrence, amount and timing of future cash flows due to demographic and expense experience differing from that expected which, for the purpose of risk management, includes liabilities of insurance and investment contracts. Within demographic risk we have an appetite for longevity risk since we expect acceptance of this risk to be value additive.

| The risks to our business and how we managed them in 2016 | Our principles in managing these risks | Link to strategy |
|---|---|---|
| **Longevity Risk** | | |
| This is the risk that our annuity customers live longer than we expect.<br><br>In 2016 annuity sales continued to be materially lower following the introduction of Pension Freedoms in the UK. In November we took the decision to restrict annuity sales to existing customers only.<br><br>We expect our longevity risk to decrease over time as our existing annuity book steadily runs off.<br><br>Determination of longevity assumptions is a critical accounting estimate. Further details on this judgement are discussed in the Audit Committee report and in Note 33 of the Group financial statements section in the Annual report and accounts 2016. | ▶ We set limits for longevity risk exposure<br>▶ We have a robust governance process for setting our longevity assumptions using the latest data sources<br>▶ We have a reinsurance arrangement with Canada Life which transfers a material part of our longevity exposure. We monitor opportunities to implement further transactions to reduce our exposure.<br>▶ We consider longevity scenarios under our stress and scenario testing programme and emerging risk process | Growing and diversifying our revenue and profit |

# Investing for a better future

**Our sustainability strategy covers four key priorities and enables us to manage environmental, social and governance (ESG) risks and opportunities. This helps us make a positive contribution to the futures of our people, customers and clients, and wider society.**




### Our sustainability strategy and approach

During 2016 we engaged directly with our customers, investors and employees to review our strategy and ensure we continue to focus on the right areas. We asked these stakeholders to provide their views on what is important to them across our four sustainability priorities.

This materiality review highlighted a number of areas that matter most to our stakeholders including trust and transparency, governance, sustainable economic growth, cyber-crime, climate change, responsible investment and stewardship, financial inclusion and decent work and pay. This input will also help focus our activity in 2017 and beyond.

You can find out more about our review and what we are doing in these areas in our sustainability report at **www.standardlife.com/sustainability**

### Sustainability at Board level

An update on internal and external ESG issues is provided for each Board meeting. Non-financial measures, which monitor progress against our sustainability strategy, are also highlighted on a quarterly basis.

### Our best ever DJSI and FTSE4Good index scores

In 2016, we were listed for the sixth year running in the DJSI World and Europe indices, which include the top 10% and 20% respectively of sustainable companies in our sector. We received our best ever score in this and the FTSE4Good index, and our first ever Silver class distinction from RobecoSAM. These are based on an assessment of how we manage economic, environmental and social factors relevant to company success.

ROBECOSAM
Sustainability Award
Silver Class 2017

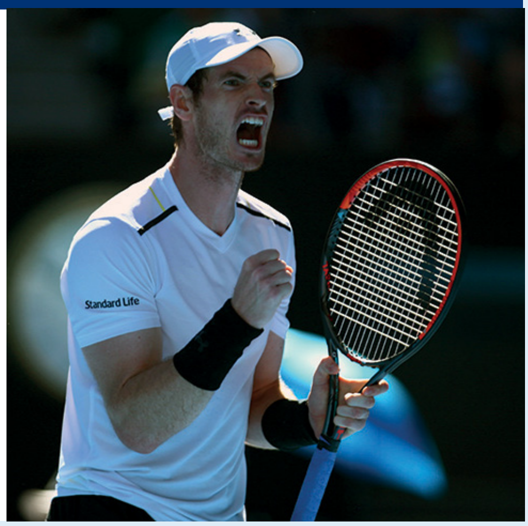
FTSE4Good

### Sir Andy Murray

Our partnership with Sir Andy Murray means a lot more than simply supporting a world famous tennis champion. It means sharing a set of values and goals. Andy's deep sense of purpose, commitment to excellence and personal ambition fits perfectly with ours and inspires and motivates our people.

On Andy's most recent visit to our offices in September he met 400 of our people to tell them about his historic year and pass around his Olympic medals. 200 employees, their family and friends also attended his inaugural tennis event for charity in Glasgow, raising money for UNICEF and local Glasgow charity Young People's Futures. Through our 2016 Master Your Dreams campaign we've shared exclusive content, news and photos telling the story of how Andy has achieved his goals and mastered his dreams.

Like us, Andy is also committed to investing for the future and to giving back through his support of key charity partners. Andy is a WWF global ambassador and we actively support the charity's Earth Hour across all our global offices. We also promote responsible investment and were delighted to secure Andy's support of Good Money Week, when he spoke about embracing saving and investing in line with his values.



# Responsible business

**This is the core of how we run our business and build a positive culture. We aim to operate in a way that builds trust, to contribute to our communities and to manage our environmental impact.**

## Business ethics

We recently updated our global code of conduct, which provides a set of guidelines on how we expect our people to behave. In the code, we frame many of the aspects of good conduct as a question, such as 'am I doing the right thing?' or 'what would our customers and clients think?' As part of the launch, we promoted our independent speak-up helpline - an anonymous way to raise concerns. We commit to follow up all issues raised and to support and protect the caller.

We held a series of events in collaboration with the University of Edinburgh Sustainable Business Initiative, the Institute of Business Ethics, and the Institute of Corporate Responsibility and Sustainability. These events were designed to raise awareness of the importance and benefits of investing in an ethical culture. As both a large business and an investor in other companies, we have a distinct perspective on this area and used the events to share best practice and further our learning.

## Human rights

We have a responsibility to protect and respect human rights as an employer, investor, procurer and provider of services and through our business partnerships. We have a statement on our website setting out our approach and commitment to human rights and will be reviewing and building on this during 2017 using the UN Guiding Principles on Business and Human Rights framework. We have also published our Modern Slavery statement setting out the steps we are taking to help prevent modern slavery in our business and supply chains. You can find out more at **www.standardlife.com/annualreport**

## Managing our environmental impact

Our operational environmental impact strategy focuses on our highest greenhouse gas (GHG) emitting activities: energy use in our buildings and business travel.

In 2016, we continued to run our awareness programme for our people and customers, including an environmental champions network, promoting sustainable travel, collaborative technology workshops and ongoing energy reduction and recycling initiatives.

In 2013, we targeted a 20% reduction in GHG emissions by 2020. At the end of December 2016, we had achieved an absolute 5% reduction, however, on a like-for-like basis we are ahead of target with a 16% reduction. The table below shows GHG emissions for our business operations. We also measure GHG emissions for our global real estate investment portfolio. You can find out more at **www.standardlife.com/annualreport**

We know that the biggest impact we can have on environmental issues, including climate change, is through how we invest. You can find out more about this within our sustainability report at **www.standardlife.com/sustainability**

## Volunteering

We have strong links with our local communities and support our people to volunteer and make a difference through our **#getinvolved** initiative. Our volunteering policy gives our people the opportunity to take three paid days leave a year. Our people donated 1,529 days for volunteering work in 2016 (2015: 661 days), significantly exceeding our target of 1,000 days. In 2017 we are aiming to donate more time and have increased our target again to 2,000 days.

## Our charity partners

Our people vote for the charities we support. They pick charities close to their hearts and carry out vital fundraising during the partnership. Our current charities are:

- In the UK, Place2Be – provides emotional support to children in schools
- In Ireland, ARC Cancer Centres – therapies and counselling for people with cancer and their carers
- In Germany, Hilfe für krebskranke Kinder Frankfurt e.V – supports children with cancer
- In Austria, Österreichische Krebshilfe Wien – provides cancer support in Vienna
- In the US, Let's Get Ready – supports low-income high school students
- In Hong Kong, Hong Kong Society for the Protection of Children – focusing on the care and welfare of children

**2016 total charitable contribution**

**£2.6m[1]**

[1] This consists of time given to the community, Raise and Match, Standard Life Foundation, Standard Life Charity Fund, donation of equipment and services and our employability scheme funding.

## Greenhouse gas emissions (continuing operations)

| | | 2016 | 2015[6] | 2013 (baseline) | Actual change[7] | 2016 target[7] |
|---|---|---|---|---|---|---|
| **Greenhouse gas emissions ($CO_2e$)** | Scope 1[2] | **2,227** | 2,675 | 2,134 | 4% | (6%) |
| | Scope 2[3] | **10,194** | 12,123 | 12,034 | (15%) | (6%) |
| | Scope 3[4] | **12,575** | 10,755 | 12,070 | 4% | (15%) |
| | **Total** | **24,996** | 25,553 | 26,238 | (5%) | (9%) |
| **FTE / Tonnes $CO_2e$ ratio[5]** | **Total** | **3.21** | 3.39 | 3.75 | (8%) | (6%) |
| **Paper used (tonnes)** | **Total** | **407** | 485 | 603 | (32%) | (15%) |
| **Waste (tonnes)** | Landfill | **10** | 7 | 276 | (96%) | N/A |
| | Divert from landfill | **736** | 718 | 608 | 21% | N/A |
| | **Total** | **746** | 725 | 884 | (16%) | (6%) |

[2] Scope 1 emissions include gas (and fluorinated greenhouse gas from 2014).

[3] Scope 2 emissions include electricity.

[4] Scope 3 emissions include business travel (air, rail and leased fleet), transmission and distribution losses for electricity and electricity use by a third party data centre.

[5] Based on a full-time equivalent (FTE) employee figure which includes contingent FTE.

[6] Figures have been restated to reflect full calendar year.

[7] vs 2013 baseline.

# Engaging employment

## We want to provide inclusive and engaging employment, encourage collaboration, and enable our people to reach their potential.

### Employee proposition

As we continue to create a world-class investment company we appreciate the value that attracting, developing and retaining talented people brings to our business and the impact that they make on our global ambitions and our customers and clients. We offer a range of benefits and financial rewards to our people through our Total Reward package. Our people can tailor their package to suit their individual needs.

We use a performance-based remuneration system, including a variable pay scheme which is based on the performance of the relevant business unit as well as that of individual employees. Our people can access a range of our savings and investment products at preferential rates and have the opportunity to join two different company share schemes. One matches employees' share purchases of up to £50 per month (an increase of £25 in 2016) and the other enables employees to save for a fixed term and exercise their option to purchase shares at the end of the term at a discounted set price.

**Our people strategy is consistent with both the United Nations and International Labour Organisation's standards.**

### Diversity

We continue to show our commitment to inclusion and supporting diversity and believe we have leading policies and practices in many areas. We aim to provide an inclusive workplace where everyone is valued and able to fulfil their potential. Our latest employee engagement survey showed that 85% of our people believe that our company appreciates difference among our employees, a 7% increase from the previous survey.

In 2016 we created new policies and continued activity in a number of areas for our people to feel part of a more inclusive workplace. Examples include the launch of our Carers Policy, the promotion of our Shared Parental Leave Policy featuring enhanced shared parental pay, the change to our enhanced paternity pay policy (which means new parents taking paternity leave will be entitled to be paid up to two weeks' salary regardless of how long they've worked at Standard Life), increasing the proportion of our people aged 25 and under in the UK and Ireland to 8% and providing unconscious bias training across our organisation. We also continued supporting our employee networks; Armed Forces, LGBT, LGBT+ Allies, Young People, Carers and Women's Development.

A key strand in our approach is gender equality as we know this is an area where we have more work to do. In 2016, we were one of the first signatories to the HM Treasury Women in Finance Charter. We have made firm, public commitments to support actions which will improve the representation of senior women in our industry, including setting progressive target ranges for our leadership population which is currently 25% women. We will also develop wider targets incorporating other aspects of diversity across our people including reporting our gender targets and our gender pay gap in the coming year.

### Working communities

**In 2016 we received accreditation from the UK Government as one of only 11 UK Social Mobility Champions based on our work to break down barriers to employment.**

We believe job creation is vital to creating healthy communities. Providing quality employment, paid at a living wage, with access to skills and on-the-job experience for all, can turn jobs into careers and allow people to plan and look to the future with confidence. We work with people from disadvantaged backgrounds who are less well qualified or living in poverty, those who have been through the care system, people serving as carers, people with disabilities and people who are transitioning from a career with the Armed Forces.

**In 2016 we published our UK community impact report highlighting our employability and financial capability work from 2013-2016.**

### Early careers

We offer challenging and rewarding opportunities for school leavers and graduates, and internships for those in their penultimate year of study.

Throughout 2016 we have continued our work with the Edinburgh Guarantee Scheme, providing 33 young people with paid work experience for six months. We have also continued our work with the Investment2020 scheme, offering 12-month paid work experience placements to 11 people. Across our global employability programmes we have provided 46 jobs in total in 2016.

### Our gender targets

- By September 2017: 26-30% leadership population will be female
- By September 2021: 30-35% leadership population will be female
- By end 2025: our leadership population will represent the gender split of our workforce (currently 49% female)

Our talent pipeline, which we've been developing since 2011, is pivotal to attaining these targets. The numbers we report for our talent pipeline and our leadership population are not mutually exclusive, with the pipeline feeding into our leadership population – 38% of our leadership population are also in our talent pipeline for succession to more senior roles.

| Gender | | 31 Dec 2016 Number | 31 Dec 2016 % | 31 Dec 2015 % |
|---|---|---|---|---|
| Board | Male | **9** | **75** | 69 |
| | Female | **3** | **25** | 31 |
| Leadership population[1] | Male | **97** | **75** | 80 |
| | Female | **32** | **25** | 20 |
| Talent pipeline[2] | Male | **143** | **58** | 60 |
| | Female | **102** | **42** | 40 |
| Employees | Male | **3,259** | **51** | 51 |
| | Female | **3,074** | **49** | 49 |

1 If you include employees who are directors of consolidated subsidiaries, the percentage increases to 27% female and 73% males.

2 Talent pipeline includes graduates and members of the Emerging Leaders Development Support (ELDS) and Accelerated Development Support (ADS) programmes.

### Wellbeing
We know that people who work in a healthy and supportive workplace are more engaged in their roles. We base our ongoing wellbeing programme activities around three essential areas: healthy mind, healthy body and healthy culture.

Our analysis shows that mental health is one of the main wellbeing issues our people can face, so we are committed to creating a workplace where everyone feels comfortable discussing any and all mental health issues. To help raise awareness, we offer workplace training on how to build a mentally healthy environment, signed up to the Time for Change pledge, supported World Mental Health Day and in 2016 we became a See Me in Work Partner.

### Employee engagement and enablement
Our 2015 employee engagement survey highlighted the importance our people placed on effective and transparent communication across our business. We want to enable collaboration and, during 2016, we made significant steps to address this by:

- Introducing a new company-wide intranet, built on the principles of social sharing and conversation
- Running new engagement programmes where our people meet and hear from senior leaders and subject matter experts covering all aspects of our business and the markets we operate in
- Embedding Microsoft SharePoint as our chosen way to collaborate on projects and share knowledge across our global locations

In November 2016, we again ran our employee survey. The responses gave us a clear update on how our people feel about a range of topics. Our vision, social responsibility, and risk culture were our top three scoring themes. Our overall employee engagement score has increased, however, our enablement score – how well employee skills are utilised and working environments facilitate productivity – has decreased. Specifically, the question on understanding of strategic direction decreased, so this is a focus for us in 2017.

**Our employee engagement survey scores were 65% for engagement and 62% for enablement, below the global financial services average scores of 69%.**

# Supporting saving

## We provide support and expertise to enable people to manage their money and save for their future.

### Workplace pensions
We support action which can make saving more inclusive and can help address the savings gap. In 2012 the UK Government introduced auto enrolment – where employers are required to offer workers a workplace pension – which opens up long-term saving into a pension for more people. Since then, we have helped over one million people to access saving through a workplace pension and look forward to their future with more confidence.

### Inclusion
We have a customer inclusion panel, made up of internal and external specialists, to develop practical ways that we can make our products and services more accessible. We also work with The Wisdom Council – an organisation which helps provide insight on our customers and clients. Most recently we have been looking at financial services jargon and what would help to make communications simpler and more accessible for customers.

### Standard Life Foundation
First announced at our AGM in May 2016, the Foundation is a charity that will focus on independent research to strengthen financial well-being and resilience in the UK. We will make a gift of around £80m to the Foundation which is funded from unclaimed shares and cash entitlements as a result of our demutualisation in July 2006. During the past decade we have made continued efforts to trace those entitled to claim and were successful in uniting over 97% of people with their entitlements before the deadline of 9 July 2016. Lord Darling, the former Chancellor of the Exchequer, is chair of the Foundation and is supported by a team of very experienced trustees. The Foundation will set out the priorities of its work during the course of 2017.

### Customer trust and advocacy
Our brand Net Promoter Score (NPS) is an important measure of customer advocacy. The score indicates how likely a customer is to recommend Standard Life to family and friends. In 2016 our brand NPS fell by 11 points. We believe the reasons for this include the processes around pension freedoms – which some customers may have considered more complex – and lower customer confidence in financial services as a whole. We've planned a number of actions for 2017 to improve customer experiences.

### Customer complaints
We aim to always do the right thing for our customers – and if something goes wrong, we are committed to putting it right. We carry out root cause analysis for any issue raised by a customer so we can understand what went wrong and take action. In 2016 we received 7,576 complaints from our customers (2015: 7,516 complaints), which is 17.8 complaints per 10,000 policies in force (2015: 18.5 complaints). 3% of these complaints went to the Financial Ombudsman Service (FOS). Of the complaint cases considered by FOS in H1 2016, they agreed with our decision in 77% of cases against an industry average of 70%.

# Investing responsibly

## Our approach to responsible investment and stewardship considers investments as a tool to promote positive change.

As stewards of our clients' investments we act responsibly in our investment activities. At Standard Life Investments we integrate ESG issues into our investment process as we believe these issues are significant components of investment risk and can have a fundamental impact on the achievement of sustainable long-term investment returns. We apply this approach throughout our investment processes and to mandates which have tailored sustainable responsible investment (SRI) or ethical criteria.

As a leading investment company, we take our role in this area seriously. We research, analyse and engage with companies on ESG issues to understand the risks and drive positive change. We transparently disclose our discussions and thematic reviews within our quarterly and annual update reports.

**595 ESG engagements with companies**

We actively use our influence through voting at shareholder meetings of investee companies – in order to hold boards to account and promote high standards of governance. We regularly provide updates of our voting records on our website.

**We voted at 1,569 shareholder meetings of investee companies**

### Sustainable real estate

We are committed to sustainability across our direct real estate portfolio. We have a comprehensive Sustainable Real Estate Investment (SREI) Policy and accompanying procedures that govern how we embed ESG factors into development projects and asset management. Our strategic priorities for SREI cover climate change, resource scarcity and the health, wellbeing and productivity of building occupiers. We have targets in place to reduce waste, and water and energy use.

In 2016, Standard Life Investments achieved 15 'Green Stars' in the annual Global Real Estate Sustainability Benchmark (GRESB) Assessment – the leading global benchmark for real estate sustainability. This is the highest number gained of all participants for the second consecutive year. Three of our 15 Green Stars also attained GRESB's new 5 Star rating – putting us in the top 20% of our peers.

## Our measurement and assurance

Our non-financial performance measures are aligned across our four priority areas: responsible business, engaging employment, supporting saving, and investing responsibly. They are independently assured by PricewaterhouseCoopers (PwC):

- **Total employee days volunteered**
- **Carbon footprint**
- **Total people directly employed through employability programmes**
- **InterAction employee survey results**
- **Gender diversity of the talent pipeline**
- **Gender diversity of the leadership population**
- **Total customer complaints**
- **Annual movement in the Brand Net Promoter Score (NPS)**
- **Voting at shareholder meetings of investee companies**
- **Environmental, social and governance engagements with companies**

You can find out more about our measures and definitions in our 2016 sustainability report at **www.standardlife.com/sustainability**

### ESG engagement – BHP Billiton

BHP Billiton is a UK-listed metals and mining firm with global operations. We met with the company during 2016 on several occasions. We primarily discussed the tragic incident of the Fundão tailings dam failure, in November 2015, at an iron ore mine operated by Samarco in Minas Gerais, Brazil. The dam collapse caused a 416 mile mudslide, affecting communities downstream, leaving at least 17 people dead and 700 homeless. BHP has a joint venture in the dam.

We believe BHP Billiton has responded proactively to the Samarco incident, both contributing resources and capabilities to the response effort and helping to establish a foundation to develop and deliver around 40 environmental and socioeconomic programmes to help restore and compensate the affected communities. The accident at Samarco calls into question the control companies have over non-operated joint ventures and the extent to which companies can ensure that health, safety and environmental standards are consistently applied across all operations to which they have financial exposure. We continue to monitor BHP's remediation and compensation programmes and encourage best practice.

# Basis of preparation



## Overview

Our Strategic report for the year to 31 December 2016 has been prepared in line with the Companies Act 2006 and the Disclosure and Transparency Rules (DTR) issued by the FCA. Under section 414 of the Companies Act 2006, DTR 4.1.8 and DTR 4.1.9, the Group is required to provide a fair, balanced and understandable review of the business and a description of the principal risks and uncertainties facing the Group. Principal risks and uncertainties are detailed in the Risk management section of this Strategic report and Note 41 in the Group financial statements section in the Annual report and accounts 2016. To provide clear and helpful information, we have also considered the voluntary best practice principles of the Guidance on the Strategic report issued by the Financial Reporting Council in 2014. We have also considered the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures issued in October 2015.

The Group's International Financial Reporting Standards (IFRS) consolidated financial statements have been prepared in accordance with IFRS, as endorsed by the European Union (EU). However, our Board believes that alternative performance measures (APMs), which have been used in the Strategic report, are also useful for both management and investors.

The most important APMs in the Strategic report include operating profit and underlying cash generation.

All 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 2016.

Further details on alternative performance measures, financial ratios and assets under administration are included in the Supplementary information section in the Annual report and accounts 2016

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in this Strategic report. This includes details on our liquidity and capital management in the Chief Financial Officer's overview section and our viability statement and principal risks in the Risk management section. In addition, the Group financial statements section in the Annual report and accounts 2016 includes notes on the Group's subordinated liabilities (Note 36), management of its risks including market, credit and liquidity risk (Note 41), its contingent liabilities and commitments (Notes 45 and 46), and its capital structure and position (Note 49).

The Group continues to meet Group and individual entity capital requirements, and day-to-day liquidity needs through the Group's available credit facilities. The Company has a revolving credit facility of £400 million as part of our contingency funding plans and this is due to mature in 2021. The Group has considerable financial resources together with a diversified business model, with a spread of business and geographical reach. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Having assessed the principal risks and the other matters discussed in connection with the viability statement, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

## IFRS reporting

The financial results are prepared on an IFRS basis. 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 have been prepared on the basis of the IFRS accounting policies as disclosed in the Group financial statements section in the Annual report and accounts 2016.

## Operating profit

The 2016 reconciliation of consolidated operating profit to IFRS profit for the year, presented on page 115 in the Annual report and accounts 2016, presents profit before tax expense attributable to equity holders adjusted for non-operating items. Further details on the calculation of Group operating profit is presented in Note 14 in the Annual report and accounts 2016. Operating profit reporting provides further analysis of the results reported under IFRS and the Directors believe helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing non-operating items.

## Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. For example, statements containing words such as 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. 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 circumstances which may be or are beyond Standard Life's control, including among other things: UK domestic and global political, economic and business conditions (such as the United Kingdom's exit from the European Union); 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; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of competition; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; 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 in the jurisdictions in which Standard Life and its affiliates operate as well as other factors described in the Risk management section of this Strategic report. These may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard Life's actual future financial condition, performance and results may differ materially from the plans, goals, strategy and expectations set forth in the forward-looking statements. Persons receiving this document should not place undue reliance on forward-looking statements. Standard Life undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Standard Life in this document may not be indicative of, and are not an estimate, forecast or projection of, Standard Life's future results.

The Strategic report has been approved by the Board and signed on its behalf by

Kenneth A. Gilmour

**Kenneth A Gilmour**
Company Secretary

Standard Life plc (SC286832)

24 February 2017

# Board of Directors

Our business is managed by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 24 February 2017 are listed below.

| |  |  |  |
|---|---|---|---|
| | **Sir Gerry Grimstone**<br>Chairman | **Keith Skeoch**<br>Chief Executive | **Luke Savage**<br>Chief Financial Officer |
| **Nationality:** | British | British | British |
| **Age:** | 67 | 60 | 55 |
| **Tenure:** | Sir Gerry was appointed Chairman in May 2007, having been Deputy Chairman since March 2006. He has been a Director for 11 years. | Keith was appointed Chief Executive in August 2015, having been a Director since May 2006. He has been a Director for 10 years. | Luke was appointed Director and Chief Financial Officer in August 2014. He has been a Director for 2 years. |
| **Background:** | Sir Gerry has continued his excellent track record with the Group, leading the Board during a period of significant change and strategic development. His international experience, insight and firm advocacy of the benefits of strong governance are a great asset to the Board and to the Group.<br><br>Sir Gerry is senior independent director and deputy chairman of Barclays PLC. He has continued in his role as an independent, public interest, non-executive board member of Deloitte LLP and as the lead non-executive at the Ministry of Defence. He is an adviser to the board of the Abu Dhabi Commercial Bank. Previously, he held senior positions within the Department of Health and Social Security and HM Treasury and with Schroders plc in London, Hong Kong and New York. He was vice chairman of Schroders' worldwide investment banking activities from 1998 to 1999.<br><br>He holds an MA and MSc from the University of Oxford. | Keith's reputation and breadth of experience in the industry, his market insights and his extensive knowledge of Standard Life are of great benefit to the Board and to the Group.<br><br>Keith joined Standard Life Investments Limited in 1999 as Chief Investment Officer, and has been its Chief Executive since 2004. Previously he spent nearly 20 years at James Capel & Company Limited in a number of roles, including chief economist and managing director international equities. He is a non-executive director of the Financial Reporting Council, where he is a member of the codes and standards committee. He has been awarded honorary doctorates from the University of Sussex and Teesside University for services to the financial services industry.<br><br>He holds a BA from the University of Sussex and an MA from the University of Warwick. He is a Fellow of the Chartered Institute for Securities and Investment and a Fellow of the Society of Business Economists. | For 30 years Luke has provided corporate and financial support within the financial services sector and by bringing that experience to the Board, has continued to make an effective contribution to Board deliberations.<br><br>Prior to joining Standard Life, Luke spent 10 years as director of finance and operations at Lloyd's of London. Previously, he held senior finance roles at Deutsche Bank (UK), Morgan Stanley & Company (UK) and Lloyds Bank plc. He is a member of the governing body of Queen Mary University of London.<br><br>He holds an Electrical and Electronic Engineering degree (BEng), from the University of London. He is a Member of the Institute of Chartered Accountants in England and Wales. |
| **Shareholding:** | 206,626 | 2,246,620 | 885 |
| **Committee memberships:** | ▶ Nomination and Governance, Chairman (c) | | |

| |  |  |  |
|---|---|---|---|
| | **Colin Clark**<br>Executive Director | **Paul Matthews**<br>Executive Director | **Kevin Parry**<br>Senior Independent Director |
| **Nationality:** | British | British | British |
| **Age:** | 57 | 56 | 55 |
| **Tenure:** | Colin was appointed Director in November 2015. He has been a Director for 1 year. | Paul was appointed Director in November 2015. He has been a Director for 1 year. Paul is standing down from the Board on 1 March 2017. | Kevin was appointed Director in October 2014. He has been a Director for 2 years. |
| **Background:** | With his background in investment management and client services, both with Standard Life and elsewhere, Colin brings important skills to the Board.<br>Colin was appointed to the Board of Standard Life Investments Limited in 2004 as a non-executive director. In 2010, he assumed executive responsibility for global client relationship activity, including client management, product development, distribution management and also brand management. Previously he spent 20 years with Mercury Asset Management/Merrill Lynch Investment Managers, becoming head of global marketing in 1999.<br>He holds a BA (Hons) Philosophy, Politics and Economics degree from the University of Oxford. | Paul's appointment reflected his depth of knowledge of Standard Life and experience in the financial services industry spanning over 30 years. He brings a strong customer focus and significant marketing and distribution expertise to the Board.<br>Paul joined Standard Life in 1989, working in a variety of roles before being appointed UK Chief Executive in 2011 and then UK and Europe Chief Executive in 2012. His senior management roles have included UK Take to Market Director, Managing Director of UK Distribution, and Head of IFA Sales.<br>Paul started work straight from school, initially balancing his work with a rugby career, captaining the England U19s before a serious injury ended his sporting ambitions. Before joining Standard Life, Paul held a variety of sales and investments roles with National Mutual Life from 1979 to 1989.<br>He is a board member of the Association of British Insurers and is a member of the Financial Conduct Authority Practitioner Panel. | Kevin's international commercial and acquisition experience is particularly valuable to the Board. He has extensive audit and regulatory knowledge gained in a 'Big 4' firm and a FTSE 100 asset management and private banking group.<br>Kevin is chairman of Intermediate Capital Group plc (ICG) and a non-executive director of Nationwide Building Society (Nationwide) and Daily Mail and General Trust plc (DMGT). At ICG he is chairman of the nominations committee and a member of the remuneration committee. At Nationwide he chairs the audit committee and is a member of the risk and nominations committees. At DMGT he chairs the audit and risk committee. He is chairman of the Royal National Children's Foundation.<br>He was formerly chairman of the Homes and Communities Agency, a non-executive board member of Knight Frank LLP, CFO of Schroders plc, CEO at Management Consulting Group PLC and a managing partner at KPMG.<br>He holds an MA (Hons) in Management Studies from the University of Cambridge. He is a Fellow of the Institute of Chartered Accountants in England and Wales. |
| **Shareholding:** | 757,766 | 237,039 | 50,000 |
| **Committee memberships:** | | | ▶ Audit (c)<br>▶ Nomination and Governance<br>▶ Risk and Capital |

| | | | |
|---|---|---|---|
| |  |  |  |
| | **Pierre Danon**<br>Non-executive Director | **John Devine**<br>Non-executive Director | **Melanie Gee**<br>Non-executive Director |
| **Nationality:** | French | British | British |
| **Age:** | 60 | 58 | 55 |
| **Tenure:** | Pierre was appointed Director in October 2011. He has been a Director for 5 years. | John was appointed Director on 4 July 2016. He has been a Director for 8 months. | Melanie was appointed Director in November 2015. She has been a Director for 1 year. |
| **Background:** | With extensive experience in leading technology and customer-facing businesses, Pierre brings a strong combination of international commercial and customer skills to the Board.<br><br>Pierre is vice chairman of TDC, executive chairman of Volia, independent director of CIEL Investment Limited and vice chairman of AgroGeneration. From 2000 to 2005, Pierre was chief executive officer of BT Retail and, subsequently, chief operating officer of Capgemini Group and chairman of Eircom. Until June 2012, he served as chief executive officer and then non-executive chairman of Numericable Completel in Paris.<br><br>He holds a degree in Civil Engineering, École Nationale des Ponts et Chaussées, Paris, a Law degree from the Faculté de droit, Paris, together with an MBA from HEC Paris. | John joined the Board in July 2016. He brings extensive financial and asset management experience to the Board.<br><br>From April 2015 until August 2016, John was non-executive chairman of Standard Life Investments (Holdings) Limited. He is a non-executive director of GE Capital International Holdings Limited, Euroclear plc and Citco Custody Limited.<br><br>From 2008 to 2010, John was chief operating officer of Threadneedle Asset Management Limited (Threadneedle). Prior to joining Threadneedle, John held a number of senior positions at Merrill Lynch in London and New York.<br><br>He holds a BA (Hons) from Preston Polytechnic and is a Member of the Chartered Institute of Public Finance and Accounting. | Melanie brings deep understanding of investment banking and financial services to the Board.<br><br>Melanie is a non-executive director of The Weir Group PLC where she chairs the remuneration committee and is a member of the audit and nomination committees. She has also served as a non-executive director of Drax Group plc.<br><br>Melanie was appointed a managing director of Lazard and Co. Limited in 2008 and became a senior adviser in 2012. Previously, she held various roles with UBS, having been appointed a managing director in 1999 and served as a senior relationship director from 2006 to 2008.<br><br>She holds an MA in Mathematics from the University of Oxford. |
| **Shareholding:** | 49,656 | 1,321 | 20,000 |
| **Committee memberships:** | ▶ Investment (c)<br>▶ Nomination and Governance | ▶ Investment<br>▶ Remuneration<br>▶ Risk and Capital | ▶ Remuneration (c)<br>▶ Investment<br>▶ Risk and Capital |

| |  |  |  |
|---|---|---|---|
| | **Noel Harwerth**<br>Non-executive Director | **Lynne Peacock**<br>Non-executive Director | **Martin Pike**<br>Non-executive Director |
| **Nationality:** | British and American | British | British |
| **Age:** | 69 | 63 | 55 |
| **Tenure:** | Noel was appointed Director in July 2012. She has been a Director for 4 years. | Lynne was appointed Director in April 2012. She has been a Director for 4 years. | Martin was appointed Director in September 2013. He has been a Director for 3 years. |
| **Background:** | Noel's executive background is in international banking. She brings extensive knowledge of financial and governance issues to the Board.<br><br>In January she was appointed chair of the UK Export Finance board. As part of this role she is also a non-executive member of the Department of International Trade board. Noel is outgoing chairman of GE Capital Bank Limited. She also holds non-executive director appointments with CHAPS Clearing Company Limited, the London Metal Exchange, the British Horseracing Authority and Sirius Minerals Plc.<br><br>Noel was previously with Citicorp for 15 years, latterly as the chief operating officer of Citibank International. Her previous non-executive directorships include Alent plc, Logica PLC, RSA Insurance Group plc and Sumitomo Mitsui Bank.<br><br>She holds a Law degree from the University of Texas. | With a successful career in the UK financial services industry and a strong focus on customer care, Lynne brings important skills to the Board. Her experience as a chief executive officer and in managing change in the financial services sector has been of great value to the Board.<br><br>In April 2016, Lynne was appointed as non-executive chairman of Standard Life Assurance Limited. Lynne is a non-executive director of Scottish Water, where she chairs its audit committee. She is a non-executive director and senior independent director of Nationwide Building Society and chairs its remuneration committee. She is also a member of its audit, risk and nomination and governance committees. Lynne joined National Australia Bank Limited in 2003 and, from 2004 to 2011, she was chief executive officer, UK (Clydesdale Bank plc and Yorkshire Bank). Previously, Lynne was with Woolwich plc from 1983 to 2003, finishing her career there as chief executive officer.<br><br>She holds a BA from North East London Polytechnic. | The Board continues to benefit from Martin's insight, based on his broad commercial and strategic risk experience.<br><br>Martin is a non-executive director of esure Group plc, where he chairs the remuneration committee and is a member of the audit and risk committees. He is a non-executive director of Faraday Underwriting Limited which manages a syndicate at Lloyds, where he is chair of the audit and risk committee and member of the remuneration committee. He is also a non-executive adviser to Travers Smith LLP.<br><br>Martin spent nearly 30 years as a strategic risk consultant carrying out a wide range of strategic consulting projects and M&A assignments. His senior roles included managing director, risk consulting & software, EMEA at Towers Watson.<br><br>He holds an MA in Mathematics from the University of Oxford. He is a Fellow of the Institute and Faculty of Actuaries. |
| **Shareholding:** | 10,074 | 12,554 | 32,727 |
| **Committee memberships:** | ▶ Audit<br>▶ Nomination and Governance<br>▶ Risk and Capital | ▶ Audit | ▶ Risk and Capital (c)<br>▶ Audit<br>▶ Remuneration |

# Remuneration

## Our performance in 2016 and alignment with remuneration

2016 has been a year in which we have seen increased political uncertainty, regulatory and legislative complexity and market volatility. Against this complex backdrop our people have delivered a strong set of results while continuing to drive our strategic agenda. Our business model is based on increasing assets, growing revenue and lowering unit costs to drive profit. For 2016 operating profit has increased to £723m (2015: £665m) and operating return on equity has increased to 15.2% (2015: 14.2%). Net outflows were £2.6bn (2015: £6.3bn inflow), however, gross inflows remained strong at £42.1bn (2015: £43.0bn). The final dividend, combined with the 2016 interim dividend brings the total dividend for the year to 19.82p – an increase of 8.0% on the 2015 full year dividend.

We have continued to develop strong relationships with our customers and clients. Standard Life Investments has continued to expand and diversify by geography, channel, client type and range of solutions. We have partnered with leading advisers and consultants in the UK – embedding workplace and platform solutions, and continued to grow strategic alliances that serve our markets worldwide. However, we have seen a fall of 11 points in our brand net promoter score which is an important measure of customer advocacy and a key consideration in the customer quadrant of the Group annual bonus scorecard. We've planned a number of actions for 2017 to improve customer experiences.

Attracting, retaining and developing talented people is critical to successful delivery of our strategy and we believe that engaged people are central to building long-term customer and client relationships. To support our diverse workforce we have a number of employee networks and we remain committed to youth employment. We continue to develop our people managers with a tailored 12-month training programme, recognising the critical role of people managers in the engagement of our employees. In our 2016 employee survey we saw a 2% point increase in employee engagement to 65%, however employee enablement, the measure of how well employee skills are utilised and working environments facilitate productivity, dropped by 2% points to 62%. Action plans are put in place to address key themes from the survey.

The Group continues to evolve and progress towards building a world-class investment company. We continued to expand and diversify Standard Life Investments' client base by geography, channel, client type and range of funds. The integration of Ignis is also substantially complete. Within Pensions and Savings we completed the acquisition of Elevate enhancing our position as a leading platform provider and three acquisitions were completed by 1825, our financial advice business. In Asia we completed the stake increase in HDFC Life and the aim is to complete the proposed combination of the life insurance businesses of HDFC Life and Max Life within the next 12 months, subject to the necessary approvals.

## How our remuneration policy was applied in 2016

### 2016 Group annual bonus and 2014 LTIP

The bonus award is based on Group performance and personal performance. The relative weightings are 90% based on Group performance and 10% on personal performance for Keith. For all other executive Directors their awards are based 80% on Group performance and 20% on personal performance.

In reaching its decisions in terms of the annual bonus scorecard the Remuneration Committee considered a range of factors in order to ensure that the awards are fair and appropriately reflect overall Group performance. As well as considering the financial achievement against the targets, the Committee reviewed the individual components which contributed to the delivery of this financial performance. Looking externally, the Committee also considered the alignment of its decisions on remuneration with the interests of shareholders.

Having reviewed our performance, including the delivery of the key financial, strategic and non-financial objectives during the year, the Remuneration Committee approved a score of 4.325 out of 5 for performance against the Group annual bonus scorecard in 2016. As part of the discussion of the scorecard rating the Committee considered the experience of our customers and clients including the deterioration in our net promoter score and the outcome of the Financial Conduct Authority's thematic review into the sale of non-advised annuities and the provision we have made in our accounts for the costs that we may incur in relation to this. Having considered the experience of our customers and clients the Committee reduced the score for the customer quadrant from 3 to zero. This change took the overall score from 4.625 to 4.325.

Considering this scorecard rating in conjunction with the personal performance of each of the executives, the Remuneration Committee approved the following payments under the Group annual bonus, for 2016;

- 81% of the Chief Executive's maximum potential bonus (141% of salary)
- 79% of the Chief Financial Officer's maximum potential bonus (119% of salary)
- 79% of the Chief Executive Pensions and Savings' maximum potential bonus (119% of salary)
- 80% of the Global Client Director's maximum potential bonus (141% of salary)

Having considered performance over the past three financial years against the three-year cumulative targets set in 2014, the Remuneration Committee also approved the vesting level of the 2014 Executive Long-Term Incentive Plan as 31.02% and awards granted under the Standard Life Investments Long-Term Incentive Plan will vest at 62.44%.

In relation to the vesting of the 2014 Executive LTIP, on a purely arithmetic basis the vesting level would be 41.02%. However, when determining the final vesting level for this award the Committee considered performance during the three-year performance period, including the outcome of the Financial Conduct Authority's thematic review into the sale of non-advised annuities and the provision we have made in our accounts for the costs that we may incur in relation to this. Considering these factors the Committee determined that a reduction in the vesting level by circa 25% to 31.02% more appropriately represented the overall performance of the company.

## 2016/2017 policy implementation

This year the Committee has decided not to increase the salaries for any of the executive Directors, with salary increases only being awarded by exception across our senior cadre of employees. This is to ensure that the available pay review budget is targeted towards more junior employees, for whom base pay forms a significant proportion of their total compensation.

As in previous years we will continue to set stretching targets for the Group annual bonus and the Executive LTIP to ensure that the maximum opportunity will only be earned for exceptional performance.

## Looking forward to 2018

As the strategy and structure of the company continues to evolve, and we continue our progress to become a world-class investment company, we will continue to review the remuneration arrangements for our executive Directors and the performance measures to ensure that the awards are aligned to the company's strategy and structure and the experience of our shareholders. During 2016 we commenced a fundamental review of our remuneration structures and are actively considering a major simplification of these for 2018. In the development of our new remuneration policy the Committee wants to consider as wide a range of views as possible and to this end has discussed research on executive remuneration and consulted an academic in this field. We will present a new Directors' remuneration policy to shareholders at the 2018 AGM. We will consult the Company's major institutional investors in good time as part of this review.

**Melanie Gee, Chairman, Remuneration Committee**

## Governance – Remuneration

This section shows a summary of the pay received by executive and non-executive Directors in respect of 2016.

The full Directors' remuneration report for 2016 can be found in the Annual report and accounts 2016. The full report contains a letter from the Chairman of the Remuneration Committee together with details of our application of the current remuneration policy during 2016 and how it will apply in 2017.

The table below sets out in the required form the total 2016 remuneration for each of our Directors who served with the Company during 2016.

| | | Basic salary/fees for year £000s | Taxable benefits in year £000s[1] | Annual bonus earned for year £000s | Long-term incentives with performance period ending during the year £000s[2,3] | Other payments £000s[4] | Pension allowance paid in year £000s | Total remuneration for the year £000s |
|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | |
| Keith Skeoch | **2016** | **700** | **-** | **988** | **883** | **-** | **175** | **2,746** |
| | 2015 | 574 | 36 | 1,489 | 1,215 | - | 143 | 3,457 |
| Luke Savage | **2016** | **612** | **16** | **729** | **223** | **-** | **153** | **1,733** |
| | 2015 | 600 | 27 | 767 | - | - | 150 | 1,544 |
| Paul Matthews[5] | **2016** | **630** | **14** | **747** | **82** | **-** | **158** | **1,631** |
| | 2015 | 107 | 3 | 139 | 14 | - | 27 | 290 |
| Colin Clark[5] | **2016** | **600** | **-** | **843** | **386** | **-** | **150** | **1,979** |
| | 2015 | 98 | - | 159 | 64 | - | 25 | 346 |
| **Non-Executive Directors** | | | | | | | | |
| Sir Gerry Grimstone[6] | **2016** | **380** | **17** | **-** | **-** | **-** | **-** | **397** |
| (Chairman) | 2015 | 370 | 21 | - | - | - | - | 391 |
| Pierre Danon | **2016** | **78** | **36** | **-** | **-** | **-** | **-** | **114** |
| | 2015 | 72 | 17 | - | - | - | - | 89 |
| John Devine[7] | **2016** | **41** | **-** | **-** | **-** | **-** | **-** | **41** |
| | 2015 | - | - | - | - | - | - | - |
| Melanie Gee | **2016** | **93** | **4** | **-** | **-** | **-** | **-** | **97** |
| | 2015 | 9 | - | - | - | - | - | 9 |
| Crawford Gillies[8] | **2016** | **35** | **2** | **-** | **-** | **-** | **-** | **37** |
| | 2015 | 84 | 3 | - | - | - | - | 87 |
| Noel Harwerth | **2016** | **73** | **5** | **-** | **-** | **-** | **-** | **78** |
| | 2015 | 83 | 4 | - | - | - | - | 87 |
| Isabel Hudson[9] | **2016** | **36** | **8** | **-** | **-** | **-** | **-** | **44** |
| | 2015 | 72 | 7 | - | - | - | - | 79 |
| Kevin Parry[10] | **2016** | **116** | **7** | **-** | **-** | **-** | **-** | **123** |
| | 2015 | 90 | 16 | - | - | - | - | 106 |
| Lynne Peacock[11] | **2016** | **143** | **5** | **-** | **-** | **-** | **-** | **148** |
| | 2015 | 101 | 9 | - | - | - | - | 110 |
| Martin Pike | **2016** | **104** | **6** | **-** | **-** | **-** | **-** | **110** |
| | 2015 | 90 | 8 | - | - | - | - | 98 |

1 This includes the taxable value of all benefits paid in respect of the year ended 31 December 2016. This includes car allowances of £15,825 for Luke Savage and £13,820 for Paul Matthews. Also included for all executive Directors is private health cover at a cost to the Group of £380 per employee.

2 The value reported for 2016 is the market value of the Executive LTIP awards that will vest in 2019 and Standard Life Investments LTIP awards that will vest in March 2017. As the share price at the date of vesting is not known at the date of publication of this report the number of Standard Life plc shares that will vest (including additional Standard Life plc shares received in respect of accrued dividends from grant through to 31 December 2016) has been multiplied by the average share price over the quarter ending 31 December 2016 (350.94 pence).

3 The value reported for 2015 has been restated to reflect the value of the shares that vested using the share price on the vesting date rather than the estimate provided in the Annual report and accounts 2015. The value at vesting was £185k, £2k and £6k lower than the estimate for Keith Skeoch, Paul Matthews and Colin Clark respectively due to a reduction in the share price. The figures reported for Paul Matthews and Colin Clark are in respect of the proportion of the vesting period for which they were in post as executive Directors.

4 Keith Skeoch and Luke Savage participate in the Standard Life Sharesave Plan. Keith Skeoch, Luke Savage and Paul Matthews participate in the Standard Life (Employee) Share Plan – the maximum annual award of matching shares in 2016 was £475.

5 Paul Matthews and Colin Clark were appointed as Directors on 1 November 2015 and the figures reported for their long-term incentive awards in both 2015 and 2016 represent the value of the proportion of the award which relates to the period of time in the performance period for which they were executive Directors.

6 Sir Gerry Grimstone received an allowance of £15,000 towards his business related accommodation costs in Edinburgh in addition to his Chairman's fees. Other amounts reported relate to expenses such as travel and accommodation expenditure incurred on Group business. While these payments are the reimbursement of expenses and not benefits, they are included as being a payment which is subject to tax.

7 Appointed with effect from 4 July 2016.

8 Stepped down from the Board following the conclusion of the AGM on 17 May 2016.

9 Resigned with effect from 24 June 2016.

10 Appointed Senior Independent Director following the conclusion of the AGM on 17 May 2016.

11 Appointed chairman of Standard Life Assurance Limited on 1 April 2016.

# Consolidated financial information

## Consolidated income statement

### For the year ended 31 December 2016

| | 2016<br>£m | 2015<br>£m |
|---|---|---|
| **Revenue** | | |
| Gross earned premium | **2,139** | 2,276 |
| Premium ceded to reinsurers | **(47)** | (48) |
| **Net earned premium** | **2,092** | 2,228 |
| Investment return | **15,376** | 5,460 |
| Fee income | **1,186** | 1,120 |
| Other income | **75** | 84 |
| **Total revenue** | **18,729** | 8,892 |
| **Expenses** | | |
| Claims and benefits paid | **4,801** | 4,543 |
| Claim recoveries from reinsurers | **(492)** | (514) |
| **Net insurance benefits and claims** | **4,309** | 4,029 |
| Change in reinsurance assets and liabilities | **140** | 520 |
| Change in insurance and participating contract liabilities | **2,115** | (1,693) |
| Change in unallocated divisible surplus | **53** | (117) |
| Change in non-participating investment contract liabilities | **8,768** | 3,363 |
| Expenses under arrangements with reinsurers | **509** | 42 |
| Administrative expenses | | |
| Restructuring and corporate transaction expenses | **62** | 88 |
| Other administrative expenses | **1,494** | 1,540 |
| **Total administrative expenses** | **1,556** | 1,628 |
| Provision for annuity sales practices | **175** | - |
| Change in liability for third party interest in consolidated funds | **296** | 531 |
| Finance costs | **82** | 83 |
| **Total expenses** | **18,003** | 8,386 |
| Share of profit from associates and joint ventures | **63** | 43 |
| **Profit before tax** | **789** | 549 |
| Tax expense attributable to policyholders' returns | **302** | 134 |
| **Profit before tax expense attributable to equity holders' profits** | **487** | 415 |
| **Total tax expense** | **370** | 211 |
| Less: Tax attributable to policyholders' returns | **(302)** | (134) |
| **Tax expense attributable to equity holders' profits** | **68** | 77 |
| **Profit for the year from continuing operations** | **419** | 338 |
| Profit for the year from discontinued operations | **-** | 1,147 |
| **Profit for the year** | **419** | 1,485 |
| **Attributable to:** | | |
| Equity holders of Standard Life plc | | |
| From continuing operations | **368** | 276 |
| From discontinued operations | **-** | 1,147 |
| Equity holders of Standard Life plc | **368** | 1,423 |
| Non-controlling interests | **51** | 62 |
| | **419** | 1,485 |
| **Earnings per share from continuing operations** | | |
| Basic (pence per share) | **18.7** | 13.5 |
| Diluted (pence per share) | **18.6** | 13.4 |
| **Earnings per share** | | |
| Basic (pence per share) | **18.7** | 69.4 |
| Diluted (pence per share) | **18.6** | 69.1 |

## Pro forma reconciliation of consolidated operating profit to profit for the year

### For the year ended 31 December 2016

| | 2016 £m | 2015 Continuing operations £m | 2015 Discontinued operations £m | 2015 Total £m |
|---|---|---|---|---|
| **Operating profit/(loss) before tax** | | | | |
| Standard Life Investments | **383** | 342 | - | 342 |
| Pensions and Savings[1] | **362** | 357 | - | 357 |
| India and China[2] | **36** | 27 | (2) | 25 |
| Other | **(58)** | (61) | - | (61) |
| Canada | **-** | - | 5 | 5 |
| **Operating profit before tax** | **723** | 665 | 3 | 668 |
| Adjusted for the following items | | | | |
| Short-term fluctuations in investment return and economic assumption changes | **8** | (63) | 63 | - |
| Restructuring and corporate transaction expenses | **(67)** | (115) | (10) | (125) |
| Impairment of intangible assets | **(19)** | (7) | (2) | (9) |
| Gain on sale of Canadian business | **-** | - | 1,102 | 1,102 |
| Provision for annuity sales practices | **(175)** | - | - | - |
| Other | **(21)** | (72) | (31) | (103) |
| **Total non-operating items** | **(274)** | (257) | 1,122 | 865 |
| Singapore included in discontinued operations segment[2] | **-** | (42) | 42 | - |
| Share of associates' and joint ventures' tax expense | **(13)** | (13) | - | (13) |
| Profit attributable to non-controlling interests | **51** | 62 | - | 62 |
| **Profit before tax expense attributable to equity holders' profits** | **487** | 415 | 1,167 | 1,582 |
| Tax (expense)/credit attributable to | | | | |
| Operating profit | **(127)** | (114) | - | (114) |
| Non-operating items | **59** | 37 | (20) | 17 |
| Singapore included in discontinued operations segment[2] | **-** | - | - | - |
| **Total tax expense attributable to equity holders' profits** | **(68)** | (77) | (20) | (97) |
| **Profit for the year** | **419** | 338 | 1,147 | 1,485 |

1 UK and Europe has been renamed as Pensions and Savings.

2 Singapore business, the closure of which was announced in June 2015 was included as a discontinued operation for segmental reporting purposes under IFRS 8 as this is reflective of the presentation of information provided to the Chief Operating Decision Maker. This was previously included in the Asia and Emerging Markets segment which has been renamed India and China. Under IFRS 5, Singapore does not constitute a discontinued operation and is included under continuing operations in the consolidated income statement. Therefore the pro forma reconciliation above includes the reclassification of Singapore results between discontinued and continuing operations.

## Consolidated statement of financial position
### As at 31 December 2016

| | 2016<br>£m | 2015<br>£m |
|---|---|---|
| **Assets** | | |
| Intangible assets | **572** | 566 |
| Deferred acquisition costs | **651** | 646 |
| Investments in associates and joint ventures | **7,948** | 5,719 |
| Investment property | **9,929** | 9,991 |
| Property, plant and equipment | **89** | 91 |
| Pension and other post-retirement benefit assets | **1,093** | 897 |
| Deferred tax assets | **42** | 35 |
| Reinsurance assets | **5,386** | 5,515 |
| Loans | **295** | 811 |
| Derivative financial assets | **3,534** | 2,444 |
| Equity securities and interests in pooled investment funds | **83,307** | 71,679 |
| Debt securities | **67,933** | 66,657 |
| Receivables and other financial assets | **1,255** | 1,447 |
| Current tax recoverable | **166** | 168 |
| Other assets | **94** | 89 |
| Assets held for sale | **263** | 327 |
| Cash and cash equivalents | **7,938** | 9,640 |
| **Total assets** | **190,495** | 176,722 |
| **Equity** | | |
| Share capital | **242** | 241 |
| Shares held by trusts | **(2)** | (6) |
| Share premium reserve | **634** | 628 |
| Retained earnings | **2,855** | 2,162 |
| Other reserves | **618** | 977 |
| **Equity attributable to equity holders of Standard Life plc** | **4,347** | 4,002 |
| Non-controlling interests | **297** | 347 |
| **Total equity** | **4,644** | 4,349 |
| **Liabilities** | | |
| Non-participating insurance contract liabilities | **23,422** | 21,206 |
| Non-participating investment contract liabilities | **102,063** | 92,894 |
| Participating contract liabilities | **31,273** | 29,654 |
| Deposits received from reinsurers | **5,093** | 5,134 |
| Third party interest in consolidated funds | **16,835** | 17,196 |
| Subordinated liabilities | **1,319** | 1,318 |
| Pension and other post-retirement benefit provisions | **55** | 33 |
| Deferred income | **198** | 236 |
| Deferred tax liabilities | **259** | 205 |
| Current tax liabilities | **113** | 113 |
| Derivative financial liabilities | **965** | 1,254 |
| Other financial liabilities | **3,916** | 2,900 |
| Provisions | **227** | 48 |
| Other liabilities | **113** | 99 |
| Liabilities of operations held for sale | **-** | 83 |
| **Total liabilities** | **185,851** | 172,373 |
| **Total equity and liabilities** | **190,495** | 176,722 |

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

**Sir Gerry Grimstone**
Chairman
24 February 2017

**Luke Savage**
Chief Financial Officer
24 February 2017

# Glossary

### Annuity
A periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums. If the annuity commences immediately after the payment of the sum, it is called an immediate annuity. If it commences at some future date, it is called a deferred annuity.

### Articles
The Articles of Association detail the provisions relating to the regulation of a company in terms of the rights of its members and the authority of its directors.

### Assets under administration (AUA)
AUA is a measure of the total assets we administer. It includes Standard Life Investments assets under management (AUM), as well as those assets that the Group administers where the customer has made a choice to select an external third party investment manager.

AUA represents the IFRS gross assets of the Group, adjusted to include third party AUA which is not included on the consolidated statement of financial position, and excluding certain assets which do not constitute AUA. The assets excluded are primarily reinsurance assets, deferred acquisition costs and intangible assets.

### Assets under management (AUM)
A measure of the total assets that Standard Life Investments manages on behalf of individual customers and institutional clients, for which it receives a fee.

### Auto enrolment
The UK Government introduced auto enrolment to help people save for their retirement. Employers have to automatically enrol eligible employees into a qualifying workplace pension scheme (QWPS). This pension scheme needs to meet the standards set by the Pensions Regulator.

### Board
The Board of Directors of the Company.

### Capital management
Capital management is a component of operating 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. The measure excludes short-term fluctuations in investment return.

### Capital surplus
This is a regulatory measure of our financial strength. From 1 January 2016 our capital surplus is measured on a Solvency II basis. Prior to 1 January 2016, our capital surplus was measured in accordance with the Insurance Groups Directive.

### Chief Operating Decision Maker
The strategic executive committee.

### Company
Standard Life plc.

### Cost/income ratio
This is an efficiency measure that is calculated as operating expenses divided by operating income on a rolling 12 month basis, and includes the share of associates' and joint ventures' profit before tax.

### Deferred acquisition costs (DAC)
The method of accounting whereby acquisition costs on long-term business are deferred on the consolidated statement of financial position as an asset and amortised over the life of those contracts. This leads to a smoothed recognition of up front expenses instead of the full cost in the year of sale.

### Deferred income reserve (DIR)
The method of accounting whereby front end fees that relate to services to be provided in future periods are deferred on the consolidated statement of financial position as a liability and amortised over the life of those contracts. This leads to a smoothed recognition of up front income instead of the full income in the year of sale.

### Director
A director of the Company.

### Discounting
The reduction to present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money. The choice of a discount rate will usually greatly influence the value of insurance provisions, and may give indications on the conservatism of provisioning methods.

### Drawdown (flexible income)
Drawdown, also known as flexible income, allows the policyholder to withdraw pension income as and when they request it. The remainder of the pension fund remains invested, giving it the potential for growth.

### Earnings before interest, tax, depreciation and amortisation (EBITDA)
EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, restructuring costs, other non-operating items and non-controlling interests.

### 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.

### EBITDA margin
This is an industry measure of performance for investment management companies. It is calculated as EBITDA divided by fee based revenue.

### 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.

### 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.

### Fee based business/revenue
Fee based business is a component of operating profit and is made up of products where we generate revenue primarily from asset management charges (AMCs), premium based charges and transactional charges. AMCs are earned on products such as SIPP, corporate pensions and 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 revenue yield (bps)
The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets that we administer. It is calculated as a rolling 12 month fee based revenue divided by a rolling 12 month monthly average AUA.

### Global absolute return strategies (GARS)
A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Standard Life Investments. The investment objective is to target a level of return over a rolling 3 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 Group or Standard Life
Prior to demutualisation on 10 July 2006, SLAC and its subsidiaries and, from demutualisation on 10 July 2006, the Company and its subsidiaries.

### Growth channels
We aim to drive the increase in our assets, revenue and profit via our growth channels. This comprises Standard Life Investments Institutional and Wholesale, UK Workplace and Retail, Europe (excluding Germany with profits), Hong Kong, Standard Life Wealth and Ignis.

### Heritage With Profits Fund (HWPF)
The Heritage With Profits Fund contains all business – both with profits and non-profit – written before demutualisation in the UK, Irish or German branches, with the exception of the classes of business which the Scheme of Demutualisation allocated to funds outside the HWPF. The HWPF also contains increments to this 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.

### Investor view
The investor view of Solvency II adjusts the regulatory position for the impact from unrecognised capital and with profit funds / defined benefit pension plans.

### Key performance indicators (KPI)
A measure by reference to which the development, performance or position of the business can be measured effectively.

### Liability aware
Liability aware is a framework for proactively managing the various liability risks and requirements that are faced by defined benefit pension plans and insurance companies.

### Mature book/business
Mature books are expected to provide a stable and consistent contribution to our profit. This includes UK mature Retail, Standard Life Investments Strategic Partner Life books and spread/risk based business. It also includes the with profits business in Germany which closed to new business in April 2015.

### 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, including annuity payments.

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

### Operating income
Operating income is a component of operating profit and consists of fee based revenue and spread/risk margin.

### Operating profit
Operating profit is the Group’s key alternative performance measure. Operating profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes. 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 operating profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from operating profit and is presented within profit before tax.

Operating profit also excludes the impact of the following items:

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

### Operating return on equity (RoE)
The annualised post-tax operating profit expressed as a percentage of the opening IFRS equity, adjusted for time apportioned dividends paid to equity holders.

### Own funds
Under Solvency II, the capital resources available to meet solvency capital requirements are called own funds.

### Platform
An investment platform (eg 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.

### Recourse cash flows (RCF)
Certain cash flows arising in the Heritage With Profits Fund (HWPF) on specified blocks of UK and Ireland business, which are transferred out of the fund annually and accrue to the ultimate benefit of equity holders, as determined by the Scheme of Demutualisation.

### Regular premium
A regular premium contract (as opposed to a single premium contract), is one where the policyholder agrees at inception to make regular payments throughout the term of the contract.

### Scheme of Demutualisation or the Scheme
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

### SICAV
A SICAV (société d’investissement à capital variable) is an open-ended collective investment scheme common in Western Europe. SICAVs can be cross-border marketed in the EU under the Undertakings for Collective Investment in Transferable Securities (UCITS) directive.

### Single premium
A single premium contract (as opposed to a regular premium contract), which involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

### SIPP
A self invested personal pension which provides the policyholder with greater choice and flexibility as to the range of investments made, how those investments are managed, the administration of those assets and how retirement benefits are taken.

### SLAC
The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

### SLAL
Standard Life Assurance Limited.

### Solvency II
Solvency II is an EU-wide initiative that brings consistency to how EU insurers manage capital and risk. Solvency II was implemented on 1 January 2016.

### Solvency capital requirement (SCR)
Under Solvency II, insurers are required to identify their key risks – for example that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. This amount of capital is referred to as the Solvency capital requirement or SCR.

### Spread/risk business
Spread/risk business mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment, for example, annuities. The 'spread' referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

### Spread/risk margin
Spread/risk margin is a component of operating profit and reflects the margin earned on spread/risk business. This includes net earned premiums, claims and benefits paid, net investment return using long-term assumptions and reserving changes. Spread/risk margin excludes the impact of economic assumption changes, which are not included in determining operating profit.

### Standard Life Investments Institutional
Standard Life Investments Institutional sell to institutions (including corporates, pension schemes, local authorities, government agencies and insurance companies) either directly or through intermediaries.

### Standard Life Investments Wholesale
Standard Life Investments Wholesale sell retail products through wholesale distributors including third party fund supermarkets, global financial institutions and private banks.

### Strategic executive committee
Responsible for the day-to-day running of the business and comprises; Chief Executive, Chief Executive – Life Insurance, Chief Executive – Pensions and Savings, Chief Financial Officer, Chief Investment Officer, Chief Operating Officer, Chief People Officer, Chief Risk Officer, General Counsel and the Global Client Director.

### Strategic partner life business
A measure of the assets that Standard Life Investments manages on behalf of Standard Life Group companies and under other long-term life book partnership agreements with third party companies such as Phoenix Group.

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

### Technical provisions
The best estimate market consistent value of our policyholder liabilities is referred to as technical provisions. The calculation is discounted to recognise the time value of money and includes a risk margin, calculated in accordance with Solvency II regulations.

### Third party (excluding strategic partner life business)
A measure of the assets that Standard Life Investments manages on behalf of individual customers and institutional clients, for which it receives a fee. This measure excludes the assets that are managed on behalf of strategic partners in life assurance books.

### Transitional relief
Solvency II regulations allow insurers to smooth the introduction of new rules for calculating policyholder liabilities. This relief includes a deduction from the amount of Solvency II technical provisions, based on the difference between technical provisions under the previous regulatory framework and Solvency II. The deduction decreases over the course of 16 years from 1 January 2016.

### UK Retail
This relates to business where we have a relationship with the customer either directly or through an independent financial adviser. We analyse this type of business into growth and mature categories. Retail growth includes the products, platforms, investment solutions and services of our UK Retail business that we continue to market actively to our customers. Retail mature includes business that was predominantly written before demutualisation.

### UK Workplace
UK Workplace pensions, savings and benefits to UK employers and employees. These are sold through corporate benefit consultants, independent financial advisers, or directly to employers.

### Underlying cash generation
This presents a shareholder view of underlying cash earnings. The IFRS consolidated statement of cash flows includes policyholder cashflows, and does not exclude underlying adjustments and non-operating items.

Underlying cash generation adjusts underlying performance for certain non-cash items. Adjustments are made for deferred acquisition costs/deferred income reserve, fixed/intangible assets and the Asian joint ventures and associates. Depreciation/amortisation that would normally be included in operating profit is replaced with the cash movement in the period. The measure is stated net of current (cash) tax on underlying performance. A reconciliation of underlying performance to underlying cash generation is included in the Strategic report. Reconciliations between underlying performance, operating profit and profitability on an IFRS basis are also included in this report.

### Underlying performance
Underlying performance is operating profit before tax after excluding the impact of spread/risk operating actuarial assumption changes and specific management actions in the reporting period.

### Unit linked policy
A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

# Shareholder information

## Registered office

Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
Scotland

Company registration number: SC286832

Phone: 0345 850 9071* or 0131 225 2552*

**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**
Capita Registrars Limited

**Auditors**
PricewaterhouseCoopers 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, Capita, on 0345 113 0045* if calling from the UK. International numbers can be found on the next page.
- Visit our share portal at **www.standardlifeshareportal.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.standardlifeshareportal.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**

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 Share Account – by contacting Capita, 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**

## Financial calendar

2017

| | |
|---|---|
| Full year results 2016 | 24 February |
| Ex-dividend date for 2016 final dividend | 13 April |
| Record date for 2016 final dividend | 18 April |
| Last date for DRIP elections for 2016 final dividend | 03 May |
| Annual General Meeting | 16 May |
| Dividend payment date for 2016 final dividend | 23 May |
| Half year results 2017 | 08 August |
| Ex-dividend date for 2017 interim dividend | 07 September |
| Record date for 2017 interim dividend | 08 September |
| Last date for DRIP elections for 2017 interim dividend | 27 September |
| Dividend payment date for 2017 interim dividend | 18 October |

## Analysis of registered shareholdings at 31 December 2016

| Range of shares | Number of holders | % of total holders | Number of shares | % of total shares |
|---|---|---|---|---|
| 1-1,000 | 63,383 | 61.57 | 27,054,291 | 1.37 |
| 1,001-5,000 | 34,672 | 33.68 | 70,479,180 | 3.56 |
| 5,001-10,000 | 2,898 | 2.82 | 19,440,771 | 0.98 |
| 10,001-100,000 | 1,528 | 1.48 | 35,141,061 | 1.78 |
| #100,001+ | 461 | 0.45 | 1,826,769,134 | 92.31 |
| **Total** | **102,942** | **100** | **1,978,884,437** | **100** |

# These figures include the Company-sponsored nominee – the Standard Life Share Account – which had 1,060,964 participants holding 746,304,323 shares.

# Contact us

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

## UK and Ireland

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Toronto M5W 7A4
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* Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

## Twitter

About our business: **@StandardLifeplc**
For investors: **@sl_invrelations**
For financial advisers: **@sl_adviser**
For businesses: **@sl_biz**
For UK customers: **@StandardLifeUK**
Standard Life Investments: **@SLI_Global**
1825: **@1825**
Our business in Germany: **@standardlife_de**

## Facebook

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**www.facebook.com/standardlifeuk**

**Blog**

Read our latest blogs at
**www.standardlife.co.uk/c1/news-and-blog/**

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Keep up to date with Standard Life news, share price updates and other useful information on Standard Life's Investor App

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Designed by **Black Sun** and produced by **Standard Life**

Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 31 December 2016 (unless otherwise indicated). This document has been published by Standard Life plc for information only. It is based on our understanding as at February 2017 and does not provide financial or legal advice.



Standard Life plc is registered in Scotland (SC286832) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.



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Standard Life