Standard Life Aberdeen plc
Strategic report and financial highlights 2018

Investing for a better future

Financial highlights

Key performance indicators from continuing operations[1]

		2018	2017 Pro forma basis[2]	2017 Reported basis[2]
Adjusted profit before tax	KPI R	**£650m**	£660m	£475m
Cost/income ratio	KPI R	**68%**	71%	70%
Adjusted diluted earnings per share[3]	KPI R	**17.8p**	17.2p	15.1p
Assets under management and administration (AUMA)	KPI	**£551.5bn**	£608.1bn	
Gross inflows	KPI R	**£75.2bn**	£72.4bn	
Net flows	KPI R	**£40.9bn outflow**	£32.9bn outflow	
Investment performance Percentage of AUM above benchmark over three years	KPI R	**50%**	63%	
Full year dividend per share	KPI	**21.6p**		21.3p

Certain measures such as adjusted profit before tax, are not defined under IFRS and are therefore termed alternative performance measures (APMs). Further details on APMs are included in Supplementary information in Section 10 of the Annual report and accounts 2018.

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

Other financial highlights

	2018	2017
IFRS (loss)/profit before tax from continuing operations[1]	**(£787m)**	£438m
IFRS profit after tax attributable to equity holders (including discontinued operations)	**£830m**	£699m
Diluted earnings per share[3] (including discontinued operations)	**29.1p**	29.6p

Non-financial highlights

Employee survey **Engagement** KPI **56%**	**2018 Defaqto ratings** **Gold rating for service** Wrap and Elevate **5 star rating for discretionary portfolio services** Aberdeen Standard Capital and Parmenion	**Investment innovation of the year** 2019 Insurance Asset Risk Awards **Financial services company of the year** 2018 Better Society Awards	**FTSE4Good** **Ranked in top 1% of companies** (2017: Top 3%)

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

The KPIs that we use may not be directly comparable with similarly named measures used by other companies. See Supplementary information in Section 10 in the Annual report and accounts 2018 for further information.

R Measure is a key input to a metric used for executive remuneration.

1 Continuing operations excludes the UK and European insurance business. The sale of this business to Phoenix completed on 31 August 2018.

2 This report includes results for comparative periods on both a Reported basis and a Pro forma basis. See page 1 for details.

3 In accordance with IAS 33, earnings per share have not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the year ended 31 December 2018 is not directly comparable with the prior year. Refer to Note 11 of the Group financial statements in the Annual report and accounts 2018 for information relating to the calculation of diluted earnings per share.

Our purpose is to invest for a better future.

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

We have a commitment to excellence in everything that we do – drawing on the innovation and global collaboration of our talented people.

Our aim is to build a world-class investment company. We develop products and services for evolving client needs and create meaningful relationships with all of our stakeholders.

We strive to make a positive long-term impact. As well as delivering for clients, this means creating an inclusive culture for our people and contributing to wider society. We operate ethically, encourage good practices among the companies we invest in, and support our local communities.

How to navigate this report

Page cross reference

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

The Strategic report and financial highlights 2018 contains extracts from the Group's Annual report and accounts 2018. 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 2018 which can be found on our website at **www.standardlifeaberdeen.com/annualreport**

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

The auditors' report on the full accounts for the year ended 31 December 2018 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.

Reported and Pro forma results

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

Our results for 2018 includes our 19.98% share of the Phoenix results for the four months ended 31 December 2018. Comparative periods have not been restated and therefore Phoenix is not included prior to 31 August 2018 in either Reported or Pro forma results.

Discontinued operations

Discontinued operations relate to the UK and European insurance business. The sale of this business to Phoenix completed on 31 August 2018.

A global opportunity

This is a great company, with a great future, which I am proud to now be a part of. With a challenging year ahead, our priorities are improved investment performance, transformation and growth. I am confident that we have the talented people, the resources and the expertise to deliver on our potential.

Sir Douglas Flint

Global ambitions

I am delighted to be able to share my thoughts for the first time as Chairman of Standard Life Aberdeen. Before I look to the year ahead, I want to share with you a little about what attracted me to the role. In essence, it was through being impressed by the scale of the company's global ambitions, the trust that our clients and customers put in us and the fact that the world is very much in need of the products and services we offer. I believe these together present an exciting opportunity.

That opportunity is truly global. Our company is one of the world's leading investment companies, with a strong presence in the UK, Europe and Asia Pacific, and importantly, developing capabilities in the Americas. There are, I believe, considerable opportunities and significant potential for future growth in all our markets, in particular in the UK and Asia Pacific. We are well positioned and I am confident that we can, through successful delivery of our strategy, capitalise on these opportunities going forward.

There is no denying that it will be challenging, particularly in the short term, considering the current economic and geopolitical landscapes. A continuous eye on improving what we do and how we do it, always putting the customer first, will, I believe, keep us on the path to success.

Transformation and transition

I would like to pay tribute to my predecessor, Sir Gerry Grimstone, who stepped down at the end of 2018. Over the last 11 years he led the Company through one of the most significant transformations in its near-200 year history. Taking on the Chairmanship a year after the company's demutualisation, he steered the company successfully through the global financial crisis, constitutional change and large-scale reforms to the UK pensions and savings markets. Beyond this, he led the re-shaping of the business through major acquisitions and disposals to create Standard Life Aberdeen as it is today. The merger with Aberdeen Asset Management and the sale of the UK and European insurance business to Phoenix in the last two years marked the culmination of the transformation to a capital-light, broad based, investment company.

Such a period of change puts considerable demands on any organisation. It is testament to the talented people in Standard Life Aberdeen that they have absorbed the additional integration and transition challenges, while remaining focused on meeting the needs of our clients and customers.

Looking ahead, delivering on our potential

The savings and investment industry is evolving rapidly as individuals are faced with taking on more personal responsibility for their long-term needs. Technology is playing a large part to offer a variety of platforms and direct channels to fulfil such savings and investment needs. In the wholesale and institutional space, advanced quantitative tools are enabling more tailored solutions to be developed to meet the complex needs of our clients. Increased investment in our people and research capabilities underpins all of the above. As a client-centric business in an ever changing world we must continue to adapt and evolve to meet observable trends and invest in capabilities to anticipate what lies ahead.

The priorities for the year ahead are three-fold. First, improve investment performance, particularly in multi-asset absolute returns and equities, and deliver fresh solutions that meet the needs of an ever more demanding client base. Second, progress integration of the merged businesses and the transition of the technology services that went as part of the Phoenix transaction, so working towards delivering the cost savings promised. And third, deliver the revenue growth potential created both by the merger and the enhanced strategic partnership with Phoenix. All of these are necessary steps to restore value for you, our shareholders.

Shareholder value is, of course, an important topic which I know is concerning to all of us. Our share price has not been where we would have wanted over the past year. Clearly there have been sectoral factors, outside our control, which impacted investor sentiment and therefore investment flows. This was driven in large part by geopolitical risks, including uncertainty over the form Brexit would take and trade tensions between the US and China. These factors contributed to the write-off of a portion of the goodwill recognised on the combination of Standard Life with Aberdeen Asset Management which is referred to in more detail on page 36. There have also been factors specific to ourselves, most notably investment performance in some of our larger strategies, which has led to significant outflows, as well as the notice given of termination of our asset management agreement with Lloyds Banking Group and Scottish Widows, which we have challenged.

We have all the capabilities needed to recover from these setbacks, notably in research, in investment talent, through the depth and breadth of our product range, the diversity of our geographic footprint and most of all, our brand. The sale of our UK and European insurance business has also given us the capital strength to make significant capital returns to shareholders, invest in our businesses while we complete our transition, as well as providing capacity to maintain our dividend while this process completes. This capacity will be further augmented by the recently announced sale of shares in HDFC Life to facilitate achieving the Minimum Public Shareholding required in India.

Proposed dividend

Having reflected on all the above, your Board is proposing a final dividend of 14.3p, the same amount as was paid at this stage last year. Assuming shareholders vote to approve this at the upcoming Annual General Meeting (AGM), this would give a total dividend for 2018 of 21.6p, up 1.4% on the year. It is the Board's current intention that the total annual dividend per share should be held at this level while the business is transformed, cost synergies are delivered and future financial performance confirms the sustainability of this level of distribution and provides line of sight to its future growth.

Brexit and other geopolitical uncertainties

This report is being delivered shortly ahead of the UK's scheduled departure from the EU. We have two significant angles of interest in the Brexit outcome. First, in relation to the ability of our own business to continue seamless service to our clients and customers in any foreseeable scenario; and second, how the shape of Brexit will impact markets and the individual underlying stocks and debt instruments in which we are invested on behalf of the ultimate beneficiaries. We have accordingly been planning across the full range of scenarios under which the UK could leave the EU – including the possibility of leaving without a deal. So far as we are able, we have put in place measures intended to mitigate the impacts on our customers, clients and operations. In particular we have structured the activities and responsibilities of our Dublin and Luxembourg operations to allow us to continue to serve clients across Europe who require such services to be delivered from within the EU.

As the UK's future trading arrangement both with the EU and beyond are clarified, there may be significant market adjustments. Similarly as US/China trade relations develop, markets will reflect the assessed impact of changes to the terms of trade between the world's two largest economies and the related impact on global supply chains. As active asset managers, these geopolitical events, as they impact markets, provide opportunities to assist clients to seek or protect value for their underlying beneficiaries. It is in such market conditions, perhaps more than others, that our distinctive investment style has the potential to create most value.

Management changes

Recognising the progress made since the merger, with the encouragement of the Board, the co-CEOs instigated discussions around the management structure best placed to deliver the strategy agreed by the Board. The management changes now being announced are designed to strengthen our client focus, simplify reporting lines and put in place a structure which will facilitate robust execution of the next stages of our transition and transformation programmes.

With effect from 13 March, the Board has unanimously approved the dissolution of its current co-Chief Executive structure. Keith Skeoch has been appointed sole Chief Executive Officer. Recognising the critical importance of his client facing responsibilities, Martin Gilbert becomes Vice Chairman of Standard Life Aberdeen, Chairman of Aberdeen Standard Investments and will continue to be an executive Director of the Board. In this role, Martin will be able to focus solely on our strategic relationships with key clients, winning new business and realising the potential from our global network and product capabilities.

After an outstanding career with the Group of some 34 years, Bill Rattray will retire from the Board on 31 May 2019. He will be succeeded by Stephanie Bruce who, subject to satisfying all relevant regulatory requirements and processes, will take up the position of Chief Financial Officer (CFO) and executive Director on 1 June 2019. Stephanie's appointment will be subject to election by shareholders at the AGM on 14 May 2019.

Stephanie Bruce is a highly experienced financial services practitioner with over 25 years sector knowledge of technical, reporting and commercial practices. She has been a partner in PwC since 2002 and a member of the Assurance Executive since 2016, leading the Financial Services practice for Assurance in the UK. We are delighted she is joining us.

Governance

Over the past year, much has been done to reshape the Board, to ensure we have the right skills and experience to take our transformed business forward. In addition to the retirement of Sir Gerry Grimstone, we said goodbye to Kevin Parry OBE and Gerhard Fusenig, who both also stepped down from the Board at the end of last year. On behalf of the Board and shareholders I want to thank them both for their considerable contributions over many years.

As previously reported, Cathi Raffaeli joined the Board in August 2018, bringing broad-based financial industry experience and, in particular, knowledge of fintech and high tech services companies. Also as previously announced, Simon Troughton, our Deputy Chairman, will retire at the forthcoming AGM after a 10 year combined association with the Company and Aberdeen Asset Management. His wise counsel has been of great value to the Board over this period and to me as I took up the position of Chairman. Richard Mully has also indicated his intention to step down from the Board at the upcoming AGM, having completed seven years of Board service, in order to concentrate on his other interests. On behalf of shareholders I want to express our deep gratitude for their service and wish them well in their other endeavours.

I am looking forward to our AGM in May for my first opportunity to meet and talk with shareholders about our company in general, its ambitions and future direction. I hope to see as many of you as possible there.

The year ahead will be challenging and there is a very full schedule of actions that the executive is charged with delivering. There will undoubtedly also be unforeseen events to which we will need to respond. Whatever arises, I am confident that we have all the skills and resources in place within Standard Life Aberdeen to capture the opportunities that arise and deal with the challenges. In my three months in role I have been enormously impressed with the talent and dedication of our employees and it is to them that I pay tribute in closing, for their efforts and support.

Douglas Flint

Sir Douglas Flint
Chairman

Transforming our business

Defining our culture

As we continue work on our transformation it's been a priority for us to focus on our culture. The success of our business is about our people, so we want to ensure the environment we work in is innovative, collaborative and inclusive; a place where people can flourish. This will help us set the foundation for delivering what our clients and customers need from us – today, tomorrow and for the longer term.

Keith Skeoch

Q | How has the business performed in 2018?

Adjusted profit before tax from continuing operations of £650m was 2% lower than 2017 on a Pro forma basis and included the benefit of our share of Phoenix adjusted profits from 1 September 2018. IFRS profit attributable to equity holders of Standard Life Aberdeen plc increased by 19% to £830m mainly as a result of the £1,780m gain on the sale of the UK and European insurance business, partially offset by an £880m impairment of the Aberdeen Standard Investments goodwill intangible asset.

Our financial performance undoubtedly reflects challenging market conditions and the impact of outflows and there is work to be done to address this. This is set against the backdrop of fundamental change for Standard Life Aberdeen.

We have transformed the shape of our business through our integration and the sale of our UK and European insurance business to Phoenix, a significant undertaking. In India, the IPO of HDFC AMC completed in August. The shareholding we retain in the business reflects the potential we see in India's asset management sector. On 11 March 2019, we also announced an offer for sale process in respect of up to 4.93% of the shares of HDFC Life, our associate life business in India at a floor price of Rs 357.5 per share. Assuming the offer is fully subscribed at the floor price, net sale proceeds are expected to be c£380m.

I am proud of what our people have achieved in 2018 while recognising we have a challenging year ahead to deliver on the potential of our transformed business.

Q | How do you account for weaker investment performance?

It's been a disappointing year for our investment performance, and our long-term investment approach is being tested by the market environment. More information on markets can be found on pages 24 to 25 and on our investment approach on page 19.

Investment performance over three years was mixed with 50% of total assets under management ahead of benchmark. Over the longer term five year period 62% of total assets under management were ahead of benchmark. The weaker three year performance reflects a challenging period with negative returns within multi-asset absolute return strategies, in particular Global Absolute Return Strategies (GARS), and weakness in most equity classes other than Asia Pacific. Performance for Fixed income, Cash/Liquidity and Alternatives remain strong over three and five years.

A turnaround in performance may take some time but there are signs of recent improvement in equity investment performance and stronger short-term momentum in absolute returns. We discuss our plans to improve investment performance in more detail on page 20.

Q | Can you explain the benefits from selling the UK and European insurance business to Phoenix?

The sale of the business for a total consideration of £3.3bn completed the transformation of Standard Life Aberdeen into a fee based capital-light investment company.

We received cash proceeds of £2.3bn from the sale (including a dividend from SLAL of £0.3bn) and generated an IFRS gain on disposal of £1.8bn. The proceeds enabled us to announce the substantial return of capital to shareholders of up to £1.75bn. We returned £1bn to shareholders by way of a 'B' share scheme in November 2018, and have made good progress on our share buyback programme, with £235m completed by the end of 2018.

In addition to the cash proceeds, we received shares representing a 19.98% stake in Phoenix which allows us to benefit from their strong position in the UK pensions market and significant growth potential. Our share of the Phoenix results for the four months post transaction contributed £86m to our 2018 adjusted profit.

The transaction also strengthens our existing strategic partnership with Phoenix. We've put in place long-term arrangements that allow us to collaborate across a number of areas, and under which we will be Phoenix's asset manager of choice. The partnerships we choose are based on shared values and play a vital role in allowing us to reach clients across different markets. We believe that the enhanced partnership will continue to generate financial benefits for both ourselves and Phoenix.

Under the transaction we have also retained our valuable and fast growing Standard Life branded UK retail platforms Wrap and Elevate, as well as our financial planning and advice business 1825.

Q | What is the role of asset managers in society?

Finance is indispensable within a modern society. It provides funds to borrowers like businesses, start-ups and governments, and provides a way for savers to accumulate wealth and provide for their future. Asset managers are at the centre of this.

As well as acting in the best interests of our clients, we need to operate in a way that takes account of our wider responsibilities to society and to help address the long-standing issue of restoring trust across our industry. As active managers, we engage with the companies in which we invest and hold them to account in the way they operate. As members of civic society we work with governments and regulators to improve the efficiency and relevance of capital markets and the sustainability of the returns they deliver.

Q | Tackling climate change is a growing issue, how are you addressing the issue?

We have been working to reduce our greenhouse gas emissions for many years, through tracking our consumption, improvements in building management, and encouraging our people to reconsider the need for air travel through technology solutions. Our greatest impact, however, is through how we invest our customers' and clients' money.

In support of the Taskforce for Climate-related Financial Disclosures (TCFD) recommendations, we've launched two Climate Change working groups. One group is focused on our investment approach across asset classes. The second group focuses on our operations such as our greenhouse gas emissions, reduction activities and TCFD implementation, and how we integrate these considerations into our risk processes.

We've also made commitments to renewable electricity. Operationally, we will procure 100% of our electricity in our global offices from renewable sources by 2020, and the real estate Aberdeen Standard Investments manages in the UK will be powered by 100% renewable electricity by 2020.

Q | How do you retain and attract talented people through change?

The amount of change we have seen as a business can be unsettling for our people – and they are our greatest asset. So we're working hard to create an inclusive culture and environment that enables them to work together effectively. With this motivation in mind, we asked our people to have their say in helping define our values and culture. The values we developed are central to how we will think and act as a business. They are outlined on page 9 and reflected throughout this report.

In 2018, we also conducted an all-employee survey – to find out how our people feel about the significant changes we have been making and how we can help them be more effective. The themes drawn from the survey are already informing new approaches to how we communicate with our colleagues and the work we are doing to enhance our operations. You can read more about how we engage our employees on page 28. Our scale and global ambitions provide opportunities which mean we are an attractive employer to prospective talent.

Q | What are your priorities for the business over the next year?

We have three key priorities; improving investment performance, which I have touched on, growth which Martin discusses over the page, and transformation. Our transformation includes the merger integration, embedding our new operating model and separation activity.

Integration continues to move forward at pace, with delivery of synergies ahead of the original schedule. On the investment side, we have made considerable progress with our fund rationalisation – we have closed 14 funds, 3 umbrella funds and over 100 share classes in ongoing funds. We have returned over £11m of seed investment to enable new product launches and are harmonising features and suppliers across our fund ranges.

We are also making good progress in optimising the benefits from our new simplified global operating model that embraces modern working practices, lays the foundations for a common culture and supports the delivery of our targeted annual efficiency savings of over £350m.

We previously announced that we expected to incur one-off costs relating to the separation of the business sold to Phoenix of approximately £250m, and there has been no change to this estimate. We agreed a transitional services agreement with Phoenix to ensure that both businesses can continue to operate after completion in the same way as they did before. This arrangement covers functions such as IT, Finance, Risk, HR/People and Premises. We expect full separation to take up to three years to complete.

Our growth agenda

Global ambitions

We're focused on building our brand around the world. In 2018, we launched the first Aberdeen Standard Investments global marketing campaign, highlighting our investment capabilities across asset classes. We produced dedicated material and content in 11 languages to support our local teams. Aberdeen Standard Investments was also the global partner for the Ryder Cup in Paris, with an estimated 660 million households watching the TV coverage of this prestigious event.

Martin Gilbert

Q | It's been over a year since the merger, how has the company developed since then?

There is still work to do to reshape our business but we are making good progress. We've co-located over 4,000 employees across 18 offices worldwide. Our people are central to our success so I'm pleased that we have retained talented colleagues through the integration and they understand the journey we are on.

The work we have done to combine our investment and distribution teams ensures they are well placed to manage and promote our diverse investment solutions, our adviser platforms and advice businesses. We've increased our global scale and are seeing the benefits through a more diverse pipeline of new business across the 27 countries where we operate.

We have seen changes in our major shareholdings. In February this year, Mitsubishi UFJ Trust and Banking Corporation, which was one of our major shareholders, sold its stake based on changes in the business environment, but reaffirmed that we are an important partner for them in Japan. The ongoing dispute with Lloyds is covered below.

Q | What has caused the high level of outflows in 2018?

Net flows have been disappointing in a tough market but redemptions were concentrated in equities and multi-asset. Net outflows in equities reflected investment sentiment towards emerging markets and equity markets more generally, and both multi-asset and equities were also impacted by weaker investment performance.

Markets are increasingly volatile, and in those conditions active managers can have the potential to add real value – this is an opportunity for us. It's positive that overall gross inflows are up compared to last year and are well balanced across our asset classes. In particular, we have seen strong demand continue for some of our newer propositions, for instance our MyFolio range and for services offered through the Parmenion platform.

Q | Can you provide an update on the dispute with Lloyds Banking Group/Scottish Widows?

On 15 February 2018, we announced that Lloyds Banking Group (LBG) and Scottish Widows had sent Standard Life Aberdeen (SLA) a notice on 14 February to terminate the long-term asset management arrangements between them (IMAs) covering, in aggregate, around £109bn of AUM at the end of a 12 month notice period.

At 31 December 2018, the AUM was c£100bn and no assets have currently been withdrawn. SLA has informed LBG that it does not agree that, following the merger of Aberdeen Asset Management PLC and Standard Life plc, SLA was in material competition in the UK with LBG and that, therefore, SLA does not consider that LBG, Scottish Widows or their respective affiliates has the right to terminate the IMAs. The parties have been engaged in an arbitration process since last year.

Q | Can you explain why the share price fell significantly in 2018?

2018 has been challenging for asset managers across the world due to significant geopolitical developments and uncertain market conditions. These factors have led to significant share price falls for asset managers generally. For our business, the announcement that Lloyds Banking Group and Scottish Widows wished to terminate arrangements for the assets we manage for them, together with continued net outflows from our flagship products have also had an impact on our share price.

However, as a result of the merger and through the action we've taken to reshape our business, we believe that the Company is well placed to benefit from our broader range of capabilities.

Q | What are the primary issues and concerns for clients?

Investment performance is, of course, very important. Aside from this, individual customers need to take increased responsibility for their financial futures. They want to be confident that their choices are the right ones for themselves and their families. We are also, through our decisions and actions, working to restore trust in our industry, as the after-effects of the 2008 crisis continue to be felt.

Increasingly, clients are interested in how we incorporate environmental, societal and governance concerns into our investment process. This includes topics of societal interest like climate change and equal gender representation, both of which are also areas that we can help address through our operational and employee engagement activities.

Q | What are you doing to address these issues?

We look to provide solutions that deliver strong investment outcomes while also being affordable, inclusive and easy to understand. On the issue of trust, clients need to see that we are committed to doing the right thing, being transparent in terms of fees and levels of risk. Managing investments actively allows us to navigate volatility, not simply to weather it. To deliver the right outcomes, we also consider how we engage and remain connected. Innovation and technology has made a difference to how we connect our global expertise to support and benefit our investment processes.

Q | What are 'new active' investments and why are they central to the growth strategy?

'New active' strategies typically invest in private markets, alternatives, active specialities and solutions, and are designed with a focus on meeting clients' evolving needs. The main difference between 'new active' and traditional active asset management is the focus on outcomes instead of benchmarks. It's also about looking at where the opportunities are – beyond 'core' classes like equities and fixed income and into more specialist sectors like infrastructure.

The size of this sector has more than doubled in just ten years so the demand is there. To be successful though, does take significant expertise and insight. That's where I believe we have a competitive advantage and why it's core to our strategy, because we have the talent to design and deliver compelling propositions and the scale to market them effectively around the world.

Q | What are your plans for growing the company?

In the UK, we want to keep growing assets through our leading adviser platforms – Wrap, Elevate and Parmenion, which continue to benefit from changes in pensions legislation, and our 1825 advice business.

With more than £550bn of assets we have the scale to invest and innovate and we will continue to build on our strengths in 'new active' through product launches and targeted acquisitions in areas where we are seeing growing client demands.

We also continue to broaden our capabilities across our global networks. Our new joint venture with Investcorp will target social and core infrastructure investment projects in Gulf Cooperation Countries and our acquisition of Orion Partners will expand our direct real estate capabilities into Asia.

We are investing to build a modern, dynamic global business which has the talent, scale and high-performing investment solutions to compete against the leading asset management companies across the world.

Investing for a better future

Our focus is on what we do best – understanding and meeting the investment needs of our clients and customers, wherever they are in the world.

Transforming our business…

The sale of our UK and European insurance business to Phoenix in August 2018 marked the completion of our transformation to a fee based capital-light investment company. We have made clear choices, against a backdrop of challenging industry conditions, to get to this point.

As our business has transformed, our strategy has evolved. Our strategic objectives set out on the following page reflect the new shape of our business and our priorities for the future. We have simplified our operations, helping to optimise and modernise our business structure for future success. Our business model as set out on page 11 remains relevant following these changes.

…to drive innovation and efficiencies

We continue to make good progress and remain on track to deliver our previously announced targeted annual efficiency savings of over £350m by the end of 2020. This is comprised of the £250m announced in 2017 at the time of the merger and the additional £100m announced in 2018 resulting from the sale of our UK and European insurance business. The pace of delivery in our merger integration has accelerated across many areas of the business. We are also making progress on delivering the efficiency savings as we implement our simplified operating model. Delivering change on this scale is challenging and will be a key area of focus during 2019 and 2020.

Who we are

Headquartered in Edinburgh, Standard Life Aberdeen has offices in 54 locations employing 6,000 people. We manage and administer over £550bn of assets worldwide.

Our global scale, expertise and resources enable us to offer a wide range of investment solutions and services. They are designed to meet the changing needs of our customers, who come to us through our direct retail channels or via independent financial advisers, and the needs of our clients, the organisations who represent the financial interests of individuals through our wholesale and institutional channels.

Our company is a combination of global asset management, savings and advice services in the UK, and strategic investments. We have two flagship brands, Aberdeen Standard Investments for global asset management and Standard Life for savings, as well as market-specific brands in areas including financial advice and wealth management.

Aberdeen Standard Investments products and innovative solutions are offered across a diverse range of asset classes, either directly to institutional clients, or to wholesale clients such as private banks and third party investment platforms. It is a global brand that brings us close to our clients and the markets in which we invest. As an investment house, we are truly diversified and committed to active management. Our wealth business, Aberdeen Standard Capital, provides discretionary investment management to high net worth individuals. Further detail on our investment capabilities and asset management distribution is included on pages 18 to 19.

As part of the sale of our UK and European insurance business, Standard Life Aberdeen entered into an enhanced strategic relationship with Phoenix. This relationship is based on the complementary strengths of each business: Phoenix as an administrator of insurance and long-term savings books, and Standard Life Aberdeen as a leading provider of investment management solutions, adviser platforms and financial advice. The Standard Life brand is owned by us and licensed to Phoenix.

In addition to providing long-term arrangements in relation to the assets we already manage for Phoenix, the enhanced strategic partnership is expected to deliver incremental assets as Phoenix continues to consolidate life and pensions businesses in the UK and Europe, and expands into the bulk purchase annuity market. We have already started to see the benefits from the enhanced partnership with additional assets secured from Phoenix.

In the UK savings market we have three leading adviser platform businesses: Wrap and Elevate which are Standard Life branded, and the Parmenion digital platform. These platforms give us important access to retail customers. Following the Phoenix transaction, Wrap and Elevate remain part of our business and we maintain the relationships with advisers, while certain products on these platforms are now provided by Phoenix. Parmenion provides integrated discretionary investment management, platform services and intuitive technology to financial advisers.

1825, our financial advice business, has continued to build a national presence across the UK and offers customers a full financial planning and personal tax advice service. We are also developing a digital capability to provide planning and advice in areas of the market where people do not already have easy access to advice.

We have important strategic investments in leading companies in two of the world's most dynamic markets: India and China. These businesses represent substantial potential and provide valuable insight. In India, our stakes in HDFC Asset Management and HDFC Life represent a foothold in one of the world's fastest growing markets. Our joint venture in China, Heng An Standard Life (HASL), gives us potential access to one of the biggest pools of financial assets globally and the possibility of playing a significant role as the pension market develops.

Our purpose – To invest for a better future

We do it to make a difference. To our clients, the lives of our customers, our people and our shareholders.

Our vision – To build a world-class investment company

A modern, dynamic global business which has the talent, scale and high-performing investment solutions to compete against the leading asset management companies across the world.

Our values

Create connections

We bring together our diverse talents, perspectives and insights and use our collective intelligence to deliver value. We remain true to our shared purpose, working as one team and with all our external partners to build better futures.

Read more on page 12.

Adapt and excel

We don't stand still. We improve, challenge, learn and innovate to earn our place in the future. We are ambitious, our sights are set on excellence and our minds are open to ideas.

Read more on page 16.

Deliver what matters

We relentlessly focus on delivering outcomes that truly matter to our clients and customers. We build trusted relationships. We do the right thing and are empowered to make a difference.

Read more on page 20.

Our strategic objectives

Client and customer centricity

Our primary focus is delivering for our clients and customers – this means working to understand and meet their needs while building lasting partnerships.

Enhancing our operations

Helping our people be more productive, simplifying our ways of working and managing our costs effectively enables us to invest for growth.

Innovating for the future

Investing in leading edge capabilities helps us attract clients and customers, enhance relationships and develop smarter ways of working.

Valuing our savings ecosystem

Optimising the breadth and depth of our investment management, platform and advice ecosystem, along with our geographical reach enables us to meet the savings needs of clients and customers around the world.

Read more about our strategic objectives which have been revised to reflect the new shape of our business and our priorities for the future on pages 26 to 27.

Our consistent model for creating value

Our resources to create and preserve value

Client and customer relationships

We aim to become long-term trusted partners for our clients and customers, through our ability to meet their needs effectively. We work to understand what they want and put that at the centre of our decision making. We invest in our brands which are key to sustainable value.

Investment capabilities

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

Talented people

Our ability to deliver for clients relies on having people with the right skills and knowledge, drawn from diverse backgrounds and experiences, and encouraging a collaborative approach to getting results. As well as ensuring our people are engaged and rewarded appropriately, we offer a range of personal development opportunities to help progress their skills, knowledge and careers.

Financial strength and heritage

We operate efficiently and effectively – actively managing our balance sheet to ensure we hold enough capital to allow us to invest for future business growth. Through the actions we've taken to reshape our business, we've created a company that's well positioned for the long term. We will use our experience to make sure we continue to do the right thing for all our stakeholders.

Our value proposition

Standard Life Aberdeen

Global asset management

Aberdeen Standard Investments

UK savings

Standard Life

Our UK savings business includes our Wrap, Elevate and Parmenion adviser platform businesses, and our financial advice business 1825.

Strategic investments

We believe that we can generate attractive returns for shareholders through the development of deeper relationships and the growth potential of these businesses.

HDFC Life Sar utha ke jiyo!

PHOENIX GROUP

恒安标准人寿

HDFC ASSET MANAGEMENT COMPANY LIMITED

Our simple model for generating returns

Increasing assets

We aim to grow assets by offering investment capabilities, products and solutions that meet the needs of new and existing clients.

Our investment performance and market movements also impact our level of assets.

Growing revenue

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

Lowering unit costs

We aim to reduce our costs by controlling expenses and investing strategically to improve both the scalability and efficiency of our business.

As most costs are relatively fixed and revenue can be impacted by market volatility, we aim to control our costs to be efficient throughout the business cycle.

Driving profit

Increasing assets, growing revenue and lowering unit costs enables us to drive our profit and cash flow that allow us to 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 and protect our operations while continuing to focus on growing our business. We balance investing for business growth with continuing to pay dividends to shareholders.

Delivering for the benefit of our stakeholders

Our simple business model is designed to create value and deliver long–term sustainable benefits to all our stakeholders – including our clients, our people and also to wider society.

Read more on pages 22 to 23.

Preparing for Brexit

Due to the actions we've taken, we don't anticipate that Brexit, in whatever form it takes, will have a material impact on our business model. See page 14 for details of our preparations in our EMEA (Europe, the Middle East and Africa) business to ensure that we can continue to serve the needs of our clients. As an asset manager, our revenue is exposed to any market uncertainty that may arise due to Brexit. Further details of potential risks to our business relating to Brexit are included in the Risk management section of this report.

Create connections

We bring together our diverse talents, perspectives and insights and use our collective intelligence to deliver value. We remain true to our shared purpose, working as one team and with all our external partners to build better futures.

A collaborative culture

Bringing our people together following the merger has helped to create momentum behind our purpose. Over 4,000 of our people are now co-located in our combined offices. This has helped forge stronger relationships and broader networks.

We have improved connectivity across our global team, evolving how our business is structured to create group-wide functions that support the four regions in which we operate – the UK, EMEA, the Americas and Asia Pacific.

One of our priorities in taking the right actions for our business is listening to our people's views – particularly in light of the changes that we've made to our company since 2017. We create opportunities for dialogue, both face to face and through the use of technology, connecting employees across the globe, providing input to a range of strategic and operational initiatives.

Reflecting our markets

Our structure also puts us closer to our clients and customers. With teams based in 54 locations around the world, we have a deep understanding of the local markets in which we operate.

Our clients and customers come from diverse backgrounds and have different cultural and societal experiences. In order to meet their needs, we need to reflect this diversity. That is why we focus on being an inclusive workplace – we believe that celebrating the diversity in our business brings us closer to our clients and customers and each other.

By encouraging broader and deeper collaboration across our locations, we share in a wider range of perspectives, using that insight to evolve our propositions and to stimulate new ideas.

Read more about our people and culture on pages 28 to 29.

Our transformed business manages assets for clients and customers in around 80 countries…

…across the globe

We have operations in the world's financial capitals as well as in important regional centres. This brings us closer to our clients and customers, and provides invaluable knowledge and insight to share with colleagues around the globe.

UK

Key locations

Aberdeen	Bristol	London
Basingstoke	Edinburgh (HQ)	

Overview

Market conditions were challenging and have impacted on net outflows across our regions, including the UK. However, we have seen strong inflows into strategies such as diversified growth, buy and maintain credit, commercial real estate debt, and long-lease property. We have increased client engagement over the year with some major new wins, particularly with local government pension schemes. We also continued to develop our market-leading adviser platforms – Wrap, Elevate and Parmenion – to address client needs.

2018 highlights

- Our Better Beta OEIC range, with assets of approximately £28bn, passed its third anniversary and six out of its seven funds achieved first quartile, positive growth performance over this period
- In direct response to adviser market needs we launched the Professional Portfolio Manager, which offers greater digital and automated portfolio management capabilities
- Executed the sale of SLAL to Phoenix, while sustaining momentum in our platforms and advice businesses – we remain the UK's largest adviser platform

Market opportunities

The size of the combined retail, wholesale and institutional markets in the UK is estimated at around £5.1trn. In the retail market, our long-term strategic partnership provides potential access to the enlarged Phoenix Group's c10 million customers. We will invest in our products and services to meet demand and maximise the potential of such a large market. We will also focus on offering investors access to low-cost multi-asset solutions, supported by the launch of our MyFolio Index range.

Europe, Middle East and Africa

Key locations

Abu Dhabi	Frankfurt	Milan
Dublin	Luxembourg	Zurich

Overview

A key focus for 2018 and early 2019 was on completing arrangements to ensure continuity of service for our EU clients, whatever the final outcome of the Brexit process, including anticipating the potential loss of passporting rights. We addressed this risk by establishing an EU MiFID firm in Dublin and expanding the activities of our Luxembourg-based company to provide services to an increased number of Irish and Luxembourg domiciled funds.

We continued to diversify our business including through new opportunities resulting from a wider product suite.

2018 highlights

- Secured a regulatory licence in Ireland to operate as an EU MiFID investment firm responsible for eight branches in Europe – our team in Dublin is responsible for this activity
- The top three mandate wins by the EMEA sales team during the year were in Emerging Market Equities, Credit and European Real Estate, totalling £1.3bn
- Consolidated 18 funds and €50bn into our Luxembourg office

Market opportunities

EMEA is one of the largest investment markets in the world with around £14trn of assets. Our strategy focuses on capitalising on this opportunity by launching innovative products to increase our market share.

Germany, Italy and Switzerland are some of our key markets in Continental Europe and we are looking to leverage the global, diversified nature of our company as a differentiator and source of competitive advantage.

Office locations

54

Countries

27

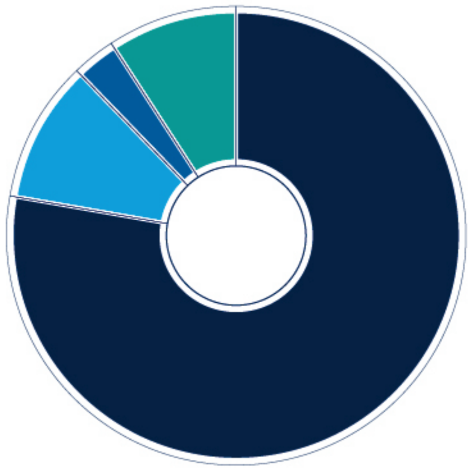
People

6,000+

Assets under management and administration by geography

£551.5bn

UK	78%
Europe, Middle East and Africa	10%
Asia Pacific	3%
Americas	9%



Asia Pacific

Key locations

Hong Kong, Shanghai, Sydney, Jakarta, Singapore, Tokyo

Overview

We offer a diverse range of solutions and our Aberdeen Standard Investments brand has one of the broadest footprints compared to its competitors across the region.

We expanded our teams in Japan and China, which are two of our target markets. We promoted our enhanced broader range of skills across the territories where we operate. In early 2019, we announced two strategic investments. The first, a minority stake investment in Singapore Life, the first fully digital life insurer in Singapore and, second, the acquisition of Orion Partners, a real estate manager with an enviable track record in three of Asia's most developed markets.

2018 highlights

- First wholly-owned foreign company to gain an onshore asset management licence in China
- IPO of HDFC Asset Management in India completed in August 2018. As part of the IPO we reduced our holding from c38% to c30% for a total net consideration of approximately £180m.
- New fund launches to market, including a domestic China A-Share and a Multi-Asset 360 Income fund in Taiwan

Market opportunities

The Asia Pacific market has grown steadily in recent years, to around $16trn. Our strategy targets growth by increasing our footprint and global collaboration, developing partnerships across our key markets: Japan, Australia, India and China, and also carefully managing wider opportunities.

Americas

Key locations

Boston, Philadelphia, Toronto, New York, São Paulo

Overview

We saw continued demand for our investment solutions in this region during the year. As a non-domestic brand, this is a positive sign of how well the Aberdeen Standard Investments brand is viewed. As part of our integration work in the region, teams worked across functions to increase the levels of co-operation and collaboration, share best practice and optimise the use of our client management technology to drive insight and actions.

2018 highlights

- New fund launches and bolt-on acquisitions to meet client needs and accelerate our US presence in specialist areas, including private markets, closed-ended funds and exchange-traded funds
- Significant work to reorganise US team to better serve clients

Market opportunities

The Americas market is the largest in the world and predicted to grow to over $29trn of assets in 2019. We want to capitalise on this opportunity by differentiating ourselves from the domestic players that currently dominate the market. Our strategy for driving forward the Americas business is focused on three main components: building a 'new active strategies and solutions' business, creating scope for reinvestment, and considering bolt-on inorganic options to accelerate and extend our US presence.

Adapt and excel

We don't stand still. We improve, challenge, learn and innovate to earn our place in the future. We are ambitious, our sights are set on excellence and our minds are open to ideas.

A focus on innovation

We believe that developing innovative 'new active' solutions that focus on outcomes instead of benchmarks is key to the future growth of the business.

In 2018, we accelerated the pace of innovation with the launch of 32 funds (2017: 22 funds). In addition, we currently have around 20 funds that are in the later stages of development. For example, we're developing two new products for our 'Liability Aware' programme which are due to launch in 2019. This is a continuous programme of development between various asset class and product teams, to provide a range of options that suit small to medium-sized pension fund clients.

As we transform our business, we're working to identify and understand opportunities and trends that may help our company and industry innovate and improve. Our Artificial Intelligence Global Equity Fund, part of our range of quantitative investment strategies, uses powerful machine learning techniques to quickly analyse evolving financial markets data to identify and recall data patterns.

In the UK, with changes to pension policy and provision, many more people are choosing to remain invested throughout retirement, leading to a greater demand for financial advice. In response we've launched the next generation of model portfolio management technology on the Wrap platform – Professional Portfolio Manager. This innovative offering has greater digital and automated capabilities and gives advisers an efficient, scalable and risk controlled operating model. In less than six months since launch, businesses advising on c£3.5bn of assets have chosen to adopt the new functionality.

Adapting effectively, operating efficiently

As well as seeking new, diverse investment opportunities, we aim to make sure that our business continues to adapt to make the most of these.

We believe digital advice is key to the future of retirement planning, especially in the UK, where the percentage of those reaching age 65 is expected to continue to rise. We are developing a dedicated digital advice proposition to develop new, efficient ways to meet our customers' retirement planning needs.

In integrating our businesses and coming together as one company, we have worked to evolve our investment and distribution processes. We have carried out an extensive programme to integrate and rationalise our fund ranges. In reviewing and refreshing our distribution strategies, we've aimed to bring more discipline and consistency to our relationship and client teams across the world – with an emphasis on growing our business in G10 countries.

We also continue to ensure that we are operating efficiently and controlling our costs. This includes the delivery of the merger synergies and the implementation of a simplified global operating model. While change on this scale creates opportunities for our people, cost savings include reductions in employee numbers. We continue to aim to manage much of this through natural employee turnover and to do everything possible to minimise compulsory redundancies.

Our transformed business actively seeks out new and innovative ways…

…to extend our capabilities

Our investment capabilities are truly global, covering a broad range of markets, asset classes and strategies. Our aim is to drive better investment outcomes for clients and customers.

To achieve this, we draw on our talented people, deep knowledge of local markets and coordinated global oversight – combined with a commitment to embedding Environmental, Social and Governance (ESG) factors across each asset class.

Diagram shows analysis of total assets under management at 31 December 2018 including strategic insurance partners.

AUM at 31 December 2018 (£bn)[1]

Equities

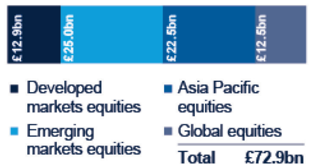
Disciplined, high-conviction, fundamental investment aims to deliver superior outcomes for clients

- One of world's largest active asset managers offering wide ranging equity strategies
- Research and insight are used to exploit market inefficiencies and identify the best investment opportunities for client portfolios
- Active engagement and effective analysis of ESG issues mitigate risks and identify companies most likely to outperform over the longer term

\> 140
investment professionals

10 countries
Global team presence

Two complementary investment approaches



Fixed income

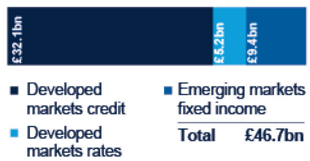
Our approach is based on research-driven, team-based active management

- One of largest fixed income managers in Europe with a diverse client base
- Capabilities across developed and emerging markets, public and private credit, investment-grade and high-yield markets
- Long track record of delivering targeted and local solutions to meet specific client goals and objectives

\> 140
investment professionals

11 countries
Global team presence

Client driven outcomes



Multi-asset

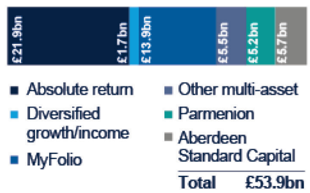
We seek to provide better, more predictable outcomes for investors

- Scale and experience to provide a multi-asset solution to meet a range of client needs and priorities
- Developed range of advanced, flexible solutions that target positive returns while also constraining and controlling risk
- A broad and diverse investment universe through multi-asset investing can enhance return potential and reduce volatility

\> 150
investment professionals

Europe, US & Asia presence

Industry leading risk management



Private markets

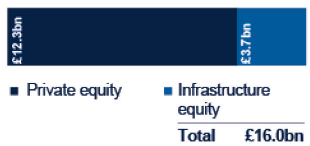
Providing excellent capital growth, income generating or risk adjusted outcomes

- One of the top 10 largest managers of private markets assets globally (includes real estate assets)
- Capabilities across private equity, infrastructure, private credit, real assets and private market solutions
- Long track record of managing private markets portfolios

\> 105
investment professionals

10 countries
Global team presence

Top 10 – Global private markets ranking



[1] Excludes strategic insurance partners.

Our investment approach

We continue to believe that active investment management delivers superior outcomes for clients over the long term. We believe in a connected team-based ethos, fundamental research delivering insights to exploit market inefficiencies, and the embedding of ESG criteria within our investment approach. We make deliberate, active decisions at each stage of the investment process and believe that all investment approaches require active decision making at some level, whether that be incorporating fundamental discretionary or systematic quantitative techniques.

We have diverse investment capabilities offering a range of outcomes for our clients, including some 100 strategies, all united by these beliefs. For example, within Equities we run a number of strategies under two differentiated but complementary investment styles: Long Term Quality and Focus on Change.

The market environment for active asset managers was challenging in 2018. As one of the largest active managers in the world, we are inevitably affected by these headwinds, and that is clearly reflected in our investment performance. We remain focused on supporting our teams and improving performance, while remaining true to our investment approach.

Our distribution

Through our global network of offices, the role of our distribution team is to access potential investors and develop trusted, long-term relationships founded on high-quality client service. We have a targeted approach to growth by concentrating on distributing Aberdeen Standard Investments' products in the markets where we have a strong track record. Distribution of our products is supported by the promotion of the Aberdeen Standard Investments brand through a co-ordinated series of local and regional brand awareness initiatives and sponsorship opportunities.

In the institutional market, we are a chosen investment partner of pension funds, insurers, sovereign wealth funds, governments and local authorities, charities and financial institutions, providing both pooled and segregated investment management.

In the wholesale investment market, we support wealth managers, private banks and financial advisers, as well as making our investment products available directly to private investors. We also offer investment solutions to private investors via our wealth management channel.

AUM at 31 December 2018[1] (£bn)

Alternatives

We create and manage outcome-oriented portfolios of alternative strategies

- Offer a full range of global hedge fund and diversification strategies across the liquidity spectrum
- Outcome orientated portfolios that use a disciplined and proven research-driven investment process
- Highly experienced team in alternative investing supported by global research coverage

> 25
investment professionals

London & New York
Global reach hubs

Award winning – innovative solutions

Real estate

Our approach to real estate is global, but implemented locally

- Our status as one of the world's largest real estate managers helps credibility, deal flow and our ability to provide a one-stop shop for clients
- Global reach allows us to uncover more investment opportunities that have potential to enhance investors' returns
- Well established and long-term track record with demonstrated ability of adapting to ever changing market conditions

> 270
investment professionals

11 countries
Global team presence

Leading global rankings in real estate sustainability benchmark

Quantitative

Experts in proprietary multifactor investing

- Experienced team managing assets across a range of strategies: traditional passive indexation, enhanced indexation, smart beta and active quant using artificial intelligence
- Provide clients with products and solutions that are customised to their needs
- Open-innovation approach focuses on collaboration with world-class partners

> 30
investment professionals

Experienced team formed in 2005

Multifactor investment approach to drive improved returns

Cash/liquidity

We offer bespoke solutions to meet specific client liquidity and yield objectives

- Manage assets for a broad range of institutional clients
- Enhanced size and scale enable us to deliver better outcomes for clients
- Offer tailored solutions for capital preservations, daily dealing and enhanced yield objectives

> 10
investment professionals

Portfolio managers in Edinburgh, London and Philadelphia

Key player in the liquidity market

1 Excludes strategic insurance partners.

Deliver what matters

We relentlessly focus on delivering outcomes that truly matter to our clients and customers. We build trusted relationships. We do the right thing and are empowered to make a difference.

Improving investment performance

It's been a disappointing year for our investment performance, and our long-term approach is being tested by the market environment. Our weaker three year investment performance reflects negative returns within multi-asset absolute return strategies, and weakness in most equity classes other than Asia Pacific and smaller companies. Investment performance remains robust across other asset classes. Investment process evaluation and enhancement is a continuous practice within investment teams, however formal plans have been developed for absolute return and equities.

Our process enhancement plans aim to improve performance while remaining true to our investment style. They focus on idea generation, capture and implementation. Actions we have taken include:

- Investment in new talent and enhanced risk analytics tools
- Creation of a new Performance and Investment Review Committee to strengthen review processes
- Establishment of our research platform with appointed heads of research, and creation of a research institute to inform our macro and longer-term thematic house views
- Enhanced Board level focus and oversight of actions to improve investment performance

We recognise that improving multi-asset absolute return strategies and equity performance may take some time and will depend partly on market conditions, but we are encouraged by recent performance improvement seen in emerging market equities.

We have also focused on maintaining trusted, long-term relationships with our clients to help them understand the causes of weak investment performance and, importantly, what we are doing to address this. We've engaged with clients in a variety of ways to keep them informed. This includes white papers, market analysis, and webinars led by our senior leaders.

ESG at the heart of everything we do

We believe that positive investment outcomes can be aligned with positive outcomes for society and the environment. We integrate, review and research ESG considerations throughout the investment process. We see this as an important way of protecting our clients' investments and believe it really adds to the value we offer to them. It's about analysing the key issues for each asset class and using that analysis to make better-informed investment decisions for our clients. In 2018, we announced our involvement as joint lead partner and founder of The Big Exchange, part of The Big Issue Group's social investment arm. The Exchange is a platform providing investors with access to funds that meet ethical investment criteria.

In addition, five of our real estate funds were awarded 'five star' status by the global sustainability benchmark GRESB for reaching significant environmental targets, placing us in the top 20% of our peers. Three of our funds achieved the highest ESG performance of their peer group.

…for our stakeholders

Clients and customers

Understanding our clients and customers

We develop relationships with our clients and customers based on mutual trust and our ability to effectively meet their needs. We focus on understanding what they want and put that at the centre of our decision making.

How we engage

We operate in a way that allows us to stay close to our clients and actively seek feedback to inform ongoing improvements. We create meaningful partnerships to understand how their requirements evolve. We have a large global distribution team, and they significantly increased engagement with clients in 2018 across the full sales process.

We build up insight from clients and customers which helps to inform future product development and innovation. For example, we conducted an online survey in 2018 of our institutional and wholesale clients with respondents representing £31bn in AUM. Strengths included brand loyalty, however certain clients were disappointed with the level of investment performance.

We also continue to engage with our adviser platform users and regularly monitor customer satisfaction. Our Board receives regular updates on both satisfaction and complaints data.

Our people

Understanding our people

Having people who bring a diverse range of talents and perspectives, and who feel engaged in their roles, is fundamental to the long-term success of our business. It is crucial that we understand their values and what motivates them – and reflect this in the way we operate.

How we engage

In November 2018, we conducted a company-wide employee survey. 69% of our people responded, giving us their views on our strategic direction, the impact of transformation, and confidence in our leaders. The survey results are discussed on page 28.

We ran company-wide workshops in 2018 to ask our people to help shape our culture and values.

Existing employee representative forums have joined together to form a new single employee forum representing employees in the UK. In Q1 2019, we agreed that one of our non-executive Directors would take on the role of liaising on employee engagement.

Wider society

Understanding our role in wider society

As a global investment company we have a responsibility in terms of the influence we can have on our industry, our supply chain and wider society. We take these responsibilities seriously and we are proud to serve the communities in which we operate.

How we engage

We are active investors. During 2018, we engaged regularly with the boards and senior leaders of companies. We voted at 4,875 shareholder meetings and, in some cases, spoke publicly about areas of concern.

We actively engage with all material suppliers and take part in regular oversight, monitoring and feedback with them, up to and including at chief executive level. We aim to ensure all suppliers are paid promptly.

Corporate sustainability is central to our business. We've been recognised in high-profile sustainability indices, including the Dow Jones Sustainability Index, where we were ranked in the top 5% for our sector, and also the FTSE4Good index where we were listed in the top 1% of companies. We were also awarded Better Society's 2018 Financial Services Company of the Year award.

Stakeholder interests at the heart of the SLAL sale and our strategic partnership with Phoenix

For it to be a success, we knew that the sale and our partnership would need to work for all our stakeholders.

Many of Standard Life's systems, processes and people transferred; which, combined with a licence granted to Phoenix to use the Standard Life brand, meant customers would have the same experience before and after completion of the sale. They will have continued access to Aberdeen Standard Investments' investment capabilities; and the advice and platforms businesses are retained by Standard Life Aberdeen.

In the long term, we considered that the deal would be good for transferred and retained employees, as the partnership offered new and exciting opportunities going forward. However, we recognise that it has and will create shorter-term uncertainty.

The enhanced partnership with Phoenix and sale of SLAL facilitated our new operating model and we expect this to enable significant cost savings. The sale also enabled the delivery of the significant capital return to shareholders.

Phoenix now has a significant presence in Edinburgh. This enhances Scotland's reputation as a key financial centre, helping attract talented people to the capital.

Section 172 (1) statement

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Companies Act. The content on stakeholder engagement on pages 22 to 23 and business practices on pages 48 to 49 highlight key actions in this area.

Further details on how the Directors' duties are discharged and the oversight of these duties are included in the Governance section in the Annual report and accounts 2018.

…for our shareholders

Our shareholders

Understanding our shareholders

The support and engagement of our shareholders is imperative to the future success of our business. We have a productive ongoing dialogue with both large investors and retail shareholders. Our aim is to provide best-in-class service and relevant, timely communications. We believe that maintaining our reputation for high standards of conduct is not just doing the right thing, but something that builds value for our shareholders.

How we engage

We are in touch with our shareholders at least three times a year with information about shareholder meetings, dividend payments, and financial results.

Our annual general meetings alternate between London and Edinburgh to allow more shareholders to attend and enable us to gather shareholders' views while giving them the opportunity to hear directly from our Chairman and Board.

Shareholders can view and manage their holdings using our online share portal, and can also download the Standard Life Aberdeen investor app for share price information, press releases and regulatory news.

We have a programme of regular meetings with institutional investors and analysts around the world, to understand their views and address any concerns.

Our investment case

Well positioned to benefit from the trends shaping the global savings and investment landscape

- Strong track record of reacting and adapting to changes in our markets
- Ability to respond through innovation in key areas of growing client demand
- Scale to meet expected growth in demand for advice and platforms in the UK
- We own significant shareholdings in savings and investment businesses in the growing economies of India and China

A broad and compelling client offering

- Aberdeen Standard Investments is one of the largest active asset managers in the world
- Formal plans in place to improve investment performance for absolute return and equities, with recent improvement seen in emerging market equities
- Track record of product innovation across a broad range of asset classes
- Strong pipeline of innovative ideas across region, channel, asset class and outcome

Global distribution with close proximity to clients

- Offices in 54 locations around the world
- Clients in around 80 countries
- Partners around the world provide local expertise in some of the world's largest economies – including Mitsubishi UFJ and Sumitomo Mitsui in Japan, Bosera in China, Manulife and John Hancock in North America, HDFC in India, and Challenger in Australia
- Enhanced partnership with Phoenix providing potential access to up to 10 million customers in the UK

Fast growing UK adviser platforms and financial advice capability

- Market-leading UK adviser platform business with over £59bn of assets under administration
- Scalable through operational leverage, with a clear path to growing profitability
- Expanding national financial planning and advice business 1825, acquiring two IFA firms in 2018
- Proposed new strategic joint venture with Virgin Money/CYBG provides potential opportunity to leverage our platform technology to offer investment solutions to their six million retail customers

Enhanced operational efficiency

- Targeting annualised cost efficiencies of at least £350m to be achieved by end of 2020 with £175m already implemented. 2018 results benefited by c£120m with further benefit to come
- Announced a simplified operating model, providing platform for growth and increased efficiency
- Targeting a cost/income ratio of 60% over the longer term

Strong balance sheet and valuable listed investments

- £2.6bn of Group cash and liquid resources, providing financial strength and supporting investment in innovation, technology and our people
- Track record of reshaping our balance sheet and returning capital to shareholders
- Combined value of our shareholdings in Phoenix, HDFC Asset Management and HDFC Life at 11 March 2019 was c£4.5bn

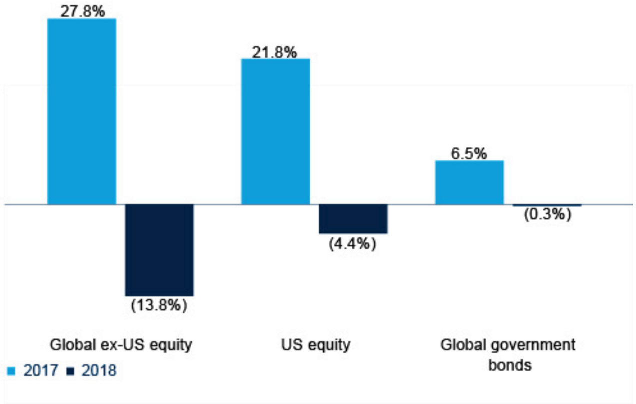
Responding to challenging markets

2018 proved to be a challenging year for markets, which shared little resemblance to the year before. A wide variety of political, economic and financial issues overwhelmed investors across almost all asset classes and regions. Meanwhile volatility, which was largely absent in 2017, reappeared to the detriment of global investors. Most asset classes registered negative returns in 2018.

Rod Paris, Chief Investment Officer

A year of challenging market conditions

Across global markets, some of the positive drivers from 2017 reversed and a number of potential risks we had identified at the start of last year did become reality. The US equity market outperformed most other developed markets, assisted by above-trend growth in the US economy and tax cuts, however December was an exceptionally poor month. There was rotation within equity markets in terms of which sectors performed best. Defensive sectors like healthcare and utilities took the lead, while energy and financials were the hardest hit. Large technology stocks faced a perfect storm of stretched valuations, slower subscriber/revenue growth, data breaches and increased regulatory scrutiny. Credit markets in the US and Europe – in lower-risk investment grade bonds and higher-risk high yield bonds – achieved negative annual returns. Despite risk aversion, over the year as a whole only a few sovereign bond markets, such as Germany, achieved positive returns.



Total market return

Source: Refinitiv Datastream, Bloomberg, Aberdeen Standard Investments (as at 31 December 2018)

The strength of the US economy allowed the Federal Reserve to continue monetary tightening. Japan and Europe continued quantitative easing and kept rates on hold, while China first tightened and then relaxed its restrictions on bank lending in response to faster or slower growth. The US Dollar strengthened against most other major currencies in 2018. Falling unemployment and periodically higher oil prices gave rise to inflation concerns. Volatility, meanwhile reappeared, with two particularly sharp episodes in early February and late December, reaching levels not seen since the financial crisis.

Barriers to market growth

Rising US interest rates and a strong dollar, accompanied by rising oil prices and geopolitical factors, were significant barriers to emerging market growth. China, a key global driver in recent years, signalled a transition in its growth as it embarked on a deleveraging campaign to reduce debt. This, combined with US tariffs, caused negative sentiment in Chinese equity markets which spread to other emerging markets.

Geopolitical risk, which had been relatively subdued coming into 2018, became front of mind for investors. US-China relations, especially over trade tensions, deteriorated substantially. Populist gains in Italy, Brazil and parts of Germany, as well as the Democrats' success in the US mid-term elections, reshaped governments and played through markets. Brexit loomed large at various points, translating to increased volatility in UK assets.

Looking ahead

As the effects of tax cuts in the US fade and trade tensions continue, market participants are focused on economic data signalling further slowing in 2019. This has made markets more responsive to bad, relative to good news. Although a number of economic indicators now suggest slowing growth, it should be emphasised that they are not currently signalling imminent recession; indeed the response from governments and central banks makes us more positive on such a view.

The backdrop to the market remains complex and we believe this will continue to impact on returns. That said, we believe our continuous focus on understanding client needs, and on improving and innovating our investment solutions, will create opportunities to manage risk and achieve sustainable goals of growth, income and capital preservation.

Responding to the changing investment landscape

Despite the challenges we faced in 2018, we are a resilient business, committed to our purpose. We remain well-positioned to continue benefiting from the trends that shape the global savings and investments landscape.

Keith Skeoch, Co-Chief Executive

Democratisation of financial risk

Changes to the savings landscape have continued to move risk and responsibility further towards individuals. This trend is driving the need for simpler products and services to help clients and customers invest and save effectively. Changes in pension legislation giving more choice and more responsibility to savers is also increasing demand for financial advice – and from financial advisers for platforms that help them to offer the support that their customers expect.

Our response

Our focus on active investment management helps us to meet the growing demand for outcome-oriented products. Following the sale of our UK and European insurance business to Phoenix, we have retained our fast-growing, market-leading adviser platforms, as well as our wholly-owned financial advice business, 1825, to meet the growing demand for financial advice from individuals. These channels will remain important to our retail growth strategy in the UK. Our shareholding in Phoenix means we also retain a significant presence in the UK pensions and savings market.

Rebuilding trust in financial services

The global financial crisis damaged trust in financial services organisations. We believe our industry has a duty to build trust through transparency on fees, clarity on risks and education on investment strategy. Asset managers also have a role in developing trust and driving transparency more broadly by challenging the companies in which they invest to provide evidence, not only of their financial returns, but also of their societal and environmental impact.

Our response

As long-term investors we take our stewardship responsibilities very seriously. We engage with businesses, governments and regulators to improve the efficiency and relevance of capital markets and the sustainability of returns they deliver. We completed a programme of work to meet the requirements of MiFID II – a 2018 EU directive that aims to improve transparency in how financial market participants operate. The processes put in place are now part of our business as usual operations.

We offer investment strategies that aim to provide a social as well as a capital return, by reflecting society's concerns about issues like fair employment, environment, inequality and sustainability. A practical example of this is our Global Equity Impact Fund, which invests in companies that aim to generate measurable positive social and environmental impact alongside financial returns.

Innovation, technology and digitalisation

Successful innovation is a key driver of long-term value for clients and shareholders. The next generation of savers will interact with investments in different ways, as technology provides new tools that allow them to manage their own affairs. Machine learning is playing a growing role in how these tools are developed across our industry. At the same time, cyber security remains a growing issue. Managing the risks is critical for large companies and their customers.

Our response

Our ability to innovate is crucial to ensuring that we can continue to meet customer and client needs. We've put in place a Collective Investment Technology Solutions team to support how we deliver to retail, wholesale and institutional clients globally. Artificial intelligence processes are also helping us to identify sources of potential returns within our investment portfolios, and to develop our digital advice capabilities in the UK.

Managing cyber security is about more than having the right IT systems and software in place. As part of our Cyber Awareness Week, we highlighted to employees their responsibilities and steps they can take to be more secure, resilient and vigilant in this area.

Slow growth, low inflation, compressed return environment

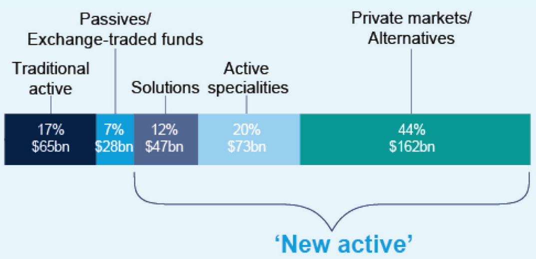
Market volatility and uncertainty will be with us for some time, which will result in changing client demands. Clients are looking for simple and transparent products with clear outcomes that will meet their investment needs, and we're seeing a continued demand for active investment solutions – particularly 'new active' solutions, which focus on achieving specific outcomes to meet specific client needs.

Our response

'New active' is likely to play a major role in building long-term relationships with clients and meeting their growing demands for more variety and choice. We are already one of the leading companies in private markets/alternatives globally and we continue to make significant investment in designing innovative outcome focused funds.

2022 market revenue opportunity

c75% 'new active'



Source: BCG, July 2018

Enabling our ambitions

Strategic objective	Why it's important	Progress this year
Client and customer centricity	Our primary focus is on delivering for our clients and customers. It means working to understand their evolving needs, and using that knowledge to innovate and improve our products and services. We continually look to develop new relationships across the globe, to provide trusted expertise and build lasting partnerships.	• Investment performance was mixed in 2018 – see the Chief Financial Officer's overview on page 33 for details • Enhanced offering to advisers through launch of Professional Portfolio Manager on the Wrap platform • Refreshed our distribution strategies, bringing more consistency and discipline to our relationship and client teams globally • Ran our institutional and wholesale client survey in our four global regions, to understand factors affecting levels of client satisfaction, engagement, loyalty and advocacy
Enhancing our operations	We're helping our people be more productive, by simplifying and improving our ways of working and creating a collaborative, insight-driven culture to ensure we deliver a world-class service. Through enhanced technology our business will be more agile, flexible and scalable. The systems, processes and external service providers we use will be efficient and help us manage costs, allowing us to invest for growth.	• Sale of our UK and European insurance business to Phoenix completed transformation to a fee based, capital-light business • Delivered further annualised cost savings bringing total delivered to £175m with actions including – Integration completed across our client and consultant facing investment and distribution teams – New operating model implemented – simplifying our structure and establishing clear functional and regional responsibilities and accountabilities – Over 4,000 of our people co-located as part of our estate optimisation
Innovating for the future	The ways in which people invest and save continues to evolve. Clients and customers want a diverse range of products that meet their needs and generate positive investment outcomes through a modern technology-enabled experience. Investing in innovative, leading edge capabilities gives us the potential to attract a wider range of investors, enhance existing relationships and develop smarter, more effective ways of engaging with them.	• Accelerated pace of innovation with 32 fund launches in 2018 compared to 22 in 2017 and around 20 funds in the later stages of development • Completed IPO of HDFC Asset Management in August 2018, generating approximately £180m from the sale of part of our stake, supporting further reinvestment in our business • Three bolt-on acquisitions accelerated our US capabilities in private markets, closed-ended funds and exchange-traded funds • Launched an innovative financing strategy for private market funds, developed in collaboration with Phoenix
Valuing our savings ecosystem	Optimising the breadth and depth of our investment management, platform and advice ecosystem, along with our geographical reach, enables us to meet the savings needs of clients and customers around the world. We aim to play a stronger role in helping people save effectively and understand the investment solutions which are right for them. We make the most of our strong brands to deliver enhanced value across all of the products and services we offer.	• Extended and enhanced strategic partnership with Phoenix, providing further opportunity for future growth • Joint venture announced with Virgin Money with potential to offer investment solutions to the combined retail customer base of Clydesdale Bank, Yorkshire Bank and Virgin Money • Launched Aberdeen Standard Investments' first global marketing campaign, to show the breadth of expertise and solutions we can offer to high net worth customers • New advertising campaign for Standard Life in the UK targeting improved brand sentiment and product association

Our business has transformed in line with our vision. Our strategic objectives now reflect the new shape of our business and our priorities for the future.

Performance highlights	Key risks	Focus for 2019
Investment performance[1] **1 year: 47%** (2017: 70%) **3 years[2]: 50%** (2017: 63%) **5 years: 62%** (2017: 64%) **2018 Defaqto Gold rating for service** **Wrap and Elevate** **2018 Defaqto 5 star rating for discretionary portfolio services** **Aberdeen Standard Capital and Parmenion**	4, 9, 5, 11, 7	• Supporting our teams and improving investment performance through process enhancement plans across all asset classes • Continue to develop trusted client relationships at a local level, through 23 investment centres worldwide • In our UK savings business, further invest in our retail platforms to enhance functionality and adviser experience • Enhance profile of our flagship brands (Aberdeen Standard Investments and Standard Life) and our profile as an ESG leader
Cost/income ratio[2,3] **68%** (2017: 71%) **Adjusted profit before tax[2,3]** **£650m** (2017: £660m) **IFRS profit after tax attributable to equity shareholders** **£830m** (2017: £699m) **Employee survey – Engagement** **56%**	1, 5, 10, 2, 6, 11, 3, 7, 12, 4, 8	• Maintain progress towards combined merger and simplification efficiencies of at least £350m including: – Migration of assets administered by Aberdeen Asset Management to an integrated global investment platform – Develop working practices to enhance productivity by reducing duplication and delayering of processes – Further systems integration including single HR platform • Progress implementation of separation plan to reduce transitional services provided by Phoenix • Implement actions to improve employee engagement, based on themes from our company-wide survey
AUMA[2,3] **£551.5bn** (2017: £608.1bn) **Gross inflows[2,3]** **£75.2bn** (2017: £72.4bn) **Adjusted profit before tax[2,3]** **£650m** (2017: £660m)	2, 11	• Develop our private markets offering by working with clients, delivering innovative solutions and generating performance through diversified and connected capabilities • Develop our connected, global, proprietary research platform incorporating insights into macro and micro investment strategies • Further expand our 'new active' capabilities – including our first Active Macro Systematic fund, applying quantitative principles to multi-asset investing • Progress build of digitally-enabled advice offering to serve broader retail market
AUMA[2,3] **£551.5bn** (2017: £608.1bn) **Gross inflows[2,3]** **£75.2bn** (2017: £72.4bn) **Net flows[2,3]** **£40.9bn outflow** (2017: £32.9bn outflow)	11, 12	• Leverage strategic partnership with Phoenix to grow retail business and access new customers • Launch of proposed joint venture with Virgin Money, anticipated Q2 2019 • Pursue our structured programme to seek further opportunities to grow and diversify our business, including by selective bolt-on acquisitions • Drive accelerated growth and increase flows through our platform business through our new Professional Portfolio Manager capability, the launch of auto-tailoring Individually Managed Accounts and the competitive repositioning of Elevate

1 Percentage of AUM ahead of benchmark.
2 KPI.
3 From Continuing operations.

Read about key risks on pages 42 to 47.

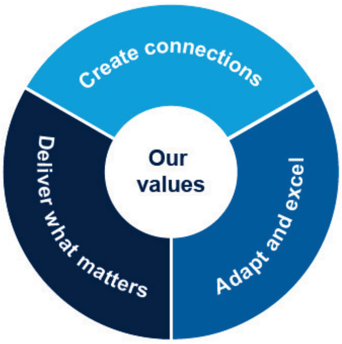
Building the foundations for success

We want to develop a culture that will enable us to be the best that we can – where we are inspired by our differences and united behind a common purpose.

Defining our desired culture

There has been a significant amount of work across the organisation to identify the best attributes of our existing culture and to understand what we need our culture to be in order to realise our vision and to deliver our strategy.

An important aspect of nurturing our culture is articulating our values. Around 1,800 of our people took the opportunity to co-create and shape our values using several feedback channels. Their input was an essential part in defining values that underpin our strategy and help us deliver great outcomes for clients and customers.



Measuring employee engagement

In 2018 we ran a full engagement survey for all employees, to help us understand how it currently feels to work for us, how our people would like this to feel in the future, and what action our company needs to take. 69% of our employees responded to the survey. The results reflect that recent company change has been difficult for colleagues – but provide an important baseline from which to build and improve, and help us to identify the main areas we need to focus on.

The responses gave us an overall engagement score of 56%. This represents the average score that employees gave for questions measuring advocacy, pride, motivation and job satisfaction. The main themes that emerged from the survey included the need to improve how we communicate our strategic direction to employees, and how we minimise the factors that can prevent people from doing their jobs as effectively as possible. Positive views centred on how our managers lead through change, colleagues feeling able to be themselves at work and our continued focus on inclusion.

Over the year ahead we will plan actions based on the themes that emerged, and continue to measure engagement, mood and culture across the company.

Demonstrating our values in society

Our culture encourages playing a role in wider society and supports our people to contribute to the communities around us.

We offer three days' paid leave to each employee to encourage our people to volunteer in their local communities – making a difference and learning new skills. 15,118 hours of volunteering took place in 2018. As part of our global volunteering day in 2018, over 400 employees around the world took part in activities to support initiatives in the communities we operate in.

In Scotland, we are supporting and funding The Big Issue Invest 'Power Up Scotland' programme to help early stage social enterprises tackling issues, like homelessness, food poverty, unemployment and care for the elderly. A number of our people have been involved in coaching social enterprises for a period of three months, providing expertise to help develop their business models.

In the UK, we also partner with the charity Career Ready, which connects young people with the world of work.

As part of the programme, mentors support young people in their last couple of years of school. To date our people have mentored 113 young people.

During 2018, 12 of our people from the Americas, Asia and Europe spent five days in Northern Thailand helping to build a water sanitisation system with the Karen Hilltribes Trust. In December 2018, 16 colleagues travelled to Senegal with buildOn to start building a school.

In December 2018, our colleagues voted for our new UK charity partner. We selected a shortlist of charities that may have impacted employees or their friends and families at various stages of their lives. The winner was Dementia UK. The aim of the partnership is to fund the first Admiral Nurses in Scotland, and additional nurses in communities across the UK.

Amanda Young, Global Head of ESG Research and Craig Macdonald, Global Head of Fixed Income join John Montague, Managing Director at Big Issue Invest and Ben Macpherson MSP for the launch of Power Up Scotland.

A strategic approach to improving inclusion

Building a diverse talent pipeline and understanding our people's needs help us respond to changing client demands, deliver valuable insights, and fulfil our strategic objectives.

We were one of the first asset managers to publish a co-created inclusion strategy which aims to create an inclusive culture by engaging people at all levels of our organisation. The principles that continue to inform our inclusion strategy are:

- Being transparent
- Promoting our commitment to inclusion
- Bringing value to our business

We have strengthened oversight and governance of our progress against these areas of focus at a senior level. We are also working to improve the quality of the demographic-based information we gather from our employees.

You can read our Inclusion strategy on our website **www.standardlifeaberdeen.com/annualreport**

Putting inclusion into action

During 2018, we made good progress in a number of important areas that contribute to creating a more inclusive workplace.

We delivered our first gender action plan and published our refreshed plan outlining areas of focus for the next 12-18 months. We have increased female representation at a senior level by 7% under our Women in Finance Charter commitments, and are now working on sustaining progress. We were also included in the Bloomberg Gender Equality and Equileap Top 200 global indices for the first time.

We were one of the founding signatories of the Race at Work Charter which commits organisations to tackling barriers that ethnic minority people face in recruitment and progression. As part of delivering on our commitments we launched our ethnic diversity action plan, and continued our work with external organisations that help to provide employment opportunities to ethnic minority young people. These include the Taylor Bennett Foundation, The Prince's Trust, and Sponsors for Educational Opportunity (SEO) London.

Our focus on social mobility has gained important external recognition, such as being included as one of the Social Mobility Foundation's top 50 employers in its Social Mobility Employer Index.

We partner with a number of charities to open up employment and internship opportunities for young people from all backgrounds. These include The Prince's Trust, Investment 2020 and Career Ready. We have also signed up to the Social Mobility Pledge, a cross-party campaign to improve social mobility across the UK.

Over 1,100 people contribute to and are supported by our employee-led networks. Championing aspects of diversity and inclusion across our global business, these groups work collaboratively to effect change and are sponsored by our senior leaders. In 2018 we launched a new network supporting mental health awareness and refreshed our LGBT+ network and gender balance network. Through our support for the Armed Forces, to which our Armed Forces network makes a big contribution, we achieved a Gold award from the Ministry of Defence's employer recognition scheme.

For all of our employees, we've developed guidelines for agile working, supporting them to work where, when and how is most effective for both them and our company. We share case studies among employees to provide insight and examples of how their colleagues work in an agile way.

The gender pay gap

This is the first year we have reported a Standard Life Aberdeen gender pay gap. As at April 2018, our mean gender pay gap was 40% and our mean gender bonus gap was 69%. Last year we shared separate data sets for Standard Life and Aberdeen Asset Management, as these were calculated before the merger. However, even without being able to compare directly to last year, there is little material change in our gender pay gap for this year.

Our pay gap is primarily the result of our workforce structure, with a higher number of men in senior roles – the roles that attract higher salary and bonus potential – and a higher number of women in junior, lower paid roles.

We have made progress in improving gender representation two leadership levels below CEO level, but we have more work to do at both the Board and Executive Team levels.

Our gender pay gap remains high but we know that improving our gender balance and reducing our gap will take time and enduring focus. Through increased transparency and communication since our publication of Year 1 gender pay and bonus information, we are building momentum for change across the organisation.

You can read our full gender pay gap disclosure, analysis and what we are doing to tackle our gender pay gap in our report on our website **www.standardlifeaberdeen.com/annualreport**

Our gender targets

As part of our commitments to HM Treasury's Women in Finance Charter, we have published the following targets for women in different levels in our organisation:

Level	Target by June 2020 %	**Actual 31 Dec 2018 %[3]**	**Actual 31 Dec 2018 Number**
Board	33	**25**	**3 of 12**
Executive[1]	33	**34**	**80 of 235**
Entire global workforce	50[2]	**45**	**2,801 of 6,192**
Entire UK workforce	50[2]	**45**	**2,119 of 4,727**

1 People employed in roles across the two leadership levels below CEO, excluding admin employees. Our CFO and CIO, who sit on our Board, are included in both our Board and Executive populations.

2 Target has a tolerance of 3%.

3 Data is prepared in accordance with our reporting methodology and the KPIs are within KPMG's limited assurance scope. Both KPMG's limited assurance report and our reporting methodology can be found at **www.standardlifeaberdeen.com/annualreport**

To demonstrate progress in developing our talent pipeline we will continue to track the gender balance in our succession pool, for those ready for our most senior roles within the next three to five years. At January 2019, women made up 56% of named individuals on the succession list for these roles.

Continued delivery of cost efficiencies in a difficult market and flows environment

We remain focused on driving operational efficiency and cost control as we move closer to completing the integration and the implementation of our simplified global operating model.

We have delivered a resilient performance against a challenging industry backdrop and weak investor sentiment.

Bill Rattray

Q | What are the main changes you have made to the reporting of financial performance in this year’s results?

The discussion of the results on the following pages focuses mainly on our Continuing operations, excluding the results of the UK and European insurance business which we sold during the year. The results for this disposed business are discussed separately on page 37.

Following the sale of the UK and European insurance business we have also changed how we report our business segment performance to align with how the continuing business is managed and reported internally. The Asset management and platforms segment comprises our asset management (including HDFC Asset Management), platforms and advice businesses. The Insurance associates and joint ventures segment comprises our associate and joint venture life businesses – Phoenix, HDFC Life and HASL.

Q | Can you explain your capital position?

Following the sale of our UK and European insurance business to Phoenix, we are now regulated under the CRD IV regime for group-level prudential regulatory capital. Previously, the Group was regulated as an insurance company under Solvency II.

The sale has resulted in a significant reduction in our capital requirements reflecting the completion of our transformation into a fee based, capital-light business; however, the change of regulatory regime meant that our subordinated debt instruments no longer counted as regulatory capital under CRD IV. We therefore undertook a tender to retire two instruments with nominal value of £800m and reached agreement with holders to amend the terms of a $750m bond to comply with CRD IV requirements. The Group total capital requirement under CRD IV is £1.1bn at 31 December 2018.

The sale proceeds enabled us to announce the substantial return of capital to shareholders of up to £1.75bn. We returned £1bn to shareholders by way of a ‘B’ share scheme in November 2018, and have made good progress on our share buyback programme, with £235m completed by the end of 2018.

We remain strongly capitalised with a CRD IV Group regulatory capital surplus of £0.6bn at 31 December 2018. This surplus includes a deduction to allow for the proposed final dividend which will be paid in May 2019, and a deduction for £140m of share buyback which had been announced in 2018 but which is being completed in 2019.

Reported and Pro forma results

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

Our results for 2018 includes our 19.98% share of the Phoenix results for the four months ended 31 December 2018. Comparative periods have not been restated and therefore our share of Phoenix is not included prior to 31 August 2018 in either Reported or Pro forma results.

Alternative performance measures

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

APMs should be read together with the Group’s IFRS consolidated income statement, IFRS consolidated statement of financial position and IFRS consolidated statement of cash flows, which are presented in the Group financial statements section in the Annual report and accounts (ARA) 2018. Further details on alternative performance measures including reconciliations to relevant IFRS metrics are provided in the Supplementary information in Section 10 in the ARA 2018.

Key performance indicators	**2018**	2017 Pro forma basis	2017 Reported basis
Adjusted profit before tax			
Continuing operations[1]	**£650m**	£660m	£475m
Total	**£860m**	£1,039m	£854m
Adjusted diluted earnings per share[2]			
Continuing operations[1]	**17.8p**	17.2p	15.1p
Total	**22.5p**	28.9p	29.9p
Cost/income ratio[1]	**68%**	71%	70%
Assets under management and administration (AUMA)[1]	**£551.5bn**	£608.1bn	
Gross inflows[1]	**£75.2bn**	£72.4bn	
Net outflows[1]	**(£40.9bn)**	(£32.9bn)	
Investment performance – 3 years[3]	**50%**	63%	
Full year dividend per share	**21.6p**		21.3p

Other financial highlights	**2018**	2017 Reported basis
IFRS (loss)/profit before tax[1]	**(£787m)**	£438m
IFRS profit after tax attributable to equity holders	**£830m**	£699m
Diluted earnings per share[2]	**29.1p**	29.6p

1 Continuing operations excludes the UK and European insurance business. The sale of this business to Phoenix completed on 31 August 2018.

2 In accordance with IAS 33, earnings per share have not been restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback earnings per share from continuing operations for the year ended 31 December 2018 is not directly comparable with the prior year. Refer to Note 11 of the Group financial statements in the ARA 2018 for information relating to the calculation of diluted earnings per share.

3 Percentage of AUM above benchmark. Calculated on a Pro forma basis and gross of fees. A full definition is included in the Glossary.

Q | Can you explain your profitability and actions taken to reduce costs?

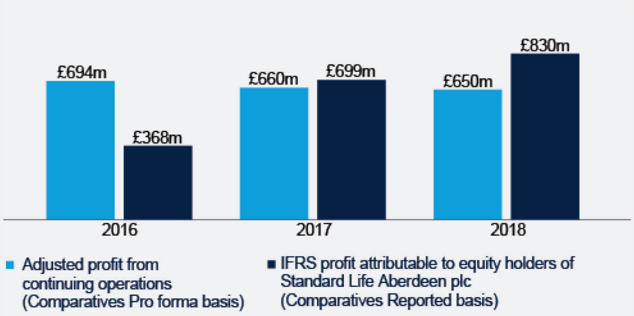
Adjusted profit before tax from continuing operations was £650m (2017: £660m Pro forma basis) with lower revenue reflecting the impact of net outflows in 2017 and 2018 partially offset by a reduction in operating costs and the inclusion of our share of Phoenix adjusted profits from 1 September 2018. Net outflows in 2018 were disappointing and this is a key area of management focus.

IFRS profit after tax attributable to equity holders of Standard Life Aberdeen plc increased by 19% to £830m mainly as a result of the £1,780m gain on sale of the UK and European insurance business. Partially offsetting the gain on sale is an £880m impairment of the Aberdeen Standard Investments goodwill, which reflects an appraisal of the asset based on the prevailing market conditions at 31 December 2018 and excludes future merger synergy benefits.

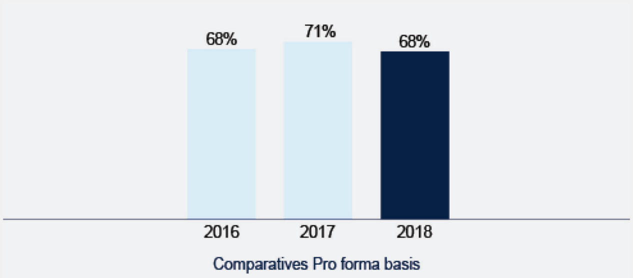
Careful cost control as we continue to implement the merger synergy benefits resulted in operating costs reducing by 10%. This, together with the inclusion of our share of Phoenix adjusted profits, led to the cost/income ratio improving significantly to 68% (2017: 71% Pro forma basis).

We continue to make good progress towards our total targeted annual cost savings of £350m to be achieved by end 2020, which reflects both merger synergies and the benefits from simplifying our operating model following the sale of the UK and European insurance business. As at 31 December 2018, actions had been taken to deliver £175m of the annualised costs savings, some of which will not begin to take effect until 2019. This means that we have already delivered 88% of our initial estimate of the merger synergies of £200m, and 70% of the increased target of £250m that we reported in 2017.

Adjusted profit before tax from continuing operations and IFRS profit



Cost/income ratio
(Continuing operations)



Assets under management and administration (AUMA) and net flows

We have the scale and global reach to offer a broad range of investment capabilities with total AUMA of over £550bn. AUMA fell 9% in 2018 due to net outflows and adverse market movements.

AUMA[1]	2018 £bn	2017 £bn
Institutional	**166.7**	192.5
Wholesale	**72.5**	86.6
Wealth/Digital	**10.9**	11.2
Strategic insurance partners	**255.0**	271.8
Total assets under management	**505.1**	562.1
Retail – Wrap and Elevate	**54.2**	54.0
Eliminations	**(7.8)**	(8.0)
Total AUMA	**551.5**	608.1

1 Following the sale of the UK and European insurance business, AUMA has been restated to exclude associates, joint ventures and SL Asia and is only presented on a continuing operations basis. Comparatives shown on a Pro forma basis.

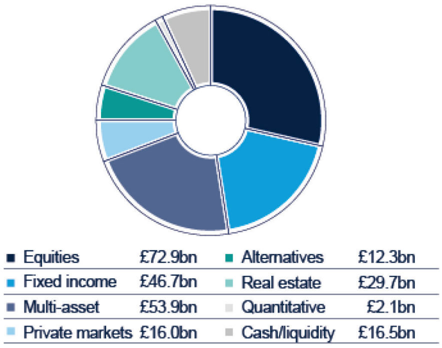
AUMA decreased by 9% to £551.5bn (2017: £608.1bn) as a result of asset management net outflows and adverse market movements.

In both institutional and wholesale the AUM reduction was primarily within equities, which was impacted by outflows reflecting investor sentiment and investment performance concerns as well as market movements, and multi-asset where the AUM reduction primarily related to GARS investment performance. Wholesale AUM was supplemented by corporate actions of £4.8bn in the year. This related to three bolt-on acquisitions which accelerated our US capabilities in private markets, closed ended funds and exchange traded funds.

Wealth/Digital includes our Parmenion platform as well as Aberdeen Standard Capital, our wealth business which was re-branded in January 2019. AUM was broadly stable at £10.9bn.

AUM managed for our strategic insurance partners, which includes Phoenix, decreased by 6% to £255.0bn (2017: £271.8bn) mainly due to adverse market movements of £11.3bn.

Institutional/Wholesale/Wealth/Digital split by asset class



Retail – Wrap and Elevate

Retail comprises our Wrap and Elevate platforms. Assets under administration remained flat in 2018 at £54.2bn (2017: £54.0bn), with net inflows of £4.2bn (2017: £7.0bn) largely offset by adverse market movements of £4.0bn.

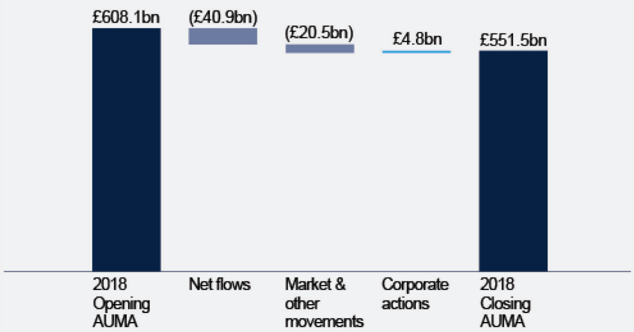
These platforms offer customers access to a wide range of investment capabilities including over 5,000 in-house and third party mutual funds. Of Wrap and Elevate assets, 14% are managed by Aberdeen Standard Investments.

Building our advice capability

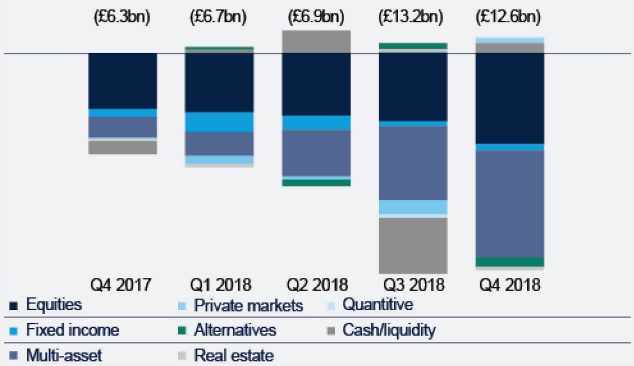
Assets under advice in 1825 increased to £4.0bn (2017: £3.6bn) during the year as we continue to build scale and aim for nationwide coverage in the UK. Following completion of a further two acquisitions this year, we now have 80 financial planners across 14 locations providing face-to-face and over the phone advice to in excess of 9,000 clients. Only the proportion of assets under advice that are held on our platforms are included in Retail assets under administration above.

Further information on AUMA and net flows are included in the Supplementary information section in the ARA 2018.

Movement in AUMA



Quarterly net flows by asset class



Gross and net flows

Flows

	Gross[1]		Net[1]	
	2018 £bn	2017 £bn	**2018 £bn**	2017 £bn
Equities	**11.8**	14.2	**(17.6)**	(10.2)
Fixed income	**6.0**	8.6	**(2.8)**	(3.1)
Multi-asset	**9.3**	13.9	**(15.7)**	(6.9)
Private markets	**1.1**	1.1	**(1.3)**	(0.3)
Alternatives	**0.8**	0.8	**(0.4)**	(0.5)
Real estate	**3.8**	3.6	**(0.2)**	(1.0)
Quantitative	**0.2**	0.2	**(0.1)**	(0.5)
Cash/Liquidity	**7.4**	6.4	**(1.3)**	(1.7)
Institutional/Wholesale[2]	**40.4**	48.8	**(39.4)**	(24.2)
Strategic insurance partners	**28.6**	15.6	**(5.5)**	(15.2)
Total asset management	**69.0**	64.4	**(44.9)**	(39.4)
Retail – Wrap and Elevate	**8.5**	10.7	**4.2**	7.0
Eliminations	**(2.3)**	(2.7)	**(0.2)**	(0.5)
Total	**75.2**	72.4	**(40.9)**	(32.9)

1 Following the sale of the UK and European insurance business, AUMA has been restated to exclude associates, joint ventures and SL Asia and is only presented on a continuing operations basis. Comparatives shown on a Pro forma basis.

2 Includes Wealth/Digital.

Gross inflows remained strong at £75.2bn (2017: £72.4bn) with decreases in institutional and wholesale being more than offset by increased gross inflows from strategic insurance partners. Institutional/Wholesale gross inflows decreased by £8.4bn to £40.4bn (2017: £48.8bn) but remained robust in all asset classes.

Net outflows were disappointing, increasing to £40.9bn (2017: £32.9bn) as we saw continued high levels of redemptions. Equities had net outflows of £17.6bn (2017: £10.2bn), reflecting investor sentiment towards emerging markets and equity markets more generally, as well as weaker investment performance. Emerging markets equities saw net outflows of £9.2bn (2017: £2.8bn) and global equities net outflows were £4.1bn (2017: £3.5bn).

Multi-asset saw net outflows of £15.7bn (2017: £6.9bn) due to weaker GARS three year investment performance. GARS dominated with net outflows of £16.7bn (2017: £10.7bn) reducing AUM to £19.9bn (2017: £37.4bn). Multi-asset (excluding GARS) generated net inflows of £1.0bn (2017: £3.8bn) which included continued demand for MyFolio and Parmenion products which delivered net inflows of £1.2bn (2017: £2.0bn) and £1.1bn (2017: £1.3bn) respectively.

Our strategic insurance partners gross inflows increased by 83% to £28.6bn as we benefited from additional assets secured from Phoenix under our enhanced strategic partnership, including two fixed income bulk annuity mandates. Strategic insurance partners net outflows reduced by £9.7bn to £5.5bn (2017: £15.2bn) reflecting redemptions from maturing insurance business in long-term run-off, partially offset by the higher gross flows.

Our Wrap and Elevate retail platforms had net inflows of £4.2bn representing 8% of opening assets, although down on the record net inflows of £7.0bn in 2017. The benefit from the boost in the pensions market from individuals looking to take advantage of high defined benefit transfer values has declined over 2018. However, these transfers continue to provide a significant source of inflows into our platform products which provide the flexibility offered by drawdown and pensions freedom. The need for financial advice continues to increase as the savings industry becomes more complex and people take on more responsibility for their life savings.

Investment performance

Investment performance (Pro forma basis) % of AUM ahead of benchmark[3]

	1 year		3 years		5 years	
	2018	2017	**2018**	2017	**2018**	2017
Equities	**40**	35	**31**	21	**29**	28
Fixed income	**50**	85	**76**	68	**64**	69
Multi-asset	**20**	87	**35**	85	**62**	88
Alternatives	**77**	58	**82**	86	**79**	81
Real estate	**71**	71	**56**	44	**61**	40
Quantitative	**69**	68	**59**	55	**67**	75
Cash/Liquidity	**81**	69	**81**	63	**82**	82
Total	**47**	70	**50**	63	**62**	64

3 Investment performance excludes non-discretionary portfolios and funds where no applicable index is available. Includes strategic insurance partners.

Investment performance over three years was mixed, with 50% (2017: 63%) of total assets under management ahead of benchmark on a gross of fees basis. Over the longer term five year period 62% (2017: 64%) of total assets under management were ahead of benchmark. The weaker three year performance reflects a challenging period with negative returns within multi-asset absolute return strategies (in particular GARS), and weakness in most equity classes other than Asia Pacific. Performance for Fixed income, Cash/Liquidity and Alternatives remain strong over three and five years. Investment performance over one year stands at 47% (2017: 70%).

The investment performance calculation covers 81% of total AUM. Further details about the calculation of investment performance are included in the Glossary.

The performance results of our investment capabilities and their underlying investment processes are actively monitored and independently evaluated by our Investment Governance and Oversight team.

Profitability

Adjusted profit before tax from continuing operations of £650m was 2% lower than 2017 on a Pro forma basis and included the benefit of our share of Phoenix adjusted profits from 1 September 2018. IFRS profit attributable to equity holders of Standard Life Aberdeen plc increased by 19% to £830m mainly as a result of the £1,780m gain on sale of the UK and European insurance business, partially offset by an £880m impairment of the Aberdeen Standard Investments goodwill intangible asset.

Adjusted profit before tax from continuing operations

Analysis of adjusted profit before tax from continuing operations	**2018 £m**	Pro forma basis 2017 £m	Reported basis 2017 £m
Asset management and platforms	**510**	602	417
Insurance associates and joint ventures	**140**	58	58
Adjusted profit before tax	**650**	660	475

Asset management and platforms

Adjusted profit before tax in our Asset management and platforms segment was £510m, a decrease of £92m compared to 2017 on a Pro forma basis of £602m mainly due to lower fee based revenue reflecting the impact of net outflows in 2017 and 2018. This was partially offset by a reduction in expenses.

On a Reported basis, adjusted profit before tax in the Asset management and platforms segment increased by £93m compared to 2017 primarily due to the inclusion of a full year's profit from Aberdeen in 2018 compared to four months profit in 2017.

Asset management and platforms includes the results of HDFC Asset Management, our associate asset management business in India. Our share of adjusted profit increased to £46m (2017: £41m) and the value of our shareholding in this business at 11 March 2019 was approximately £1.0bn. Our percentage ownership at 31 December 2018 was 29.96% (2017: 38.24%).

Insurance associates and joint ventures

	Ownership at 31 Dec 2018 %	**2018 £m**	**2017 £m**
Phoenix	**19.98**	**86**	–
HDFC Life	**29.23**	**42**	48
HASL	**50.00**	**12**	10
Adjusted profit before tax		**140**	58

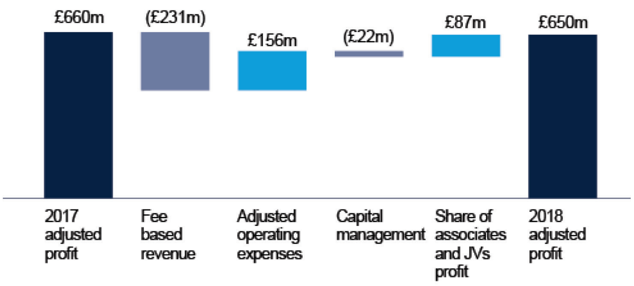
Adjusted profit before tax in our Insurance associates and joint ventures segment increased by 141% to £140m (2017: £58m) mainly due to the inclusion of our share of Phoenix adjusted profit of £86m from 1 September 2018. Our share of Phoenix adjusted profit before tax included a benefit of £42m from actuarial assumption changes, primarily relating to changes in annuity longevity assumptions.

HDFC Life profits increased in 2018 due to strong premium growth. However our share of profits fell to £42m (2017: £48m) due to the reduction in our shareholding following the IPO in November 2017 and adverse movements in exchange rates. On 11 March 2019, we also announced an offer for sale process in respect of up to 4.93% of the shares of HDFC Life, our associate life business in India at a floor price of Rs 357.5 per share. Assuming the offer is fully subscribed at the floor price, net sale proceeds are expected to be c£380m.

Based on the closing share price at 11 March 2019, the approximate value of our shareholding in Phoenix was £1.0bn and in HDFC Life £2.5bn (based on the value of our shareholding prior to announcement of the offer for sale described above). Combined with HDFC Asset Management, this gives a total value of our shareholdings in listed associates of approximately £4.5bn.

Profitability	**2018 £m**	Pro forma basis 2017 £m	Reported basis 2017 £m
Fee based revenue	**1,868**	2,099	1,447
Adjusted operating expenses	**(1,395)**	(1,551)	(1,084)
Adjusted operating profit	**473**	548	363
Capital management	**(9)**	13	13
Share of associates' and joint ventures' profit before tax	**186**	99	99
Adjusted profit before tax from continuing operations	**650**	660	475
Adjusted profit before tax from discontinued operations	**210**	379	379
Adjusted profit before tax	**860**	1,039	854
Total adjusting items	**122**		(40)
Share of associates' and joint ventures' tax expense	**(40)**		(41)
Profit attributable to non-controlling interests (preference shares and perpetual notes)	**(33)**		(8)
Tax expense	**(79)**		(66)
Profit for the year attributable to equity holders of Standard Life Aberdeen plc	**830**		699

Analysis of adjusted profit before tax from continuing operations



The primary movement in fee based revenue and adjusted operating expenses in 2018 compared to 2017 on a Reported basis is due to the inclusion of a full year's results from Aberdeen in 2018. The analysis of adjusted profit below compares 2018 to 2017 on a Pro forma basis.

Fee based revenue

Fee based revenue reduced by 11% to £1,868m (2017: £2,099m) reflecting the impact of net outflows in 2017 and net outflows and adverse market movements in 2018. In the asset management business the reduction in revenue was concentrated in the equities and multi-asset asset classes. Performance fees represent less than 1% of total revenue at £9m (2017: £26m).

The average fee revenue yield (excluding performance fees) for asset management (excluding strategic insurance partners) decreased to 48.1bps (2017: 51.1bps), reflecting the change in product mix driven by net outflows from higher margin equity and multi-asset funds. Within private markets, 2017 revenue included a non-recurring benefit of £7m from deferred income recognised.

The revenue yield from Strategic insurance partners fell slightly to 13.1bps (2017: 13.7bps).

Revenue from Wrap and Elevate increased by 10% to £142m (2017: £129m) reflecting the continuing growth in our platforms offering. Our retail advice and other business revenue of £43m (2017: £46m) comprises our 1825 advice business revenue of £34m (2017: £32m) and other business of £9m (2017: £14m). Other business fee based revenue includes a one-off reduction in 2018 of £5m following the adoption of the new revenue recognition accounting standard (IFRS 15).

Adjusted operating expenses

Adjusted operating expenses decreased by 10% to £1,395m (2017: £1,551m) mainly due to lower staff costs including the benefit from the ongoing merger integration and reduced variable compensation. Expenses also benefited from careful cost control as we responded to lower fee based revenue.

The cost/income ratio, which includes our share of associates' and joint ventures' profit, improved to 68% (2017: 71%) including the benefit from our share of Phoenix profit in 2018.

We remain on track to achieve our previously announced targeted annual efficiency savings of over £350m by the end of 2020. The merger integration continues to progress well with the pace of delivery accelerating across many areas of the business and we are making good progress implementing our simplified operating model. As at 31 December 2018, actions have been taken which will deliver £175m of annualised cost savings, benefiting 2018 adjusted operating expenses by c£120m with further benefits to come in 2019.

Total implementation costs incurred since the completion of the merger are £222m and we expect these to remain in line with the previous estimates of approximately £430m in aggregate to deliver the £350m annualised cost savings.

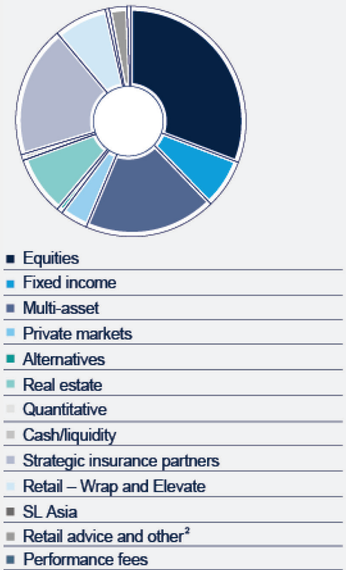
Capital management

Capital management resulted in a loss of £9m (2017: profit £13m) mainly due to the impact of markets on pooled investment fund holdings. The net interest credit on the UK pension scheme surplus was £29m (2017: £30m). Interest expense on debt was £45m (2017: £59m) reflecting the $750m debt issued in October 2017 and the redemption of a more expensive $500m bond in March 2018.

Revenue analysis	Average AUMA		Fee based revenue		Fee revenue yield	
	2018 £bn	2017 £bn	**2018 £m**	2017 £m	**2018 bps**	2017 bps
Equities	**86.3**	98.1	**578**	666	**66.9**	67.9
Fixed income	**46.9**	49.0	**130**	144	**27.7**	29.4
Multi-asset	**65.4**	74.7	**350**	432	**53.6**	57.7
Private markets	**15.8**	16.7	**68**	84	**43.1**	50.7
Alternatives	**10.5**	7.1	**18**	12	**17.4**	16.9
Real estate	**28.9**	29.2	**154**	159	**53.2**	54.4
Quantitative	**2.1**	2.2	**3**	3	**12.2**	12.1
Cash/Liquidity	**17.3**	19.1	**14**	14	**8.0**	7.4
Institutional/Wholesale[1]	**273.2**	296.1	**1,315**	1,514	**48.1**	51.1
Strategic insurance partners	**265.0**	271.1	**347**	372	**13.1**	13.7
Retail – Wrap and Elevate	**55.6**	49.2	**142**	129	**25.6**	26.2
Eliminations	**(7.9)**	(7.2)	**N/A**	N/A	**N/A**	N/A
Group fee revenue yield	**585.9**	609.2	**1,804**	2,015	**30.8**	33.1
SL Asia			**12**	12		
Retail advice and other[2]			**43**	46		
Performance fees			**9**	26		
Group fee based revenue			**1,868**	2,099		

[1] Includes Wealth/Digital. [2] Includes 1825, Focus and Threesixty.

Fee based revenue



IFRS profit

(2017 on a Reported basis)

IFRS profit attributable to equity holders of Standard Life Aberdeen plc increased by 19% to £830m mainly as a result of the £1,780m gain on sale of the UK and European insurance business.

IFRS loss before tax from continuing operations was £787m (2017: profit £438m) mainly due to a £1,397m loss from adjusting items (2017: profit £4m). This was partly offset by the inclusion of a full year's adjusted profit from Aberdeen in 2018.

IFRS profit	**2018 £m**	2017 £m
Adjusted profit before tax – continuing	**650**	475
Adjusting items – continuing	**(1,397)**	4
Share of associates' and joint ventures' tax expense[1]	**(40)**	(41)
(Loss)/profit before tax	**(787)**	438
Tax expense	**(43)**	(28)
(Loss)/profit for the year from continuing operations	**(830)**	410
Discontinued operations	**1,698**	322
Profit attributable to non-controlling interests	**(38)**	(33)
Profit for the year attributable to equity holders of Standard Life Aberdeen plc	**830**	699

1 2018 Includes £3m (2017: £nil) relating to tax on adjusting items.

Adjusting items are shown in the table below.

The profit on disposal of interests in associates of £185m includes £177m relating to the IPO of HDFC Asset Management which completed on 6 August 2018. As part of the IPO we reduced our holding from c38% to c30% for a total net consideration of £180m. 2017 included £302m from the sale of 5.4% of the shares in HDFC Life as part of its IPO in November 2017.

Restructuring and corporate transaction expenses were £239m (2017: £162m), mainly comprised of integration and merger related costs of £191m (2017: £109m). Further details on restructuring and corporate transaction expenses are provided in the Supplementary information section in the ARA 2018.

The amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts increased to £1,155m (2017: £138m) mainly due to the £880m impairment of the Aberdeen Standard Investments goodwill intangible asset. This reflects future cash flows which assume that the lower market levels seen at 31 December 2018 prevail for the longer term and which, as required by IAS 36, exclude future merger synergy benefits. Further details are provided in Note 14 in the ARA 2018. 2018 also includes a full year's amortisation charge on the intangible assets recognised as a result of the merger. 2017 included an impairment charge of £40m relating to the Lloyds Banking Group customer relationship intangible asset with no further charge in 2018.

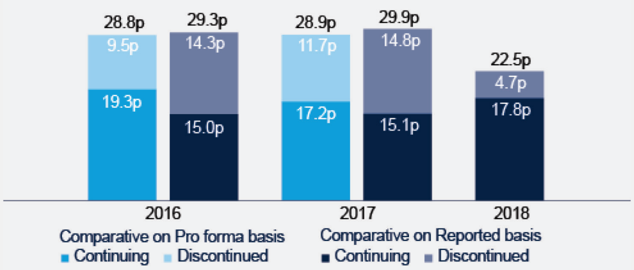
Impairment of associates of £228m relates to our investment in Phoenix. In accordance with IAS 28 requirements the Phoenix carrying value is the market value of this investment on 31 December 2018. Under IAS 28, the additional strategic value of our relationship with Phoenix is not taken into account in the impairment assessment. The Phoenix share price has recovered strongly since the year end and we will reverse this impairment to reflect any such improvement at the end of subsequent accounting periods.

Investment return variances and economic assumption changes of £54m relates to our share of Phoenix adjusting items. Refer to Note 12 of the Group financial statements in the ARA 2018.

The gain in adjusting items from discontinued operations of £1,519m (2017: loss £44m) includes the £1,780m gain on sale. See page 130 of the ARA 2018 for more details.

Analysis of adjusting items (2017 on a Reported basis)	**2018 £m**	2017 £m
Profit on disposal of interests in associates	**185**	319
Restructuring and corporate transaction expenses	**(239)**	(162)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(1,155)**	(138)
Impairment of associates	**(228)**	–
Investment return variances and economic assumption changes	**54**	–
Other	**(14)**	(15)
Total adjusting items from continuing operations	**(1,397)**	4
Discontinued operations	**1,519**	(44)
Total adjusting items	**122**	(40)

Adjusted diluted earnings per share



Adjusted diluted earnings per share was 22.5p (2017: Pro forma basis 28.9p, 2017: Reported basis 29.9p).

Adjusted cash generation from continuing operations

(2017 on a Pro forma basis)

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. Adjusted cash generation decreased to £453m (2017: £505m), due to the impact of lower asset management profits, partly offset by a dividend of £33m received from Phoenix in 2018.

Adjusted cash generation from continuing operations	2018 £m	2017 £m
Asset management and platforms	420	495
Insurance associates and joint ventures	33	10
Adjusted cash generation	**453**	505

Profit from discontinued operations

Discontinued operations relates to the UK and European insurance business which comprised Spread/risk, Europe, Workplace and non-platform elements of our Retail business. We successfully concluded the sale of this business to Phoenix on 31 August 2018 and recognised a gain on sale of £1,780m. Profitability in 2018 therefore only includes the result for the 8 months to 31 August 2018.

Discontinued adjusted profit before tax was £210m (2017: £379m) reflecting the 8 month period in 2018 and the benefit of operating assumption and actuarial reserving changes of £91m in 2017 (2018: £nil).

IFRS profit after tax attributable to equity holders from discontinued operations was £1,665m (2017: £297m). The result benefited from adjusting items of £1,519m (2017: loss £44m) which primarily related to the gain on sale of £1,780m. 2018 also benefited from a held for sale accounting adjustment of £44m relating to the amortisation of intangible assets (primarily deferred acquisition costs) and depreciation of tangible assets. Following the classification of the UK and European insurance business as held for sale on the announcement of the transaction on 23 February 2018, no further amortisation or depreciation was recognised. This increase to profit was classified as an adjusting item. These positive adjusting items were partially offset by £198m (2017: £nil) relating to the redemption of our tier 1 subordinated bonds, separation costs of £53m and losses from investment return variances and economic assumption changes of £41m (2017: profit £67m), primarily relating to credit spread widening in 2018 compared to narrowing in 2017.

Separation costs

We announced in the Sale Circular on 30 May 2018 that we expected to incur one-off costs relating to the separation of the business sold of approximately £250m, and there has been no change to this estimate. The 2018 result for discontinued operations included total separation costs of £133m. £53m was included within restructuring and corporate transaction expenses, and £80m was included in the gain on sale relating to contractual obligations arising from the transaction.

Tax expense from continuing operations

(2017 on a Reported basis)

The total IFRS tax expense attributable to the profit for the year from continuing operations was £43m (2017: £28m) including a credit of £52m (2017: credit £49m) relating to adjusting items. The effective tax rate on total IFRS profit is (5.5%) (2017: 6.4%). The main factors that have caused there to be a tax expense whilst there is an IFRS loss before tax are:

- Impairment losses on intangible assets are not tax deductible
- Loss on impairment of interest in associates is not tax deductible
- Costs which are not deductible for tax purposes
- Deferred tax assets have not been recognised on tax losses in some jurisdictions in which we operate

These factors are partially offset by:

- The gain arising from the IPO of HDFC Asset Management was subject to tax in India at a rate which is lower than the UK corporation tax rate
- Profits of some of our Asian subsidiaries are taxed at rates lower than the UK corporation tax rate
- A revaluation of deferred tax liabilities relating to intangible assets of the asset management business
- Our share of profit from our associate and joint venture holdings is already included on a net of tax basis and so no further amount is included in the tax expense

The tax expense attributable to adjusted profit before tax totalled £138m (2017: £118m), of which £43m (2017: £41m) represents equity holders' share of tax which is borne directly by our associates and joint ventures. The effective tax rate on adjusted profit is 21.2% (2017: 24.8%). This reflects costs which are not tax deductible and the tax on associate and joint ventures being at a higher rate than the UK Corporation tax rate.

Total tax contribution from continuing operations

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

Tax policy

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

You can read our tax strategy on our website
www.standardlifeaberdeen.com/annualreport

Financial strength and liquidity

CRD IV

Following the sale of the UK and European insurance business, the Group is classified as an investment group for prudential supervision and is subject to regulation under CRD IV. Previously, the Group was regulated as an insurance group subject to Solvency II. This has resulted in a significant reduction in the Group's total capital requirements. The Group's regulatory resources comprise shareholders' equity reduced by a number of deductions (including deductions for intangible assets, defined benefit pension plan surpluses and significant investments in associates). Capital requirements take into account the impact of the ICAAP process. The Group remains strongly capitalised. At 31 December 2018, the Group's regulatory capital position was as follows:

CRD IV Group regulatory capital position	2018 bn
Common Equity Tier 1 capital resources	1.1
Tier 2 capital resources	0.6
Total capital resources	1.7
Total capital requirements	(1.1)
Surplus regulatory capital	**0.6**

The above position includes a deduction to allow for the proposed final 2018 dividend which will be paid in May 2019.

Note 47[2] of the Group financial statements includes a reconciliation between IFRS equity and surplus regulatory capital and also details of our capital management policies.

Shareholder equity

IFRS equity attributable to equity holders of Standard Life Aberdeen plc decreased to £7.4bn (2017: £8.6bn) mainly due to distributions to shareholders, including the return of capital. This was partly offset by profitability in the year which included the gain on sale of the UK and European insurance business.

Our balance sheet is significantly simplified following the sale to Phoenix. Total assets reduced to £12.5bn (2017: £198.1bn) and total liabilities reduced to £5.0bn (2017: £189.1bn).

Intangible assets of £3.4bn (2017: £4.5bn) primarily relate to goodwill, customer relationships, technology and brands from acquired businesses. Further details are provided in Note 14[2].

The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £1.1bn (2017: £1.1bn). Further details are provided in Note 35[2].

Subordinated liabilities reduced to £1.1bn (2017: £2.3bn) as we completed the redemption of our outstanding tier 1 subordinated bonds on 25 October 2018, primarily funded by cash returned from the UK and European insurance business prior to sale. In November 2018 we obtained consent from bondholders to convert our $750m subordinated debt to CRD IV capital resources (Tier 2), as shown in the section above. Further details are provided in Note 34[2].

The Group holds £179m (2017: £193m) in newly established investment vehicles which the Group has seeded. The Group sets limits for investing in seed capital and regularly monitors the exposure. Additional detail is provided in the Risk management Note 39[2].

On 22 October 2018 in conjunction with the £1bn 'B' share scheme capital return, we undertook a share consolidation of the Company's share capital. The Company issued 7 new ordinary shares for each holding of 8 existing ordinary shares resulting in the number of shares in issue reducing from 2,942m to 2,574m. Refer to Note 26[2].

Liquidity management

Group cash and liquid resources were £2.6bn as at 31 December 2018 and includes those of the holding company detailed below.

Standard Life Aberdeen plc, the group holding company, holds substantial cash and liquid resources. At 31 December 2018 Standard Life Aberdeen plc held £1.3bn (2017: £1.2bn) of cash and liquid resources, comprises £789m (2017: £693m) of cash and short-term debt securities, £285m (2017: £298m) of bonds and £197m (2017: £204m) of holdings in pooled investment funds.

Dividends received from subsidiaries/associates consisted of £312m (2017: £180m) from Standard Life Assurance Limited, £346m (2017: £285m) from Aberdeen Standard Investments entities, £33m (2017: £nil) from Phoenix and £7m relating to dividends from HDFC Life (2017: £367m net remittance following IPO). Capital injections of £218m include £100m to Aberdeen Asset Management PLC as funding for acquisitions and £72m to support HASL growth. The remainder relates to funding for 1825 growth and support for other subsidiaries. Cash paid for the tender and conversion of subordinated debt instruments of £1.0bn were offset by £0.8bn of internal loan repayments by Standard Life Assurance Limited prior to the disposal.

Holding company cash and liquid resources (2017 on a Reported basis)	2018 £m	2017 £m
Opening 1 January	1,195	900
SLAL sale proceeds	1,971	–
Return of capital	(1,235)	–
Dividends received	698	832
Cash dividends paid to shareholders	(634)	(469)
Cash investments in subsidiaries, associates and joint ventures	(218)	(413)
Debt redemptions/issue	(207)	565
Expenses (including SLAL sale related)	(163)	(128)
Acquisition of shares by Employee Share Trust	(75)	(79)
Other	(61)	(13)
Closing 31 December[1]	**1,271**	1,195

1 Excludes collateral held on cross-currency swap.

Dividends

Proposed dividend

Our progressive dividend policy is to grow the annual dividend per share at a sustainable rate over the medium term. It is the Board's current intention that the total annual dividend will be held at the 2018 level of 21.6p while the business is transformed, cost synergies are delivered and future financial performance confirms the sustainability of this level of distribution and provides line of sight to its future growth.

The Board is recommending a final dividend for 2018 of 14.3p (2017: 14.3p) per share. Subject to shareholder approval, this will be paid on 21 May 2019 to shareholders on the register at close of business on 12 April 2019. The 2018 final dividend and future dividends will be paid on the lower number of ordinary shares following the share consolidation and buyback.

The dividend payment is expected to be £345m. At 31 December 2018 Standard Life Aberdeen plc held £1.3bn of cash and liquid resources and £1.6bn of distributable reserves, which will be used to support the dividend and remaining share buyback programme.

The final dividend, combined with the 2018 interim dividend of 7.3p, brings the total dividend for the year to 21.6p – an increase of 1.4% on the 2017 full year dividend.

2 In the ARA 2018.

How the dividend is funded

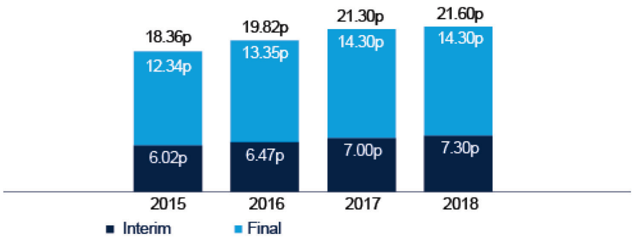
External dividends are funded from the cumulative dividend income that Standard Life Aberdeen plc receives from its subsidiaries and associates. To provide some protection against fluctuations in these dividends, Standard Life Aberdeen plc holds a buffer of distributable cash and liquid resources. This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

Return of capital

The general meeting on 25 June 2018 approved a return of capital of £1bn via a ‘B’ share scheme, and a return of up to £750m by a share buyback programme. The ‘B’ share scheme return of £1bn was completed in November 2018 and a further £235m has been returned to shareholders during 2018 under the share buyback programme. As at 11 March 2019, we have returned £358m through the share buyback programme with 132m shares repurchased at an average price of £2.72 per share.

Dividend per share paid by the Company

21.60p



Viability statement

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

Viability: We consider that three years is an appropriate period for this viability assessment. This is in line with our business planning horizon and is the period over which strategic actions, such as the launch of new investment propositions, are typically delivered. It also reflects the timescale over which changes to major regulations and the external landscape affecting our business typically take place. The key processes used by the Board to assess viability are set out below. We consider that the severe scenarios assessed as part of our reverse stress testing are appropriate over this three-year period.

Business plan scenarios: Our business planning process projects the performance, regulatory capital and liquidity of the Group over a three-year period, and considers scenarios including a severe downside. The severe downside scenario assumes a significant global recession; a sharp fall in global equity markets, with markets remaining considerably below recent levels throughout the three-year period, with bond yields falling through 2019 before steadying and some modest increases in 2020. Our analysis shows that, whilst capital is eroded under this scenario, the strength and quality of our capital base and the range of management actions that are available means that sufficient regulatory capital is maintained.

Stress testing and scenario analysis looks at plausible, adverse individual and combined stresses that could adversely impact profits, capital and liquidity. Stresses are calibrated at a 1-in-200 year probability level or worse. We performed a broad range of stresses during the year which, for the asset management business, included an exploration of: (i) individual stresses applied to fixed interest, equity and property market values, business outflows and expense levels, (ii) sensitivity to combinations of the above, (iii) combined stress scenarios considering market stagnation, poor fund performance and fee pressure.

The platforms business explored: (i) individual stresses applied to fees charged, flows, expenses, persistency and market movements, (ii) sensitivity to combinations of the above, (iii) the sequential analysis of the impact of data breaches on the business.

Under the most severe combined scenario impacting markets, persistency and expenses, the platforms business would have required a capital injection of £20m in order to maintain a regulatory capital surplus in the absence of any other actions being taken. A capital injection of this magnitude would be affordable for Standard Life Aberdeen without threatening viability. For all other scenarios the asset management and platforms businesses maintained sufficient regulatory capital.

Reverse stress testing gives a quantitative and qualitative understanding of plausible but severe risk scenarios which could threaten business model viability. In 2018, reverse stress testing was carried out by both the asset management and platforms businesses. This analysis explored the following scenarios: the rise of populism and protectionism; the breakdown of relationships with strategic partnerships and clients; the failure of multiple key projects; the failure of key third party service providers within the platforms business; and various Brexit scenarios. The reverse stress testing results highlighted the potential customer and cost impacts for the platforms business in the event of the complete failure of its key third party outsourced service provider. Although this would represent a significant stress for the platforms business it would not threaten the viability of Standard Life Aberdeen. The businesses were resilient under all other reverse stress tests.

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

Longer-term prospects: The Group’s prospects are primarily assessed through the strategic and business planning process which considers our business model and how this is designed to be sustainable and resilient in the long term as described on pages 9, 10, 11 and 25 of this report. The Directors’ assessment of prospects also takes into account: (i) the Group’s current capital and liquidity position, as set out on page 38, which shows a regulatory capital surplus of £0.6bn, (ii) the substantial cash and liquid resources held by Standard Life Aberdeen plc, (iii) the Group’s holdings in strategic investments.

Assessment of prospects: Based on the above, the Directors consider the Group’s current transformation plans will preserve the strengths of the existing business, create a compelling offering in response to changing client demands and enable the business model to deliver the vision of strong and sustainable growth. Furthermore, the Group’s financial position and business model are considered to support the assumption in the business plan scenarios that the Group’s dividend policy can be maintained over the planning horizon. The Board would expect to reassess the suitability of this assumption should future conditions be more adverse than those analysed.

Strong risk management underpins our approach to strategic delivery

Our approach to risk management

Effective risk management is an essential part of delivering our corporate strategy. Our approach is predicated on strong risk awareness and risk accountability across all lines of defence in our business. We believe that this delivers long-term value for our clients, customers and shareholders, and protects their interests.

We aim to ensure that:

- Our decision-making is attentive to both risk and reward in pursuit of our business plan objectives and strong client outcomes
- Our responsibilities to clients and customers are prioritised
- Capital is appropriately rewarded for the risks that are taken

Three lines of defence

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

- **First line:** Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls, is delegated from the Board to the Co-Chief Executives and, through a system of delegated authorities and limits, to business managers
- **Second line:** Risk oversight is provided by the Chief Risk Officer. The Risk and Compliance function is organised so that there is a consistent view across all of our principal risks, especially conduct, regulatory and strategic risks working closely with the first and third lines of defence.
- **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

As part of our corporate transformation, we have taken the opportunity to refresh our ERM framework. This also ensures that we continue to raise standards in risk management as we build a world-class investment company. Specifically, we have made changes across all the key building blocks of our framework so that they better support the management of risk in our transformed business.

The ERM framework ensures that risk is assessed, monitored, controlled and appropriately governed based on a common taxonomy and methodology. The major components of the ERM framework can be grouped into four areas related to how we govern, assess, monitor and control risks. Most risks arise in the business (first line), that is where they should be managed. The second line oversees business risk assessments and provides advice and challenge where necessary.

- **Risk governance:** Our governance drives how we make decisions on current and future risks drawing on our assessment, monitoring and control processes. We seek to ensure that risk decisions are taken at the right level. Most risk decisions are taken in our business units but certain decisions will be taken in senior executive committees or at Board level.
- **Risk assessment:** All three lines of defence have their own processes for assessing risk thoroughly in line with their respective roles. There are well developed processes for coordinating viewpoints, challenging specific assessments and escalating points of difference that might warrant action.
- **Risk monitoring:** The ongoing monitoring of risks and the performance of key controls is a critical activity to allow us to keep track of developments, drive action and ensure appropriate capital allocation
- **Risk control:** We operate processes so that risk is mitigated using controls with clearly identified control-owners. The effectiveness of controls is reviewed on a regular basis.

Internal Capital Adequacy Assessment Process (ICAAP)

The Group supervisory regime has changed from Solvency II to that of the Capital Requirements Directive. As required under the Capital Requirements Directive, the ERM framework is structured to support a comprehensive ICAAP which covers:

- Awareness and understanding of the current and potential risks to the business including both financial and non-financial risks and their potential to affect both long and short-term value
- Accountability for the management of risks
- The appetite to accept these risks and how we manage them
- The assessment of capital requirements with respect to the risks
- A forward-looking assessment of the risk and capital strength of Standard Life Aberdeen over a multi-year time horizon in light of business plans, considering a range of stress scenarios

Business risk environment

The delivery of good investment performance and our ability to innovate to respond to changing clients' needs is fundamental to the Group's ongoing success as is our ability to effectively distribute our investment solutions. Following the sale of the UK and European insurance business, and the diversification of revenues it previously provided, these key aspects of asset management delivery become even more fundamental to the success of the Group. We recognise that investment performance remains mixed with challenges across key funds and asset classes such as absolute return and equities. This weakened performance has impacted on overall net flows but gross inflows have been encouraging and are spread across a diverse range of capabilities.

The sale of the UK and European insurance business to Phoenix has significantly simplified the risk profile of the Group (though we still have indirect exposure to insurance risks through the 19.98% holding of Phoenix). As well as our core investment business, the financial success of the Group is materially influenced by holdings in our insurance and asset management associates and joint ventures in the UK, India and China which we oversee through a dedicated function to ensure we maximise value for shareholders.

As with any transformational corporate event, there are new risks introduced following the sale of the UK and European insurance business. There are increased dependencies on Phoenix for the efficient and effective operation of the Group through Transitional Services Arrangements and failures of these services could result in detriment to customer and client outcomes and subsequently to the Group's reputation and future financial performance. The Group has dedicated significant time and resource to structuring the Transitional Services Agreements and their ongoing oversight to mitigate such risks. Additionally, the Group is exposed to the dividend declared by Phoenix through our 19.98% holding and hence unexpected earnings volatility at Phoenix could impact on the Group's profitability. Our Investment Management Agreements and Ancillary Service Agreements with entities within the Phoenix Group are designed to ensure that service standards are maintained for both clients and customers. We follow our Group policy on material outsourcing arrangements which are subject to oversight by Risk and Compliance.

Operational stretch continues to exist within the business as work is underway to integrate and transform the Group in line with its new focus. This brings with it operational risks including the retention of talent and the engagement of our people. We have undertaken careful resource planning with executive ownership and accountability for delivery of our integration and transformation programmes alongside delivery of our business as usual activities for the benefit of our customers, clients and ultimately our shareholders.

The delivery of good investment performance and our ability to innovate to respond to changing clients' needs is fundamental to the Group's ongoing success as is our ability to effectively distribute our investment solutions. Following the sale of the UK and European insurance business, and the diversification of revenues it previously provided, these key aspects of asset management delivery become even more fundamental to the success of the Group. We recognise that investment performance remains mixed with challenges across key funds and asset classes such as absolute return and equities. This weakened performance has impacted on overall net flows but gross inflows have been encouraging and are spread across a diverse range of capabilities.

In view of the corporate transformation over the last two years, the business remains well positioned to benefit from the trends which are shaping the investment landscape. However, there remains unavoidable uncertainty due to Brexit, and in particular, a no-deal Brexit. The Group has well established plans for an orderly Brexit however there are impacts of a no-deal Brexit that are difficult to plan for and which could be disruptive. The degree of market disruption, and hence volatility, as a result of a no-deal Brexit is difficult to predict but our teams have processes in place to support the smooth and orderly governance of our funds should there be a disruption to pricing or liquidity of underlying assets.

Apart from the potential for increased market volatility impacting clients' investments, we have also had to consider (i) how to maintain the Group's portfolio management and distribution capabilities for European clients and (ii) the risk that key suppliers to the Group might suffer disruption.

In light of the multilateral memorandum of understandings which the European Securities and Markets Authority has co-ordinated on behalf of EU-27 securities regulators to allow supervisory cooperation with the UK FCA, we have analysed and planned for the residual risk that delegation arrangements between our Luxembourg and Irish subsidiaries and our UK offices may not be permitted. A no-deal Brexit could also threaten the Group's operations, as they could for many other industries and companies. Our Brexit preparations cover all areas of business including ensuring that our staff can continue to perform roles, maintaining continuity of personal data flows and addressing areas of concern with key suppliers. Our platform businesses are also preparing for the consequences of market disruption which could see markets, and hence platform funds, become illiquid and also high trade volumes as our customers and clients react to the evolving market conditions.

Cyber security has continued to be a major issue facing all large corporates and we are no exception especially given our global footprint and renewed focus on digital transformation. Dedicated teams of internal experts, augmented by external expert input, help to ensure we actively manage this continually evolving risk.

We have a strong proactive relationship with our regulators and seek opportunities to engage both directly and indirectly through trade associations to contribute to the regulatory agenda and ensure that our knowledge and experience are considered in the decisions taken.

The regulatory agenda continues to evolve with increasing focus from UK and EU regulators on value for money and competition and the FCA Asset Management Market Study and Investment Platforms Market Study have continued to remain important areas of our work.

Our ambition is to be an industry leader in conduct governance and the delivery of fair client and customer outcomes. This will be achieved through a strong conduct risk culture and we have made significant strides in this area to benchmark and strengthen our conduct risk framework.

Our principal risks and uncertainties

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

Operational risk

1 Process Execution and Trade Errors ▲

Risk appetite statement:

The Company maintains a number of significant business and operational processes. We have no appetite for significant process, operations and trade errors that are detrimental to our clients or customers or compromise our financial strength or our reputation. We will maintain a strong and well established risk management framework as a foundation for the effective management of process risk across the business.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Failing to execute operational processes may result in poor client and customer outcomes, operational losses, reputational damage and potentially increase the amount of capital we have to hold. Our increase in operational activity resulting from our merger which created the Standard Life Aberdeen Group, the sale of our UK and European insurance business and the implementation of our transformation has resulted in some additional strain to the normal operating environment. We recognise that these additional challenges require additional oversight and support to ensure we deliver against our strategy. We employ robust risk control processes to ensure that there is effective management and oversight of any process execution or trade error issues.	• Clearly defined three lines of defence risk management model where accountability and awareness are central to managing risks in the first line • Risk and control self-assessment process redesigned to fit the capital-light business proposition • Effective deployment of our Operational Risk team to effectively oversee and challenge process controls • Launch of a new risk management system to facilitate use of management intelligence and effective reporting • Evolution of our ERM framework to reflect our changing business will ensure that these risks are managed effectively across our business • Continued investment in our system capabilities as part of our transformation project will identify synergies and simplify our operating environment	Enhancing our operations

2 People ▲

Risk appetite statement:

Our people are crucial to the success of the Company and efforts will focus on maintaining a skilled and highly motivated workforce. We will accept a level of staff turnover provided that resource gaps are not detrimental to achieving strategic objectives. We seek to uphold our corporate values and we will take necessary action to eliminate individual and institutional discrimination and to make equality, diversity and inclusion core issues in the development and implementation of policies and initiatives and in the way we manage our staff. We accept that our international footprint and profile presents new challenges and we operate in some countries that maintain different values to our own. We will respect local laws, we will not knowingly expose our people to personal risk, and we will use our influence to contribute to development in our local operating context and maximise our positive impact as we operate around the world.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Our people drive the success of our business. We must retain, attract and develop a skilled and diverse workforce with the right experience to meet our strategic goals. With the creation of the Standard Life Aberdeen Group and sale of our UK and European insurance business our people are more clearly aligned to achieving our strategic objectives. Increased challenges in an uncertain business and political environment have the potential to impact our ability to attract and retain staff globally. In addition, our complex corporate change activity has been challenging for our people.	• We listen to our people and seek to understand their views through active leadership and ongoing staff engagement, including periodic surveys • We regularly benchmark our terms and conditions against the market • We are committed to driving inclusion and diversity • Employee networks are used to support our people ensuring their voices are heard. These include: Carers' Network, Mind Matters (mental health), Young Persons Development Network, Balance (gender), Unity (BAME), Armed Forces, Lighthouse (LGBT+) • We are committed to the Women in Finance Charter and meeting the targets by 2020 • We operate a global business where our people are able to work across borders and help us achieve our strategic goals	Enhancing our operations Innovating for the future

Trends

▲ Increase

◀ ▶ Stable

▼ Decrease

Link to strategic priorities

Client centricity

Enhancing our operations

Innovating for the future

Valuing our savings ecosystem

Operational risk continued

3 Technology ▲

Risk appetite statement:

The Company operates in an ever increasing technology driven environment, which brings complex challenges around data governance and cyber security. We have no appetite for substantial flaws in our technology infrastructure that could expose our systems to reoccurring or prolonged failure, unauthorised access, compromise by third parties, or breach of data protection regulation. We will maintain the confidentiality and integrity of our data, technology infrastructure and systems by implementing credible risk-prioritised controls to protect against known and emerging threats, focusing protection around our risk-sensitive assets and protect customer and staff data from unauthorised or accidental access, misuse or disclosure.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Our business is built upon our ability to advance alongside the technology available to us. We rely upon a wide range of IT systems and require greater use of online functionality to better serve our clients and our people. Effective management of technology can improve efficiency and cost savings. The risk of operational disruption and data loss is increasing as seen by the rise in phishing and malware attacks. Our exposures extend beyond our Group as we have a number of key suppliers who can be exposed to cyber risks resulting in impacts to our supply chain. This risk applies to our outsourcing of some IT services to Phoenix.	• We utilise layered controls and engagement in both change and business as usual activities • We undertake regular penetration testing and crisis management exercises • Our business invests in enhancing and developing controls in IT infrastructure • Continued engagement with our clients and with our regulators concerning technology risks • Security is considered as part of our ICAAP report and considers data security as well as virus and malware attacks • Delivery plans exist to ensure mitigating actions are in place covering our change risks. Embracing more agile working practices allows us to deliver multi-speed change for our business.	Enhancing our operations

4 Business Resilience and Continuity ◄ ►

Risk appetite statement:

We are committed to identifying the threats, interruptions and potential impacts to the Company, and building the resilience and capability required to provide an effective response. We have no appetite for reoccurring or prolonged interruption to our critical business operations and systems, including those undertaken by our outsourced partners, that could result in significant operational loss, material reputational damage or that impacts on client or customer service. Business resiliency planning and execution must be proactive, consistent and aligned with strategic objectives.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Identification and management of impacts of potential threats to our business requires resilience. Our processes are the safeguards that put the needs of our stakeholders at the heart of our continuity planning. A failure of business continuity could damage our ability to maintain day-to-day activity and serve our clients and customers and cause significant reputational and operational damage. We are exposed to external and uncontrollable events, such as extreme weather, which have an ability to impact our business operations. These events require resilience and continuity processes in order to manage potential impacts. We are well placed to maintain service and view this risk as stable.	• We maintain appropriate business continuity and contingency plans. We have achieved ISO 22301 in relation to fund management activities. • Our business supports remote access working to manage at times when some of our offices are unable to be accessed • We hold work area recovery locations as alternatives for our key office locations with capacity for key functions to continue servicing our clients and customers • We ensure our people are informed of any scenarios whereby physical or remote access is challenged. This communication system is tested regularly. • We are engaged with our key third party suppliers to ensure we have resilient operations. This is achieved through assurance activities and ongoing supplier management.	Client centricity Enhancing our operations

Operational risk continued

5 Fraud and Financial Crime ◀ ▶

Risk appetite statement:

The Company acknowledges that financial crime could arise from either internal or external parties who attempt to defraud the Company or our clients by circumventing our processes or controls, including those operated by our outsourced partners. We have no appetite for knowingly exposing our systems and processes to misuse, or conducting business with clients, suppliers or other third parties intent on misusing our products or services for the purpose of committing financial crime. We will take measures to detect, deter and report such behaviour and activity.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
We are vigilant to potential instances of fraud, both internal and external, financial crime or bribery and actively work to deter and prevent such behaviour. We have a number of supplier partnerships which increase our risk and we have controls in place to manage them. Risk detection methods are used to ensure we are able to protect clients and customers and our business.	• We operate a number of controls covering anti-money laundering, anti-bribery, fraud and other areas of financial crime and monitor them closely • Our Global Code of Conduct and Policy Framework provide our people with minimum standards and drive our culture • Our mandatory learning module on anti-financial crime provides our people the necessary information to identify and escalate potential issues • Our integrated Risk and Compliance function ensures that our controls are effective in combating financial crime and fraud	Client centricity Enhancing our operations

6 Change Management ◀ ▶

Risk appetite statement:

The Company is undergoing a significant transformation programme that requires our staff and processes to adapt quickly. We will not undertake change initiatives that do not meet the criteria for delivering these strategic objectives and/or regulatory requirements to the Company. We have no appetite for material wastage in time, scope, cost or quality of deliverables. Our change portfolio will be governed to predict and overcome change barriers in preparation for change implementation.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Implementing change activities supports our strategy and business plan. Our complex portfolio of internal change projects coupled with regulatory and political changes mean we face significant delivery challenges where there are competing demands for resources. Completing projects on time and on budget are risks in this space along with failure to meet the objectives of the change. Regulatory pressures continue along with political planning for Brexit. These challenge our deployment of technology, people and capital. We have actively planned for Brexit and other regulatory projects and view our change management trend as stable.	• Our major change projects are centrally managed with clear governance processes and consolidation of our change workload • As part of our stress and scenario testing we have considered change management • Our second line Risk and Compliance function engages with change activities to ensure appropriate governance is in place	Enhancing our operations

Trends

▲ Increase

◀ ▶ Stable

▼ Decrease

Link to strategic priorities

Client centricity

Enhancing our operations

Innovating for the future

Valuing our savings ecosystem

Operational risk continued

7 Supplier Risk ▲

Risk appetite statement:

The Company recognises that to achieve certain objectives and improve efficiency the use of suppliers is required and we have a number of outsourced supplier relationships as part of our business model, particularly in relation to fund administration, custody and transfer agency services, and retail platforms. We recognise that some suppliers may fail, but we have no appetite for our critical suppliers to fail to fulfil their obligations or provide inadequate service. Our supplier relationships will be governed and overseen, on a risk based approach, against the standards set within our procurement and supplier risk framework.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
We have a number of supplier relationships in operation to allow us to deliver our strategy such as, BNP Paribas and Citigroup for our asset management business, FNZ for our platform business and Phoenix for some of our IT services. The failure of any of our outsourcing providers could instigate a resilience and business continuity event disrupting our operations. Adding new outsourcers increases our exposure to our risk culture, framework and business performance.	• Our outsourcing and third party management policy includes the standards to which we hold our suppliers in relation to both new and existing arrangements • We have oversight and policies over our third parties as their changing business models affect our risk profile • Our stress and scenario testing programme considers supplier risk • We are committed to maintaining strong relationships with our external providers to ensure we understand arising risks and that early management can take place	Client centricity Enhancing our operations

8 Financial Management Process ◀ ▶

Risk appetite statement:

We are committed to operating a robust financial planning and control process to enable strategic and business decisions to be based on robust financial information. We have no appetite for accounting irregularities or making material financial mis-statements.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Standard Life Aberdeen has established financial management processes and controls. Our business decision making is based on accurate and timely financial information. Provision of inaccurate or incomplete information could result in poor strategic decision making and negatively impact our business planning processes.	• Application of robust governance and challenge ensures that where business decisions are made, there is appropriate oversight • Our Audit Committee challenges our reporting as part of financial planning and control processes • Our Risk function provides second line challenge of our business plan to support decision making • Our financial reporting is aligned to external reporting standards and industry best practices	Enhancing our operations

Conduct risk

9 Conduct Risk ◀ ▶

Risk appetite statement:

The Company has no appetite for unfair customer outcomes or poor market conduct, whether through deliberate or negligent actions.

Consistent with our values, where unfair outcomes arise, the Company will put it right in a fair and prompt manner.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Our business relies on our ability to ensure fair client and customer outcomes. Failure to achieve these outcomes poses significant reputational damage and likely financial losses for our business. We are fully supportive of our regulators driving better customer outcomes and mindful that in a changing landscape we need to remain agile to change. Our ambition remains to become an industry leader in conduct governance and the delivery of fair client and customer outcomes.	• Seeking good customer and client outcomes is an essential aspect of our corporate values and our franchise • Our Global Code of Conduct contains the standards required of our people. Along with our mandatory training modules we embed a strong conduct aware culture across our business. • The second line actively oversees the operation of the Conduct Risk Framework including the governance of conduct risks, the quality of risk assessment and action. We openly engage with our regulators around the world.	Client centricity

Regulatory and legal risk

10 Regulatory and Legal Risk ▲

Risk appetite statement:

Standard Life Aberdeen has no appetite for any breach of laws, regulations or prescribed codes that apply to its business. We have no appetite for wilfully breaching contractual obligations where this could give rise to a materially adverse financial or reputational impact on the Group. Financial materiality will be assessed against the materiality threshold used for the Group's consolidated financial statements in any given reporting period. Where laws require interpretation or where regulations or codes are ambiguous or untested, we will take reasonable steps to determine their applicability, including seeking legal advice where necessary. When determining the appropriate course of action, we will have due regard to fair outcomes for our customers, clients, shareholders and other relevant stakeholders. Where breaches are identified, we will ensure that these are resolved in a timely manner taking into account (where relevant) the interests of customers, clients, shareholders and other stakeholders including, if appropriate, by informing the relevant authorities.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
As part of a highly regulated industry globally, we are exposed to a number of different regulators and legal systems. Regulatory or legal change can drive opportunities and threats to our business activities. With current focus on platform activities and asset management fee pressure we are exposed to some risks in this area. An increase in regulatory change and information demands can require a significant diversion of people resource and impact growth opportunities due to climbing compliance costs.	• We are open with our regulators in order to maintain strong relationships and high levels of trust. This allows us to have timely and meaningful discussions on supervisory matters and any areas of potential regulatory change. • We conduct horizon scanning to plan any upcoming regulatory changes and establish programmes to manage them • The Policy Framework sets out the compliance standards for our business • Our internal legal team supports our senior management on relevant areas across our business	Enhancing our operations

Strategic risk

11 Strategic Risk ▲

Risk appetite statement:

The Company has an appetite for strategic risk that arises as a consequence of pursuing its chosen business model. We will proactively identify and understand the strategic risks that it is exposed to, the options available to manage them and ensure that these inform strategy formation and business planning. We have a limited appetite for failing to deliver our business plan objectives as a result of underperformance that is within our direct control. Ongoing performance against the business plan will be closely monitored and prompt action taken to address any material adverse divergence.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Our vision to build a world-class investment company requires us to generate sustainable long-term value for our clients and customers. We utilise active investment management to achieve this outcome. With variable investment performance across our products we are focused on managing our investment performance risks. Managing our strategic goals in line with completing our strategic transition to a capital-light business has created some potential distraction risks. Geopolitical unrest and associated risks can affect the markets in which we operate and impact our reputation Ensuring we have captured the demands and needs of clients and customers and adapting to preference changes can impact our business significantly.	• Ongoing engagement with clients and customers on service and performance • Our first and second line investment risk teams provide multiple levels of oversight and challenge to our investment function • Our Board and executives are responsible for our strategy and its execution, with our Co-CEOs responsible for the development and promotion of our strategy and overall monitoring of its operational performance • We proactively manage our relationships with our strategic partners allowing us to expand our existing investment capabilities and diversify our business capabilities	Impacts all areas of strategy

Trends

▲ Increase

◀ ▶ Stable

▼ Decrease

Link to strategic priorities

Client centricity

Enhancing our operations

Innovating for the future

Valuing our savings ecosystem

Financial risk

12 Financial Risk

Risk appetite statement:

The Company has no appetite to fail to maintain sufficient resources to meet its contractual, business and regulatory obligations. We will ensure it can do so under both normal conditions and an appropriate range of company and market stressed scenarios. The Company has an appetite for market and credit risk exposures where these are required in pursuit of its business objectives. Exposures must be controlled to manage capital and liquidity requirements, concentration risk and the risk of financial loss.

The risks to our business and how they have evolved in 2018	Our approach to managing these risks	Link to strategy
Our transition to a fee based model has increased the exposure of our revenue streams to volatility in financial markets given the impact this has on the value of assets on our platforms and under management. The value of our shareholder assets are also exposed to volatility in financial markets. Liquidity risk may impact our business if we were unable to maintain enough liquid capital to cover liabilities as they fall due. Our counterparty exposures have reduced as a result of the sale of our UK and European insurance business. We have effective processes in place to manage our counterparty exposures.	• We maintain a strong capital position to ensure any increased capital costs are covered • Through our ICAAP we allocate appropriate capital against our risks and review these risks on an ongoing basis • Our stress and scenario testing programme cover our financial risks in particular: market, liquidity and counterparty risks • Counterparty exposures are proactively monitored with mitigation action taken where necessary • We ensure we have appropriate capital to support and optimise our balance sheet • We monitor our current and projected liquidity position to identify where any management actions may be required • We maintain a revolving credit facility as part of our contingent funding plans	Enhancing our operations Valuing our savings ecosystem

A responsible approach

We hold ourselves to the same high standards that we expect of companies that we invest in.

Sustainability at Board level

An update on internal and external environmental, social and governance issues as well as our performance on non-financial measures are provided regularly at Board meetings.

Code of conduct

Our Global Code of Conduct, which details the standards of behaviour we expect across the Group, is reviewed and updated annually. All our employees are required to read, agree and adhere to the principles of the code which focuses on doing the right thing and putting our customers and clients at the heart of our business. At the end of February 2019, 95% of employees have confirmed they understand and will comply with the code. Reminders are sent to individuals who have not completed the confirmation and these are escalated through line management. A six-monthly report is presented to the Conduct and Conflicts Committee. If employees have any concerns relating to issues covered by the code such as bribery, environmental or human rights issues, we encourage them to speak to their manager in the first instance; if they feel they cannot raise their concern using their normal reporting line, or wish to raise it anonymously, we provide an independent and confidential Speak Up hotline. Fifteen incidents were reported with investigations carried out in 2018.

Modern slavery statement

As a global investment company, we want to do all we can to help tackle human trafficking, forced labour, bonded labour and child slavery. We focus on raising awareness of modern slavery issues, and encouraging good practices among our suppliers and the companies we invest in. We have published our 2018 statement and outcomes on our website, reinforcing our commitment to this important issue.

Human rights policy

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

Financial crime prevention

We have a zero tolerance approach to financial crime, bribery and corruption. We have policies, frameworks and controls in place to help ensure that we only receive or pay money to or from clients, third parties, partners and suppliers that we've identified as suitable to do business with. We run mandatory annual training for our employees which requires passing a test that confirms their understanding of both our policies and the part our people play. We also maintain a register for gifts and entertainment we receive or provide. We have processes for reporting and reviewing breaches of our policies. In 2018 we had no breaches.

Managing our environmental impact

Our greatest environmental impact is through the investments we hold. You can read more about our approach to integrating environmental considerations into our investment activity on our website.

Our operational environmental impact is mostly comprised of the energy we use in our buildings and air travel. To reduce our impact in these areas we track our consumption, pursue ongoing improvements in building management, and encourage our people to reconsider the need for air travel by offering technology solutions. This year we have pledged to procure 100% renewable electricity for our globally operated offices by 2020. We have also had a significant focus on supporting biodiversity, and have pledged to remove all single-use plastics in our globally operated offices where practical by 2020. Our 2018 greenhouse gas emissions (GHG) data is our new baseline year and we will be developing GHG reduction targets in 2019.

Climate change is an investment risk we consider across all asset classes, so we have been actively supporting efforts to promote more transparency on the climate risks that companies may be facing and how they are tackling them. We have publicly declared our support for the G20's Task Force on Climate-related Financial Disclosures. To enable us to meet the recommendations, we initiated two working groups on climate change in 2018 – one focused on our investment approach, and the other looking at our operations and stakeholder interactions.

You can read more on these topics and also find our Corporate sustainability report 2018 on our website
www.standardlifeaberdeen.com/annualreport

Greenhouse gas emissions		2018 (Location-based)	2017 (Location-based)	2018 (Market-based)[2]
Greenhouse gas emissions (tonnes CO_2e) continuing business	Scope 1	**2,667**		**2,667**
	Scope 2	**7,069**		**4,376**
	Scope 3	**22,482**		**22,106**
	Total	**32,218**[1]		**29,149**
Tonnes CO_2e/FTE ratio		**5.21**		**4.71**
Greenhouse gas emissions (tonnes CO_2e) including discontinuing business	Scope 1	**3,469**	3,518	**3,469**
	Scope 2	**10,847**	14,717	**4,782**
	Scope 3	**22,756**	17,543	**22,231**
	Total	**37,072**[1]	35,778[1]	**30,482**
Tonnes CO_2e/FTE ratio		**3.89**	2.89	**3.20**

1 Data prepared in accordance with our reporting methodology and the KPI is within KPMG's limited assurance scope. Both KPMG's limited assurance report and our reporting methodology can be found at **www.standardlifeaberdeen.com/annualreport**

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

Note: Emissions associated with real estate investment assets owned by Standard Life Assurance Limited for the 8 months prior to the sale on 31 August 2018 are 6,480 tonnes CO_2e.

Non-financial information statement

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

Reporting requirement	Relevant policies and publications	Where to find more information
Environment	Environmental policy[1]	**Our business practices** (page 48)
	Single-use plastics policy[1]	**www.standardlifeaberdeen.com/annualreport**
Employees	Global code of conduct[1]	**Our business practices** (page 48)
	Diversity strategy[1]	**Our people and culture** (pages 28 to 29)
	Anti-bribery and corruption policy[2]	**Our business practices** (page 48)
Human rights	Human rights policy[1]	**Our business practices** (page 48)
	Modern slavery statement[1]	**Our business practices** (page 48)
Social matters	Young people and money report	**www.standardlifeaberdeen.com/annualreport**
	Corporate sustainability report	**www.standardlifeaberdeen.com/annualreport**
	Supplier code of conduct[1]	**www.standardlifeaberdeen.com/annualreport**
Other matters	Business model	**Our business model** (pages 10 to 11)
	Non-financial KPIs	**Our strategy** (page 27), **Our business practices** (page 48)

1 Group policies are published on our website at **www.standardlifeaberdeen.com/annualreport**

2 Certain Group policies are not published externally.

Basis of preparation

Overview

Our Strategic report for the year to 31 December 2018 has been prepared in accordance 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 39 in the Group financial statements section in the Annual report and accounts (ARA) 2018. To provide clear and helpful information, we have also considered the revised voluntary best practice principles of the Guidance on the Strategic report issued by the Financial Reporting Council in July 2018. 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.

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 ARA 2018.

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 and our viability statement in the Chief Financial Officer's overview section and our principal risks in the Risk management section. In addition, the Group financial statements section in the ARA 2018 includes notes on the Group's subordinated liabilities (Note 34), management of its risks including market, credit and liquidity risk (Note 39), its contingent liabilities and commitments (Notes 43 and 44), and its capital structure and position (Note 47).

The Group continues to meet group and individual entity capital requirements and day-to-day liquidity needs. The Company has a revolving credit facility of £400m as part of our contingency funding plans and this is due to mature in 2022. 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.

After making enquiries and having assessed the principal risks, the Directors are satisfied that the Group has and will maintain sufficient resources to enable it to continue operating for at least 12 months from the date of approval of the financial statements and therefore consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. In addition, the Directors have assessed the Group's viability over a period of three years.

Forward-looking statements

Details of forward-looking statements are included in the Glossary.

Kenneth A Gilmour
Company Secretary,

Standard Life Aberdeen plc (SC286832)

13 March 2019

Board of Directors

Our business is overseen by our Board of Directors. Biographical details (and shareholdings) of the Directors as at 12 March 2019 are listed below.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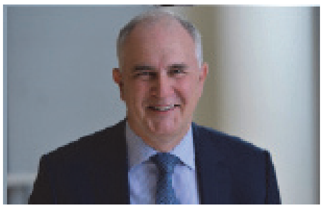
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Key to Board committees

- A — Audit committee
- NG — Nomination and governance committee
- R — Remuneration committee
- RC — Risk and capital committee
- Chair

1 Sir Douglas Flint CBE – Chairman NG

Appointed to the Board: November 2018

Nationality: British **Age:** 63 **Shares:** 50,374

Sir Douglas was appointed Chairman on 1 January 2019, having been a Director since 1 November 2018. He is also chairman of IP Group plc, non-executive director of the Centre for Policy Studies and member of the Global Advisory Council of Motive Partners. Additionally, he is chairman of the Just Finance Foundation, the Corporate board of Cancer Research UK and trustee of the Royal Marsden Cancer Charity. In December 2017 he was appointed by the Chancellor of the Exchequer as special envoy to China's Belt and Road Initiative. Previously, he served as chairman of HSBC Holdings plc from 2010 to 2017. For 15 years prior to this he was HSBC's group finance director, joining from KPMG where he was a partner. Between 2005 and 2011 he also served as a non-executive director of BP plc.

2 Simon Troughton – Deputy Chairman and Senior Independent Director NG

Appointed to the Board: August 2017

Nationality: British **Age:** 65 **Shares:** 64,054

Simon was appointed Senior Independent Director on 1 January 2019, and has been Deputy Chairman since August 2017. Previously, he was a non-executive director of Aberdeen Asset Management PLC from July 2009 and chairman from October 2016. Simon is also chairman of Redburn (Europe) Limited. Previously, he was a partner at Cazenove and Company Limited before moving to Fauchier Partners in 2003 where he became chief operating officer.

As announced, Simon intends to retire from the Board at the conclusion of the 2019 AGM.

3 Keith Skeoch – Co-Chief Executive

Appointed to the Board: May 2006

Nationality: British **Age:** 62 **Shares:** 2,472,605*

Keith was appointed Co-Chief Executive on 14 August 2017. He was formerly Chief Executive of Standard Life plc, having been a Director since 2006 and Chief Executive of Standard Life Investments since 2004. He joined Standard Life Investments Limited in 1999 as Chief Investment Officer after nearly 20 years' investment experience at James Capel in a number of roles, including chief economist and managing director international equities. He is also a non-executive director of the Financial Reporting Council and a member of the Asset Management Taskforce led by HM Treasury.

As announced, from 13 March Keith will be the sole Chief Executive.

4 Martin Gilbert – Co-Chief Executive

Appointed to the Board: August 2017

Nationality: British **Age:** 63 **Shares:** 1,354,623*

Martin was appointed Director and Co-Chief Executive on 14 August 2017. He is co-founder (and former chief executive) of Aberdeen Asset Management PLC, having been a director since 1983. He is a non-executive director of Glencore plc, chairman of the Prudential Regulation Authority's Practitioner Panel and a board member of the Institute of International Finance, as well as a member of the International Advisory Panel of the Monetary Authority of Singapore and the International Advisory Board of British American Business.

As announced, from 13 March Martin will be Vice Chairman of Standard Life Aberdeen and Chairman of Aberdeen Standard Investments.

5 Bill Rattray – Chief Financial Officer

Appointed to the Board: August 2017

Nationality: British **Age:** 60 **Shares:** 1,851,706*

Bill was appointed Director and Chief Financial Officer on 14 August 2017, having been finance director of Aberdeen Asset Management PLC since January 1991. He is also a non-executive director of Curtis Banks Group PLC. Prior to joining the Aberdeen Group, Bill trained as a chartered accountant with Ernst & Whinney, qualifying in 1982.

As announced, Bill intends to retire from the Board on 31 May 2019.

6 Rod Paris – Chief Investment Officer

Appointed to the Board: August 2017

Nationality: British **Age:** 59 **Shares:** 671,881

Appointed Director on 14 August 2017, Rod joined Standard Life Investments in 2002 as Head of Global Fixed Income and was appointed as Head of Investments in 2007 and latterly as Chief Investment Officer in 2013. Previously, he was a managing director at Merrill Lynch Investment Managers, and before that a director at Mercury Asset Management which he joined in 1984.

7 Cathleen Raffaeli – Non-executive Director R RC

Appointed to the Board: August 2018

Nationality: American **Age:** 62 **Shares:** Nil

Cathleen was appointed Director on 1 August 2018. She is also a non-executive director of Federal Home Loan Bank of New York and managing partner of Hamilton White Group, LLC and Soho Venture Partners Inc. Previously, Cathleen was lead director of E*Trade Financial Corporation, non-executive director of Kapitall Holdings, LLC and president and chief executive officer of ProAct Technologies Corporation.

8 John Devine – Non-executive Director A R RC

Appointed to the Board: July 2016

Nationality: British **Age:** 60 **Shares:** 28,399

Appointed Director on 4 July 2016, John is also a non-executive director of Credit Suisse International, Credit Suisse Securities (Europe) Limited, Citco Custody Limited and Citco Custody (UK) Limited. From 2008-2010, John was chief operating officer of Threadneedle Asset Management Limited. Prior to joining Threadneedle, John held a number of senior positions at Merrill Lynch in London and New York.

9 Jutta af Rosenborg – Non-executive Director A R

Appointed to the Board: August 2017

Nationality: Danish **Age:** 60 **Shares:** 8,750

Jutta was appointed Director on 14 August 2017, having been a non-executive director of Aberdeen Asset Management PLC since January 2013. She is also a non-executive director of JPMorgan European Investment Trust plc, NKT A/S, Nilfisk Holding A/S and BBGI SICAV S.A. Previously, she was the executive vice president, chief financial officer of ALK-Abelló A/S.

10 Martin Pike – Non-executive Director RC A

Appointed to the Board: September 2013

Nationality: British **Age:** 57 **Shares:** 69,476

Martin was appointed Director on 27 September 2013. He is also chairman and non-executive director of Faraday Underwriting Limited. He joined R Watson & Sons in 1983, and progressed his career with the firm to partner level. His senior roles included head of European insurance and financial services practice, Watson Wyatt from 2006 to 2009, vice-president and global practice director, insurance and financial services, Watson Wyatt during 2009 and, latterly, managing director, risk consulting & software, EMEA, Towers Watson from 2010 to 2013.

11 Melanie Gee – Non-executive Director A RC NG

Appointed to the Board: November 2015

Nationality: British **Age:** 57 **Shares:** 67,500

Appointed Director on 1 November 2015, Melanie is also a senior adviser at Lazard and Co. Limited, having been a managing director between 2008 and 2012. Previously, she held various roles with UBS, and was appointed a managing director in 1999. Melanie was a non-executive director of The Weir Group PLC between 2011 and 2017 and the Drax Group plc between 2013 and 2016. She is also chairman of Ridgeway Partners Holdings Limited.

12 Richard Mully – Non-executive Director R NG

Appointed to the Board: August 2017

Nationality: British **Age:** 57 **Shares:** 90,116

Richard was appointed Director on 14 August 2017, having been a non-executive director of Aberdeen Asset Management PLC since April 2012. Richard is also deputy chairman of alstria office REIT-AG, chairman of Great Portland Estates plc, senior adviser to TPG Real Estate (Europe) and director of Starr Street Limited. Previously, Richard spent much of his career in financial services as an investment banker and was the co-founder and managing partner of Grove International Partners LLP.

As announced, Richard intends to retire from the Board at the conclusion of the 2019 AGM.

* Shares include qualifying awards as described on page 94 of the Annual report and accounts 2018.

Remuneration

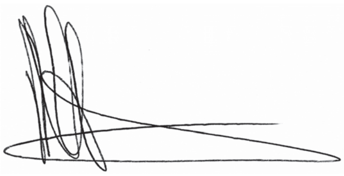
Richard Mully
Chairman, Remuneration Committee

Remuneration Committee Chairman's statement

This report sets out what the Directors of Standard Life Aberdeen plc were paid in 2018 and how we will pay them in 2019, together with an explanation of what the Remuneration Committee considered in reaching its recommendations. Where tables in this report have been audited by KPMG LLP we have marked them as 'audited' for clarity.

Approval

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



Richard Mully
Chairman, Remuneration Committee

13 March 2019

Dear Shareholder

2018 Events

On behalf of the Board I am pleased to present the summarised Remuneration Committee's report on Directors' remuneration for the year ended 31 December 2018.

We welcomed Cathleen Raffaeli to the Committee this year. Cathleen brings substantial experience to the Committee from her international roles and we look forward to working with her. I also extend my thanks to Gerhard Fusenig and Kevin Parry, both of whom stepped down from the Board at end of the year and have offered invaluable advice during their time on the Committee.

2018 was a year of change for Standard Life Aberdeen. There has been a significant amount of work behind the scenes and I would like to thank the People team who, under Kerry Christie's leadership, have helped deliver on critical projects. From an executive remuneration perspective, the new Directors' Remuneration Policy was submitted at the 2018 AGM and approved by shareholders with 98% of the vote. I would like to thank shareholders for the strong level of support given to the policy and their continued dialogue on remuneration matters. The policy was designed to clearly align the remuneration for executive Directors with company performance, taking into account an assessment of financial, non-financial and personal performance and supports our objective of having a simple and transparent structure for executive remuneration with a focus on sustainable long-term performance.

Business context and remuneration outcomes

As set out in the Chairman's statement, it is clear that 2018 has been a challenging year for our business with investment performance having fallen below historic levels, particularly within our absolute return strategies and weaknesses within a number of other equity classes. Significant outflows have materialised as a result of both investment performance in those areas and general investor sentiment in challenging market conditions. Conversely, performance for Fixed Income, Cash/Liquidity and Alternatives remains strong over 3 and 5 years, and we have maintained capital strength which has enabled us to sustain strong dividend payments.

We have continued to set and execute our long term strategic agenda with the sale of our UK and European insurance business to Phoenix in August 2018 marking a significant milestone in our transformation to a fee based, capital-light investment company. There has been substantial progress made on transformational and operational integration projects as a result of the merger. We remain on track to deliver the targeted annual efficiency savings of over £350m by 2020. While the strategy remains well supported by shareholders and the execution of the strategy has been good, it is clear that the challenges associated with the prevailing economic and geopolitical environment have impacted our financial performance, as a result of which our share price has not been what we would want over the past year.

Executive Incentive Plan ('EIP') outcomes

The financial performance indicated above has rightly impacted executive reward with the outcome of the Executive Incentive Plan ('EIP') scorecard being heavily weighted (80%) towards financial outcomes. However, the Committee did acknowledge that achievements from the perspective of strategic and personal performance also need to be taken into account when determining overall remuneration outcomes for our executive Directors.

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

- The outcome from the perspective of overall company performance
- The shareholder experience during 2018
- The context of the incentive funding position across our workforce

As a result, taking a holistic view of these factors, the Committee decided to apply a discretionary reduction to the EIP outcome for the co-CEOs in recognition of the disappointing outturn in 2018, reducing the awards to 50% of the calculated outcome. In addition, the Committee decided that the awards should be deferred in full, with vesting determined by performance against underpins which link the awards to future performance (details of which can be found on page 91 of the Annual report and accounts 2018).

In the Committee's view, the outcomes for the co-CEOs set out above best balance disappointing financial results and shareholder outcomes with appropriate recognition for the contribution made by the co-CEOs to manage the Company's performance in a challenging marketplace and to continue to move forward on the Company's strategic agenda as articulated to, and strongly supported by, our shareholders.

The overall outcome of the scorecard and the discretionary adjustment for the co-CEOs is set out in the table below.

co-CEOs	Formulaic assessment (% of maximum)	Final outcome (% of maximum)[1]	Final outcome (% of salary)	Final outcome (£000s)
Martin Gilbert	20.4%	10.2%	61%	367
Keith Skeoch	20.4%	10.2%	61%	367

[1] After discretionary adjustment applied.

Further details on EIP outcomes for all executive Directors can be found on pages 88 to 91 of the Annual report and accounts 2018.

Vesting of the 2016 Executive LTIP and Standard Life Investments Long Term Incentive Plan ('SLI LTIP')

Keith Skeoch participated in the 2016 Executive LTIP, the outcome of which was dependent on the achievement of stretching performance conditions by reference to adjusted profit and net flows targets. On assessment of performance against these conditions, it was determined that the award did not meet the required thresholds against either of these measures and the award lapsed in full.

Rod Paris participated in the 2016 SLI LTIP which was dependant on the achievement of adjusted profit targets and subject to underpins relating to investment performance. After the performance conditions were assessed, it was determined that 6.35% of the target award vested (3.175% of maximum).

Further details of the LTIP performance assessment, including how these performance conditions were restated to reflect various transactions during the year, can be found on page 91 of the Annual report and accounts 2018.

Alignment of remuneration across our workforce

As a result of the merger, a diverse range of terms and conditions are currently in operation across the Group. In 2018, work started on a project to harmonise terms and conditions for all UK based colleagues, with other activities underway or planned to achieve similar harmonisation objectives in our other locations. The harmonisation programme includes alignment of pension contributions, variable pay structures and other benefits. This provides an opportunity to improve alignment of remuneration with the Group's culture and to further enhance our 'one company' vision.

Proposals have been communicated to staff and are now subject to employee consultation. Implementation is expected to be in the second half of 2019.

The Committee has approved the proposed changes and is monitoring progress in line with its duty to periodically review trends in the wider remuneration landscape and to oversee relevant changes for our employees. Where appropriate, and where this is in line with the approved Directors' Remuneration Policy, the new set of terms and conditions will be extended to executive Directors.

Corporate Governance Code

Alongside the above work, the Committee noted the publication of the 2018 Corporate Governance Code in July 2018. I am pleased to confirm that Standard Life Aberdeen had already introduced a number of the measures proposed, such as a shareholding requirement post-cessation, which was adopted as part of the Directors' Remuneration Policy at the 2018 AGM, and the publication of the CEO pay ratio.

Another recommendation of the review was that executive Director pension arrangements should be aligned with those operating across the wider workforce. At the current time there is not a single set of terms and conditions in operation across the Group, although pension arrangements will be aligned as part of the terms and conditions harmonisation programme set out above. However, pension arrangements for existing executive Directors were aligned to colleagues within the legacy Aberdeen Asset Management heritage (which is a significant proportion of employees) as part of Directors' Remuneration Policy. It is not intended at this stage to make any further changes for current executive Directors in this regard. However, once the harmonisation programme has been implemented, pension arrangements for any executive Directors appointed after that date will be aligned with those operating across the wider workforce.

The Committee also took steps to strengthen the terms under which malus and clawback operate, clarifying additional scenarios under which the Committee could apply either as appropriate. The enhanced circumstances include material corporate failure, and where the grant or vesting of award is based on an error in information, assumptions or erroneous or misleading data.

Restatement of in-flight performance targets

As a result of the sale of our UK and European insurance business to Phoenix in August 2018, and other corporate events, the Remuneration Committee carefully assessed the impact on in-flight performance targets. In relation to executive Directors, this impacted EIP targets and in-flight LTIP arrangements. Where targets have been restated this has been done on a formulaic basis, taking into account the direct impact of the transaction on the relevant targets. The Committee approved these adjustments on the fundamental principle that targets should be no more or less difficult to achieve than the original targets. Restated targets are set out in the Annual report and accounts 2018, on page 88 for the EIP and page 93 for the LTIP.

How we will implement the policy in 2019

Base Salary

The Committee has determined that no increases to salaries would be made for any of the executive Directors. Salaries will therefore remain in line with 2018 (see page 55).

EIP

The Committee remains comfortable that the overall EIP mechanism remains fit for purpose and, as shown in the 2018 outcomes, appropriately aligns executive remuneration with the interests of the Group and its shareholders. It also allows the Committee an appropriate level of flexibility to apply discretion to ensure that remuneration outcomes are reflective of a holistic view of overall performance.

The Committee did, however, review the individual metrics which make up the financial element of the scorecard. In particular the Committee decided to make the following minor adjustments to metrics for 2019:

- Replace Adjusted Profit (20%) with Adjusted Diluted EPS (20%). In line with the conversations with major shareholders in 2018, the adjusted profit metric will be replaced with an EPS metric to further align the management team with the shareholder experience. EPS was not introduced in 2018 given the intended corporate activity in 2018. In line with the current adjusted profit metric, EPS will continue to be based on a look back period increasing to three years over the life of the policy. The 2018 base year EPS has therefore been taken from the same operating plan as the original adjusted profit target to maintain the integrity of the plan.
- Update the approach to measurement of net new flows. Given the volatility in setting net flows targets, and the relative size of fund flow, the Committee has revised the approach to determining the net flows target range to be based on the differential between gross inflows and gross redemptions. The revised approach is considered to provide a more robust assessment of performance.

Details of the proposed targets for 2019 can be found on page 86 of the Annual report and accounts 2018.

Board succession

A number of changes to the Board were announced on 13 March 2019. A summary of these changes, and the implications for associated remuneration arrangements, are set out below.

With effect from 13 March 2019, Keith Skeoch will become the sole CEO of Standard Life Aberdeen and Martin Gilbert will take up a new role as Vice Chairman of Standard Life and Chairman of Aberdeen Standard Investments from that date. Martin will remain on the Board and both he and Keith will continue to report into the Chairman. In his new role, Martin will focus on managing relationships with clients, winning new business and realising the potential from our global network and product capabilities.

Martin's base salary will remain as £600,000 and he will continue to participate in the EIP, although his maximum bonus opportunity will reduce from the current level of 600% to 350% of base salary with effect from the date of his appointment to his new role. There will be no changes to Keith's remuneration as a result of this change.

Stephanie Bruce will succeed Bill Rattray as CFO (subject to shareholder approval) on 1 June 2019.

Stephanie will be appointed on a base salary of £525,000 and she will receive a cash allowance in lieu of pension of 20% of salary in line with the executive remuneration policy. She will be eligible to participate in the EIP on the same basis as other executive Directors with a maximum opportunity of 350% of salary. As set out in the shareholder announcement, to reflect the change in the profile of her remuneration arrangements on leaving PwC, where partners have relatively stable earnings expectations with the full payment made in cash through the year, to joining Standard Life Aberdeen where there is significantly greater variability in out-turns and a significant proportion of awards are deferred for the longer-term, the Remuneration Committee has agreed to grant Stephanie a one-off award over Standard Life Aberdeen plc shares in connection with her appointment as CFO. The award, with a face value of £750,000 at the date of grant, will be over Standard Life Aberdeen shares and will vest in equal tranches in June 2020, June 2021 and June 2022.

Bill Rattray will retire from the Board on 31 May 2019 and will be given notice of cessation of his employment (12 months) at that date. It is intended that Bill will remain employed, to support transition to Stephanie, until 31 December 2019 during which time he will receive salary, benefits and will continue to accrue an award under the EIP. Following that date, in line with his contractual entitlements, Bill will receive salary and benefits for the remainder of his notice period.

As you will be aware from the announcement of 13 March, I have decided to retire from the Board at the 2019 AGM. It has been a pleasure to serve on the Board and I have much appreciated the open and constructive dialogue on remuneration matters that I have been able to enjoy with shareholders during my time as Chair of the Remuneration Committee. Although my successor has yet to be confirmed, I wish him or her every success and that he or she is able to enjoy the strong levels of support and engagement that you have afforded me.

I hope you find this report a clear account of how the Committee has implemented our policy during 2018 and are able to support the decisions we have made. I welcome comments from shareholders and look forward to hearing your feedback at the AGM.

For a full overview of our remuneration policy please see the Annual report and accounts 2017 on our website
www.standardlifeaberdeen.com/annualreport

Overview of the policy and how it will be implemented in 2019

<table>
<tr><th>Element</th><th>Overview of remuneration policy</th><th>Implementation in 2019</th></tr>
<tr><td>Base salary</td><td>Provides a core reward for undertaking the role.

Salaries are normally reviewed annually.</td><td>
<table>
<tr><th>With effect from 1 January 2019 base salaries are as follows</th><th>Salary</th><th>Salary increase</th></tr>
<tr><td>Co-Chief Executive officers[1] (Co-CEOs)</td><td>£600k</td><td>0%</td></tr>
<tr><td>Chief Investment Officer (CIO)</td><td>£450k</td><td>0%</td></tr>
<tr><td>Chief Financial Officer (CFO)</td><td>£450k</td><td>0%</td></tr>
<tr><td>Chief Financial Officer (designate)</td><td>£525k</td><td>n/a</td></tr>
</table>
1 Martin Gilbert’s salary will remain at £600k when he takes up his new role from 13 March 2019.</td></tr>
<tr><td>Benefits and Pension</td><td>Provides market competitive and cost effective benefits.

Competitive, flexible retirement benefit delivered in a way that does not create an unacceptable level of financial risk or cost to the Group.</td><td>Benefits in line with approved policy.

Pension allowance for each executive Director set at 20% of base salary.</td></tr>
<tr><td>Executive Incentive Plan (EIP)</td><td>Single incentive plan designed to reward the delivery of the Group’s business plan in a range of financial and non-financial areas.

Maximum award opportunity set at 700% of salary.

Performance assessed against a range of key financial, non-financial and personal performance measures.

Performance is measured both on annual, and where appropriate, trailing performance of up to three years.

Awards are delivered as follows:
• 25% in the form of cash
• 75% in the form of a deferred award

Deferred awards are subject to underpin conditions which are measured over the three financial years from award.

Subject to performance against the underpins, deferred awards vest in equal tranches on the third, fourth and fifth anniversaries of the grant date. Vested awards are subject to a holding period until the fifth anniversary of the grant date.

Cash and deferred awards are subject to malus and clawback.</td><td>Maximum opportunities for 2019:
• Co-CEOs: 600% of salary
• CIO: 600% of salary
• CFO: 350% of salary

80% of the award will be based on financial metrics, with the remainder based on non-financial (10%) and personal (10%) performance.

Underpin metrics for deferred variable pay awards are solely financial in nature.

The performance metrics used to determine awards are set out on page 86 of the Annual report and accounts 2018.

Martin Gilbert’s maximum bonus opportunity will reduce to 350% of base salary with effect from 13 March 2019 when he takes up his new role.</td></tr>
<tr><td>Share Ownership</td><td>Executive Directors are required to build up substantial interests in the Group.

Shares to the value of the share ownership guidelines must be held for 12 months following departure from the Group.</td><td>Executive Directors are required to build up interests in the Group as follows:
• Co-CEOs: 500% of salary
• CIO and CFO: 300% of salary

Martin Gilbert’s shareholding requirement will remain at 500% of salary until 13 March 2020 and will then revert to 300% of salary, in line with other executive Directors.</td></tr>
<tr><td>Non-executive Directors</td><td>Fees for the Chairman and non-executive Directors are set at an appropriate level to reflect the time commitment, responsibility and duties of the position and the contribution that is expected.

The Board annually sets the fees for the non-executive Directors, other than the fee for the Chairman of the Company which is set by the Remuneration Committee.

Fees for non-executive Directors are made up of a base fee and additional fees to reflect additional responsibilities (e.g. the Senior Independent Director / members / Chair of a Board Committee). The Chairman receives an all-inclusive fee. Additional fees or benefits may be provided at the discretion of the Remuneration Committee.</td><td>Details on non-executive Director fees in respect of 2019 can be found on page 98 of the Annual report and accounts 2018.</td></tr>
</table>

Our performance

EIP scorecard outcomes for 2018

The table below shows the outcome of the executive Directors' participation in the EIP plan for the period 1 January 2018 to 31 December 2018. Adjustments made to the performance targets as a result of the sale of Standard Life Aberdeen's UK and European insurance business together with further details on how outcomes have been determined can be found on pages 88 to 91 of the Annual report and accounts 2018.

As set out in further detail in the Chairman's statement, the Committee exercised its discretion to reduce the pay-out to the co-CEOs by 50% to reflect the overall performance of the Group over the 2018 performance period. In addition, for the co-CEOs, the full award (rather than 75%) will be delivered in the form of deferred shares. Deferred share awards vest over a five-year deferral period (tranche vesting between years three and five, with a holding period such that no shares are capable of being sold until the fifth anniversary of grant) and are subject to underpin performance conditions measured over three years. Details of the underpin conditions for 2018 deferred awards are set out on page 91 of the Annual report and accounts 2018.

	% based on financial performance (maximum 80%)	% based on non-financial performance (maximum 10%)	% based on personal performance (maximum 10%)	Scorecard outcome (% of maximum)	Final outcome after discretion applied (% of maximum)[1]	Pay-out (£000s)
Martin Gilbert	9.4%	5%	6%	20.4%	10.2%	367
Keith Skeoch	9.4%	5%	6%	20.4%	10.2%	367
Rod Paris	9.4%	5%	8%	22.4%	22.4%	605
Bill Rattray	9.4%	5%	5%	19.4%	19.4%	306

1 After application of the discretionary reduction of 50% to the EIP scorecard outcome, which was applied to the co-CEOs. No discretionary adjustment was applied to the CIO or the CFO.

Single total figure of remuneration – executive Directors (audited)

The following table sets out the single total figure of remuneration for each of the executive Directors who served as a Director at any time during the financial year ending 31 December 2018:

Executive Directors		Basic salary for year £000s	Taxable benefits in year £000s[1]	EIP paid in cash[2] £000s	EIP deferred £000s[3,4]	Long-term incentives with performance period ending during the year £000s[5,6]	Other payments £000s[7]	Pension allowance paid in year £000s	Total remuneration for the year £000s
Martin Gilbert[8]	**2018**	**600**	**2**	**–**	**367**	**–**	**–**	**120**	**1,089**
	2017	199	1	279	838	–	–	–	1,317
Keith Skeoch	**2018**	**600**	**1**	**–**	**367**	**–**	**1**	**120**	**1,089**
	2017	700	–	588	413	978	1	175	2,855
Rod Paris[8]	**2018**	**450**	**1**	**151**	**454**	**41**	**1**	**90**	**1,188**
	2017	170	–	311	224	70	–	43	818
Bill Rattray[8]	**2018**	**450**	**1**	**77**	**229**	**–**	**–**	**90**	**847**
	2017	139	1	58	173	–	–	25	396

1 This includes the taxable value of all benefits paid in respect of the year ended 31 December 2018. Included for Keith Skeoch and Rod Paris is private health cover at a cost to the Group of £518 per annum per employee and medical insurance for Martin Gilbert (£1,717) and Bill Rattray (£1,408).

2 For prior years this figure shows the annual cash bonus paid in respect of the year

3 As set out in the Chairman's statement, the Remuneration Committee decided that, for the co-CEOs, the full amount of the EIP award should be deferred in shares vesting over years 3, 4 and 5 and will be subject to the underpin mechanism detailed on page 91 of the Annual report and accounts 2018. For the CIO and the CFO, 75% of the EIP award is deferred under the same mechanism in line with the Directors' Remuneration Policy. In the event that all, or part, of the award fails to satisfy the underpin and subsequently lapses, the single figure outcome will be restated in the following Annual report and accounts.

4 For prior years this figure shows the annual deferred bonus awarded in respect of the year

5 The values reported for 2018 are the market values of the Executive LTIP awards and the Standard Life Investments LTIP awards granted in 2016 that will vest based on the three-year performance measurement period ending on 31 December 2018 – Executive LTIP (0%); and Standard Life Investments LTIP (3.175% of maximum). 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 Aberdeen plc shares that will vest (including additional Standard Life Aberdeen plc shares received in respect of accrued dividends from grant through to 31 December 2018) has been multiplied by the average share price over the quarter ending 31 December 2018 (264.15pence). This amount will be restated in the following Annual report and accounts once the share price at vesting is known.

6 The values reported for 2017 have been restated to reflect the value of the shares vesting in respect of the three-year performance measurement period ending on 31 December 2017. Where the awards vested in 2018 the price has been restated using the share price on the vesting date (355.80p). For the Executive LTIP awards which are subject to a further two year holding period until 2020, the restatement is based on the share price on the first trading day following the third anniversary of grant (355.80p).

7 Keith Skeoch, Martin Gilbert and Rod Paris, participate in the Standard Life Sharesave Plan. Keith Skeoch and Rod Paris participate in the Standard Life (Employee) Share Plan – the maximum annual award of matching shares in 2018 was £600.

8 Martin Gilbert, Rod Paris and Bill Rattray were appointed to the Board on 14 August 2017. All reported figures for 2017 are in respect of the period 14 August 2017 to 31 December 2017.

GOVERNANCE

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

The following table sets out the single total figure of remuneration for each of the non-executive Directors who served as a Director at any time during the financial year ending 31 December 2018. Non-executive Directors do not participate in bonus or long-term incentive plans and do not receive pension funding:

Non–executive Directors		Fees for year ended 31 December £000s	Taxable benefits in year ended 31 December £000s[1]	Total remuneration for the year ended 31 December £000s
Sir Gerry Grimstone	**2018**	**380**	**20**	**400**
	2017	380	15	395
Sir Douglas Flint[2]	**2018**	**14**	**–**	**14**
	2017	–	–	–
Simon Troughton	**2018**	**200**	**13**	**213**
	2017	77	–	77
Julie Chakraverty[3]	**2018**	**43**	**–**	**43**
	2017	40	–	40
John Devine	**2018**	**124**	**3**	**127**
	2017	92	4	96
Gerhard Fusenig	**2018**	**124**	**–**	**124**
	2017	36	–	36
Melanie Gee	**2018**	**114**	**4**	**118**
	2017	104	4	108
Richard Mully	**2018**	**124**	**8**	**132**
	2017	43	–	43
Kevin Parry	**2018**	**171**	**14**	**185**
	2017	118	7	125
Lynne Peacock[3]	**2018**	**66**	**–**	**66**
	2017	153	3	156
Martin Pike	**2018**	**114**	**5**	**119**
	2017	107	4	111
Cathleen Raffaeli[4]	**2018**	**35**	**–**	**35**
	2017	–	–	–
Jutta af Rosenborg	**2018**	**94**	**1**	**95**
	2017	36	–	36
Akira Suzuki[3,5]	**2018**	**–**	**–**	**–**
	2017	–	–	–

1 Sir Gerry Grimstone received an allowance of £20,000 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.

2 Appointed to the Board with effect from 1 November 2018. Appointed Chairman with effect from 1 January 2019.

3 Stepped down from the Board with effect from 29 May 2018.

4 Appointed to the Board with effect from 1 August 2018.

5 No fee is paid to a non-executive Director who represents a corporate shareholder.

The non-executive Directors, including the Chairman, have letters of appointment that set out their duties and responsibilities. The key terms are set out in the Remuneration Policy, which can be found in the Annual report and accounts 2017.

The service agreements/letters of appointment for Directors are available to shareholders to view on request from the Company Secretary at the Company's registered address (details of which can be found on page 64 of the Annual report and accounts 2018) and at the 2019 AGM.

Consolidated financial information

Consolidated income statement

For the year ended 31 December 2018

	2018 £m	2017 restated[1] £m
Income		
Investment return	**(116)**	238
Revenue from contracts with customers	**1,955**	1,486
Insurance contract premium income	**73**	89
Profit on disposal of interests in associates	**185**	319
Other income	**34**	33
Total income from continuing operations	**2,131**	2,165
Expenses		
Insurance contract claims and change in liabilities	**1**	201
Change in non-participating investment contract liabilities	**(78)**	74
Administrative expenses		
Restructuring and corporate transaction expenses	**231**	162
Impairment of goodwill – Aberdeen Standard Investments	**880**	–
Other administrative expenses	**1,746**	1,295
Total administrative expenses	**2,857**	1,457
Change in liability for third party interest in consolidated funds	**(5)**	6
Finance costs	**45**	34
Total expenses from continuing operations	**2,820**	1,772
Share of profit from associates and joint ventures	**130**	45
Loss on impairment of interest in associates	**(228)**	–
(Loss)/profit before tax from continuing operations	**(787)**	438
Tax expense attributable to continuing operations	**43**	28
(Loss)/profit for the year from continuing operations	**(830)**	410
Profit for the year from discontinued operations	**1,698**	322
Profit for the year	**868**	732
Attributable to:		
Equity holders of Standard Life Aberdeen plc		
From continuing operations	**(835)**	402
From discontinued operations	**1,665**	297
Equity holders of Standard Life Aberdeen plc	**830**	699
Non-controlling interests		
From continuing operations – preference shares and perpetual notes	**5**	8
From discontinued operations – ordinary shares	**5**	25
From discontinued operations – perpetual notes	**28**	–
	868	732
Earnings per share from continuing operations		
Basic (pence per share)	**(29.3)**	17.1
Diluted (pence per share)	**(29.3)**	17.0
Earnings per share		
Basic (pence per share)	**29.1**	29.8
Diluted (pence per share)	**29.1**	29.6

1 Comparatives for 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations.

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

For the year ended 31 December 2018

	2018			2017 restated[1]		
	Continuing operations £m	**Discontinued operations £m**	**Total £m**	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit before tax						
Asset management and platforms	**510**	**–**	**510**	417	–	417
Insurance associates and joint ventures	**140**	**–**	**140**	58	–	58
UK and European insurance	**–**	**210**	**210**	–	379	379
Adjusted profit before tax	**650**	**210**	**860**	475	379	854
Adjusted for the following items						
Restructuring and corporate transaction expenses	**(239)**	**(264)**	**(503)**	(162)	(11)	(173)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(1,155)**	**–**	**(1,155)**	(138)	–	(138)
Provision for annuity sales practices	**–**	**–**	**–**	–	(100)	(100)
Profit on disposal of subsidiaries	**–**	**1,780**	**1,780**	–	–	–
Profit on disposal of interests in associates	**185**	**–**	**185**	319	–	319
Impairment of associates	**(228)**	**–**	**(228)**	–	–	–
Investment return variances and economic assumption changes	**54**	**(41)**	**13**	–	67	67
Other[2]	**(14)**	**44**	**30**	(15)	–	(15)
Total adjusting items	**(1,397)**	**1,519**	**122**	4	(44)	(40)
Share of associates' and joint ventures' tax expense	**(40)**	**–**	**(40)**	(41)	–	(41)
Profit attributable to non-controlling interests – ordinary shares	**–**	**5**	**5**	–	25	25
(Loss)/profit before tax expense[3]	**(787)**	**1,734**	**947**	438	360	798
Tax (expense)/credit attributable to						
Adjusted profit	**(95)**	**(77)**	**(172)**	(77)	(31)	(108)
Adjusting items	**52**	**41**	**93**	49	(7)	42
Total tax expense	**(43)**	**(36)**	**(79)**	(28)	(38)	(66)
(Loss)/profit for the year	**(830)**	**1,698**	**868**	410	322	732

1 Comparatives for 2017 have been restated to reflect changes in the reportable segments.

2 The Other adjusting item in 2018 relating to discontinued operations is a held for sale accounting adjustment relating to the amortisation of intangible assets (primarily deferred acquisition costs) and depreciation of tangible assets of £44m. Following the classification of the UK and European insurance business as held for sale, no amortisation or depreciation was recognised in accordance with applicable financial reporting standards.

3 For discontinued operations profit before tax expense attributable to equity holders consists of profit before tax of £1,780m (2017: £526m) less tax expense attributable to policyholders' returns of £46m (2017: £166m).

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

Consolidated statement of financial position

As at 31 December 2018

	2018 £m	2017 £m
Assets		
Intangible assets	**3,404**	4,514
Deferred acquisition costs	**6**	612
Investments in associates and joint ventures accounted for using the equity method	**1,444**	503
Investment property	**–**	9,749
Property, plant and equipment	**61**	146
Pension and other post-retirement benefit assets	**1,111**	1,099
Deferred tax assets	**61**	65
Reinsurance assets	**–**	4,811
Loans	**–**	91
Derivative financial assets	**21**	3,053
Equity securities and interests in pooled investment funds	**2,030**	99,020
Debt securities	**1,723**	61,565
Receivables and other financial assets	**708**	1,242
Current tax recoverable	**6**	192
Other assets	**40**	185
Assets held for sale	**762**	1,038
Cash and cash equivalents	**1,140**	10,226
Total assets	**12,517**	198,111
Equity		
Share capital	**353**	364
Shares held by trusts	**(115)**	(61)
Share premium reserve	**640**	639
Retained earnings	**2,778**	3,162
Other reserves	**3,782**	4,500
Equity attributable to equity holders of Standard Life Aberdeen plc	**7,438**	8,604
Non-controlling interests		
Ordinary shares	**2**	289
Preference shares	**99**	99
Total equity	**7,539**	8,992
Liabilities		
Non-participating insurance contract liabilities	**3**	22,740
Non-participating investment contract liabilities	**1,468**	105,769
Participating contract liabilities	**–**	30,647
Deposits received from reinsurers	**–**	4,633
Third party interest in consolidated funds	**254**	16,457
Subordinated liabilities	**1,081**	2,253
Pension and other post-retirement benefit provisions	**38**	78
Deferred income	**75**	157
Deferred tax liabilities	**100**	367
Current tax liabilities	**23**	166
Derivative financial liabilities	**6**	813
Other financial liabilities	**1,162**	3,896
Provisions	**105**	316
Other liabilities	**6**	121
Liabilities of operations held for sale	**657**	706
Total liabilities	**4,978**	189,119
Total equity and liabilities	**12,517**	198,111

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

Sir Douglas Flint
Chairman, 13 March 2019

Bill Rattray
Chief Financial Officer, 13 March 2019

Glossary

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

Adjusted cash generation
Adjusted cash generation presents a shareholder view of cash generation. The calculation of this measure has been amended following the merger. For the Aberdeen Standard Investments element of the Asset management and platforms segment, adjusted cash generation adjusts IFRS net cash flows from operating activities for restructuring and corporate transaction expenses paid. For the platforms and corporate centre elements of the Asset management and platforms segment, adjusted cash generation removes certain non-cash items from adjusted profit before tax. Adjustments are made for deferred acquisition costs/deferred income reserve and fixed/intangible assets. Adjusted cash generation is stated net of current (cash) tax. IFRS net cash flows from operating activities is not used as the basis for these segments as it includes policyholder cash flows, and does not exclude adjusting items. For the Insurance associates and joint ventures segment, adjusted cash generation reflects dividends received in the period.

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

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

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

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

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

Coupons payable on perpetual notes classified as non-controlling interests for which interest is accrued are included in adjusted profit before tax. For IFRS purposes, these are recognised directly in equity. This gave rise to an adjusting item in 2017, prior to the reclassification of such instruments to subordinated liabilities on 18 December 2017. Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary shares. Similarly to preference shares, our share of interest payable on Tier 1 debt instruments held by associates, which are only accounted for when paid (as if interest is not paid it is cancelled), is excluded from adjusted profit.

Assets under management and administration (AUMA)
AUMA is a measure of the total assets we manage or administer on behalf of our clients and customers. It includes assets under management (AUM) and assets under administration (AUA). AUMA does not include AUM/AUA for associates and joint ventures and is also only presented on a continuing operations basis.

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

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

Board
The Board of Directors of the Company.

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

Chief Operating Decision Maker
The executive committee.

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

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

CRD IV
CRD IV is the European regulatory capital regime (comprising the Capital Requirements Directive and Capital Requirements Regulation) that applies to investment firms. Following the sale of the UK and European insurance business to Phoenix, the Group is supervised under the CRD IV regulatory regime for group prudential supervisory purposes. Previously, SLA was regulated as an insurance group subject to Solvency II.

Director
A Director of the Company.

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

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

Elevate
Elevate adviser platform acquired through the purchase of the entire share capital of AXA Portfolio Services Limited, subsequently renamed Elevate Portfolio Services Limited.

Executive committee

Responsible for supporting the Co-Chief Executives in the day-to-day running of the business and comprises: Co-Chief Executives and the functional/regional leaders for UK, Finance, Distribution, Americas, EMEA, Asia Pacific, People and Investment Management.

Fair value through profit or loss (FVTPL)

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

FCA

Financial Conduct Authority of the United Kingdom.

Fee based business/revenue

Fee based business is a component of adjusted profit and includes 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 based revenue is shown net of fees, commissions and similar charges (e.g. rebates and initial charges).

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 manage or administer. It is calculated as annualised fee based revenue (excluding performance fees, SL Asia, 1825, Focus and Threesixty) divided by monthly average fee based assets under management/administration.

Forward looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategy, objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of management about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and depend on circumstances which may be or are beyond the Company's control, including among other things: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; the value of and earnings from Standard Life Aberdeen's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches; natural or man-made catastrophic events; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations (including changes to the regulatory capital requirements that the Company is subject to) in the jurisdictions in which the Company and its affiliates operate. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements. Persons receiving this document should not place undue reliance on forward-looking statements. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' future results.

Global absolute return strategies (GARS)

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

Group, Standard Life Aberdeen Group or Standard Life Aberdeen

Relates to the Company and its subsidiaries following the completion of the merger of Standard Life plc and Aberdeen Asset Management PLC on 14 August 2017.

ICAAP

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

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are prepared in accordance with IFRS as endorsed by the EU. All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. The IFRS financial results in the Strategic report and in the Group financial statements have been prepared on the basis of the IFRS accounting policies as disclosed in the Group financial statements section of the Annual report and accounts 2018.

Investment performance

Investment performance has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmarks on a gross of fees basis. Benchmarks differ by fund and are defined in each fund's Investment Management Agreement (for example, the benchmark for our GARS unit trust fund is six-month GBP LIBOR). For total AUM, the investment performance calculation covers 81% of Aberdeen Standard Investments AUM, with certain assets excluded such as non-discretionary portfolios e.g. full replication tracker funds or funds where no applicable index is available such as Aberdeen Standard Capital funds.

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

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

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

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

Pillar 2
The requirement for companies to assess the level of additional capital held against risks not covered in Pillar 1.

Pillar 3
This complements Pillar 1 and Pillar 2 with the aim of improving market discipline by requiring companies to publish certain details of their risks, capital and risk management. The Group's Pillar 3 disclosures will be published on the Group's website at **www.standardlifeaberdeen.com/annualreport** before 31 December 2019.

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

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

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

Retail
Our UK Retail business offers a range of leading asset administration and financial planning services to advised and non-advised customers through our retail Platforms (Wrap, Elevate and Fundzone) and our 1825 financial advice business.

SLAL
Standard Life Assurance Limited.

Solvency II
Solvency II is the European regulatory capital regime that applies to insurance firms.

Spread/risk business
Spread/risk business relates to our discontinued UK and European insurance business and 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 adjusted 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 adjusted profit.

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

Standard Life Group
Prior to demutualisation on 10 July 2006, The Standard Life Assurance Company 2006 and its subsidiaries and, from demutualisation on 10 July 2006 to 13 August 2017, Standard Life plc and its subsidiaries.

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

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

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

Shareholder information

Registered office

1 George Street
Edinburgh
EH2 2LL
Scotland

Company registration number: SC286832

For shareholder services call:

0345 113 0045*

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

Secretary

Kenneth A Gilmour

Registrar

Link Market Services Limited (Link)

Auditors

KPMG LLP

Solicitors

Slaughter and May

Brokers

JP Morgan Cazenove
Goldman Sachs
Cenkos Securities

Shareholder services

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

- Contact our registrar, Link, who manage this service for us. Their details can be found on the inside back cover.
- Visit our share portal at **www.standardlifeaberdeenshares.com**

Sign up for Ecommunications

Signing up means:

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

Set up a share portal account

Having a share portal account means you can:

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

To find out how to sign up, visit **www.standardlifeaberdeenshares.com**

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 Aberdeen Share Account – by contacting Link, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please visit **www.mpsonline.org.uk**

Financial calendar

Full year results 2018	13 March
Ex-dividend date for 2018 final dividend	11 April
Record date for 2018 final dividend	12 April
Last date for DRIP elections for 2018 final dividend	01 May
Annual General Meeting – Edinburgh	14 May
Dividend payment date for 2018 final dividend	21 May
Half year results 2019	07 August
Ex-dividend date for 2019 interim dividend	15 August
Record date for 2019 interim dividend	16 August
Last date for DRIP elections for 2019 interim dividend	04 September
Dividend payment date for 2019 interim dividend	24 September

Analysis of registered shareholdings at 31 December 2018

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	66,632	65.85	27,314,687	1.08
1,001-5,000	29,943	29.59	60,755,578	2.40
5,001-10,000	2,464	2.44	16,390,222	0.65
10,001-100,000	1,556	1.54	38,520,767	1.52
#100,001+	586	0.58	2,386,430,970	94.35
Total	**101,181**	**100**	**2,529,412,224**	**100**

These figures include the Company-sponsored nominee – the Standard Life Aberdeen Share Account – which had 1,022,001 participants holding 648,081,141 shares.

Contact us

Got a shareholder question? Contact our shareholder services team.

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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.

Download our app

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

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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 2018 (unless otherwise indicated). This document has been published by Standard Life Aberdeen plc for information only. It is based on our understanding as at March 2019 and does not provide financial or legal advice.

Standard Life Aberdeen plc is registered in Scotland (SC286832) at 1 George Street, Edinburgh EH2 2LL.

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