Our strategy

How we will achieve our vision

Our strategy is centred around four key pillars, while remaining focused on achieving profitable growth.

Read more on **page 10**

Our strategic priorities

- Regulatory change
- Expand services
- Mergers and acquisitions
- Grow market share

Our values

Fundamental values that drive decision making

- We are **ambitious**
- We do the **right thing**
- We are **agile**
- We are **helpful**
- We are **experts**

Our sustainability framework

Empowering our people to thrive

Strengthening our communities	Protecting our environment	Supporting our clients and members

Being a responsible business

Sustainability supports the Group's mission and strategy. It is embedded into our business model so that by delivering on our mission to be leaders in pensions, investment consulting and administration, we are able to achieve better outcomes for all our stakeholders.

Our refreshed sustainability framework helps us focus on "shaping a better future" for those stakeholders, in line with our purpose to shape and support safe, robust and well-understood pension schemes. Building on our reputation as a responsible business, our framework drives positive outcomes for our people, environment, community, clients and members.

Read more on **page 20**

Financial

Revenue[1]

+21%

FY 2024	**£196.6m**
FY 2023	£162.3m

Proposed full year dividend

+19%

FY 2024	**10.0p**
FY 2023	8.4p

Adjusted EBITDA[2]

+32%

FY 2024	**£54.8m**
FY 2023	£41.4m

Net debt[5]

-75%

FY 2024	**£14.0m**
FY 2023	£55.3m

Adjusted diluted earnings per share[3]

+24%

FY 2024	**15.1p**
FY 2023	12.2p

Profit before tax[6]

+227%

FY 2024	**£62.5m**
FY 2023	£19.1m

FTE employees[4]

+9%

FY 2024	**1,712**
FY 2023	1,570

Basic EPS[7]

+240%

FY 2024	**26.2p**
FY 2023	7.7p

1 Group revenue growth excluding the NPT business disposed of in November 2023. Revenue growth including the NPT business was 20%. See note 7 in the financial statements.

2 Adjusted EBITDA excludes the impact of share-based payment costs, fair value adjustments of contingent consideration, and exceptional costs. This also excludes the results of the NPT business disposed of during the year. Adjusted EBITDA including the results of the NPT business was £55.3 million (FY 2023: £42.4 million).

3 Adjusted diluted earnings per share is based on adjusted profit after tax, which excludes the impact of amortisation of intangible assets, share-based payment costs, fair value adjustment of contingent consideration, exceptional costs, and the tax impact of these items (see note 6 in the financial statements). This also excludes the results of the NPT business disposed of during the year. Adjusted diluted earnings per share including the NPT business was 15.3p (FY 2023: 12.6p).

4 As at year end.

5 Excluding lease liabilities.

6 Profit before tax in FY 2024 benefits from the gain on sale of the NPT business. Excluding this, FY 2024 profit before tax would have been £30.5 million, a 57% increase on the prior year.

7 Basic EPS in FY 2024 benefits from the gain on sale of the NPT business. Excluding this gain, FY 2024 basic EPS would have been 10.3p vs 7.4p, a 39% increase on the prior year.

Awards

Professional Pensions UK Pensions Awards 2023 Winner – Diversity & Inclusion Excellence Award – XPS Pensions Group

Professional Pensions UK Pensions Awards 2023 Winner – Fiduciary Evaluator of the Year – XPS Pensions Group

Professional Pensions UK Pensions Awards 2023 Winner – Third-Party Administrator of the Year – XPS Pensions Group

UK Stewardship Code

Corporate Adviser Awards 23 Winner – Best Pension Adviser

Pensions Age Awards 2024 Winner – Sponsor Covenant Provider of the Year

Operational

£2.8bn
2023: £2.1bn
Value of liabilities over which we provided risk transfer advice

88
2023: 81
Number of schemes with over £1bn of assets

1.1m
2023: 1.0m
Members under administration

+31 eNPS
2023: +33
High eNPS score for the second year in a row

Carbon Neutral
Maintain carbon neutral status for third year in a row

£5.5m
2023: £4.9m
Continuing investment in software assets to drive operational efficiencies and improve customer experience

Sustainability

35%
2023: 31%
Senior management positions held by women

36
2023: 23
Number of clients in sustainable funds, representing £2.6bn AUM

60%
2023: 40%
Proportion of electricity that is renewable

Welcome to XPS Group

What we do

XPS Group is a leading independent pensions consulting and administration business in the UK. We have benefits of scale – we have a breadth of experience to draw on and can invest in solutions for the benefit of our clients – yet we remain agile, able to respond quickly as the world around our clients shifts.

Our services

1 Actuarial Consulting

We help make sure there is enough money in schemes

Pensions

We provide pragmatic advice that addresses the specific and often complex challenges faced by UK pension schemes and their corporate sponsors.

www.xpsgroup.com/what-we-do/pensions-advisory/

2 Investment Consulting

We advise on where to invest the assets

Investment

We provide clear and independent investment advice which we help clients implement quickly and effectively.

www.xpsgroup.com/what-we-do/investment-consulting/

3 Pensions Administration

We keep all the records, communicate with members and pay the pensions

Administration

Our award-winning pensions administration service puts scheme members at the heart of everything we do.

www.xpsgroup.com/what-we-do/administration/

Self Invested Pensions

XPS Self Invested Pensions is an award-winning SIPP and SSAS pension provider, trustee and administrator, which has specialised in self invested pensions for more than 40 years.

www.xpsselfinvestedpensions.com

The foundations of a thriving business

15

UK locations

Our 15 locations give us access to employees, expertise and clients across the UK.

1,700+

Employees

Our 1,700+ employees with market leading experience and knowledge and pride themselves on the highest delivery standards to solve our clients' needs.

>1,400

Pension scheme clients

We build strong relationships with our clients, which lead to repeat business and opportunities to cross-sell.

Why invest in XPS?

Diversified and stable client base	• We have long-standing relationships with a large and diverse client base, consisting of over 1,400 clients. We have a strong brand and have won multiple industry awards for our client service. Read more on **page 13**	**1,400+** **clients** Top ten clients represent 18% of revenue
Benefit from regulatory and market change	• There are c.£1.5 trillion of liabilities of private UK defined benefit pension schemes and a rapidly growing defined contribution market. Regulatory developments are driving increased client activity and demand for our services. Read more on **page 8**	**>£2.5bn** **size of annual fee market**
Track record of revenue growth and improving margins	• XPS has delivered year on year profitable revenue growth, through a range of macroeconomic conditions, since listing on the London Stock Exchange. Read more on **page 41**	**28%** **adjusted EBITDA margin**
Trusted expertise and highly engaged colleagues	• The outstanding expertise and client service focus of our colleagues are widely relied upon and highly valued by our clients. We have high client satisfaction scores and our people think XPS is a great place to work. Read more on **page 22**	**98%** **of our people** think XPS is a great place to work
Non-cyclical and recurring revenues with inflation linkage	• Our services are typically provided on the basis of an open-ended engagement with clients, and are compliance driven to a statutory timetable. They are therefore required in all parts of the economic cycle. We have a high degree of visibility of our revenue. Read more on **page 8**	**>90%** **repeat recurring revenue** across the business
Strong cash conversion and growing dividends	• XPS has a robust balance sheet, consistently high cash conversion and has a progressive dividend policy. Since listing in 2017, £91 million has been paid in dividends. Read more on **page 41**	**0.3x** **covenant leverage**
Opportunities for earnings enhancing M&A and scale up	• We have a proven track record of successful earnings enhancing M&A which demonstrates our ability to execute deals that are aligned to our corporate strategy. Read more on **page 17**	**6** **acquisitions** since listing in 2017

Delivering strong and stable growth

XPS Group's unique proposition is our ability to add value across our business. Our people, culture, technology and financial strength make this possible.

Our resources

Our people

Experts in their fields, our people drive the business. They're the innovators, the problem-solvers, the forward-thinkers, and that's why we invest in them.

Our culture

Values driven, employee centric, inclusive, friendly, meritocratic – our culture empowers our business.

Our technology

We invest in technology to deliver our services efficiently, and to bring clarity and understanding to the complex problems we help to solve.

Our financial strength

We are consistently profitable with the financial resources to invest in the development of services to anticipate client needs.

Our competitive advantage

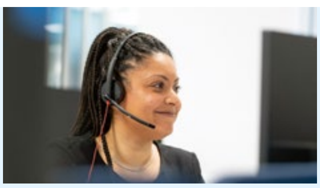
Specialist insight and expertise: Our team of experts brings deep knowledge and experience to the table.

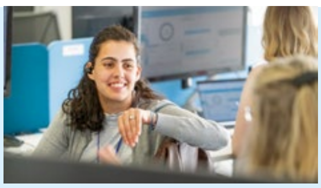
Exceptional quality service and tailored solutions: We pride ourselves on delivering a quality service. Whether it's administration, consulting or investment-related services, we tailor our solutions to meet the unique needs of our clients.

Our culture: Our culture and values guide us in everything we do and help us make a positive and sustainable impact with all stakeholders.

Diverse client base: XPS serves a diverse range of clients, including large corporate schemes, public sector funds, smaller pension arrangements and other financial institutions.

Strong brand: Our strong award-winning brand sets us apart from our competitors and communicates our values and brand promise as well as building client trust and loyalty.





How we create value

Advisory
- Actuarial advice
- Investment strategy
- Insurance consulting
- Risk management
- Regulatory compliance
- Governance support

Administration
- Private sector
- Public sector
- Regulatory compliance
- Self Invested Pensions
- Master trust administration

Value for all stakeholders

Clients
- Specialist insight and expertise leading to better outcomes for all stakeholders
- High-quality service and tailored solutions
- Value for money

Read more on **page 32-33**

1,400
clients

Our people
- Stimulating working environment and attractive career prospects
- First-class training and support towards professional qualifications
- Competitive remuneration and benefits

Read more on **page 22-26**

+31
employee Net Promoter Score

Shareholders
- Track record of growing revenues, profits and dividends – more than £91 million paid in dividends since listing in 2017
- Non-cyclical demand for services
- Highly predictable revenues
- Strong cash generation

Read more on **page 18-19**

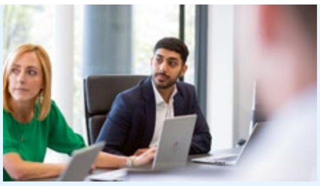
19%
growth in dividends in FY 2024

Community and environment
- Positive impact on communities through supporting local and national charities
- Open and fair relationships with regulators and suppliers through regular engagement
- Carbon neutral across Scope 1, 2 and 3 emissions and on the path to net zero

Read more on **page 27-31**

60%
renewable electricity with commitment for 100% by 2030



Competitive landscape and market opportunities

A highly visible defined benefit market complemented by a rapidly growing defined contribution market.

All weather growth

The solutions and services we provide to pension scheme clients continue to be in demand regardless of the economic cycle. After all, whatever the macroeconomic backdrop, members of pension schemes require correct payments to be made into their accounts at the right time. Lots of our other core services are needed against all backdrops too. Combine this with standard industry practice for client contracts to incorporate annual price increases in line with a measure of inflation, and the pensions services markets in which we operate can be termed "all weather" or "non-cyclical". Because of this, our markets have historically kept pace with inflation, growing at between 3% and 4% per annum. Today, however, market growth is outpacing inflation. Two key long-term structural drivers are fuelling this – regulatory and market change.

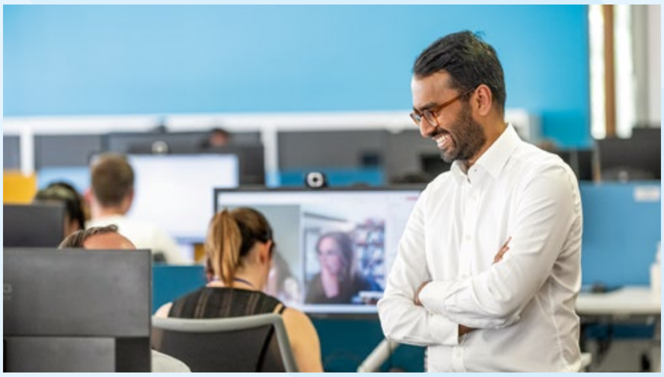
Our markets

In terms of size, the UK pensions services industry is worth approximately £2.5 billion per annum. Fees are generated across four key segments of the market:

- **Administration:** ensures scheme members receive the pensions they are owed when they are due. Services include record keeping, calculations, communications and payroll services;
- **Actuarial:** for defined benefit pension schemes, actuaries calculate if a pension scheme's promises to members (liabilities) can be met by its assets over time. Services include monitoring the financial position of a pension scheme and recommending courses of action to protect scheme members and sponsors against financial risk;
- **Investment:** provides advice on which asset strategy should be deployed to enable a pension scheme's liabilities to be met over the long term, balancing seeking good returns whilst avoiding taking undue risk; and
- **Employer covenant:** assesses the financial strength of the employer in relation to its ability to meet its pension obligations, which feeds into the level of investment risk that can be taken.

It is the essential nature of the services provided that gives the pensions industry its all weather growth qualities.

All weather: pension schemes constantly need all the above services. Members must receive payments on time. A scheme's capacity to meet its obligations to the members requires continual monitoring. Investment strategies need implementing and frequent reviewing. The financial strength of scheme sponsors has to be assessed regularly.



Growth: growth over and above the historical, all weather rate is generated when a fundamental shift in the operating environment has taken place either through regulatory and/or market change. Whenever change takes place, pension scheme trustees and corporate sponsors require advice on how best to navigate the new world so that members' pensions are protected. The workflows generated can often be spread over several years. Furthermore, with every new regulatory change/market shift, the delivery of pensions services becomes that much more complex. Not only does this drive fee market growth but also outsourcing opportunities, as internally administered schemes look to offload their administrative responsibilities to third-party specialists, such as us.

How regulatory changes drive markets

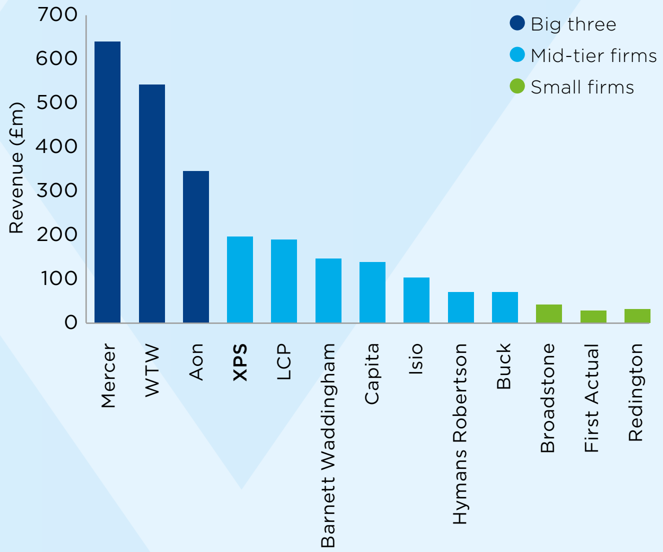
Regulations require pension scheme trustees and sponsors to seek support across all four areas outlined above. The regulatory landscape is, however, constantly evolving. In recent years pension schemes have had to respond to a series of new regulations: The Pension Schemes Act 2021 - covering how schemes should be funded and how company sponsors treat schemes during M&A activity; the Task Force on Climate-related Financial Disclosures (TCFD) - requiring trustees to improve the quality of governance and reporting of climate-related risks and opportunities; GMP equalisation – correcting the unequal treatment of men and women in relation to a small part of pension schemes dating back to the 1980s/90s; and the CMA Review – recommending trustees seek independent advice where they use certain types of asset manager.

Each of the above continues to generate demand for solutions and services. New guidance is expected too – a New Funding Code covering the Pensions Regulator's expectations around how to ensure members are protected over the longer term, building on a Single Code of Practice that came into effect in March 2024 that will increase governance requirements for trustees. This increased regulatory oversight of pension scheme trustees is therefore likely to be a key driver of growth for years to come.

Fragmented marketplace: opportunity to grow

Workplace pensions is a fragmented market which offers a considerable potential to grow by increasing market share, either organically or via M&A. Sitting beneath the big three players for whom workplace pensions are not 100% of their business, XPS is one of the largest mid-tier companies and so is well placed to continue to grow market share.

Competitive landscape[1]



Opportunity for mid-tier firms to win clients of the Big 3

- Technology
- Investment in services
- Value for money
- Driven by Independent Trustee

5,063[2]
(Private sector) UK defined benefit schemes

c.£1.3tn[2]
Total liabilities

£2.5bn+[3]
Pensions advisory services market p.a.

1 Professional Pensions article "The UK's biggest pension consulting firms by revenue" issued 21 February 2024 based on figures taken from latest available company accounts.

2 Source: Pensions Protection Fund Purple Book 2023 as at 31 March 2023.

3 Management estimate.

How markets drive growth

Markets are also expected to be a source of growth for the industry over the next few years, particularly following the change that has taken place in recent years from a low to high interest/inflationary rate environment. This has largely been positive for pension schemes – deficits caused by near-zero interest rates have either been sharply reduced or replaced by surpluses. A switch from a large to small deficit or from a deficit to a surplus represents a material change in circumstances, one that requires advice and potentially action to lock in a scheme's improved financial position via de-risking so that members' benefits are safeguarded. Options with regard to corporate sponsor contributions or how best to make use of any surplus will also likely need to be considered.

The effects of the new regime are being reflected in the de-risking market – bulk annuity volumes are forecast to rise to £50–60 billion by 2025, a step up from the previous £30 billion a year level, and with private sector pension liabilities alone standing at £1.3 trillion, ample scope remains for further growth in bulk annuity volumes over the long term.

What does this mean for service providers such as XPS? Whether they take the form of a buy-in (where a pension scheme buys an insurance policy to secure part or all of the promises made to members) or a buy-out (where the pension scheme is eventually wound up after 100% of the liabilities have been insured), bulk annuities generate a wide range of work streams from the provision of advice to transaction broking services, and, on the other side of a buy-in/buy-out transaction, there typically sits an insurance company. As the bulk annuity market grows, therefore, so too does the overlap between the pensions and insurance industries. Insurers require support when they take on the responsibility of protecting and administering members' benefits. They also have to meet regulatory requirements and manage risks such as inflation, longevity and demographics. Insurance companies are therefore increasingly becoming another source of market-driven growth for the sector.

The fragmented nature of the workplace pensions market represents another growth opportunity. Considerable scope exists for XPS, one of the largest mid-tier companies, to continue capturing market share, both organically and inorganically, particularly as XPS is strongly differentiated from its larger competitors.

A new normal

During the period of low-to-near-zero interest rates that followed the global financial crisis, regulatory change was the primary source of activity. Today, markets too are driving new opportunities for pension schemes and with them strong demand for our services. The overall number of schemes may be reducing, but opportunities are being created for XPS in the insurance market and, in turn, for us to maintain our track record of all-weather growth.

Our strategic priorities

Delivering our purpose and growing profitably.

Our strategy has been designed to deliver our societal purpose – to shape and support safe, robust and well-understood pension schemes for the benefit of people and society – and at the same time achieve profitable growth. Thanks to the hard work and dedication of our people, we have executed effectively on our strategy, which has created the scale and the agility to deliver best-in-class solutions to pension schemes of all sizes. We have the track record of providing thought leadership to the industry and regulators, and we have the proprietary technology and partners in place to achieve better outcomes for members and society as a whole.

Our strategy is based around four strategic pillars:

Regulatory change

Trustees, corporate sponsors and members of pension schemes all need ongoing advice and support to navigate the evolving regulatory environment. We see our role as not only a provider of solutions to help deal with change, but also as a contributor to the regulatory debate.

Progress

We helped clients prepare for the new Single Code of Practice and continued to roll out our GMP equalisation solution. We have also been working on a large one-off project to develop technology to implement the McCloud judgement. We participated alongside the regulator, the UK government, HM Treasury and the Institute for Fiscal Studies in discussions focused on how pension scheme assets can best be invested into productive finance. We commenced working with several new and existing clients to explore how they can invest in productive finance.

Priorities for FY 2025

- Meet McCloud judgement project commitments within the statutory timeframe
- Prepare clients for the new Single Code of Practice and Funding and Investment Code
- Further roll-out of GMP equalisation solution
- Continue work on productive finance approach

Key risks

- Include third-party supplier/ outsourcing issues, errors, theft and fraud and strategy

Expand services

Expansion of our services is not just centred around adding new solutions to our full-service offering but also increasing the number of services we provide to each of our clients as well as expanding into new markets. The growing overlap between the pensions and insurance industries is a clear avenue of growth, one that can be captured by continually expanding our offering, leveraging technology and forging partnerships.

Progress

We launched our AI Driven Actuary (AIDA) tool, which speeds up the process of assessing member options. We launched a strategic partnership with specialist UK insurer The Pensions Insurance Corporation (PIC) to enable small pension schemes to access insurance solutions. We established a strategic partnership with SEI to create a market-leading master trust following the sale of our NPT business to SEI. Our de-risking activity continued to generate advisory work with insurance companies that have taken on client pension scheme liabilities.

Priorities for FY 2025

- Grow the PIC and SEI partnerships
- Roll out new products such as our AIDA tool across our client base and further expand our data analytics capability
- Pursue further growth in our de-risking practice, including to win more external and internal mandates
- Continue to expand our services to insurance companies

Key risks

- Include strategic planning and execution, financial performance, information/ cyber security, staff/ human resources, client engagement and business conduct and reputation

£100bn
the amount of surplus that could be invested into productive finance via our straightforward and safe approach

32,000
the number of public sector pension members covered by the McCloud Judgement

40
no. of risk transfer engagements during the year

£10m
revenue from risk transfer engagements

Grow market share

Winning mandates from pension schemes and sponsors with which we do not already have a relationship ("new logo"clients) represents a clear route to growing our market share. Increasingly we will also be looking to grow our share in the insurance consulting market.

Progress

Through our Market Force initiative and supported by a strong brand reputation built from our client centric approach to services, we secured several new client wins including the John Lewis Partnership (JLP) Scheme, Stallantis, Cadbury, Mencap and Delta. These wins helped increase the number of members under administration to 1.1 million. Winning the JLP Scheme served as an endorsement of our new proprietary cloud-based Aurora administration platform. We have had success in winning new mandates within Advisory as well, with 40 risk transfer engagements with new clients.

Priorities for FY 2025

- Grow and convert new business pipeline via continued roll-out of Market Force Initiative
- Continue focus on first-time outsourcing and public sector opportunities within Administration

Key risks

- Include strategic planning and execution, errors and third-party supplier/ outsourcing issues

Mergers and acquisitions

We are one of the largest mid-tier independent pensions services providers in the UK, but the market in which we operate is fragmented. By acquiring businesses, we can increase our scale and capabilities in specialist areas and in the process grow our market share.

Progress

We integrated the FY 2023 acquisition of Penfida Limited, an established covenant advisory business.

Priorities for FY 2025

- Ongoing evaluation of potential acquisitions and other opportunities that meet our investment and strategic criteria

Key risks

- Include financial performance and business conduct and reputation

21%
organic revenue growth excluding the NPT business disposed of part way through the year

165,000
the number of members in the JLP Scheme

<10%
our current market share

6
the number of acquisitions since listing in 2017

Growing track record

"Growth has been across all business lines and our profitability has continued to reap the benefits of operational gearing with profits growth outpacing our revenues once again."

Paul Cuff
Co-Chief Executive Officer

"We are proud of our people. Without their commitment and effort, we would not be reporting a seventh successive year of record revenue growth."

Ben Bramhall
Co-Chief Executive Officer

Our last Annual Report, for the year ended 31 March 2023, set out a tremendous set of results - a record year for the Group, delivering strong revenue growth with operational gearing coming through.

With this we had delivered revenue growth in every year since we listed in 2017, in turn building on a much longer track record of continuous growth before that. This growth is set against a wide range of macro/geopolitical backdrops: macro – from the low-to-near-zero interest rates and inflation when we listed to the high rates and prices of today; and geopolitical – Brexit, the pandemic and conflict in Europe. To have delivered uninterrupted revenue growth throughout was, in our view, testament to the dependable nature of the pensions markets in which we operate, the resilience of our business model and the excellence and commitment of our people.

The question was; how to follow our best year? The answer was to go one better still, and this latest 12-month period is a stand-out in its own right. Growth at the revenue level has been strong across the board. All four main divisions (Pensions Actuarial & Consulting; Pensions Investment Consulting; Pensions Administration; and SIP) have recorded double-digit top-line growth. Typically, in any given year, one division outperforms. This year, the investment we have made in our services, together with the significant regulatory and structurally driven end market activity, has delivered uniform growth which has also been boosted by the headline level of inflation flowing through to our fees. That same combination also lies behind a second consecutive year of improved operational gearing for the Group, with an accelerating trend of earnings growing faster than revenues.

Not only are we growing our revenues, but our profitability too, and we are continuing to grow sustainably. FY 2024 is the third successive year that we have been carbon neutral. It is also the second consecutive year that we have achieved an employee Net Promoter Score (eNPS) of more than 30, a level viewed as exceptional for professional services businesses. We were also named one of the Best Places to Work 2023 by The Sunday Times. As well as monitoring employee engagement and wellbeing, the survey tracked the best places to work for women, members of the LGBTQIA+ community, disabled employees, ethnic minorities and younger and older workers.

Growing profitability

Total Group revenues of £199.4 million for FY 2024 represent a 20% increase on FY 2023's £166.6 million. Excluding NPT, Group revenues were £196.6 million (FY 2023: £162.3 million), representing an increase of 21%. This is the second year in a row that total revenues have grown by 20% – previously, annual growth had been in the mid-to-high single digits. We view this step change in growth as a product of the high-inflationary environment and strong end markets. We also believe we are reaping the benefits of the investments we have made over the years in our technology, resources and platform. We have built up our capabilities across all of our key service areas so that the increased breadth and scale of our offering allows us to deliver an ever-expanding set of solutions to our clients. It also enables us to win new mandates on pension schemes of significant size, such as the John Lewis Partnership (JLP) Scheme, which was awarded to us during the year. The high proportion of organic revenue growth (19%) is further evidence that the investment in our internal capabilities is bearing fruit (the remaining growth arose from last year's Penfida acquisition).

In addition, this is the second successive year that the Group has benefited from operational gearing, whereby earnings growth has outpaced that of revenues – FY 2024 adjusted EBITDA excluding the NPT business sold in November 2023 grew 32% to £54.8 million (FY 2023 on a comparable basis: £41.4 million); statutory profit before tax increased 227% to £62.5 million (FY 2023: £19.1 million) on the back of strong operational performance as well as the gain on disposal of the NPT business; and adjusted diluted EPS grew 21% year on year to 15.3p in FY 2024 (FY 2023: 12.6p). Excluding the NPT business, the equivalent adjusted fully diluted EPS grew by 24% to 15.1p in FY 2024 (FY 2023: 12.2p). This latter measure is suppressed by the increase in corporation tax. As with revenues, earnings are benefiting from the investments we have made into our platform and capabilities. We expect this to continue in the years ahead.

In terms of balance sheet, following the sale of NPT during the year for an initial cash consideration of £35 million, a significant portion of the Group's existing debt facilities has been repaid. Having low debt gives us additional flexibility to invest further in the business, both organically and inorganically. Under the terms of the NPT sale, contingent consideration of up to £7.5 million may be paid to the Group, subject to business performance over the two years following completion.

Based on the strength of our financial performance and our balance sheet, we are proposing a 19% increase in the total full-year dividend for the year in line with our progressive dividend policy.

As mentioned earlier, growth at the divisional level has been across all areas of the business posting double-digit increases in full-year revenues: Pensions Actuarial & Consulting up 21% to £93.4 million (FY 2023: £77.4 million); Pensions Investment Consulting up 13% to £20.3 million (FY 2023: £18.0 million); Pensions Administration up 25% to £71.9 million (FY 2023: £57.5 million); and SIP up 17% to £11.0 million (FY 2023: £9.4 million). All of our divisions have benefited from contractual fee increases in line with various inflationary measures.

Awards

In another award winning year, we have earned a number of prestigious awards for great client service, innovation and looking after our people.

This award acknowledges the initiatives we have undertaken that best promote diversity and inclusion for our colleagues, as well as contributed to industry-wide initiatives.

Recognition for the excellent provision of service to evaluate, select and monitor fiduciary managers.

Recognition for highest level of innovation, performance of third party administration service to occupational pension schemes.

We won the Best Pensions Adviser of the Year recognising our expertise and innovation in corporate advice to defined benefit and defined contribution pension schemes.

Radar – Our actuarial software won Software of the year at the Actuarial Post awards for the second year running.

XPS/Penfida won the Sponsor Covenant Provider of the Year at the Pensions Age Awards.

XPS has been named as one of the Best Places to Work 2023 by The Sunday Times.

XPS successfully retained signatory status to the UK Stewardship Code for the third consecutive year.

Growing profitability continued

Specific drivers of growth beyond this are:

Pensions Actuarial & Consulting: the switch from a low to a high interest rate/inflationary environment has driven a need for advice. Clients require guidance on how best to navigate the new macro backdrop and reset their strategies accordingly. In some cases, this has involved de-risking, fuelling further strong growth in risk transfer revenues. De-risking activity also continues to generate work directly for insurance companies as they take on pension scheme liabilities.

Pensions Investment Consulting: further tailwinds were experienced from the autumn 2022 gilt market crisis, leading to strong demand for portfolio rebalancing work and hedging strategy reviews as well as new mandates for independent oversight of fiduciary managers.

Pensions Administration: several new client wins late in the previous financial year came on stream during this year and increased the number of members under administration to 1.1 million. During the year we won John Lewis Partnership (JLP) with approximately 165,000 members, a new client that will transition between now and 2025. This win represents a major endorsement of both our offering and our new Aurora platform which we launched during the year on time and on budget. Aurora is a cloud-based proprietary system that drives efficiencies, further bolsters security and provides clients and members with enhanced online access.

We also won work in the public sector including a one-off project to support schemes to implement the McCloud judgement on behalf of approximately 32,000 members. We have assigned material resources to this project to ensure we meet the 2025 delivery target.

SIP: strong organic growth and a full-year contribution from our inclusion on the panel of recommended SIPP providers for St James' Place, one of the UK's leading financial advisers, have both been tailwinds. So too has the high bank base rate as, in line with standard industry practice, our SIP business is paid in part through interest generated from client deposits, although we have elected to cap this at a level that is currently well below prevailing rates and caps our peers typically have in place.

National Pensions Trust (NPT): following the November 2023 sale of NPT to SEI, a best-of-breed service provider, we continue to provide a wide range of services to both NPT and SEI. The rationale behind the sale is to create a market-leading master trust for the benefit of clients and members. Under the strategic partnership with SEI, we will continue to provide pensions administration and consultancy services.

> **"The pensions and insurance world are increasingly overlapping, offering us a major avenue of growth, not just one for tomorrow, but also today too."**
>
> **Ben Bramhall**
> Co-Chief Executive Officer

Growing markets

Our end markets are large, growing, predictable and, as our long track record of revenue growth demonstrates, non-cyclical. This is primarily due to the presence of two key structural drivers.

Ongoing regulatory change: recent years have seen much activity on the regulatory front including the Pension Schemes Act 2021, which focuses on how corporates finance their arrangements and how schemes are treated following M&A; the 2018 GMP equalisation ruling that trustees must correct the unequal treatment of men and women in relation to elements of defined benefit schemes that built up in the 1980s/90s; and the CMA Review which recommended schemes seek independent advice about fund managers engaged on a fiduciary management basis. Further change is on the horizon, including a new Funding Code due no later than September 2024, which may have quite a profound impact on how pension schemes operate.

Changes to rules and regulations governing pension schemes have a lasting effect. Often bespoke advice is required to understand how changes affect individual schemes with the significant flows of business generated tending to run for several years. Furthermore, as the regulatory landscape gets more complex, in-house schemes can be open to outsourcing administration to specialist partners such as us.

Ongoing market-driven change: similar to regulation, when there is lasting change in financial markets, clients require advice on how best to navigate the new environment. The fundamental shift from low to high interest/inflation rates has largely been positive for pensions schemes – the aggregate funding level across all UK defined benefit schemes has improved by c.20% over the last 2 years. As schemes look to lock in their surpluses and/or consider their options, demand for the services we provide, such as de-risking, rises. The number of schemes in the pensions eco-system is declining as they transfer out their liabilities to insurers but it's a gradual headwind for the industry and it continues to create a surge in demand for de-risking advice.

The bulk annuities market is one area that is benefiting from the move by pension schemes to de-risk and offload liabilities – bulk annuity transaction volumes are currently between £50-60 billion a year, compared to £30-40 billion previously.

"We're excited to be at the heart of the debate with the UK Government regarding how pensions can safely invest in productive finance, and to assist our clients in benefiting from the opportunities generated."

Paul Cuff
Co-Chief Executive Officer

As de-risking via bulk annuities or other insurance solutions increases, so too does the overlap between the pensions and insurance industries. Like all pension scheme clients, insurers need best-in-class advice and solutions. Working with insurance companies is therefore a long-term growth opportunity for the business.

As the above demonstrates, there is no shortage of growth opportunities to go for within our markets. To maximise the opportunity set before us, we have in place four core strategic pillars.

Regulatory change as a driver of activity: providing thought leadership, XPS is often at the heart of the regulatory debate and therefore well placed to offer up-to-date guidance and advice. This year, we have been involved in discussions with the Pensions Regulator, the UK Government, HM Treasury and the Institute for Fiscal Studies on how to drive greater investment of pension scheme assets into productive finance. Our research proposal "How DB pension schemes can support UK growth and protect members" sets out how regulations and a code of practice could deliver £100 billion in surplus to benefit members and the economy. While discussions on our straightforward and safe approach continue, we are already helping schemes benefit now and are building relationships with sponsors of large schemes (£1 billion plus) with which we are exploring run-on for their DB pensions.

Growing market share: the overall fee market stands at over £2.5 billion and has historically grown 3-4% per year, although, recently, this rate has picked up due to inflation and elevated levels of regulatory and market change. Based on full-year revenues of £199.4 million, our market share stands at 8%. Considerable scope remains for us to increase this and, as our 21% revenue growth for the year shows, this is what we are doing.

Growing markets continued

Growth through expanding services: the increasing overlap between the pensions and insurance industries as well as broader life insurance opportunities outside of bulk annuities offer clear avenues of growth. To capture this, we need to ensure we have a continually expanding offering. Technology plays a key role here both in terms of maximising the commercial value of our proprietary solutions in new ways and in developing new platforms.

The year under review saw us pioneer the use of AI in our industry. Our AI Driven Actuary (AIDA) tool revolutionises the assessment of member options for pension schemes by quickly analysing large volumes of members' data and providing clear information on which members are eligible for, and likely to engage with and benefit from, member options. The tool simplifies and accelerates the process for clients and trustees and allows action to be taken at speed when needed, either on buy-out or more generally to ensure fairness to members as market conditions change. Because it can be used by schemes of all sizes, AIDA helps trustees give more choice to all members.

Partnerships are another route to capturing market-driven growth. In line with this, we have been working with one of the leading UK bulk annuity providers to create a solution that enables small pension schemes to access insurance solutions efficiently.

"We have a successful track record of identifying, acquiring and embedding businesses. We look at potential M&A opportunities that meet our investment criteria and strategic objectives as and when they arise. As our sub 10% market share demonstrates, however, we have plenty of organic growth to go for."

Ben Bramhall
Co-Chief Executive Officer

This will involve us providing wide ranging support - including pricing, transition and administration services.

The partnership serves as another demonstration of the growing overlap between the pensions and insurance industries and with it the expanding opportunity set before us. To better reflect our growing overlap between the pensions and insurance industries and the expanding opportunity set ahead of us, we are making a small change to our brand identity to trade as XPS Group. There will be no change to our legal registered company name.

"Our performance is on the rise, as evidenced by increasing revenues, improved operational efficiency, progress toward carbon neutrality, and higher employee Net Promoter Scores. This consistent growth across our primary indicators reflects our commitment to excellence and sustainable development."

Paul Cuff
Co-Chief Executive Officer

Growth through M&A: alongside the range of organic growth opportunities, we have a successful track record of identifying, acquiring and integrating businesses. We look at potential M&A opportunities that meet our investment criteria and strategic objectives as and when they arise. As our sub 10% market share demonstrates, however, we have plenty of organic growth to go for. As we expand our services in tangential markets such as insurance consulting, the M&A landscape stretches beyond the pensions advisory and administration space.

Growing sustainably

Growing track record, growing profitability, growing markets - all are key to the XPS investment case. So too is growing sustainably. By growing sustainably, we can secure the long-term future of the Group.

To grow sustainably, we need to safeguard the wellbeing of our people and our environment.

People: the year under review saw the number of our people grow by more than 100 to over 1,700.

We are proud of all our people for the contributions they have made to the success of the Group over the years and to the record set of results we are reporting today. We are also proud of our people for what they do outside of their everyday work - volunteering, fundraising, and participating in or leading the many DEI networks that are active across the Group. Regarding this last point, we are particularly proud of the high DEI (90%+) score we registered as part of our employee survey. DEI was also one of the criteria assessed by The Sunday Times as part of its evaluation process. We view our subsequent inclusion in the publication's list of Best Places to Work as recognition of our ongoing commitment to ensure that all our people feel valued and included at XPS.

Environment: FY 2024 was the third year in which XPS has been a carbon-neutral business. As with previous years this was achieved through continued reduction in our own emissions as well as the purchase of UN-approved carbon credits that cover Scope 1 and 2 emissions, as well as Scope 3 emissions produced by suppliers.

Our ultimate aim is to achieve a significant reduction in our direct carbon footprint. In 2023, we submitted our net zero ambitions to the Science Based Targets initiative for review and certification. Our approach is to source 100% of our electricity from renewable sources by 2030 and promote a low-carbon culture amongst staff and suppliers.

Outlook

The regulatory and market drivers behind our dependable business model remain in place. The scale and reputation we have built in our markets, the thought leadership we provide on regulatory issues and the proprietary technologies and solutions we have developed, position us well to capitalise on the long-term opportunities in front of us. We have seen continued strong demand of our services since the beginning of the year and maintain an active new business pipeline. We have continued to grow market share, but with this still under 10% there is considerable scope for us to grow further.

The increasing overlap between the pensions and insurance industries through bulk annuities as well as broader life insurance opportunities offer further meaningful avenues of growth. To better reflect our growing overlap between the pensions and insurance industries and the expanding opportunity set ahead of us, we are making a small change to our brand identity to trade as XPS Group*.

We are proud to be joining the FTSE 250 effective from 24 June which is a significant milestone for XPS and is a testament to the hard work of our colleagues and the backing of our clients and shareholders.

The strong momentum from FY 2024 has continued into the new financial year and we remain confident in delivering against our expectations for the current year.

Paul Cuff Co-Chief Executive Officer 19 June 2024	**Ben Bramhall** Co-Chief Executive Officer 19 June 2024

* No change to our legal registered company name.

Engaging with our stakeholders

Section 172 Statement

Stakeholder engagement is central to the Group's strategy and sustainable success. The Board of Directors of the Company acts in good faith to promote the long-term success of the Company for the benefit of its members as a whole, taking into account the factors as listed in Section 172 of the Companies Act 2006:

a. the likely consequences of any decision in the long term;

b. the interests of the Company's employees;

c. the need to foster the Company's business relationships with suppliers, customers and others;

d. the impact of the Company's operations on the community and the environment;

e. the desirability of the Company maintaining a reputation for high standards of business conduct; and

f. the need to act fairly as between members of the Company.

The Company's purpose, values and culture are established by the Board and embedded throughout the Group and key decisions made.

When making key decisions, the Board is careful to consider the interests and priorities of stakeholders, and the consequences the decisions may have. The Board recognises that stakeholders have differing interests and gives careful consideration to balancing the views of all stakeholder groups.

You can read about the Group's principal risks and key mitigations, including those in relation to clients, employees and suppliers, on pages 47 to 52.

	Key interests	Engagement strategy
Clients	• Products and services • Service performance and efficiency • Competitiveness and value • Compliance and data protection • Sustainable products	The Company engages with clients through key contacts who work day to day with the clients. We also complete client satisfaction surveys every two years, and the Board reviews the results. We hold conferences, webinars and training exercises for clients throughout the year, of which we see a fantastic uptake. Ben Bramhall (Co-CEO) is Scheme Actuary on some of our largest client accounts, and Paul Cuff (Co-CEO) also works on corporate advisory projects from time to time.
Shareholders	• Financial performance and growth • Dividends • Timely and relevant communications • Sound corporate governance and stewardship • Strategy aligned with long-term sustainability and value creation	We engage with our shareholders in various ways throughout the year including results roadshows hosted by the Executive Directors, and regulator meetings with analysts, investors and potential investors. The Investors section of the XPS website is updated throughout the year, to include useful information for our shareholders. The Board also attends the Annual General Meeting and is available to answer shareholder questions. This year the Board also attended the General Meeting held in March 2024. Margaret Snowdon OBE, as the Remuneration Committee Chair, engages through consultation and meetings with major shareholders in relation to executive remuneration. This year, Margaret and Alan Bannatyne, as Chairman, engaged with the Company's 20 largest shareholders in relation to the updated Directors' Remuneration Policy, approved at the March 2024 General Meeting. The Board recognises that a small number of shareholders voted against Director re-elections and the Directors Remuneration Policy during the year, and the Chairman and the Senior Independent Director have engaged at length to understand their views.
Regulators	• Transparency and openness • Proactivity and engagement in consultation • Compliance with regulation and legislation	The Company works with the regulators by responding to requests and consultations, submitting returns and attending industry meetings. Margaret Snowdon OBE is an adviser to The Pensions Regulator and regularly updates the Board on industry developments. In November 2023, we completed the sale of NPT. We engaged with the regulator as required throughout the disposal and approval was granted prior to completion of the sale. The FCA Consumer Duty has continued to be a pertinent issue for the Board this year, and during the year the role of Consumer Duty Champion was handed over from Margaret Snowdon OBE to Aisling Kennedy (Non-Executive Director). Aisling has engaged with the relevant teams and subsidiary Boards to oversee the Group's compliance with Consumer Duty regulation.

	Key interests	Engagement strategy
Employees	• Engagement • Reward • Career opportunities • Training and development • Wellbeing • Equality, inclusion and diversity • Work-life balance and flexibility	Margaret Snowdon OBE is appointed as the Designated Employee Engagement Non-Executive Director. Margaret is Chair of the Employee Engagement Group (EEG) and updates the Board after each EEG meeting. Employees complete an annual employee survey, the results of which are analysed in detail and shared with the Board, and an action plan is agreed. An external and anonymous whistleblowing hotline is available to employees 24/7; any reports can be escalated to the Board as required. You can read more about employee engagement on pages 22 to 26. During the year, Imogen Joss (Non-Executive Director) supported the Group's Values in Practice awards as Chair to the panel.
Suppliers	• Responsible procurement and ethics • Fair contract and payment terms • Cost efficiency and value	The Group has a designated Procurement team and an external company which engages with and carries out due diligence on its suppliers. We conduct formal and transparent tender processes when required. An annual review of existing suppliers, which provide services that are deemed as higher risk (i.e. process large amounts of our data or have access to our offices), is completed in addition to quarterly performance reviews with key suppliers, and the Board is made aware of any issues in relation to supplier performance or agreements. Our Supplier Code of Conduct communicates what we expect from our suppliers. The Board annually approves the XPS Modern Slavery Statement.
Communities, charities and environment	• Local and worldwide social and environmental impact • Health and safety	The Sustainability Committee is a Committee of the Board, and the majority of members are Board members. The Committee Chair updates the Board following each meeting. You can read the Committee report on pages 70 and 71. XPS is excellently positioned to ensure our positive impact is wider than the Group itself as we advise our clients on sustainable investments; you can read about this on pages 32 and 33. You can read the Group's TCFD report on pages 35 to 39, and our commitment to net zero on pages 28 and 29. You can also read about our community support on page 27.

Example of stakeholder key interests being considered and impacting decisions during the year:

Executive Directors' remuneration:

Shareholders – Our shareholders' key interests are the growth of the Group and value creation. The Group Chairman and Remuneration Committee Chair engaged extensively throughout the year to understand our shareholder views and introduced an element of bonus deferral into the approved Directors' Remuneration Policy as a result of shareholder feedback.

Employees – Employees are interested in the alignment of employee and Executive remuneration. The Board engages on this topic via the Employee Engagement Group, chaired by the Remuneration Committee Chair.

Regulators – We pride ourselves on our high standards of corporate governance and compliance, including linked to Executive remuneration.

National Pension Trust sale:

Shareholders – The proceeds of the sale of NPT were used to reduce net debt, further strengthening the Group's balance sheet.

Employees – As part of the transaction, a small number of XPS employees transferred to become employees of the acquiring firm. It was important to us to ensure cultural alignment of the Company and their new employer, SEI.

Clients – We continue to support NPT and SEI with a wide range of services including pensions administration and consultancy services, for the benefit of clients and members of the trust.

Regulators – The transaction was subject to regulatory approval, we engaged proactively and effectively with the regulator to ensure a smooth transaction, in line with all regulatory requirements.

Shaping a better future

Our purpose is to shape and support safe, robust and well-understood pension schemes for the benefit of people and society. It follows, therefore, that sustainability is integral to delivering on our purpose. With this in mind, we made significant progress towards further embedding sustainability across our business last year.

"Doing the right thing lies at the heart of XPS. In line with this, during the year we reviewed what is material to our business and stakeholders, strengthened our sustainability framework and continued to advance sustainability across our business, working closely with clients, communities and colleagues as we did so."

Snehal Shah
Chief Financial Officer

Sustainability supports the Group's mission and strategy. It is embedded into our business model so that by delivering on our mission to be leaders in pensions, investment consulting and administration, we are able to achieve better outcomes for all our stakeholders. This is not just for our clients and members, but also for our colleagues, the communities in which we operate and the environment.

Reviewing our material issues

Last year, XPS conducted a dynamic materiality review to assess whether the material issues underpinning our sustainability framework were still relevant. The process involved engaging with internal stakeholders as well as conducting a thorough peer and landscape review. This has resulted in a re-confirmation of our material issues.

Driving sustainability action

Ultimate responsibility for our sustainability strategy rests with the Board of Directors. Oversight of the implementation, progress and performance of the strategy has been delegated by the Board to the Sustainability Committee. You can read a report on the activities of this Board Committee, which met five times last year, on pages 70 and 71. Supported by Executive sponsor Snehal Shah, a dedicated Working Group is responsible for implementing the sustainability framework as well as measuring and reporting progress and performance.

Our material topics

Governance:

Business ethics and values
Corporate governance
Cyber security and data privacy
Human rights and modern slavery

Clients:

Sustainable products and services
Responsible investment
Advising clients and members

Environment:

Climate change and our environment
Environmentally friendly culture

People:

Employee engagement
Inclusion, equality and diversity
Learning and development
Employee health and wellbeing

Communities:

Community engagement
Charitable giving
Supply chain engagement

Strengthening our framework

Building on the findings of the materiality assessment, we refreshed our sustainability framework to ensure it reflects our corporate priorities. Working with external advisers, we developed a stronger narrative around "shaping a better future" within the framework as well as clear ambitions for each of its pillars.

Empowering our people to thrive

XPS promotes a diverse and inclusive culture, enabling people to realise their fullest potential.

Material issues

Employee engagement, inclusion, equality and diversity, learning & development, employee health & wellbeing

Strengthening our communities

XPS contributes to the local communities near our offices, working together for a better future.

Material issues

Community engagement, Charitable giving

Protecting our environment

XPS works to mitigate climate change by minimising its impact on the environment.

Material issues

Climate change & environment, Environmentally friendly culture

Supporting our clients and members

XPS supports its clients and members to optimise outcomes.

Material issues

Sustainable products & services, Responsible investment, Advising clients & members

Being a responsible business

XPS has a culture of strong governance that minimises risk, upholds high standards in conduct and complies with legal standards.

Material issues

Business ethics & values, Corporate governance, Cyber security & data privacy, Human rights & modern slavery, Supply chain management

Ambitions and targets

Empowering our people to thrive	XPS promotes a diverse and inclusive culture, enabling people to realise their full potential Ambitions and targets: • Reach 37% female senior managers by 2028 • Maintain employee approval rating of at least 90%
Strengthening our communities	XPS supports the people living near our business operations with the challenges they face Ambitions and targets: • Increase our charitable giving and employee volunteering
Protecting our environment	XPS works to mitigate climate change by minimising its impact on the environment Ambitions and targets: • Achieve net zero by 2050
Supporting our clients and members	XPS supports its clients and members to optimise outcomes Ambitions and targets: • Maintain satisfaction level of at least 80% • Encourage sustainable investment

Empowering people to thrive

Our people are fundamental to our success. XPS is committed to fostering a positive and collaborative work environment, one in which all our people are valued members of diverse and inclusive teams. Our goal is to enable colleagues to flourish and excel.

"XPS has cultivated an environment where "doing the right thing" and trust are not just valued, they are the bedrock of our culture. It is an ethos that empowers colleagues to contribute meaningfully, driving impactful innovations that resonate across our organisation and beyond, and helps shape a better future."

Rachel Gillion
HR Director

We empower colleagues to take control of their careers, whilst aligning with organisational goals. An important part of this is considering the specific needs of each individual so that their full potential can be unlocked and positive outcomes can be achieved. As such our strategy is to foster a culture of autonomy and trust within a diverse and inclusive workplace. We do this by clarifying our vision and goals, encouraging open feedback, supporting colleagues to set personal and professional targets and recognising and celebrating their achievements. This way we help our people to meet their goals and at the same time we maintain a strong and resilient talent pool and pipeline.

Engaging our people

XPS believes creating a positive and collaborative work environment is essential to achieving business success and meeting client expectations. Engaging with colleagues through various channels, such as the Employee Engagement Group, ensures that their voices are heard and their interests are considered in the decision-making process, while regular communication from leadership, including regular messages from our Co-CEOs and town halls, promotes transparency and trust.

The use of tools such as "The Happiness Index", a comprehensive feedback platform, exemplifies the Group's commitment to constant improvement and employee wellbeing. Tools such as these not only provide a platform for and facilitate continuous feedback, but also drive engagement and organisational agility. They also ensure employees are motivated to contribute to the overall success and sustainability of the business.

The positive feedback received from XPS colleagues is a testament to the Company's commitment to creating a supportive and rewarding work environment. With 98% of employees affirming that XPS is a good place to work (FY 2023: 98%) along with a 99% commitment rate to the Company's success (FY 2023: 99%), our culture fosters a strong sense of belonging and dedication.

Our Values in Practice (VIP) Awards, which have now been running for four years, provide us with a formal platform with which to recognise and reward employees' contributions, further embedding the values of excellence and teamwork within the Company's culture. This year we had over 110 nominations from across the business.

In terms of incentivising employees, we have adopted a comprehensive approach to ensure personal achievements are aligned with the Company's broader business objectives. Our holistic strategy, which includes bonus schemes, share plans and competitive remuneration packages, motivates colleagues, and also aligns their efforts with the Company's goals, fostering a unified drive towards continued success and growth.

Promoting learning and development

This year, our commitment to empowering colleagues in their career development journey has been stronger than ever. Through increasing the suite of third-party learning and development opportunities, we have seen our colleagues flourish and our organisation thrive.

98%
think “XPS is a good place to work”

111
apprentices at XPS in FY 2024

31,000+
hours of training in FY 2024

The Group’s learning and development approach centres around nurturing the skills our people need to execute our organisational strategy effectively. Our goal is twofold: firstly, to establish a strong pipeline of emerging talent; secondly, to prepare future senior leaders. Both goals are achieved by fostering behaviours that are aligned with our core values.

In addition to our graduate Actuarial and Administration programmes, we continued to support early career talent through our fast-growing apprenticeship programme. Apprentices are integral to every aspect of our business and by the end of FY 2024 we had welcomed 111 apprentices across various disciplines, an 85% increase on the previous year.

We already have an established induction programme, but FY 2024 saw us launch our internal XPS Mentoring Programme to help individuals become their best and to encourage a high-performance culture that is underpinned by continuous learning and development. Currently, we have 40 pairs engaged in this programme.

We support the development and career aspirations of our people at all levels through technical training as well as management development programmes for our more senior colleagues. Support is also provided for colleagues studying for professional qualifications via bespoke technical programmes across all areas of our business. During FY 2024, we recorded over 31,000 hours of training, 13% higher than FY 2023.

Empowering people to thrive continued

XPS is committed to promoting equality, diversity and inclusion in the workplace. We foster a culture of belonging, where everyone within XPS is encouraged to share, with confidence, their opinions and ideas in a way that respects the value of our differences.

Improving gender equality

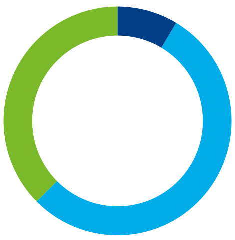
Our journey towards a more diverse workplace is marked by tangible actions and measurable progress. Last year, for example, XPS launched its gender equality plan. Endorsed by the Co-CEOs, the plan sets out specific measures to drive diversity. To underline this, we became a signatory of the Women in Finance Charter in FY 2024 and we set ourselves the target to have 37% female representation in senior management by 2028. We are already making progress here – by the end of FY 2024, 35% of our senior management positions were held by women (FY 2023: 31%).

Progress is also being made in terms of closing the mean gender pay gap across the Group – this was reduced by a further 2.1% to 22.1% last year. We also rolled out mandatory diversity training for managers, respectful behaviour training for all colleagues and internal and external mentoring programmes, and we reviewed our people policies to ensure family-friendly commitments such as flexible working, the buying and selling of holiday and swapping bank holidays are firmly established across the Group.

Gender diversity at XPS

	Males		Females		
	No.	%	No.	%	
Board	5	56%	4	44%	
Group	890	50%	904	50%	
Partners & Managing Consultants	85	65%	45	35%	Excludes NEDs
Other employees	802	51%	859	49%	

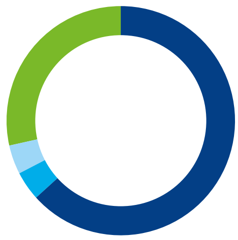
Disability diversity at XPS



Disability
(63.0% staff disclosure)

- Yes 8.5%
- No 53.3%
- Undisclosed 37.0%

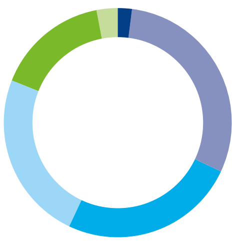
Sexual diversity at XPS



Sexual orientation
(71.6% staff disclosure)

- Heterosexual 63.1%
- LGBT+ 4.1%
- Prefer not to say 4.4%
- Undisclosed 28.4%

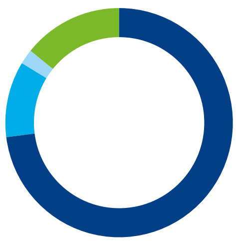
Age diversity at XPS



Age distribution

- <20 2%
- 21-30 30%
- 31-40 25%
- 41-50 24%
- 51-60 16%
- 61+ 3%

Ethnic diversity at XPS



Ethnicity
(85.8% staff disclosure)

- White 72.9%
- Ethnic minority 10.7%
- Prefer not to say 2.1%
- Undisclosed 14.2%

Promoting disability inclusion

In addition to gender, we enhanced our approach to disability inclusion. We have put in place a workplace adjustment policy. We provide reasonable adjustments for disabled job applicants and we guarantee interviews for disabled candidates who meet the essential job requirements. We were recognised for our efforts by achieving Disability Confident Employer Level 2 in FY 2024.

Becoming a menopause-friendly employer

Last year, XPS initiated comprehensive menopause training for managers, focusing on engagement, culture enhancement and policy improvement. Additionally, we launched new tools and guidance on our intranet. We also spread awareness with the introduction of menopause champions. As a result, XPS achieved Menopause in the Workplace accreditation in FY 2024.

Celebrating inclusion and diversity

Alongside our diversity action, XPS promotes an inclusive workplace so that everyone feels welcome and involved. Actions taken include investing in our six employee networks. Over the course of the year, our networks organised over 23 webinars with experts covering issues such as gender equality, menopause, mental health, disability, neurodiversity, ethnicity and LGBTQIA+. Our networks also ran monthly discussion groups and podcasts where colleagues share their views on subjects including allyship and what inclusion means to them. Reflecting our colleagues' efforts to foster a culture of inclusivity, we were honoured to receive the Diversity and Inclusion Excellence Award at the UK Pensions Awards last year.

4.6/5 stars

XPS rating on Glassdoor for diversity and inclusion

"Being recognised with the Diversity and Inclusion Excellence Award at the UK Pensions Awards underscores our commitment to promoting diversity and inclusion within both XPS and the broader industry."

Charlotte West
Head of Employee Engagement

Our partnerships

Association of Member Nominated Trustees (amnt) · Valuable 500 · GAIN Girls Are INvestors · Diversity Project – Building Inclusion in Investments & Savings · Menopause Friendly – Proud to display the badge – Accredited · Business Disability Forum · Evenbreak – Job board for disabled candidates · Tax Help for Older People · disability confident EMPLOYER · LGBTGREAT Corporate Member · Mental Health at Work Commitment · Business in the Community

See more information about our partners on our website:
www.xpsgroup.com/sustainability/employees/

Empowering people to thrive continued

Driving health and wellbeing

Our commitment to colleague wellbeing underpins our efforts to foster a supportive environment for all at XPS. Our comprehensive approach includes providing our employees with the resources, tools and advice they need to achieve a healthy body and mind, a fair work-life balance, healthy relationships and sound finances. In our FY 2024 survey, we observed a promising improvement in work-life balance. Favourable work-life balance scores increased by 4%, a positive result that can be attributed to several strategic actions taken by XPS:

- The business proactively focused on allocating resources and recruiting to bridge gaps. By strategically addressing talent shortages, we ensured that colleagues received the necessary support.
- Our flexible working arrangements empowered colleagues to balance their professional and personal commitments effectively to help achieve a healthier work-life equilibrium. We gave colleagues the option to use bank holidays flexibly as well as greater flexibility around their precise working hours between 8.00am and 6.30pm. Colleagues are also able to reduce their working hours if it suits their personal needs. We were early adopters of the new legislation on the rights for employees around flexible working and paid and unpaid leave.
- We have actively promoted an environment where colleagues can have transparent conversations about work-life balance with their line managers. We have launched wellness initiatives that address physical, mental, financial and emotional wellbeing, recognising that a balanced life encompasses more than just work.

Looking ahead

For FY 2025, we will continue to invest in tailored training and development initiatives to encourage continuous learning, upskilling and increased use of technology (including AI). Our focus is on health and wellbeing centres, enhancing manager effectiveness with an emphasis on people skills and providing robust support for team wellbeing, prioritising employee mental health through wellness events and cultivating an environment of active listening.

Action plans developed in response to the FY 2024 employee engagement survey target key areas such as career progression, learning and development and a request for stronger office communities. Inclusion and diversity efforts continue to shape our culture.

Strengthening our communities

XPS is deeply committed to supporting its local communities, not just because the talent we need to attract (and therefore our continued success) depends on the communities in which we operate, but also because it is the right thing to do.

"I am proud that we increased our employee volunteering last year. It has a measurable impact on engagement for our people and of course delivers positive impacts for our charitable partners."

Charlotte West
Head of Employee Engagement

Our proactive approach aims to create positive change. Through active community involvement, fundraising initiatives and responsible supplier management, we can collaboratively tackle the challenges our local communities face.

Encouraging volunteering

The XPS Volunteering Initiative was successfully launched in FY 2023 and we were able to increase our support of local communities further in FY 2024. As part of the Initiative, 40 employees from across the country took the opportunity to take a day's paid leave to take part in a volunteering activity organised by XPS (FY 2023: 15 colleagues). Activities ranged from beach cleaning in Lough Shore, Northern Ireland, to renovating a community centre in Leeds and handing food parcels to the homeless in London.

Supporting communities financially

At XPS, we support charities nationally. We also undertake fundraising activities for charities in the local communities where we operate. Last year, we introduced a matched fundraising commitment to encourage our employees to support charities of their own choosing. As part of our commitment, funds raised are matched by XPS up to a certain value.

During the year, more than 50 employees and teams raised funds for 30 different charities including the Roxburghe House Day Care Centre, Portsmouth Down Syndrome Association, Maddy's Mark and many more. In total, the Group contributed over £67,000 (FY 2023: £58,000).

30

charities supported in FY 2024

From abseiling down buildings and running marathons to head shaving and sleeping out, our employees have gone above and beyond to raise money for these worthy causes and more. Our biggest fundraising effort this year saw employees raise over £5,000 for Macmillan Cancer Support in September, a sum which was matched by the Company.

Creating a sustainable supply chain

We continue to improve procurement governance to extend our diversity and sustainability goals further into the supply chain. In FY 2024, we updated the Supplier Code of Conduct to include references to modern slavery and over the coming years we will include environment, social and governance and diversity, equity and inclusion references too.

Looking ahead

As part of our ongoing commitment to strengthening our local communities, we plan to expand our volunteering opportunities further. Upcoming initiatives include local conservation projects, job coaching with Business in the Community and career planning sessions in schools. From a procurement point of view, we will continue to include additional sustainability considerations in our Supplier Code of Conduct.

Protecting our environment

We are focused on mitigating our environmental impact and promoting a green and stable future for our business and communities through effective stewardship. Through decisive and meaningful actions, especially regarding our climate impacts, we are building a strong foundation for a sustainable future.

"This year we formally submitted our climate plan and commitments to the Science Based Targets Initiative (SBTi), a major milestone in our journey to net zero."

Matt Wellbelove
Environmental System Manager

As part of our commitment to have a positive impact on the environment, XPS deployed the XPS Planet Group, a Group-wide Environmental Management System, to address our environmental risk and compliance obligations as well as drive performance. The XPS Planet Group, which was externally certified to ISO 14001 in seven of the Group's offices by the end of FY 2024 (FY 2023: four), utilises the integrated risk management and internal control framework to manage risks. We are aiming to obtain certification for all our office locations by the end of FY 2025.

Developing our net zero pathway

Last year, XPS developed a net zero roadmap in accordance with current scientific demands to limit warming to a level consistent with a 1.5˚C core temperature increase by 2100. This formed the basis for the formal submission of our ambitions to the Science Based Targets initiative (SBTi) for review and certification. Our submission underscores our dedication to operating in a manner that is both environmentally responsible and economically sustainable. In future we anticipate that, with the support of the SBTi, we will be in a position to disclose our net zero pathway in more detail.

Our net zero journey to date

October 2021
Carbon neutrality achieved for the first time across our entire value chain for the FY 2020–FY 2021 period

July 2022
First TCFD disclosure

June 2023
XPS commits to 100% renewable electricity by 2030 and alignment with SDGs

December 2023
XPS officially submits its near-term target setting framework to the SBTi

60%

60% of our square footage is supplied by certified renewable energy in FY 2024

We are currently working towards hitting the interim milestones we have set ourselves: achieving 100% renewable electricity by 2030; and retiring gas heating from our direct emissions inventory by 2040. Our climate ambition therefore relies on our continued efforts to secure renewable electricity and heating sources for our offices, and also the deployment of efficient property technology. By the end of FY 2024, 60% of our electricity consumption across our estate was generated from renewable sources.

Additionally, we recognise we must tackle our indirect emissions by applying greater scrutiny to our suppliers, evolving our product offering and improving our technological efficiency.

Our approach is to deliver net zero at the soonest opportunity whilst avoiding adverse impacts on our operations, quality and cash flow. In line with this and for the third year in a row, FY 2024 saw us offset our remaining direct and indirect greenhouse gas emissions. retiring high quality Gold Standard carbon credits for sustainable projects that support the group's commitment to global sustainability and the UN's Sustainable Development Goals. Our most recent projects include investment in sustainable biofuel solutions and clean wind energy.

Our future goals

2030
Achieve 100% renewable electricity

2035
Reduce direct emissions by 60% and indirect emissions in supply chain by 40%

2040
Achieve complete phase-out of natural gas in all properties

Improving our environmental performance

Reducing our emissions in FY 2024

During FY 2024, XPS achieved a fourth successive year of combined Scope 1 and 2 carbon reductions, owing to our focused transition to renewable electricity and more sustainable properties. We made the strategic decision to decommission two of our legacy properties - Wokingham and Bristol Cote House - as the facilities no longer aligned with our brand ethos or sustainability objectives, or met our threshold for commercial justification.

Scope 1 emissions for FY 2024, relating to gas-fuelled heating, increased slightly due to the changing carbon intensity of natural gas as a result of the Ukraine war. We expect this to decrease next year to reflect a full year without the two legacy properties mentioned above.

Scope 2 emissions for FY 2024 decreased year on year due to more efficient equipment and office capacity use. Adjusted for renewable electricity, they decreased even more as we increased our renewable consumption.

There was a slight increase in FY 2024 in Scope 3 emissions from business travel and employee commutes. This can be attributed to the resurgence of office-based work following the Covid-19 pandemic and the expansion of our business. Nonetheless, emissions from travel have maintained a significant downturn compared to the baseline figures of FY 2020, with the intensity of travel emissions per full-time equivalent employee continuing to decline year over year.

Annual greenhouse gas emissions and energy use data from UK-based activities under SECR for FY 2024:

	FY 2024	FY 2023	FY 2022
Scope 1 emissions (tCO_2e)	**161**	157	212
Scope 2 emissions – Defra location based (tCO_2e)	**193**	215	350
Scope 2 emissions adjusted for renewable energy[1]	**106**[1]	185[1]	350
Energy consumption used to calculate emissions (kWh)	**1,812,093**	1,976,286	2,655,443
Scope 3 emissions (tCO_2e)	**1,191**	1,189	1,928
Total gross emissions	**1,545**	1,561	2,490
Total net emissions	**1,458**	1,531	2,490

Intensities	**FY 2024**	FY 2023	FY 2022
Revenue intensity – Scope 1 & 2 (tCO^2e/£m)	**1.7**	2.1	3.2
Revenue intensity – Scope 1, 2 & 3 (tCO_2e/£m)	**7.7**	9.2	14.2
FTE intensity – Scope 1 & 2 (tCO_2e/FTE)	**0.2**	0.2	0.3
FTE intensity – Scope 1, 2 & 3 (tCO_2e/FTE)	**0.9**	1.0	1.4

Notes:

All activities are UK based. tCO_2e = tonnes of CO_2 equivalent. Unless otherwise noted all conversion to carbon is based on current Department for Education, Food and Rural Affairs ('Defra') factors. Calculations are made in accordance with the SECR guidance and the GHG Protocol. FTE = Full time employees as at 31 March 2024.

1 XPS has transitioned to certified renewable energy in a number of its locations, enabling the Group to claim zero-emissions relating to associated energy consumption, as per the market-based accounting method. In addition to the progress made on renewable electricity, our market-based Scope 2 emissions declined further last year, reflecting the adoption of the more accurate supplier "fuel-based" conversion rate as supported by the GHG Protocol. This conversion rate uses data direct from suppliers (where available) to better estimate non-renewable supply. We have applied this methodology to prior disclosures and found that a discrepancy of less than 1% occurred.

Embedding sustainability in our culture

Integrating a sustainability philosophy and embedding a green culture throughout the business is fundamental to the Group achieving its environmental ambitions. The business continues to incentivise the green cultural transition by offering benefits as part of the Group's salary sacrifice options including cycle to work, electric car and tree planting schemes.

During the past year, XPS organised its first environmentally focused volunteering day, led and organised by our local XPS Planet Group Champions. The successful pilot scheme contributed to the development and roll-out of the new Group-wide Volunteering Policy, which encourages and facilitates local volunteering across the UK for causes that are meaningful to our colleagues whilst continuing to align with the Group's culture and values.

Looking ahead

For FY 2025, we will continue to develop our net zero roadmap, which will be submitted for verification with the SBTi. In addition, we will focus on gaining additional ISO 14001 certifications across our property portfolio. We will continue to develop and deploy our sustainable procurement policies. We will also prepare the business ahead of forthcoming environmental and climate regulatory demands such as the IFRS Sustainability disclosure standards S1 and S2 and Transition Plan Taskforce disclosure requirements.

Supporting our clients and members

We are trusted advisers of pension funds on which millions of people depend. To support our clients best, we aim to develop long-term partnerships with them. Sustainability and stewardship increasingly play an important role in these partnerships. During the year, we made significant steps to integrate sustainability considerations further into our service offering.

"The investment markets play a significant role in addressing pressing societal challenges such as climate change, and considering these issues is key to ensuring secure long-term outcomes for scheme members. We provide our clients with comprehensive information and advice on sustainability considerations to inform how they manage their schemes."

Alex Quant FIA
Head of ESG Research – Investment

Our goal is to help clients and scheme members achieve positive long-term outcomes. Our culture and values help us promote sustainable services for our clients. We incorporate sustainability into our client services and solutions, and we ensure sustainability considerations are embedded in all our investment research and advice. We also focus on keeping all our clients' money safe from scams and fraud.

Helping clients navigate sustainability

Sustainability considerations are embedded into all the investment recommendations and client advice we provide for the £104 billion assets we have under advisement. We deliver detailed sustainability reporting to all clients. In addition to feedback on their sustainability ratings, we detail wider sustainability factors (such as exposure to sin industries, climate transition alignment and engagement on sustainability across the portfolio) as well as carbon emissions reporting. We have partnered with a market-leading climate change data provider so that we can provide enhanced reporting and analysis of climate change risks – we have used this to support certain clients with their regulatory climate change reporting requirements, aligned with the Task Force on Climate-related Financial Disclosures (TCFD) framework.

During the year, we carried out our fourth annual sustainability ratings exercise, which involved reviewing 227 funds run by 53 investment managers. In the interest of transparency and raising the bar for the industry, we provided feedback to all those managers who submitted. We also held follow-up face-to-face meetings with those managers who received a red rating, as well as many others, to discuss areas for improvement.

Driving sustainable investment

For those clients who wish to go further, we have a growing number of buy-rated funds that target environmental and social outcomes alongside their financial objectives. In FY 2024, we formalised our Impact Designation, which is a label we award funds that achieve our Sustainable Designation but go further by having explicit non-financial targets alongside their financial objectives. For example, funds that set net zero targets can earn our Sustainable or Impact Designations. We awarded three investment funds our Impact Designation. We have now awarded our Sustainable Designation to 39 funds across all asset classes (FY 2023: 34) to help our clients meet their financial objectives whilst targeting long-term social and environmental outcomes.

At the end of FY 2024, XPS had 36 clients in sustainable funds representing £2.6 billion (FY 2023: 23 clients, £1.9 billion) in assets under advisement.

Creating a sustainable pensions industry

In FY 2024, we joined the Net Zero Investment Consultant Initiative and we worked to action the commitment we have made to take net zero considerations to all our investment clients and to embed these into our research framework. We also retained our status as a signatory of the UK Stewardship Code, having been successful at the first time of asking in 2021. We contributed to a number of public consultations relating to sustainability issues, including the DWP Taskforce for Social Factors guidance and the FCA consultation on Finance for Positive Sustainable Change.

UK STEWARDSHIP CODE

PENSIONS FOR PURPOSE

Signatory of:

PRI Principles for Responsible Investment

£104bn
assets under advisement with XPS clients

39
funds awarded Sustainable Designation by XPS

10,000+
members' transfers protected by XPS

Keeping members safe

We remain focused on keeping the members of the pension funds we administer safe. Our Scam Protection Service continues to support trustees and our clients' members by identifying and managing suspicious activity in relation to transfers. In particular, our Scam Protection team uses a phone call with scheme members to obtain robust information about their transfer and uses this to identify any suspicious activity. In addition, XPS is an advisory member of the Pension Scams Industry Board. Our service goes beyond what is required in the regulations and we continually look out for trends in behaviour to help spot warning signs of new potential scams. Our Scam Protection Service has helped protect over 10,000 members' transfers to date, totalling over £2 billion.

To minimise social engineering threats, XPS rolled out Abnormal Email Security, which uses AI and behaviour analysis to detect malicious emails. In FY 2024, all our colleagues undertook mandatory training on protecting client, employee and corporate information, including regular phishing awareness exercises. Our Information Security Management System (ISMS) was certified to ISO 27001 in FY 2022 and the effective deployment of our ISMS is independently verified through our Cyber Essentials Plus certification and BitSight risk scoring.

We recognise that many pension members we deal with may be experiencing one or more vulnerabilities, and that we must take care to listen to our customers' needs and identify when we should apply an extra duty of care. Our Dealing with Vulnerable Customers Policy provides guidance to all employees around vulnerabilities our customers may experience, barriers they may face when dealing with professional service providers such as us, and what we can do to make our services as accessible and inclusive as possible, adapting to customers' specific needs wherever possible.

Looking ahead

For FY 2025, our focus remains on further embedding sustainability within the advice and services we give to our clients, whilst keeping on top of the fast-evolving regulatory landscape.

Being a responsible business

Good governance underpins both our approach to sustainability and the purpose and strategy of our business. At XPS, we pride ourselves on our strong culture and values, which are fully integrated throughout our business. Both our culture and values promote the right behaviours, whilst delivering our strategy and supporting our stakeholders.

Ensuring strong governance

We are proud to comply with the UK Corporate Governance Code. Starting at the top of our business and our Board of Directors, we uphold high standards of governance. This year, we strengthened our Board with the appointment of two additional Non-Executive Directors, and are proud to have maintained the gender diversity of our Board at 44% female. You can read more about the governance and composition of our Board on pages 56 to 62.

During the year, we also continued to demonstrate our sustainability commitments by including sustainability within our Executive Directors' bonus objectives and share incentive award vesting criteria. You can read about remuneration on pages 72 to 95.

Maintaining a culture of compliance

We have core policies and procedures in place that ensure we uphold high standards of governance and act as a responsible business with all our stakeholders in mind. Our Business Code of Ethics outlines the principles and values that we expect all our people to adhere to in relation to matters such as treating customers fairly, inclusion and diversity, financial crime and dealing with vulnerable customers. We also have an Anti-Bribery and Corruption Policy in place, outlining our zero tolerance for activities and behaviours that are not in line with our values, especially in relation to financial dealings.

Each year, all our employees are required to complete modern slavery training, which outlines the expectations of our business and our suppliers to behave in a way that is respectful of human rights. This year our supplier onboarding process has been strengthened and adherence to our Supplier Code of Conduct is now a condition of doing business with XPS. We publish our Modern Slavery Statement annually and you can read it on our website at https://www.xpsgroup.com/modern-slavery-statement/.

All our employees are required to complete an annual programme of compliance training, covering topics such as financial crime, bribery and corruption, insider trading, modern slavery, data protection and cyber security. During FY 2024, the 100% training completion rate across the Group was maintained (FY 2023: 100%).

100%
compliance training rate in FY 2024

This report includes disclosures consistent with the TCFD framework and all 11 TCFD recommendations (pursuant to LR 9.8.6 R (8)). The most recent TCFD and FCA-related guidance has been considered and appropriately informs the content of this disclosure. Some elements of disclosure refer to extracts within this report that should be read in conjunction with this disclosure. This report, together with the statements throughout this report, meets the requirements of TCFD.

Governance	
a) Describe the board's oversight of climate-related risks and opportunities.	XPS recognises that strong risk governance is fundamental to the success of the business including those risks relating to the environment and climate change. XPS utilises a number of traditional management committees to ensure risks within the business are appropriately controlled including the Sustainability Committee, Risk Management Committee, Audit & Risk Committee and the Remuneration Committee. The Board-level Sustainability Committee, chaired by Non-Executive Director Sarah Ing, provides a dedicated mechanism for sustainability-related risks and opportunities, such as climate, to be reported to the Board on at least a quarterly basis. The Committee is also responsible for establishing the XPS sustainability framework, overseeing its implementation and the ongoing monitoring of progress on related topics. You can find a detailed report of Sustainability Committee on pages 70 and 71. The Risk Management Committee and Audit & Risk Committee are integral to the governance structure within the business. These Committees are responsible for Group risk management and the internal control framework and have oversight of identified risks, including those relating to climate change. You can find a detailed report on the Risk Management Committee and Audit & Risk Committee on pages 66 to 69. The Remuneration Committee determines executive remuneration including approval of executive incentive schemes, which incorporate sustainability performance objectives. You can find a detailed report on the Remuneration Committee on pages 72 to 95.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	The Group manages all risk in an integrated fashion, including those relating to climate, via its risk management and internal control framework which is detailed on page 48. The Group's sustainability framework, which incorporates the Group's climate risk, strategy and ambitions, is integrated within all management-level decision-making ensuring sustainability and climate considerations around risks and opportunities are an appropriately weighted input into group-level decision making, strategy, budgeting, objectives, remuneration and, where appropriate, major capital expenditures and acquisitions. The Group's certified Environmental Management System acts as the unified mechanism to report relevant climate-related progress to management as well as the Board via its regular auditing activities, data analytics and assessments, helping to assess the success of mitigating climate-related risk. Management has established a Sustainability Working Group that brings together, on a regular basis, representatives from across the business to monitor progress and performance on managing climate-related risks and opportunities.

Strategy	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	XPS's definition of short, medium and long term is aligned with those defined by the Group's net zero trajectory and informed by the Science Based Targets initiative boundaries: short term being 0–5 years, medium term being 5–10 and long term being anything 10 years and over.

Strategy continued	
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. continued	In the short term up to 2030, the climate-related risk profile for XPS remains consistently low across different climate change scenarios, with the swiftest transition to a 1.5-degree pathway posing the greatest risk. This is due to the expected demands for enforced technological upgrades affecting equipment, early retirement of properties and additional compliance needs requiring additional investment and resource posing a capital and reputational risk whilst navigating an anticipated negative reaction within the marketplace due to the capital required globally to transition at pace. The sustainability framework and net zero commitment of XPS are strategically designed to transition at pace and enable the Group to act proactively and to operate effectively in adverse swift transition environments. There is an opportunity within slower moving transitions for XPS to bolster its reputation and client appeal and retention by acting in advance of the marketplace as well as opportunities to make efficiency related savings. Early adoption of new technology, yet to be determined, is likely to be accompanied by a risk to capital and effectiveness. XPS will ensure new technology is appropriately assessed before any deployment so that the Group's investment and operations are protected and appropriate. In the mid-term, spanning from 2030 to 2035, the Group's comprehensive plan for achieving net zero will most likely pre-emptively mitigate major climate-risks from the global shift in the timeframe. There is some expectation that markets will recede in this period due to legislation and transitional activities posing both a cash flow and compliance risk as well behavioural changes potentially influencing consumer selection. The cost of business in general is expected to increase posing a potential risk to profitability but the Group currently expects this incremental cost to be immaterial to its operations and the cost of the XPS transition to sustainable energy and facilities to present a low impact on XPS cash flow and operations. Looking further ahead, from 2035 to 2050, XPS anticipate to be working on the addressing and eradicating the Group's residual emissions, with a heavy reliance on technological advancements for carbon capture, removal, and sequestration. The efficiency and affordability of such technologies are currently uncertain, presenting a potential risk of capital demands. A successful XPS transition will be reliant upon local infrastructure achieving its own ambitions. This presents a risk of XPS failing to achieve its net zero objectives and generating excessive residual emissions. A risk of significant carbon taxation is viable in this period and may pose a significant potential risk should XPS fail to meet its net zero objectives due to internal or external influencing factors. Potential market downturn during this period is likely to impact global cash flow potentially affecting profitability. XPS plans to significantly reduce emissions ahead of this scenario, forecast to require modest treatment for residual emissions, reducing the potential for considerable outlay.

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. continued	In all scenarios beyond 2050, there will be a significant increase in adverse climate events impacting many industries and societies including agriculture, accommodation, infrastructure, logistics and manufacture. It is likely that some of these impacts are already unavoidable. XPS does not expect its direct operations to be critically impacted by these events. However, XPS does expect the cost of business to increase, significantly for the Group's supply chain operating or investing in vulnerable industries or geographies. There is a risk that these suppliers, or those with connections to these suppliers, experience service interruptions or significantly increased cost of service which may impact the Group's ability to provide services itself. XPS plans to manage this risk and its supply chain carefully in the interim to reduce its third-party risk in this area. The Group's supply chain risk is currently considered low due to the type of services procured and the geographic suppliers selected however XPS will continue to deploy its approach to further minimise this risk by seeking suppliers that reflect the long term XPS morals and have sufficiently resilient operations ensuring XPS continue to have a robust supply chain. The most optimistic outlooks foresee a considerable reduction in GDP and market conditions. XPS currently consider its operations to be financially equipped and robust to operate effectively in these conditions; however, the financial landscape is yet to be foreseen and trading conditions are anticipated to be universally impacted posing a potential risk to the XPS operations and its capital. Opportunities have been identified within the Group's analysis which suggest XPS's proactive approach will bolster the Group's reputation and facilitate client retention and appeal within the marketplace as well as offering cost saving opportunities by deploying more efficient technology. Opportunities are most beneficial in slower moving marketplaces. For more information, see the Risk Management section on pages 47 to 52 and refer to the Environment section of the Sustainability section on pages 28 to 31.

Strategy continued	
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The Group's sustainability framework ensures that climate-related risks and opportunities are considered within Group-level decision making, strategy, budgeting, objectives, remuneration and, where appropriate, major capital expenditures and acquisitions. Whilst some mitigating steps will require proactive action by XPS, the Group anticipates a considerable volume of the XPS transition to net zero will be delivered with the adaptation of the market and infrastructure. Recognising the Group's risks, opportunities and commitments as an input, the Group acknowledges the adaptations required, specifically within the Group's key climate risks such as the XPS supply chain - ensuring XPS suppliers complement XPS's net zero trajectory, use of technology in XPS offices and applications - allowing XPS to reduce energy consumption to a level consistent with a 1.5 degree scenario, selection of property - ensuring XPS facilities are suitably efficient and environmentally friendly to the Group's surroundings, and the Group's approach to investments - ensuring investments meet the Group's moral commitments and their actions align with the XPS 1.5 degree ambitions. The Group's sustainability framework ensures that these mitigation steps are taken without a material financial impact on revenues and assets and act at an appropriate pace. Whilst the transitional steps present the anticipated need for modest additional investment and resource at the outset posing a low risk, the business anticipates energy efficiencies and long-term cost savings to be delivered post transition. XPS expect an increased risk of environmental and climate compliance demands and associated disclosure expectations in the short to medium term which will require additional resource and investment, however, the Group currently believe its strategy is prepared, well equipped and financially able to make such a transition resulting in a managed low risk to the business. The opportunities that exist up to 2050 present XPS with a potential to bolster its reputation resulting in improved client appeal and retention whilst its transition to green technology and buildings is likely to offer long term cost savings relating to a more efficient operation.
c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	XPS considers that its business model and operations are resilient in the most common climate change scenarios. In order to assess the resilience of the Group, three different commonly used climate scenarios were used: a rapid change aimed to curtail warming at 1.5 degrees; an orderly shift to a 2-degree limit and a scenario where the transition is only partially successfully, leading to temperature rises beyond 2 degrees. XPS scenario analysis model assessed conceivable risks and opportunities, including those listed in Table A1.1 of the TCFD Implementation Guidance, in each decade to 2100 in differing paces of transition to understand the conceptual materiality and impact to the business considering transitional and physical risks and opportunities. Using data and projections from, but not limited to, scientific papers published by IPCC, Institute and Faculty of Actuaries and BNEF as an input, the Group has been able to determine key opportunities and risks likely to be faced in the future. The Group has committed to an ambitious pathway informed by scientific data, aiming to achieve emissions associated with a maximum temperature rise of 1.5 degrees Celsius. This approach is expected to be proactive, outpacing the broader market and statutory obligations, thereby establishing the Group as strong and adaptable to swift climate-related demands, as well as changes in legislation and consumer behaviour. By prioritising the transition of the business's highest risks, such as the Group's engagement with renewable energy sources, preparing to meet forthcoming compliance obligations and ensuring financial resilience to market downturns, XPS is strategically positioning itself favourably across conceivable climate outcomes. Pensions are an inherently stable product that can withstand economic downturns and market volatility, maintaining a consistent demand due to their essential nature. Guided by scenario analysis, the Group is assured that the XPS business structure, financial resources, and strategic approach are currently resilient and sufficiently robust. XPS scenario analysis suggest that a smooth transition, likely to result in a 2˚C temperature rise, is the most favourable pathway for XPS and global markets. A rapid or delayed reaction is likely to result in unfavourable market conditions potentially impacting XPS's capital and profitability.

Risk management	
a) Describe the organisation's processes for identifying and assessing climate related risks. b) Describe the organisation's processes for managing climate related risks. c) Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	The Group's integrated approach identifies, manages and addresses all risks, climate and otherwise, in a consistent manner as specified with in the Risk Management and Internal Control Framework section of this report on pages 47 to 52. The Group deploys a plan, do, check, act procedure which the ISO 14001 certified Environmental Management System utilises within its identification and assessment of climate risk in accordance with the established risk framework. The Environmental Risk Register contains an assessment of all of the risks contained within table A1.1 of the TCFD Implementation Guidance as a minimum as well as other risks identified as part of the risk management process. The assessment considers the short-, medium- and long-term effect a risk may constitute to capital, revenue, reputation, environmental performance, business continuity and information security. Climate risks often present a risk in multiple facets which are assessed individually in a consistent and integrated manner with traditional risks to ensure appropriate and consistent weighting, treatment and priority is applied based upon a risk's materiality. Utilising the existing risk matrix and framework, climate assessments are repeatable and consistent with risk management processes facilitating a unified approach to treatment, management, acceptance or rejection of a risk. The approach is aligned for climate and other risks and enables the group to effectively identify any material risks to its operation and capital. A similar approach is deployed to establish opportunities, assessing the risk to benefit ratio and enabling the business to ascertain the most beneficial pathways and actions available to it. Specifically relating to climate, existing and emerging regulatory requirements are managed as an emerging risk as well as the possible change in market appetite.

Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	XPS actively manages and monitors its sustainability performance to ensure the business is acting upon its framework and ambitions. XPS's most recent SECR disclosure can be found on page 30. The success of the XPS climate ambition requires top-down management and implementation. To support this approach 10% of executive remuneration is tied to the Group's annual emissions and the performance against the Group's carbon objectives. XPS has not established internal carbon pricing but it is continuing to assess the benefits of carbon pricing within the landscape.
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	The most prevalent KPI within the climate space for XPS's is the Group's carbon inventory. The XPS carbon footprint is measured and reported using the Greenhouse Gas Protocol methodology and aligned with ISO 14064, measuring comprehensive emissions sources such as travel emissions, energy consumption, energy sources, waste generation, waste treatment, water treatment, water consumption and downstream emissions within the Group's supply chain.
c) Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	XPS has committed to the SBTi target framework, which provides the business with a clear and unambiguous pathway to a science-based net zero status. Utilising the 1.5˚C emissions corridor, XPS has set emissions performance objectives for all identified emissions sources. Any non-conformance with the approved transition corridor is treated as a risk and managed and addressed within the above-mentioned risk process. Prior to verification of the Group's transition plan, it would not be suitable for XPS to disclose draft targets in full detail; however, the high-level journey and anticipated milestones are disclosed on pages 28 to 29. Key objectives include the transition to renewable electricity seeking zero electricity emissions by 2030, the transition to green heating methods resulting in zero heating emissions by 2040 and the reduction of supply chain emissions by 40% by 2035 initially and 90% by 2050 subject to approval. Noted objectives are measured via KPI performance of tCO_2e generated and represent absolute reductions as required by the IPCC and SBTi frameworks. Performance targets/KPIs have been established annually between 2024 and 2030 and 5 yearly thereafter, in an accelerating fashion that aligns with the SBTi emissions corridor. Carbon emissions are quantified using industry standard methods aligned with the Greenhouse Gas Protocol, ISO 14064 and the SBTi. The information disclosed in this report and being developed internally all refers to a base year of FY 2020. Internally, the Group is developing its transition plan approach to ensure compliance with forthcoming regulation such as the anticipated Transition Plan Taskforce and ISSB.

This section of the Annual Report and Accounts constitutes the XPS Group Non-Financial and Sustainability Information Statement, produced to comply with Sections 414CA and 414CB of the Companies Act 2006.

The following table sets out where, within our Annual Report and Accounts, we provide further detail on matters required to be disclosed under the sections above. In particular, it covers the impact we have on the environment, our employees, social matters, human rights, anti-corruption and anti-bribery matters, policies pursued and the outcome of those policies, and principal risks that may arise from the Company's operations and how we manage these, to the extent necessary for an understanding of the Company's development, performance and position and the impact of its activity.

Reporting requirement	Relevant policies, documents, or reports that set out our approach	Section(s) and page(s)
Anti-bribery and corruption	• Bribery and gifts policy • Whistleblowing policy • Financial crime policy	See our "Being Responsible Business" section on page 34
Business Model		Business Model, see page 6
Employees	• Recruitment and selection policy • Inclusion and diversity • Flexible working policy • Harassment and bullying prevention policy • Grievance policy • Health and safety policy • Agile working policy • Family friendly policy • Sabbatical policy	See our "Empowering our people to thrive" section on page 22-26
Environmental matters	• Environmental policy	See our "Protecting the environment" section on page 28-31
Description of principal risks and impact on business activity		Helping the transition to a sustainable low-carbon economy: Risk management – see page 47 Principal risks - see pages 49-52
Respect for human rights	• Data privacy policy • Modern slavery policy[1] • Information & cyber security policy	See our "Being a Responsible Business" section on page 34 and our website www.xpsgroup.com/modern-slavery-statement
Social matters	• Matched fundraising • Corporate volunteering policy	See our "Strengthening our Communities" section on page 27
Non-financial key performance indicators		Operating responsibly for all our stakeholders, see page 20-34

Strong financial performance delivering on our growth strategy

Snehal Shah
Chief Financial Officer

The business has continued to perform strongly with like-for-like revenues growing 21% year on year (20% including revenues from the National Pension Trust (NPT) business, which was disposed of in November 2023). All divisions have posted strong year on year growth driven by high client demand for our services. Operational gearing has also continued to come through with adjusted diluted EPS and adjusted EBITDA growth exceeding revenue growth for the second consecutive year. We disposed of the NPT business for a consideration of £35.0 million and used the proceeds to reduce net debt – further strengthening the balance sheet and providing greater flexibility for continuing our growth trajectory. We have continued to develop our own administration platform which will further enhance our operational gearing in the future.

Group income statement

	Adjusted[1]			As reported		
	FY 2024 £m	FY 2023 £m	Change %	**FY 2024 £m**	FY 2023 £m	Change %
Revenue						
Pensions Actuarial & Consulting	**93.4**	77.4	21%	**93.4**	77.4	21%
Pensions Investment Consulting	**20.3**	18.0	13%	**20.3**	18.0	13%
Total Advisory	**113.7**	95.4	19%	**113.7**	95.4	19%
Pensions Administration	**71.9**	57.5	25%	**71.9**	57.5	25%
SIP	**11.0**	9.4	17%	**11.0**	9.4	17%
NPT	**—**	—	—	**2.8**	4.3	(35%)
Total revenue	**196.6**	162.3	21%	**199.4**	166.6	20%
EBITDA	**54.8**	41.4	32%	**79.8**	35.1	127%
Depreciation & amortisation	**(5.8)**	(5.5)	(5%)	**(12.8)**	(12.4)	(3%)
EBIT[1]	**49.0**	35.9	36%	**67.0**	22.7	195%
Net finance expense	**(4.5)**	(3.6)	(25%)	**(4.5)**	(3.6)	(25%)
Profit before tax	**44.5**	32.3	38%	**62.5**	19.1	227%
Income tax expense	**(11.4)**	(6.0)	(90%)	**(8.3)**	(3.3)	(152%)
Profit after tax	**33.1**	26.3	26%	**54.2**	15.8	243%

1 Adjusted measures exclude the impact of exceptional and non-trading items: acquisition-related amortisation, share-based payments, corporate transaction costs, restructuring costs and other items considered exceptional by virtue of nature, size and incidence. They also exclude the Group's NPT business, which was sold in November 2023. See note 6 for details of exceptional and non-trading items.

Revenue

Total Group revenues grew 20% year on year, 19% organically. Excluding NPT, total Group revenues grew 21% year on year.

Pensions Actuarial & Consulting is the Group's largest business, accounting for 47% of Group revenues in FY 2024. The division achieved 21% year on year growth in revenues, due to high client activity levels driven by continued regulatory changes, expansion of our service offering, in particular; Risk Transfer, and inflationary increases in fees.

Pensions Investment Consulting had another strong year with continued demand driven by regulatory changes as well as inflationary fee increases. Revenues in this division grew 13% year on year.

Pensions Administration revenues grew 25% year on year with a number of new client wins coming on stream during the year and increased levels of project work such as GMP equalisation and the McCloud judgement rectification. As with the Advisory business, inflationary increases in fees also helped to drive the growth in the year. Pensions Administration accounted for 36% of the Group revenues (FY 2023: 35%).

SIP revenues were up 17% on prior year, due to strong underlying sales, and increases in commission due to the base rate increases in the year.

The NPT business was sold in November 2023.

Operating costs

Total operating costs (excluding exceptional and non-trading items) of £150.0 million (FY 2023: £129.7 million) grew by 16% year on year. The main drivers for the cost increases are an increase in headcount as the business grew (1,712 FTE v. 1,574 last year), inflationary/market driven pay increases, higher bonus cost commensurate with the strong financial performance, and inflationary increases in other operating costs.

Adjusted EBITDA

Despite the continuing inflationary pressures on our costs, the Group has delivered further operational gearing with adjusted EBITDA growing by 32% year on year - ahead of the Group adjusted revenue growth of 21%. Adjusted EBITDA margin was 27.9% (FY 2023: 25.5%).

Adjusted profit before tax grew by 38% year on year benefiting from the strong trading and continued operational gearing.

Exceptional and non-trading items

Exceptional and non-trading items excluding the gain on sale of NPT in the year totalled £15.0 million (FY 2023: £14.2 million). Amortisation of acquired intangible assets amounted to £7.0 million (FY 2023: £6.9 million).

Share-based payment charges were £6.3 million (FY 2023: £4.7 million) with higher levels of vesting expected due to the strong financial performance of the Group and a higher National Insurance charge resulting from the Group's strong share price.

The Group also incurred corporate transaction costs of £1.7 million in the year, which related to contingent consideration in respect of the acquisition of Penfida Limited (FY 2023: corporate transaction costs of £2.9 million, of which £2.1 million was in relation to the acquisition of Penfida Limited and £0.8 million related to contingent consideration). The maximum contingent consideration of £3.4 million would be payable on the second anniversary of the acquisition subject to business performance which includes retention of clients as well as continued employment of key employees. As continued employment is one part of the contingent consideration test, according to IFRS 3, the entire contingent consideration must be treated as a post-transaction employment cost accruing over the deferment period of two years. The contingent consideration is material in size and it is one-off in nature. As such, in line with the Group's accounting policies, it has been classified as an exceptional item. If the entire contingent consideration is not payable at the end of the two-year period, any resulting credit will also flow through the exceptional category.

Tax on the exceptional and non-trading items was a credit of £3.2 million (FY 2023: £2.9 million). This is driven by the unwinding of deferred tax liabilities linked to intangible assets acquired in previous periods, deferred tax relating to share-based payments, and corporation tax on corporate transaction costs.

In November 2023 the Group disposed of its NPT business. The exceptional gain on the disposal totalled £34.6 million and was offset by related corporate transaction fees of £2.1 million. More information on the transaction can be found in notes 6 and 7 of the consolidated financial statements as well as in the Co-Chief Executives' Review.

Net finance costs

Net finance costs for the year were £4.5 million (FY 2023: £3.6 million). The increase is due to the higher bank base rate during the year compared to the prior year. The loan balance was significantly reduced in the year following the sale of the NPT business; this led to lower interest costs in the second half of the year.

Taxation

A tax charge of £11.5 million (FY 2023: £6.2 million) was recognised on adjusted profits. This represents an effective tax rate of 26% (FY 2023: 19%). The Group also recognised a tax credit of £3.2 million (FY 2023: £2.9 million) on exceptional and non-trading items, which resulted in an overall tax charge for the year of £8.3 million (FY 2023: £3.3 million). The increase in the corporation tax rate in FY 2024 to 25% drove an increase in tax charges in the year compared to the prior year.

Our businesses generate considerable tax revenue for the UK government. For the year ended 31 March 2024, we paid corporation tax of £11.3 million (FY 2023: £4.9 million); we collected employment taxes of £32.1 million (FY 2023: £27.0 million) and VAT of £31.9 million (FY 2023: £24.7 million). Additionally, we have paid £1.3 million (FY 2023: £1.2 million) in business rates. The total tax contribution of the Group was therefore £76.6 million (FY 2023: £57.8 million), which equates to 38% of revenue (FY 2023: 35%). Corporation tax paid in the year was higher due to the fact that the Group is now considered to be very large for tax payment on account purposes, and so an element of prior year tax was paid as well as the current years full year estimated liability. In FY 2025 corporation tax payments will normalise and will be in line with the related income statement charge.

EPS

Basic EPS for FY 2024 grew 240% year on year to 26.2p (FY 2023: 7.7p) owing to the strong financial performance of the Group and the gain on disposal of NPT. Basic EPS for the year excluding the gain on disposal of the NPT business is 10.5p. which gives growth in the year of 36%.

Adjusted fully diluted EPS grew 21% year on year to 15.3p in FY 2024 (FY 2023: 12.6p), enabled by the strong revenue growth as well as delivery of further operational gearing in the business. Excluding the NPT business sold in November 2023, the equivalent adjusted fully diluted EPS would be 15.1p in FY 2024 (FY 2023: 12.2p), showing growth of 24%.

Dividend

A final dividend of 7.0p is being proposed by the Board (FY 2023: 5.7p). The final dividend, which amounts to £14.6 million (FY 2023: £11.8 million), will be paid on 23 September 2024 to those shareholders on the register on 23 August 2024.

Cash flow, capital expenditure and financing

Non-GAAP cash flow	**31 March 2024 £m**	31 March 2023 £m
Operating		
Adjusted EBITDA	**55.3**	42.4
Change in net working capital[1]	**2.4**	(0.3)
Adjusted operating cash flow (OCF)[2]	**57.7**	42.1
OCF conversion	***104%***	*99%*
Financing & tax		
Net finance expense	**(4.3)**	(3.3)
Taxes paid	**(11.3)**	(4.9)
Repayment of/proceeds from new loans	**(44.0)**	4.0
Repayment of lease liabilities	**(2.7)**	(3.0)
Share-related movements	**(7.7)**	(1.0)
Net cash flow after financing	**(12.3)**	33.9
Investing		
Disposal/(acquisition)	**34.5**	(8.3)
Capex	**(7.5)**	(5.4)
Net cash flow after investing	**14.7**	20.2
Dividends paid	**(18.0)**	(15.3)
Exceptional items	**–**	(1.8)
Movement in cash	**(3.3)**	3.1
Net debt[3]	**14.0**	55.3
Leverage	**0.27x**	1.38x

1 Change in net working capital exclusive of corporate transaction costs detailed in note 6 to the consolidated financial statements.

2 Appendix 2 provides a reconciliation of this figure to the operating cash flow presented in the consolidated financial statements.

3 Net debt constitutes long-term borrowings and contingent consideration, less cash. See note 24 to the consolidated financial statements for a reconciliation of this figure.

Cash flow, capital expenditure and financing continued

FY 2024 has been another year of strong cash performance for the Group. Adjusted operating cash flow increased by £15.6 million driven by a £12.9 million increase in adjusted EBITDA and a £2.7 million decrease in net working capital year on year. Overall, this resulted in adjusted operating cash flow conversion of 104% compared to 99% in the prior year.

Taxes paid in the year of £11.3 million (FY 2023: £4.9 million) were significantly higher than the prior year. During the year the Group became a "very large company" as defined by HMRC for corporation tax purposes, meaning tax is due in the year to which it relates rather than six months in arrears as has previously been the case. Therefore, this re-base, as well as the increase in headline rate from 19% to 25%, has led to the increase.

During the year, the Group repaid £44.0 million of the RCF. £0.2 million was spent on extending the current loan facility for a further year (to October 2026). Interest paid on the loan balance amounted to £3.9 million (FY 2023: £3.0 million), and £0.3 million was paid on interest relating to leases in the year (FY 2023: £0.3 million), offset with £0.1 million of interest income received. Capital expenditure in the year amounted to £7.5 million (FY 2023: £5.4 million) with £1.9 million spent on leasehold improvements and office fit-outs and the remaining £5.6 million on software development, enhancements to our platforms, cyber security, and other IT equipment. £2.7 million relating to leases was paid in the year (FY 2023: £3.0 million).

In November 2023, the Group sold its NPT business for cash consideration of £35.0 million, and an additional £2.0 million in respect of the completion balance sheet; £2.1 million was paid out in transaction-related fees, and a further £0.4 million was paid out relating to contingent consideration for prior year acquisitions.

The Group spent £5.6 million (FY 2023: £2.2 million) on acquiring its own shares via its EBT, to be used to settle employee share options as they vest. £0.6 million (FY 2023: £0.5 million) was paid to employees as dividend equivalents on the vesting of share options as well as incurring £1.5 million of employer's National Insurance. After paying £18.0 million in dividends, the Group cash balance decreased by £3.3 million year on year to close at £10.0 million. The Group had drawn down £24 million of its £100 million RCF at 31 March 2024, resulting in net debt of £14.0 million, a decrease of £41.3 million year on year.

Going concern

Details on the Directors continuing to adopt the going concern basis in preparing the financial statements can be found in the Viability Statement in the Strategic Report in the Annual Report. The Directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Subsidiary undertakings

The subsidiary undertakings of the Group in the year are listed in note 35 in the Annual Report.

Snehal Shah
Chief Financial Officer
19 June 2024

Appendix: Reconciliation of reported/statutory results to alternative performance measures (APMs)

In order to assist the reader's understanding of the financial performance of the Group, it continues to present a range of results metrics to demonstrate its performance. These include those presented in accordance with International Accounting Standards (IFRS) and APMs. APMs exclude specific exceptional and non-trading items as set out in note 6 of the consolidated financial statements.

An explanation of the Group's key APMs has been detailed below:

APM	Closest equivalent statutory measure	APM definition and purpose
Adjusted EBITDA	Profit/loss from operating activities	**Definition:** Earnings before interest, tax, depreciation and amortisation excluding exceptional and non-trading items and excluding the NPT business disposed of in November 2023 as if a discontinued operation – see note 7 to the consolidated financial statements. **Purpose:** A recognised APM which has been central to the business over many years and through different ownership structures. It allows the Group to monitor the underlying trading performance of the business without the impact of external and exceptional and non-trading factors distorting the figures.
OCF conversion	Net cash from operating activities	**Definition:** The conversion of adjusted EBITDA into cash. **Purpose:** Measures how well the Group is managing its operating cash flows. Unlike net cash from operating activities, it excludes the impact of tax and exceptional and non-trading items and therefore allows for a direct and like for like comparison to the Group's key profit related APM, adjusted EBITDA.
Adjusted diluted EPS excluding the NPT business	Diluted earnings per share	**Definition:** Reflects the profit after tax, adjusted to remove the impact of exceptional and non-trading items and the NPT business disposed of in November 2023. Details of this can be found in note 6 of the consolidated financial statements as well as in the reconciliations on the following page of this Chief Financial Officer's review. **Purpose:** Presents an EPS measure used more widely by investors and analysts and more in line with how the Group's dividends are calculated.
Leverage	Cash and cash equivalents	**Definition:** Leverage ratio showing the amount of third-party debt excluding leases (net of cash held) relative to last twelve months adjusted pro-forma EBITDA. **Purpose:** Management can measure exposure to reliance on third-party debt. Leverage is the key measure in reporting to the Group's banks and driving the interest rate margin which is added to SONIA to determine the all-in rate payable.

A reconciliation of the Group's APMs to their closest statutory measures has been provided below:

1. Adjusted EBITDA excluding NPT

	31 March 2024 £m	31 March 2023 £m
Profit from operating activities	**67.0**	22.7
Depreciation and amortisation	**12.8**	12.4
Gain on disposal of NPT business[1]	**(32.5)**	—
Trading EBITDA in respect of NPT business[1]	**(0.5)**	(1.0)
Other exceptional and non-trading items	**8.0**	7.3
Adjusted EBITDA excluding NPT	**54.8**	41.4

Appendix: Reconciliation of reported/statutory results to alternative performance measures (APMs) continued

A reconciliation of the Group's APMs to their closest statutory measures has been provided below continued**:**

2. OCF conversion

	31 March 2024 £m	31 March 2023 £m
Profit from operating activities	**67.0**	22.7
Depreciation and amortisation	**12.8**	12.4
Other exceptional and non-trading cash items[2]	**8.0**	7.3
Gain on disposal of NPT business	**(32.5)**	—
Trading EBITDA	**55.3**	42.4
Net cash from operating activities	**42.9**	34.5
Income tax paid	**11.3**	4.9
Cash exceptional and non-trading items[3]	**3.5**	2.7
Adjusted operating cash flow	**57.7**	42.1
OCF conversion	**104%**	99%

3. Adjusted diluted EPS excluding NPT

	31 March 2024 £m	31 March 2023 £m
Profit after tax and total comprehensive income for the year	**54.2**	15.8
Adjustment for exceptional and non trading items (net of tax)[2]	**(20.7)**	11.3
Profit after tax from operating activities for NPT business[1]	**(0.4)**	(0.8)
Adjusted profit after tax	**33.1**	26.3
Dilutive weighted average number of shares ('000)	**219,621**	216,071
Adjusted diluted EPS excluding NPT (pence)	**15.1**	12.2

4. Leverage

	31 March 2024 £m	31 March 2023 £m
Cash and cash equivalents	**10.0**	13.3
Bank debt	**(24.0)**	(68.0)
Contingent consideration	**—**	(0.6)
Net debt[4]	**(14.0)**	(55.3)
Trading EBITDA	**55.3**	42.4
Impact of IFRS 16 ignored for bank covenants purposes[5]	**(3.0)**	(2.9)
Pro-forma impact of M&A transactions in year[6]	**(0.5)**	0.6
Adjusted EBITDA for covenant	**51.8**	40.1
Leverage	**0.27x**	1.38x

1 See note 7 of the consolidated financial statements.

2 See note 6 of the consolidated financial statements.

3 This is the cash element of exceptional and non-trading items: National Insurance on share-based payments (note 13 of the consolidated financial statements) and transaction costs relating to the NPT disposal in note 7 of the consolidated financial statements (FY 2023: National Insurance on share-based payments and other corporate transaction costs).

4 See note 24 of the consolidated financial statements.

5 The Group's banking facilities agreement ignores IFRS 16 for covenant test purposes. Debt excludes lease-related liabilities and to be on a consistent basis adjusted pro-forma EBITDA includes rent-related costs as an operating expense unlike in the statutory income statement where they are treated as depreciation of right-of-use assets with a related financing cost.

6 Pro-forma-related adjustments reflect the impact of M&A-related transactions as if they had been included for the whole financial year. The FY 2024 adjustment is to reflect the NPT sale taking place on 1 April 2023 (i.e. it removes the EBITDA that the NPT business contributed between 1 April 2023 and the point it was sold on 20 November 2023. The FY 2023 adjustment is to present the contribution that the Penfida acquisition would have made had the business been acquired on 1 April 2022 rather than the actual acquisition date of 20 September 2022.

Managing risk effectively

The risk management controls frameworks deployed across the Group continues to be developed and enhanced, ensuring it supports the growth of the business. Effective risk management provides the Group with fully articulated risks, enabling us to identify and embrace opportunity. They also ensure that internal controls are reviewed and developed to protect the Group and its customers from new and developing threats such as cyber crime.

Over the last year our risk management and internal controls frameworks have continued to operate effectively, enabling us to respond to the evolving risks inherent in day-to-day operations, alongside new opportunities and initiatives. The Group's risk environment is regularly reviewed by senior management alongside the internal controls frameworks in place. This ensures that they continue to be effective, and enhancements to address changes in the external threat environment are considered. Internal and external assurance frameworks support this, ensuring regular, planned reviews to validate control design and effectiveness, as well as highlighting opportunities for further improvements. Cyber crime continues to be a key focus for senior management, recognising the threats to the Group from phishing, ransomware and supply chain attacks.

We continuously develop our risk management capabilities to support the Group and address the evolving threats in our market. Since the last report there have been a number of significant enhancements, including:

- the rollout of a new Risk Management Policy which provides clear articulation to all staff of how the key components of the Group's risk management framework support its objectives. The introduction of new risk reporting templates will further support the business to articulate its risk profile, alongside highlighting and reporting on the effectiveness of key internal controls. This has been supported by an externally facilitated risk review project with senior management, resulting in a refreshed Group risk register;
- the enhancement of the existing external assurance frameworks to ensure that they continue to meet the developing needs of the business. This supported the recertification to the PASA pensions administration standard and the successful triennial ISO 27001 information security audit;
- the development of the existing Risk team, through the recruitment of an additional subject matter expert, alongside supporting existing team members to achieve and maintain this status. This ensures that the Group can effectively maintain its risk and controls frameworks and provide effective expert support and challenge to business areas as required;
- the development of the existing ISO 27001 information security frameworks to recognise new and emerging threats. This included those inherent with the in-house development of the Aurora platform and the controls frameworks required to support ongoing secure design, development and implementation;
- the development of the Group's ability to effectively respond to a major cyber incident. This was done through the introduction of Board-down testing, supported by an ongoing programme of activities to ensure operational resilience capabilities are in place, maintained and tested on a regular basis;
- the development of the internal controls frameworks in place to manage key risks such as fraud through the introduction of updated policies and guidance. This includes the identification and documentation of key controls as well as mandated controls, escalation and reporting processes;
- the development of the existing third-party assurance framework, recognising the importance of supply chain risk in relation to cyber and business resilience risks;
- the development of the Environmental Management System to both identify and manage our impact on the environment. This includes supporting TCFD reporting, assessment of the risks associated with climate change, and the Group's net zero strategy; and
- the ongoing development of the executive-level Risk Management Committee to support the identification of new and emerging risks as part of its quarterly meeting cycle. This includes inviting external experts to facilitate horizon scanning and deep dives on specific topics.

The Group continues to operate a three lines of defence model which supports the promotion of effective risk management taking into account the Group's risk appetite. The Board, with the support of the Audit & Risk Committee, has identified the principal risks that could materially impact the Group's ability to achieve its objectives and deliver its strategy. These include general business risks that are faced by the Group and are comparable to those that would be faced by similar businesses operating in the pensions sector. These general business risks include:

- **Political/economic/social** – risks created by the political, economic/ financial and social environment in which we operate, e.g. war, demographic trends, pandemics, government influence on business, currency changes, market volatility, interest rates, or liquidity.
- **Competition** – risks of change to the demand side of the business due to changes in customer demands or competitors, likely to influence the entire industry, e.g. aggressive competitor pricing, consolidation trends, major technological innovation, or substitute technologies. These changes may not directly affect the Group but could influence the entire industry.
- **Legal and regulatory** – risks associated with the criminal and civil judicial processes and contract law, e.g. not identifying changes required by new legislation, increased litigation in a particular field, or industrial accidents.
- **Environmental** – risks associated with climate-related change, how these changes can impact business models and how businesses in turn can manage the impact of their operations on the environment.

Change during the year:

- Increased risk
- Stable
- Improving

Links to strategy:

- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

The material risks and uncertainties which are either unique to the Group or apply to the pensions industry in which it operates are detailed below. They are not set out in any priority order, nor do they include all those associated with the Group. Specific risks that are material to XPS Group are:

Strategy

Description	Key mitigations	Rationale for change
Risks linked to the assumptions of future development and size of pensions market used to develop the strategy or business model or business portfolio, e.g. poor data, group think or lack of diversity of opinions.	The Board approves and regularly reviews the Group's strategy in conjunction with budgets, targeting long-term increases in shareholder value and ensuring robust independent challenge. Key decisions are assessed against risk appetites for key Group risks with a risk management framework in place to identify and escalate where strategic decisions may have unintended impacts.	Stable

Strategic planning and execution

Description	Key mitigations	Rationale for change
Risks linked to assessing, evaluating, planning and executing the strategy, e.g. poor budgeting and planning, inadequate or misleading communications or poor management of change or projects.	The Board regularly reviews the Group's strategy, supported by the Executive with responsibilities assigned for the delivery of initiatives and provision of regular progress updates. Specific project management resources are used to deliver large-scale change initiatives, allowing risks to delivery of initiatives to be clearly identified at planning stage along with mitigations.	XPS has continued to build out its frameworks to design and successfully deliver market-leading innovation and technology change. This continues to be evidenced by the ongoing rollout of the new Aurora administration system.

Financial performance

Description	Key mitigations	Rationale for change
Risks relating to the failure to monitor and appropriately manage the financial performance of the Group on an ongoing basis which could lead to poor management decisions, higher costs and/or inaccurate external financial reporting.	The Group has a highly qualified and experienced financial reporting team. There is an extensive financial controls framework in place and key controls are regularly tested by internal and external audits. The Group undertakes detailed bottom-up budgeting and reforecasting exercises with the final budget and reforecast approved by the Board. Management information is published on a regular basis and the Executive Committee reviews the financial performance of the Group at least monthly. The Board receives and scrutinises the financial performance of the Group at each Board meeting.	The Group has continued to improve its budgeting and forecasting frameworks, supporting growth. This is evidenced by consistent delivery of financial results in line with or ahead of market consensus.

Change during the year:
- Increased risk
- Stable
- Improving

Links to strategy:
- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Errors

Description	Key mitigations	Rationale for change
Risks relating to material mistakes made by staff, including non-compliance with established procedures, e.g. failure to calculate benefits correctly or not following peer review processes. These may not crystallise immediately and only become apparent a number of years after completion of work.	The Group recruitment process ensures only high-calibre staff are recruited, who are then supported by training programmes. Staff use standardised documented processes and checklists for key processes. Higher risk work is identified with peer review and additional sign-off required, with regular quality audits to confirm processes are being followed correctly. Insurance arrangements are in place to limit the loss should an error occur. Root cause analysis is used to identify where controls improvements are required, which are monitored through to implementation.	Stable

Theft and fraud (financial and physical assets)

Description	Key mitigations	Rationale for change
Risks relating to the safeguarding of Group and client financial and physical assets from malicious actors, e.g. stealing physical assets, deliberate misrepresentation leading to fraud or theft from Group or client bank accounts.	The Group deploys robust physical and systems access controls, along with enforcing segregation of duties to prevent individuals from making fraudulent payments or transfers. These controls are supported with staff vetting, training and awareness and control frameworks are regularly independently audited. Insurance arrangements are in place to protect against larger claims.	Controls frameworks continue to be developed to manage this risk, addressing controls enhancements identified through audits and internal risk assessments. We continue to see attempts to impersonate pension scheme members, albeit in small numbers. These attempts are identified and prevented through the existing controls frameworks.

Information/cyber security

Description	Key mitigations	Rationale for change
Risks relating to the confidentiality, integrity and availability of information assets including IT systems, e.g. unauthorised access to or disclosure of staff or client information, denial of access to systems or data required or business continuity incidents caused by equipment breakdown/fire/flood.	The Group has an Information Security Management System (ISMS) in place to ensure that risks are identified and managed effectively. This includes a range of technical controls policies and procedures, supported by a dedicated Cyber Security team, and a 24/7 Security Operations Centre. These are supported by regular independent audits and penetration tests. All staff are provided with comprehensive policies and guidance, with awareness of key topics reinforced with a programme of training and testing initiatives, e.g. phishing awareness. The Group has dedicated business continuity frameworks and capabilities to minimise the impact of incidents affecting the Group's data, facilities or systems. These frameworks include incident management capabilities to allow the Group to effectively coordinate and communicate with stakeholders in the case of a significant incident.	The Group has continued to develop its capabilities, recognising the continued evolution of this risk. These activities are supported by regular threat assessments to ensure controls continue to address new and emerging threats. The annual cyber programme plans the implementation of new technical controls to meet these threats. It also takes into account the findings of regular penetration and purple team testing. Additional assurance is provided through the existing certification frameworks including ISO 27001 and Cyber Essential Plus certifications and by having appropriate insurance policies in place.

Staff/human resources

Description	Key mitigations	Rationale for change
Risks relating to our people, e.g. compensation, retention, succession planning, skills and competence and management capability.	The Group's recruitment strategy is to seek professional, experienced and qualified staff utilising robust staff recruitment and selection processes. This is supported by comprehensive training, development and performance management processes, with longer-term incentives in place to aid retention. Regular key staff reviews ensure succession planning is kept up to date and remains appropriate. Staffing requirements are considered as part of the strategy and budgeting process to ensure alignment with business plans.	Stable

Third party supplier/outsourcing

Description	Key mitigations	Rationale for change
Risks relating to the use of third parties to support our operations, e.g. poor due diligence and selection processes, failure of a supplier to follow agreed upon procedures or financial failure of supplier resulting in inability to deliver service.	The Group has a formal selection process that ensures due diligence is carried out, which is proportionate to the risk of the potential failure of the third party. The approvals and signing framework also ensure contracts include key risks relating to services provided and risks identified are managed and accepted prior to agreements being signed. This is supported by ongoing monitoring of key third parties, including SLAs and financial status. Where there is a reliance on a single supplier, contingency plans are in place to protect against impacts of outages or failure.	Stable

Change during the year:

- Increased risk
- Stable
- Improving

Links to strategy:

- Regulatory change
- Expand services
- Grow market share
- Mergers and acquisitions

Client engagement

Description	Key mitigations	Rationale for change
Risks relating to the provision of poor service or advice to clients, e.g. advice that is not clear, not understood by the client or poorly presented or uses out of date technologies, but not errors.	The Group client engagement process ensures that expectations are matched to Group capabilities. Regular ongoing dialogue with clients ensures that the services provided meet their requirements and continue to be appropriate to their specific needs. Client surveys are used to gather feedback and identify trends and insights.	Stable

Business conduct and reputation

Description	Key mitigations	Rationale for change
Risks that could lead to a breach of acceptable conduct or ethics, impacting the Group's brand, image or reputation. Failure to ensure services are appropriate for client's needs, any discrimination, or a poor response to a cyber incident or client complaint.	The Group's mission, vision and values clearly set out the tone from the top, highlighting to all staff the conduct and ethics that are expected from them at all times. This is supported by a recruitment strategy that seeks professional, experienced and qualified staff who fit with the Group's values. Due diligence of third parties considers supply chain risks, ensuring that only suppliers that comply with their legal obligations are selected. The Group has incident management processes in place to ensure that it is able to effectively respond to significant events that could impact its brand or reputation, which is regularly tested.	Stable

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks are those listed above. The Directors do not believe there to be any additional emerging risks that are not already addressed within the principal risks and uncertainties section.

The Directors confirm in the Directors' Responsibility Statement that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Viability Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the reports referred to in the Overview section on page 96 of the Directors' Report.

The Directors have assessed the long-term prospects of the Group based upon business plans and cash flow projections for the three-year period ending 31 March 2027. The three-year period was chosen as it is considered the longest time frame over which any reasonable view can be formed. The forecasts and cash flow projections being used to assess going concern cover the period up to October 2025. A 16-month period from the sign-off of the accounts is used for the going concern review as the Group produces more detailed budgets and forecasts for this time frame which have proved to be very reliable in the past. October is typically the lowest point in the Group's working capital and cash cycle, which is why the going concern review extends to October 2025.

The Group's current revolving credit facility extends to October 2026, which is within the viability period. Based on the previous refinancing experience and the financial strength of the Group, the Directors are confident that a new facility will be in place before the current facility comes to an end.

The forecasts prepared have been comprehensively stress-tested by using simulation techniques involving sensitivity analysis. The stress-testing involved removing revenue relating to a large part of customers discretionary spend from the Group's revenue forecasts. A high percentage of the Group's revenue relates to compliance work which is non-discretionary. Mitigating actions, which include reducing certain non-fixed costs were also factored into the stress-testing.

In forming their opinion, the Directors have performed a robust assessment of the principal risks and uncertainties facing the Group as set out on pages 47 to 52. In addition, note 2 on page 121 of the accounts includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk, liquidity risk and market risk.

The Directors believe that dramatic changes in the future development and size of the pensions market which underpin the strategy of the Group as well as risks relating to cyber security including ransomware attacks could threaten the longer-term viability of the Group. These risks have been considered in detail, including potential mitigating actions and the direction of travel for these specific risks, on pages 49 to 52.

The Group had £10 million of cash at 31 March 2024 and a £100 million committed financing facility with an accordion of £50 million until October 2026. At 31 March 2024, £24 million of this facility was drawn. The facility is subject to two covenants: net leverage and interest cover. These covenants are forecast to be met throughout the viability period. Further details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described within the financial statements and notes.

Having reviewed the identified risks, the Directors are confident that the business is robust and resilient enough to tackle any challenges that may arise over the three-year viability period in relation to the Group's exposure to credit risk, liquidity risk and market risk.

With regards to market risk, the Directors have assessed the current market conditions and the potential impact of regulatory changes, as discussed in the market overview section on pages 8 to 9. The Directors assessment of the market is that there is considerable opportunity, and any risks identified are managed by the Group's risk strategy and are not considered to be a material risk to the Group's viability over the next three years.

The current economic situation and inflationary environment is not a significant risk to the Group as increases in costs are largely protected against by the Group's contractual ability to increase revenue from customers by an amount linked to inflation. The Group has a strong balance sheet, access to financial resources and long-term growth prospects. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Even in the worst-case scenarios considered plausible by the Directors, the cost reduction actions available to the Group, the reduction of non-essential capital expenditure and the management of working capital are expected to be effective and sufficient to ensure the continued viability of the Group.

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence and meet its liabilities as they fall due over the assessment period. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. At the same time, the Directors also considered the appropriateness of adopting the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

This Strategic Report has been approved by the Board and signed by order of the Board:

Paul Cuff
Co-Chief Executive Officer
19 June 2024

Ben Bramhall
Co-Chief Executive Officer
19 June 2024