ISSUED 06 January 2025

PLATFORM SECTOR

Scottish Widows Platform

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd

Accessible • Comparative • Independent

AKG

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG A
FINANCIAL STRENGTH RATED
PLATFORM SECTOR SUPERIOR
EMBARK INVESTMENT SERVICES LIMITED

Supporting Ratings

	Service	Image & Strategy	Business Performance
Embark Investment Services Limited	★★★★	★★★★	★★★★

SUMMARY

- This report covers the Scottish Widows Platform, which is manufactured by Embark Investment Services Limited (EISL)
- EISL is also a white label provider for other financial services brands and other parts of Lloyds Banking Group plc (LBG)
- EISL is a wholly owned subsidiary of Embark Group Ltd (EGL), with EGL, excluding Rowanmoor, acquired by LBG in January 2022, with EGL now a subsidiary of Scottish Widows Group Ltd (SWG) within this structure
- Prior to this, Embark had been developing an increasingly integrated structure and a broad but coordinated distribution capability, with intermediaries, workplace and partnerships with a balance between pension and platform elements
- EGL is integral to LBG's strategy of digital direct-to-consumer growth, unlocking the group's full potential in the intermediary market and building on external 'white label' and internal LBG partnership opportunities
- Meaning Scottish Widows Platform is becoming more a channel of distribution than a standalone legal entity within LBG
- Following the acquisition by LBG, there has been a rationalisation of the Embark platforms, with the business of Sterling ISA Managers Ltd (SIML), formerly the provider of the Advance by Embark platform, migrated to EISL during 2023
- To support the transformation of Embark, £50m of capital was injected into EGL in February 2022, £20m in June 2022, £55m in February 2023 and a further £246m in November 2023 by SWG
- Embark forms part of the Insurance, Pensions and Investments (IP&I) division of LBG and since acquisition has been gradually more integrated into Scottish Widows and the wider Group
- With Charlie Nunn joining LBG in August 2021 as Group Chief Executive Officer, 2022 saw the unveiling of a new strategy focused on prioritising opportunities across each of LBG's businesses to create new revenue streams, whilst deepening relationships with its customers
- Chirantan Barua was appointed CEO, Scottish Widows and IP&I in May 2023
- LBG's statutory profit after tax increased by 41% to £5.5bn [2022: £3.9bn] in 2023

COMMENTARY

Financial Strength Ratings

The Embark business now has the backing of LBG, within which it has clear strategic position and role for growth.

At 31 December 2023, LBG reported a reduced CET1 capital ratio of 14.6% [2022: 15.1%]. The pro forma CET1 capital ratio at this date, reflecting the dividend paid up by the Insurance business in the subsequent quarter and the full impact of the declared share buyback. was 13.7% [2022: 14.1%]. The Board's view of the ongoing level of CET1 capital required to grow the business, meet current and future regulatory requirements and cover uncertainties is now around 12% (previously 12.5%), plus a management buffer of around 1%.

At the same date, the Scottish Widows Group Ltd (SWG) 'shareholder view' solvency ratio was 184% [2022: 163%]. The equivalent regulatory view of the solvency ratio (including With Profits funds and post-dividend) was 167% [2022: 152%].

To support the transformation of Embark, £50m of capital was injected into EGL in February 2022, £20m in June 2022 and £55m in February 2023. EGL received a further £246m in November 2023 to support the acquisition of Halifax Share Dealing Ltd.

As the UK's only integrated financial services provider, LBG should be well placed to deliver holistic solutions in areas such as Insurance and Wealth management, alongside its traditional Retail and Commercial Banking activities. This includes the growth of the wealth joint-venture, Schroders Personal Wealth, as well as the acquisitions of Embark and Cavendish Online. These businesses enhance existing capabilities and permit LBG to meet more of its customers' broader financial needs.

Embark Investment Services Limited

Still a relatively new company, EISL continues to invest heavily in its infrastructure and other supporting capabilities.

EISL was established with £300m in 2016 and has since received a series of capital injections to support its growth: £1.9m in 2017, £1.7m in 2018 and £9.0m in both 2019 and 2020 covering the ATS acquisition.

In 2021, 2022 and 2023, EISL received additional capital of £7.5m, £2.5m and £15.5m, respectively, to support its transformation.

As at 31 December 2023, EISL had regulatory capital of £24.7m and surplus regulatory capital of £6.0m giving a capital ratio of 132% [2022: £9.8m, £0.8m and 109% respectively].

Subsequent to the 2024 year end, a further £4.0m of capital was received on 30 April 2024.

The platform has been loss making as it builds sufficient scale, although the consolidation with SIML drove the increase in profit in 2023.

A single technology and operational solution is expected to deliver the scale benefits anticipated.

EISL is now the sole platform provider and intrinsically linked to Scottish Widows and the wider Group. Its purpose is now much more to the fore in the LBG strategy, including being the provider of the Scottish Widows Platform, which sees it being able to reinvigorate and enhance LBG's intermediary proposition in addition to the stockbroking business.

Service Rating

EISL states that its vision is to provide the best loved platform in the market. Aiming to deliver an innovative digital experience, great service and support, and diverse investment solutions to deliver value for advisers and enable them to deliver great outcomes for clients.

It has continued to invest in building enhancements to the functional capabilities of the platform, to enable the migration from the Advance by Embark platform and to continue to evolve its offering for customers.

Its stated focus is 'People + Tech', recognising that although advisers want to do things digitally, being able to provide people support when needed is as important.

The rapid change the business has been through and particularly the platform migration has resulted in service challenges for the business, which have been largely addressed to ensure these were only transitional and short term.

Servicing support is available online through a dedicated website - scottishwidows-platform.com and web chat. Whilst direct access to support is available through a telephone-based adviser support team; Platform onboarding consultants, Business Development Managers; with head office technical specialist support available for all aspects of pensions and tax planning.

There are a number of planned service enhancements including new telephony infrastructure, a chatbot, an improved email system and further automation.

The Embark platforms (including Advance) were awarded 5 stars at the Financial Adviser Service Awards Platform Category in 2023 and 2022. Embark also took the 'Readers' Choice' award in 2023 (Scottish Widows Platform) and 'Most Improved' in 2022. Embark was awarded 4 stars in the Pensions and Protection Category in 2023 and 2022. The Scottish Widows Platform was awarded 4 stars in 2024.

Scottish Widows achieved 5 stars for the seventh consecutive year in the 2022 Financial Adviser Service Awards in Investments, and Pensions and Protection, before dropping back to 4 stars in 2023 and 2024.

The NPS across LBG as a whole increased slightly to 68.2 as at December 2023 [2022: 67.4], remaining at a good level.

Image & Strategy Rating

LBG has a multi-brand approach, offering its services through a number of recognised brands in order to 'address the needs of different customer segments more effectively'.

Underpinned by its purpose of 'Helping Britain Prosper', 2022 saw LBG launch a new strategy to profitably deliver for all of its stakeholders. Core to the purpose and strategy is a focus on building an inclusive society and supporting the transition to a low carbon economy.

LBG's strategic vision is to be a UK customer-focused digital leader and integrated financial services provider, capitalising on new opportunities, at scale. It will look to deepen relationships with existing customers, both consumers and businesses of all sizes, and meet more of their financial needs by making its products more relevant to them and its channels simpler and more personalised to use. LBG will also retain a strong focus on cost and capital discipline.

LBG aims to serve its customers' lifetime banking, insurance and wealth needs in one place through a comprehensive product range. With ever increasing competition, LBG is aware of the evolving competitive environment and recognises that it must continue to build on and develop its competitive strengths, through diversification of its business, expanding its offering to customers and capturing new growth opportunities. LBG is investing in data capabilities to personalise and deepen its customer relationships and meet a broader range of needs, whilst ensuring it faces the ethical considerations posed by new data uses.

With this focus and the acquisition of the Embark Platform, LBG has increased its public target for net customer flows into its IP&I business.

The acquisition of Embark by LBG changed the scale of the group it now finds itself in, with wider image and strategy considerations it now needs to adopt.

Embark currently operates with the following brands:

- The Scottish Widows Platform, launched in 2017 as Embark, provided and administered by EISL
- Embark, a white label platform provided by EISL
- Embark Pensions offers a range of Self Invested Personal Pensions (SIPPs) through advisers and white label partners to help meet their clients' retirement needs
- Embark Investments/Horizon by Embark offers five multi-asset portfolios designed to align with investor's chosen risk profile
- The Adviser Centre, launched in 2014, is an online fund research and consultancy service. It is dedicated to supporting financial advisers in their fund selection work, with a special emphasis on helping them to assess investment suitability
- Stocktrade, a trading name of EISL, provides execution only, corporate dealing services to large companies, investment platforms and building societies
- Halifax Share Dealing, an execution only stockbroking business

Additionally, there are two legacy brands:

- Hornbuckle, founded in 1982. Its initial business was providing financial advice to clients and administering SSASs, before entering the SIPP market in 1997
- EBS launched in December 1970 as one of the first companies to offer small self-administered schemes (SSASs)

Both brands are no longer marketing new business, with new SIPP applications managed by Embark Pensions. New SSAS business is not accepted, and legacy SSAS business is administered by WBR Group via an outsourcing agreement

IFA distribution remains the platform's core long-term channel in the UK. Embark has been largely integrated into the structure of Scottish Widows and the wider Group as it delivers on the wider group priorities in addition to deliver for its existing portfolio of clients.

The addition of Embark to Lloyd's multi-brand portfolio delivers a market-leading, modern and self-managed investment offering for its customers. LBG states it is the only UK financial services provider that can meet its customers banking, insurance, pension savings and investment needs in one place. The integration of Embark complements what it already has in place with Schroders Personal Wealth and Cazenove Capital, who will continue to offer face to face advice for affluent and high net worth customers.

LBG has ambitious growth plans, which Embark was acquired to help deliver, targeting a top-three position in the direct-to-consumer market in the medium term, as well as a top-three position in the individual pensions and retirement drawdown market by 2025.

LBG's priorities for Embark include:

- Design and launch of digital direct to customer propositions for investment and pensions, with Ready-Made Investment (launched in February 2023) and Ready-Made Pension (launched in March 2024) propositions both available under the wider group's Lloyds, Halifax and Bank of Scotland brands. The Ready-Made Investments proposition had 13,600 active accounts and £51m of AuA at 31 December 2023
- Growing the Platform business & reinvigorate the Retirement Account proposition
- Expand white label capability and solutions

Following a strategic review, Embark exited the workplace market on 9 September 2022, concluding the sale of Vested Employee Benefits Ltd to Benefiz Ltd.

Previous Embark business Rowanmoor was not included as part of the LBG transaction, and broadly retains its previous ownership with no continuing connection to the Embark operation or LBG.

D2C partners now include Natwest, Coutts, Standard Life, LV=, Nutmeg, Bestinvest, Charles Stanley, Moneyfarm, Wealthsimple and HUB Financial Solutions. Embark's white-label proposition is something that LBG looks to develop further in the future, both for D2C and in the advised market.

Business Performance Rating

EISL's overall client numbers increased by 107.1% to 424,672 [2022: 205,063], driven by the migration of the Embark Advance portfolio of clients from SIML. The migration was completed in October 2023 and included £14.1bn AuA. Within this Wrap clients increased by 73.5% to 322,314 [2022: 185,736] with 127,480 migrated from SIML and SIPP clients by 429.6% to 102,358 [2022: 19,327] with 78,397 migrated from SIML.

Profit before tax for the year ending 31 December 2023 was £975k [2022: loss of £3,116k] with an increase in total revenue to £28,279k [2022: £17,620k]. The increase in revenue and profitability was driven by the migration of clients from SIML.

SWG received dividends totalling £285m [2022: £600m] from its subsidiaries in 2023 and paid dividends of £191m [2022: £654m] to LBG, in accordance with its risk appetite policy.

The IP&I division reported an increase in underlying profit before tax to £190m in 2023 [2022 restated: £62m loss].

IP&I contributed 2% [2022: negative 1%] of LBG's underlying profit in 2023, with Retail contributing 52% [2022: 64%], Commercial Banking 41% [2022: 26%] and Equity Investments and Central Items 5% [2022: 10%].

LBG's statutory profit after tax increased by 41% to £5.5bn [2022 restated: £3.9bn], with the increase on the prior year materially driven by the restatement of earnings for the IFRS 17 accounting change in 2022. In addition, 2023 benefited from higher net income and a significantly lower impairment charge, partly offset by increased operating expenses as expected.

Group & Parental Context

BACKGROUND

Lloyds Bank was originally founded as Taylors & Lloyds in 1765, in Birmingham. Significant development followed including the acquisition of Cheltenham & Gloucester Building Society in 1995 and then TSB later that year to create Lloyds TSB Group plc. The group was then renamed Lloyds Banking Group plc in January 2009. This followed the acquisition of HBOS plc, which created the largest retail bank in the UK, then part-owned by HM Treasury. Within this, the Insurance Division encompassed all the insurance companies that previously operated within the two banks.

The UK Government injected over £20bn into LBG by way of bail out in 2008, but had reduced its investment over time, with the group returning to full private ownership in May 2017. 2017 also saw LBG complete the acquisition of MBNA's prime credit card business, its first major acquisition since the financial crisis.

Scottish Widows was acquired by Lloyds TSB plc in March 2000. It distributed through the Lloyds branch network and intermediaries, and directly via telephone and with an online presence. It had four UK life subsidiaries - the main company Scottish Widows plc (SWplc), together with the specialist subsidiaries Scottish Widows Unit Funds Ltd (SWUF - linked pensions business), Scottish Widows Annuities Ltd (SWA - non-profit pension annuities), and Pensions Management (SWF) Ltd (PMSWF). HBOS operated a multi-brand, multi-channel approach, with Clerical Medical Investment Group Ltd (CMIG), Halifax Life Ltd (HLL), St Andrew's Life Assurance plc (SAL) and St. James's Place UK plc, which was sold in 2013. CMIG was the primary HBOS intermediary product provider, together with Clerical Medical Managed Funds Ltd (CMMF), CMI Insurance Company Ltd (an Isle of Man based company now closed to new business and sold to RL360) and HBOS Investment Fund Managers Ltd.

From December 2010, the LBG Insurance Division distributed all its intermediary life, pensions and investment business through a combined salesforce operating under the Scottish Widows brand. In July 2011, a corporate restructuring led to the formation of one insurance group, under the ownership of Scottish Widows Group Ltd (SWG). In 2013 LBG completed the sale of Scottish Widows Investment Partnership (SWIP) to Aberdeen Asset Management. On 31 December 2015, a major simplification of the Scottish Widows Group took place. The business of SWplc, SWUF, SWA, PMSWF, HLL, SAL and CMMF was transferred into CMIG, which was renamed Scottish Widows Ltd (SWL).

LBG now operates through three business divisions: Retail, Commercial Banking and IP&I (previously known as Insurance & Wealth). SWG and its subsidiaries (the Insurance Group) form part of the IP&I Division of LBG, which offers insurance, investment and wealth management products and services, supporting around 10 million customers with assets under administration of £213bn and annualised annuity payments of over £1.2bn. SWG has a presence in life and pensions through SWL and in general insurance through Lloyds Bank General Insurance Holdings Ltd, which owns two general insurance companies: LBGIL and StAI.

In October 2017, LBG entered into an agreement to acquire the UK workplace pensions and savings business from the Zurich Group. The acquisition enabled Scottish Widows to accelerate the development of its financial planning and retirement business and brought around £21bn of assets under administration. The savings business was acquired by Scottish Widows Administration Services Ltd, a subsidiary undertaking, with this transfer completed in April 2018. SWL acquired the pensions business, via a Part VII transfer, in July 2019. The transaction also included a multi-year, exclusive distribution partnership for Zurich to provide group life protection solutions to certain corporate clients of LBG's Commercial Banking services.

LBG has implemented its ring-fencing programme, including the establishment of the non ring-fenced bank, Lloyds Bank Corporate Markets plc (LBCM), and met the legal and regulatory requirements by January 2019. As a predominantly UK retail and commercial bank, the impact on the Group was relatively limited, with minimal impact for the majority of its retail and commercial customers. Over the course of 2018, in order to comply with this legislation, certain businesses were transferred out of Lloyds Bank plc and its subsidiaries to other parts of the Group, by means of statutory or contractual transfers. This included the transfer of certain wholesale and international businesses to Lloyds Bank Corporate Markets and the transfer in May 2018 of SWG and other insurance subsidiaries to LBG. Due to LBG's UK retail and commercial focus, the vast majority of its business continues to be held by Lloyds Bank plc and its subsidiaries (together the ring-fenced bank).

Rating & Assessment Commentary
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Company Analysis
Guide

As part of its Brexit preparations, LBG formed a new Luxembourg based company: Scottish Widows Europe S.A. (SWE) SWE is a subsidiary of SWL and SWL's existing European business was transferred to SWE following regulatory approval via a Part VII transfer in March 2019.

In 2018, LBG terminated and settled its partnership agreements with Aberdeen Asset Management plc, a subsidiary of Standard Life Aberdeen plc (renamed as abrdn plc). In October 2018, LBG entered into new asset management agreements with BlackRock and Schroders plc. Scottish Widows was, however, subject to arbitration with abrdn regarding the termination of these agreements. As a result, abrdn continued to manage Scottish Widows' property and tracker funds until April 2022, with compensation paid to abrdn for loss of profit on the portion of assets that transfer before this time.

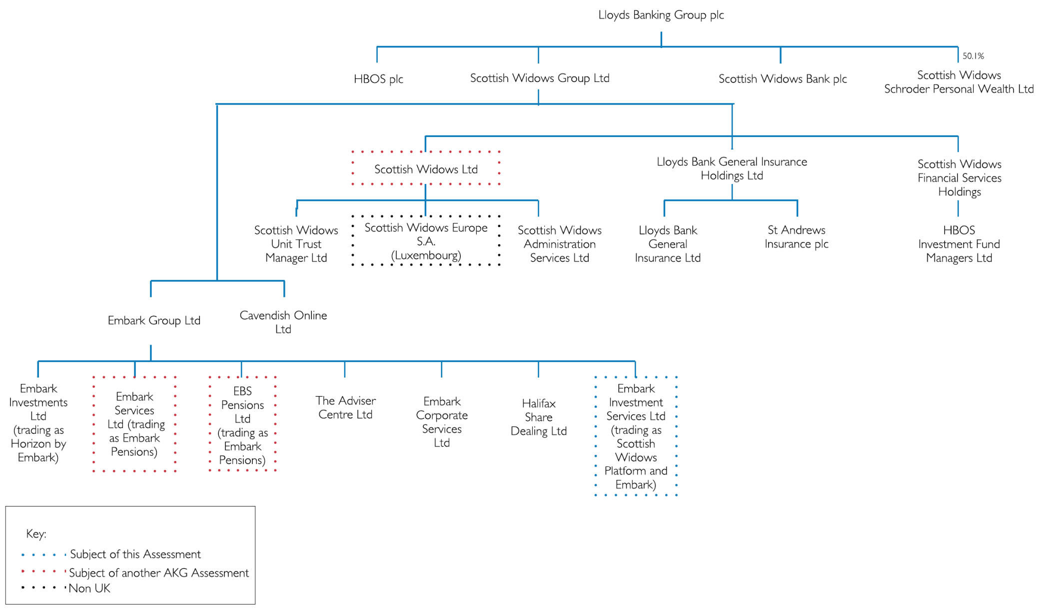
In February 2022, LBG announced the completion of its acquisition of Embark Group Ltd (excluding Rowanmoor entities) to help realise its future aim of achieving a top-three position in the individual pensions and investment market.

In October 2022, LBG announced it was taking a minority stake in Moneyhub, alongside Legal & General.

In December 2022, LBG announced the completion of its acquisition of Cavendish Online Ltd, a leading UK protection business which offers hybrid direct to consumer, guided and advised life insurance, critical illness and income protection services.

In February 2023, LBG acquired the low emission vehicle leasing company TuskerDirect Ltd.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Embark Investment Services Limited

BASIC INFORMATION

Ownership & Control
Lloyds Banking Group plc

Year Established
2016

Country of Registration
UK

Head Office
33 Old Broad Street, London, EC2N 1HZ

Contact
https://platform.scottishwidows.co.uk/contact/

Key Personnel

Role	Name
Lloyds Banking Group:	
Chair	R F Budenberg
Chief Executive Officer	C A Nunn
Chief Financial Officer	W L D Chalmers
CEO, Scottish Widows and Insurance, Pensions & Investments	C Barua
Scottish Widows (Embark):	
Chair	J S Wheway
Chief Executive Officer	C Barua
Chief Finance Officer	S T Nyahasha
Chief Operating Officer	D MacKechnie
Interim Chief Risk Officer	L Johnston
Workplace & Intermediary Wealth Director	G Bold
Head of Intermediary Distribution	J Drewett
Chief Investment Officer	K Doran
Pensions Director	J M D Sandell
Head of Platform Propositions	R Easton

Company Background
The Embark Group was established in 2013 with a fifteen year strategic vision to 'build a leading independent digital retirement platform in the UK that combined the technology strengths of the Wrap Platform market, with the deep pension expertise of the traditional SIPP and SSAS players'. The group holding company is EGL, renamed from Hornbuckle Mitchell Holdings Ltd in December 2015.

Embark has been a growing, diversified, financial services business whose acquired operations now have a history dating back more than 40 years.

Embark has over 600 employees and operates from 6 locations in the UK, with around £38.8bn of Assets under Administration and over 330,000 customers across the group.

Embark operates in both the advised and institutional areas of the retirement market through a range of pension, wrap platform, research and consultancy services.

A number of acquisitions and investments had seen Embark transition from a privately owned business to a provider of full-scale retirement solutions with significant institutional backing, including BlackRock, FNZ, Franklin Templeton and Legg Mason. Additionally, Merian Chrysalis Investment had also made a material investment in the Group.

Significant developments are as follows:

- April 2013 - controlling stake in Hornbuckle acquired
- September 2014 - Partnership with FNZ commences to digitise and support operations
- January 2015 - Nutmeg launches direct to consumer pension offering via ESL
- February 2016 - Avalon Investment Services Ltd acquired, bringing with it platform capabilities
- July 2016 - Rowanmoor Group plc acquired, expanding Embark's SIPP and SSAS capabilities
- October 2016 - The Adviser Centre added investment research and consultancy capabilities
- December 2016 - Embark Corporate Services Ltd (ECSL) created to consolidate Embark's operations
- March 2017 - the assets of DISCUS acquired
- May 2017 - EBS Management plc, renamed as EBS Pensions Ltd (EBS), together with its subsidiaries acquired from Charles Stanley Group plc, expanding Embark's SIPP and SSAS offering. Charles Stanley and Embark became ongoing partners for SIPP and SSAS services to Charles Stanley clients.
- December 2017 - Rowanmoor Consultancy Ltd sold to Mazars LLP, as Embark exits from financial advice-based services December 2017 - Vested Employee Benefits Ltd launched in a joint venture with Mazars, bringing employee benefits and workplace savings to the Group
- January 2019 - Embark Pensions is launched
- November 2019 - Embark acquired the rights to the future migration of the advised and partnership client books of ATS
- May 2020 - Zurich Retail Wealth and Horizon Funds are acquired expanding Embark's investment capabilities. Embark has also entered into a five-year partnership agreement with Zurich with the aim of creating digital life and protection products
- May 2020 - Advance by Embark platform and Horizon by Embark businesses are launched
- January 2021 - The ATS migration completed, bringing £7.3bn of AuA and over 30,000 of new clients
- January 2022 - Embark is acquired by LBG
- September 2022 - Sale of Vested Employee Benefits Ltd to Benefiz Ltd, exiting Embark from employee benefits consulting
- July 2023 - Embark Platform rebranded to the new name Scottish Widows Platform
- Transfer in of the business from SIML completed in 2023, bringing £14.1bn of assets and 120k clients

The Embark Group itself has sought investment to fund this expansion and development, with share issues of £6.8m in 2016, £3.25m in 2017 and £7.3m in 2018. In December 2018, the holding company of FNZ became a minority shareholder of Embark, with a 9.09% holding. In July 2019, Embark raised £19.4m of net new capital, funded by new institutional investors BlackRock, Inc., Legg Mason, Inc. together with a material investment by Merian Chrysalis Investment Company Ltd. In addition, £45.0m of capital has been raised through a new investor (Franklin Templeton Global Investors) and existing shareholders in 2020 to fund the acquisitions from Zurich.

EISL was formed in 2016, initially to facilitate the acquisition of assets from the failed Avalon Platform, which operated a range of platform and non-platform administered services, utilising various outsourced technologies and service providers.

EISL launched its new platform, Embark, in December 2017. Its principal activity is a provider of a platform for financial advisers and, in white labelled format, execution-only distribution partners.

2018 saw the bedding in of the Embark Platform with effort focused on increasing the level of STP, delivering material benefits to operational risk performance alongside general operating efficiencies.

2019 saw the business continue to invest in order to build enhancements to the functional capabilities of the Embark Platform, including adding support for portfolio modelling for Discretionary Investment Managers and the on-boarding of additional 'white label' partners.

In November 2019, EISL acquired the rights to the future migration of the advised and partnership client books of ATS from Interactive Investor Limited, further increasing its presence in the UK investment savings sector. Overall, the transaction brought scale, with more than £7bn of AuA along with around 30,000 new clients to the Embark Platform, alongside gaining the benefit of a highly skilled, experienced leadership and operational team. The migration of the client portfolios took place at the end of 2020 and early 2021 in two tranches.

In July 2021, it was announced that Embark Group had been sold to LBG, with the transaction completing in January 2022. Rowanmoor was not acquired by LBG, and remained as standalone businesses.

In July 2023, EISL announced the launch of the Scottish Widows Platform (rebranded from Embark), simplifying its adviser offering onto a single, platform under the Scottish Widows brand.

At the end of 2023, EISL had 102,358 SIPP clients [2022: 19,327] and 322,314 [2022: 185,736] Wrap clients.

Embark Investment Services Nominees Ltd (EISN) is a wholly owned subsidiary company of EISL. Embark Trustees Ltd, owned by EGL, provides trustee services for the Embark SIPP business.

OPERATIONS

Governance System and Structure

As a subsidiary of Scottish Widows Group (SWG) Embark has over time become more integrated into SWG and the wider LBG Group. Since September 2024, it has been part of the Insurance Board, the Insurance Group's ultimate authorisation and governance body.

The legal entities which form the Insurance Board have common membership and meet concurrently to discuss matters relating to those entities and the wider Insurance Group.

The Insurance Board is responsible for the long-term success of the Insurance Group. It sets strategy and oversees delivery against it, establishing the culture, values and standards. It also ensures risk is managed effectively, monitors reports appropriately and has the necessary financial and human resources in place to meet its objectives.

There are a number of committees, which carry out tasks in support of the Board. These include:

- Insurance People Committee
- Insurance Risk Oversight Committee
- Insurance With-Profits Committee
- Insurance Audit Committee
- Insurance Board Investment Committee
- Independent Governance Committee
- Insurance General Purposes Committee

The Chief Executive of Scottish Widows (CEO, IP&I) has executive responsibility for overall management of LBG's insurance business and discharges responsibilities for the day-to-day management of the business with the assistance of Executives who have been delegated elements of authority and through the operation of the Executive Committee (IPIEC) and other executive level committees. IPIEC is the principal executive management committee of the Insurance Group and is supported by a series of subsidiary committees.

Risk Management
As a subsidiary of SWG, and in line with LBG and Insurance Group expectations, Embark has adopted the Insurance Group Risk Management Framework (RMF) with proportionality.

This means where practical, Embark has aligned its risk management approach (e.g., adoption of risk taxonomy and risk appetite approach) but in certain areas of the policy framework, may take a different approach for reasons of scale and/or practicality - whilst maintaining regulatory compliance.

The Insurance Group is aligned to LBG's RMF, whilst incorporating elements to address and support compliance with Insurance-specific requirements. LBG operates a prudent approach to risk with rigorous management controls to support sustainable business growth and minimise losses.

The RMF provides a robust and consistent approach to risk management with mechanisms for developing and embedding risk policies and risk management strategies, which are aligned to the risks faced by the business. This in turn drives the risk profile of the business in line with risk appetite and through good risk-reward decision making. The RMF is structured around six components:

- Role of the board and senior management
- Culture and the customer
- Risk appetite
- Risk and control self-assessment
- Risk governance
- Three lines of defence

Risk management is integral to EISL's strategy and operations. Operating a rigorous risk management framework designed to promptly identify, measure, manage, report and monitor all risk types and associated risks that affect the achievement of strategic, operational and financial objectives. This includes reviewing the Company's risk profile and giving consideration to the Board's risk appetite so that EISL is able to respond to new risks and opportunities and to support risk-based decision making.

Administration
The platform runs on technology provided by FNZ (UK) Ltd (FNZ). The original 10 year partnership with FNZ for platform technology and administration services was extended at the time of the FNZ investment in Embark, to 2028. Business continuity and disaster recovery plans are managed in conjunction with FNZ.

The platform makes extensive use of straight-through processing to automate all major processes and deliver maximum efficiency for advisers and consumers. It also provides real-time transactions, requires no 'wet' paper signatures, and supports users via online chat, phone and email. Platform implementation is provided alongside a nationwide team of business development managers.

Platform systems are hosted across two mirrored data centres in Edinburgh and London. These are synchronised through real-time data replication technology. Further backup services provide the ability to recover on tertiary hardware, if required. Monitoring of the sites is continuous. This data can be accessed from Embark's administration centres in London, Leicester, Salisbury and Edinburgh.

Benchmarks
The platform had not historically featured in many awards. However, under the ownership of LBG, the Embark platforms (including Advance) were awarded 5 stars at the Financial Adviser Service Awards Platform Category in 2023 and 2022. Embark also took the 'Readers' Choice' award in 2023 (Scottish Widows Platform) and 'Most Improved' in 2022. Embark was awarded 4 stars in the Pensions and Protection Category in 2023 and 2022. The Scottish Widows Platform was awarded 4 stars in 2024.

The Scottish Widows Platform was also awarded a Platinum Rating by Asset Adviser in 2024. The Platform was also awarded a five-star Platform rating from Defaqto.

Embark was recognised as one of the World's leading WealthTech companies, by being included in the WealthTech 100 list in 2019, 2020, 2021, 2022, 2023 & 2024.

Outsourcing

Embark Trustees Ltd (ETL) is the Trustee of the Embark Personal Pension Scheme, while Avalon assets in pensions are held in trust by group subsidiary Avalon SIPP Trustees Ltd. For Embark, all Mutual Funds will be held in the name of its appointed sub Custodian nominee and Exchange Traded Instruments will be held in the name of nominee company EISN.

EISL utilises the services of fellow group subsidiary, Embark Corporate Services Ltd (ECSL), and was recharged £5.6m [2022: £1.6m] in respect of finance, marketing, facilities, human resources, compliance & legal and senior management costs. In 2023 it was also recharged £5.0m [2022: £5.8m] for the use of pension administration software owned by ECSL.

Administration of the non-platformed SIPP capabilities is now provided by ESL.

Additional services and feeds are provided through links with Financial Express and Morningstar.

As the shape of integration within LBG plays out there is scope for the platform to make use of the wider in-house resources and facilities of such a large banking and insurance group.

STRATEGY

Market Positioning

Embark now finds its strategy linked to that of a wider LBG strategy, as it becomes a crucial component of Scottish Widows' on-platform Intermediary and Retail D2C ambitions (where it will power functionality behind existing group banking and other brands). The acquisition of Embark for LBG unlocks an opportunity in the IP&I market to obtain above market growth, and enables proposition transformation. The combination of Scottish Widows and Embark enables a full service proposition to be taken to market and the opportunity to leverage a channel led strategy that meets distinct segment needs. With a key part of its messaging to the market around the financial strength and commitment that comes from being part of Scottish Widows and the wider Lloyds Banking Group.

The aim is for the platform to become a leading technology-led retirement-focused platform to financial advisers and execution only distribution partners, offering a 'technology plus people' platform proposition. As part of the acquisition of SIML Embark took over a legacy agreement with Openwork, which was renewed to 2026 but this was before the acquisition by LBG. Embark has since discussed the opportunity of looking to other adviser networks, with these bigger strategic relationships driving more investment into the platform.

Embark states that its proposition is designed to deliver value for money, enabling its clients to profitably service customers of every affluence via a fully integrated dealing solution.

Embark also states that its APIs (Application Programme Interfaces) offer streamlined routes to market and that it is happy to discuss third party arrangements or 'white labelling' upon request. Existing agreements have already been put in place, and other 'major' opportunities are envisaged.

The platform is considered by the company to be scalable. Whilst not offering the full range of wrappers (i.e. no Onshore or Offshore Bonds are available), it aims to differentiate on cost, integration capability and service grounds from other platforms, and if this is the case it may be attractive to certain types of intermediary.

Scottish Widows Platform is becoming more a channel of distribution than a standalone legal entity within LBG, sharing and benefiting from central services and functional support (e.g. finance, risk, HR, legal, marketing, proposition, IT and Operations) that supports wider propositions.

In terms of promoting distribution of the platform and broader proposition more widely in the adviser market the opportunity is expected to be significantly enhanced by combining activity within the much larger Scottish Widows brand and sales and support teams.

Proposition

Now under LBG ownership, Embark has an emphasis on growth, to maximise the return from the recent technical investment and delivering value into LBG as part of the latter's strategic trajectory. This will build on further exposure in the following market growth areas and priorities for LBG:

- Growing the Platform business & reinvigorate the Retirement Account proposition
- Expand white label capability and solutions
- Design and launch of digital direct to customer propositions

Acquisitions have heavily shaped Embark's propositional focus. With IFA distribution previously the Embark group's core long-term channel, fuelled by the 2019 acquisitions of the intermediated business of ATS and the retail platform business of Zurich. Purchases that helped bring balance between Embark's Pension and Platform businesses.

The Zurich acquisition also enabled diversification into multi-asset fund management through the Horizon funds. Whilst the acquisition of ATS created an opportunity to establish a centre for operations and growth in Scotland (the historic base of ATS), enabling Embark to access local resource and FinTech capabilities.

Embark had focused on moving its back book of business onto platform technology as well as a number of white label partners. With the migration of Advance customers onto the rebranded Scottish Widows Platform (EISL) in October 2023 a continued reflection of this.

Since the acquisition of Embark, the focus has been on developing the EISL platform's propositional capability, digital user interface and connectivity. And since the rebrand to the Scottish Widows Platform in October 2023 15 digital releases, 14 back-office integrations and 5 new tools & apps have been delivered.

With the underlying platform technology also being used more recently to develop White-Labelling capability with LV= for smooth funds and the design and launch of digital direct to customer propositions for investment and pensions.

With Ready-Made Investment (launched in February 2023) and Ready-Made Pension (launched in March 2024) propositions both available under the wider group's Lloyds, Halifax and Bank of Scotland brands. The Ready-Made Investments proposition had 13,600 active accounts and £51m of AuA at 31 December 2023

Today, the platform offers various products including General Investment Account, Personal Pension, ISA, JISA, Junior Personal Pension and Third Party Investment Account (TPIA). It aims to provide these products with a transparent pricing structure on open architecture. It does not offer onshore or offshore bonds (although it does offer the latter through its TPIA)

The TPIA allows clients to keep their existing pension while investing on the platform, alongside any savings held in the ISA or GIA. The platform has a low initial contribution level of £50 for the Personal Pension, ISA, JISA and GIA, and a range of flexible contribution frequencies.

From an investment perspective It offers 6,900 mutual funds from over 280 fund managers; over 3,000 listed securities, investment trusts and ETFs; and model portfolios provided by a range of Discretionary Investment Managers (DIMs).

Focus continues to be on building out the digital capabilities of the platform, both from a user interface perspective as well as its integration capability with key adviser tools and back office systems.

With digital functionality that includes: an online audit trail; switching capabilities; fully online drawdown; flexible withdrawals; integrated payroll available on any day; client and adviser reporting; and online elective corporate actions management. The Platform has made a number of enhancements since the rebrand, including most recently introducing automated Bed & ISA functionality.

Over recent years, the platform has developed integrations with all of the main back-office software providers for bulk valuations, by utilising the Origo hub.

Whilst tools include: Integrations with financial planning tools such as EVPro and Voyant, fund research tools and factsheets; Platform client reporting and a Capital Gains Tax (CGT) tool to support with tax planning calculations.

The on-going changes, moving to a technology-led administration, and revamping product and distribution strategies, have and will continue to require further investment within the new LBG ownership context. However, integration and development appear well considered and achievable, in particular given the resources and strategic rationale. However, propositional development has not been without its challenges, not least because the proposition LBG acquired was one of a number of relatively rapidly acquired constituent parts, already themselves going through integrations.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2023

Capital Resources Disclosures

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Available capital resources	9,921	9,787	24,707
Capital resources requirement (CRR)	7,947	8,980	18,703
Excess capital resources	1,974	807	6,004
CRR coverage ratio (%)	125	109	132

EISL was established with £300m in 2016 and has since received a series of capital injections to support its growth: £1.9m in 2017, £1.7m in 2018 and £9.0m in both 2019 and 2020 covering the ATS acquisition.

In 2023, 2022 and 2021, EISL received additional capital of £15.5m, £2.5m and £7.5m, respectively, to support its transformation.

As at 31 December 2023, EISL had regulatory capital of £24.7m and a regulatory capital requirement of £18.7m giving a capital ratio of 132% [2022: £9.8m, £9.0m and 109% respectively].

Subsequent to the 2024 year end, a further £4.0m of capital was received on 30 April 2024.

Statement of Financial Position

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Assets	13,928	17,670	38,700
Current liabilities	(2,367)	(5,783)	(10,217)
Long-term liabilities	0	0	0
Net assets	11,561	11,887	28,483

Statement of Changes in Equity

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Equity at start of period	14,472	11,561	11,887
Movement due to:			
Share capital and premium	7,000	2,500	15,500
Retained earnings	(10,430)	(1,605)	1,096
Other	519	(569)	0
Equity at end of period	11,561	11,887	28,483

With all the capital injections received to date, EISL's share capital has increased to £46.9m [2022: £31.4m], partially offset by retained losses of £18.4m [2022: £19.5m].

With capital injections of £15.5m and retained earnings of £1.1m, net assets increased to £28.5m [2022: £11.9m].

Income Statement

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Revenue	10,621	17,620	28,279
Other operating income	0	0	1,688
Operating expenses	(22,593)	(20,620)	(28,992)
Operating profit (loss)	(11,972)	(3,000)	975
Other gains (losses)	(78)	(116)	0
Profit (loss) before taxation	(12,050)	(3,116)	975
Taxation	1,598	471	121
Profit (loss) after taxation	(10,452)	(2,645)	1,096
Other comprehensive income	0	0	0
Dividends	0	0	0
Retained profit (loss)	(10,452)	(2,645)	1,096

Financial Ratios

	Dec 21 %	Dec 22 %	Dec 23 %
Operating margin	(113)	(17)	3
Pre-tax profit margin	(113)	(18)	3
Employee costs as a % of revenue	34	35	30

The company reported that overall client numbers increased by 107.1% to 424,672 [2022: 205,063], driven by the migration of the Embark Advance portfolio of clients from SIML. The migration was completed in October 2023 and included £14.1bn AuA. Within this Wrap clients increased by 73.5% to 322,314 [2022: 185,736] with 127,480 migrated from SIML and SIPP clients by 429.6% to 102,358 [2022: 19,327] with 78,397 migrated from SIML.

Profit before tax for the year ending 31 December 2023 was £975k [2022: loss of £3,116k] with an increase in total revenue to £28,279k [2022: £17,620k]. The increase in revenue and profitability was driven by the migration of clients from SIML.

Statement of Cash Flows

	Dec 21 £ 000's	Dec 22 £ 000's	Dec 23 £ 000's
Net cash generated from operating activities	(2,742)	2,288	(4,468)
Net cash used in investing activities	(78)	(116)	(1)
Net cash used in financing activities	7,000	2,500	15,500
Net increase (decrease) in cash and cash equivalents	4,180	4,672	11,031
Cash and cash equivalents at end of period	7,353	12,203	22,666

Assets under Administration (AuA)

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets at start of period	5,407	8,456	7,887
Inflows	485	783	803
Outflows	(245)	(761)	(653)
Net market and other movement	160	(591)	15,139
Assets at end of period	5,807	7,887	23,176
Growth rate (%)	7	(7)	194
Net inflows as % of opening AuA	4	0	2

There was net cash used in operating activities of £4.5m [2022: £2.3m generated] and a capital injection of £15.5m [2022: £2.5m]. Allowing for a small amount of net interest paid of £1k [2022: £116k], there was a net increase in cash and equivalents of £11.0m [2022: £4.7m]. After allowing for a negative exchange rate movement of £0.6m [2022: £0.2m, positive], cash and cash equivalents amounted to £22.7m [2022: £12.2m].

AuA increased to £23.2bn [2022: £7.9bn], driven by the client migration, resulting in £14.1bn of AuA and 120k customers transferred from SIML.

Guide

INTRODUCTION

For over 30 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company's ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers' advisers to select between comparable companies competing to deliver relevant products or services.

AKG's focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at https://www.akg.co.uk/information/reports.

AKG's process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG's process can be found at https://www.akg.co.uk/information/reports.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.

RATING DEFINITIONS

Overall Financial Strength Rating
The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company's ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability any specifically onerous element such as with profits realistic balance sheet position, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	A	B+	B	B-	C	D	▣
	Superior	Very Strong	Strong	Satisfactory	Weak	Very Weak	Not applicable

Service Rating
The objective is to assess the quality of the organisation's service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation's philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Image & Strategy Rating
The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company's market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG's view of the company's general strategy.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Business Performance Rating
This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 30 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG's core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.

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