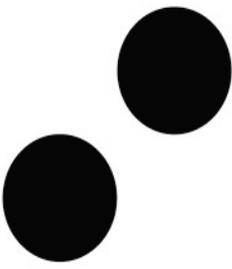


**Solvency and financial condition report 2021**

**abrtn Life and Pensions Limited**



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[www.abrdn.com/corporate/investors/investor-information/solvency-and-financial-conditions-reporting](http://www.abrdn.com/corporate/investors/investor-information/solvency-and-financial-conditions-reporting)  
and also our abrdn Life website  
[www.abrdn.com/en/uk/institutional/funds-centre/our-life-fund-range](http://www.abrdn.com/en/uk/institutional/funds-centre/our-life-fund-range)

The abrdn plc Annual report and accounts 2021 is also available on our website [www.abrdn.com/annualreport](http://www.abrdn.com/annualreport)

## Summary

### 1.1 Business and performance summary

abr dn Life and Pensions Limited ('abr dn Life' or 'the Company') is a UK regulated subsidiary of the abr dn Group. In practice it serves as an efficient mechanism for abr dn Group's asset management business, to deliver investment management services to UK institutional pension scheme clients and other UK insurance entities.

On 5 July 2021 Standard Life Aberdeen plc (SLA) changed its name to abr dn plc. The Company then changed its name from Aberdeen Standard Investments Life and Pensions Limited to abr dn Life and Pensions Limited on 13 December 2021. References to "Group" in this document refer to the abr dn plc group or, where the commentary relates to activity prior to 5 July 2021, the SLA plc group.

The Company issues unit-linked investment policies (Trustee Investment Plans) to trustees of UK pension schemes and reinsurance policies to insurance companies covering unit-linked pension liabilities.

Key aspects of the contracts written are:

- There are no investment guarantees on the policies.
- The benefits payable are linked solely to the performance of the internal linked funds.
- The contracts all contain clauses that permit them to be terminated at the option of abr dn Life subject to the policyholder being given three months' notice.
- The only charges on policies are fund management charges (fund charges) and there are no penalties on the customer taking a surrender value at any time.
- They include no material insurance risk. The contracts do have annuity options (on non-guaranteed terms), but abr dn Life has not written any annuity business and does not expect to do so.
- They permit abr dn Life to increase the level of fund charges, subject to a period of notice.
- The contracts include no element of member level administration (for Trustee Investment Plans) or policyholder level administration (for reinsurance). The contracts therefore leave abr dn Life solely with wholesale management of internal linked funds.

The Company also provides investment management services to UK pension schemes under segregated pension fund management mandates, for which it receives fees accordingly.

All business is written in the UK.

The Company's underwriting performance is limited to the excess of fund charges over expenses, which was £0.18m for 2021 (£0.24m for 2020).

The Company's non-linked assets are prudently invested in cash deposits and a highly liquid short-term money market fund.

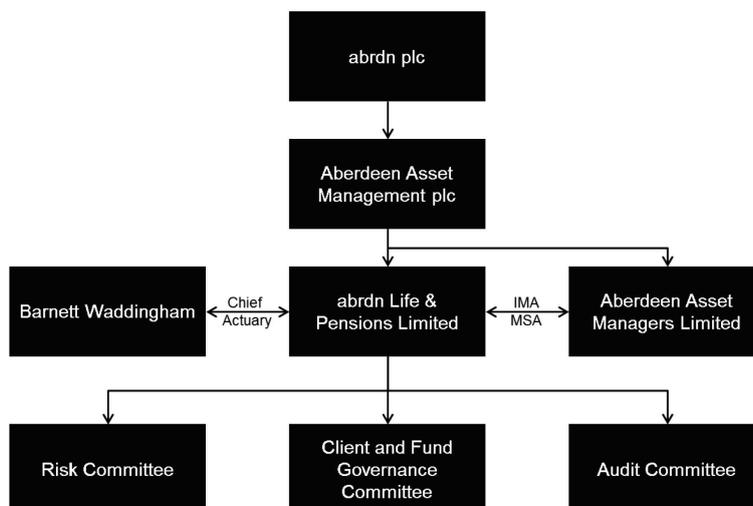
Following the UK's withdrawal from the European Union, abr dn Life must comply with the Solvency II regulatory regime as adopted in the UK. In this document, references to requirements set out in Directive 2009/138/ EC (the Solvency II Directive) and Commission Delegated Regulation (EU) 2015/35 (the Delegated Regulation) should be interpreted as requirements as set out in those documents that apply in the UK as at 31 December 2021.

### 1.2 System of governance summary

The governance framework of abr dn Life is based on the framework which applies to the abr dn Group. Additional arrangements have been established by the abr dn Life Board (the Board) where necessary to address the requirements of abr dn Life as a UK insurance undertaking.

The Company has identified a range of key functions which are provided by Aberdeen Asset Managers Limited (AAML) via a Management Services Agreement (MSA) and an Investment Management Agreement (IMA). Individuals performing key functions are established as fit and proper through a robust framework of initial and ongoing assessment. All remuneration requirements comply fully with the provisions of Solvency II regulations. The Chief Actuary function is outsourced to an individual employed by an external company.

The chart below shows the Company's position within the legal structure of the abrdrn Group as well as a high level overview of the governance structure which supports the company.



abrdrn Group operates a 'three lines of defence' risk management model:

- abrdrn's business units are responsible for the identification and mitigation of risks and taking the lead with respect to implementing and maintaining appropriate controls (first line).
- Oversight functions within the Risk and Compliance function oversee compliance with regulatory and legal requirements as well as monitoring operational, investment and counterparty risk (second line).
- Independent assurance is provided by Internal Audit which recommends improvements to the control environment (third line).

Further details on the three lines of defence model is provided in section B.3.1.2. The three lines of defence model is supplemented by a range of risk related committees at divisional and operational business level. The abrdrn Group Board, executive directors and senior management have overarching responsibility to ensure, through the application of good corporate governance, the effective and strategic stewardship and risk management of the abrdrn Group.

An integrated risk management system, Shield, is used to identify, assess, track and report risk issues and events. Risk management uses a combination of top down strategic planning with bottom up risk assessment.

The Company carries out an Own Risk and Solvency Assessment (ORSA) annually and more frequently if required. The ORSA process is intended to identify, assess, monitor, manage and report on both short and long term risks and to determine the capital required to ensure that abrdrn Life can continue to meet its solvency requirements. The ORSA enhances awareness of the risks faced by abrdrn Life and the capital needed given those risk exposures. This awareness is used by abrdrn Life as part of its decision making process.

There has been no material change to the governance arrangements of the Company during the reporting period.

### 1.3 Risk profile summary

abrdrn Life has limited exposure to underwriting risk and market risk. Shareholder assets are managed to limit liquidity risk and operational risk is effectively transferred to AAML as explained in Section B.7.

abrdrn Life has a high tolerance to group risk and, in general, accepts the risk without management, reflecting the rationale for the existence of abrdrn Life. However, within group risk, abrdrn Life closely manages AAML's obligations to compensate abrdrn Life for any operational risk losses. In addition to the contractual protections given in the internal and external outsourcing agreements, abrdrn Life also considers the capital position and the extent of insurance cover maintained by AAML in determining the ongoing security of the outsourcing arrangement.

Exposure to credit risk is limited by investing non-linked assets in a diverse portfolio of high quality, short term assets. Cash balances are normally limited to £2m exposure to a single counterparty.

### 1.4 Valuation for solvency purposes summary

abrdrn Life prepares its financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework and Schedule 3 of the Companies Act 2006. The valuation for solvency purposes differs only marginally to the financial statements and is discussed in Section D.

## 1.5 Capital management summary

The Company aims to maintain sufficient capital out of retained profits to be treated as an entity with credit quality step 1 under Article 199 of the Delegated Regulation. The Company does not use any Solvency II transitional measures. At the reporting date the Company's:

- Solvency Capital Requirement (SCR) was £1.50m (2020: £1.74m).
- Minimum Capital Requirement (MCR) was £3.13m (2020: £3.34m).
- Own funds, all of which is 'tier 1' capital, were £13.88m (2020: £13.71m).
- Tier 1 capital represented 927% (2020: 786%) of the SCR and 444% (2020: 411%) of the MCR.

The decrease in the SCR primarily reflects the composition of the business in force at 31 December 2021 compared to the previous year end.

The increase in the percentage cover of the SCR reflects the lower SCR together with an increase in own funds due to retained profits. This is explained in Sections D and E.

## 1.6 COVID-19 and current external events

Throughout 2021 the Group's dedicated supplier management function continued to monitor the impact of COVID on the services received from third parties, in particular third-party fund administrators and to provide regular reporting and assurance to the Company Board. No degradation to service levels was experienced by the Company.

The most likely practical impact to policyholders from the pandemic would be business disruption, potentially resulting in them being unable to value or trade units in their policies at the correct price in a timely way. There has been no impact to services provided to policyholders and service levels have been maintained during the pandemic.

There was also no material impact on the information, including financial position of the Company, included in the Solvency and Financial Condition Report (SFCR).

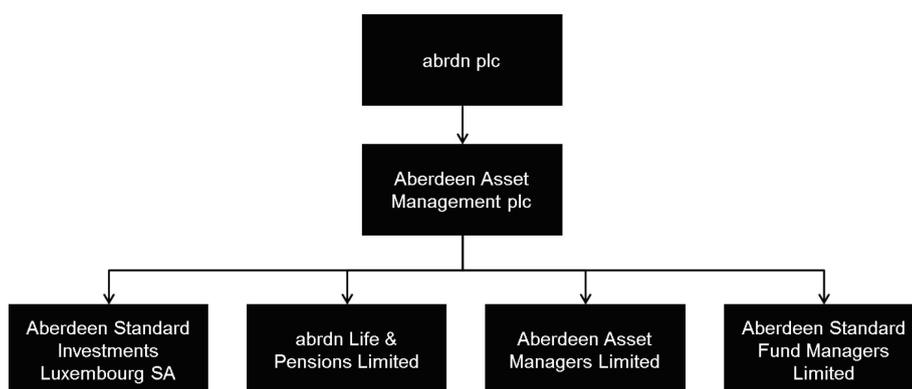
abrdn Group is also monitoring the impact on its operations and funds, including the implementation of any required sanctions, resulting from the escalating situation in Eastern Europe. To date there has been no impact on service levels for policyholders or any material impact on the financial position of the Company.

## A. Business and performance

### A.1 Business

abrdrn Life is a private limited company. The Company is a wholly owned subsidiary of Aberdeen Asset Management plc (AAM) plc and is incorporated and domiciled in England. AAM is a wholly owned subsidiary of abrdrn plc. The ordinary shares of abrdrn plc are listed on the London Stock Exchange. Further information on the business of abrdrn Group is available in the abrdrn plc Annual report and accounts. The Company is authorised by the Prudential Regulation Authority (PRA), 20 Moorgate, London, EC2R 6DA and regulated by the Financial Conduct Authority (FCA), 25 North Colonnade, London, EH14 5HS and PRA in the United Kingdom to conduct Classes I (life & annuity), III (linked long term) and VII (pension fund management) of long term insurance business. Financial supervision is undertaken by the PRA. The registered office is Bow Bells House, 1 Bread Street, London EC4M 9HH. The registered number is 03526143. The Company's Auditor is KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG.

abrdrn Group supervision is undertaken by the FCA. An extract of organisation structure showing the position of abrdrn Group companies directly relevant to abrdrn Life is shown below:



The business of abrdrn Life consists entirely of contracts with institutional customers for the provision of investment management on a wholesale basis. All business is written in the UK. The services are provided to institutional customers by three contract types:

- Trustee investment plans (TIPs). These are provided to trustees of occupational pension schemes and are classified as unit-linked insurance business, with the investment options being the Company's pooled funds (internal linked funds).
- Reinsurance contracts covering the unit-linked liabilities of third-party life assurers. These contracts are structured in a similar way to TIPs and are intended as a means for third-party life assurers with 'open architecture' pension products to access the internal linked funds operated by abrdrn Life. They are classified as unit-linked reinsurance accepted business.
- Segregated investment mandates (SIMs). These contracts are classified as pension fund management where the Company provides investment management services to pension schemes in respect of their assets. The assets remain the legal property of the scheme and are managed by abrdrn Life in exchange for investment management fees.

The key characteristics of the TIP and Reinsurance contracts are that:

- There are no investment guarantees on the policies.
- The benefits payable are linked solely to the performance of the internal linked funds.
- The contracts all contain clauses that permit them to be terminated at the option of abrdrn Life subject to three months' notice.
- The only charges on policies are fund charges and there are no penalties on the customer taking a surrender value at any time.
- They include no material insurance risk. The contracts do have annuity options (on non-guaranteed terms), but abrdrn Life has not written any annuity business and does not expect to do so.
- They permit abrdrn Life to increase the level of fund charges, subject to a period of notice.
- The contracts include no element of member level administration (for TIPs) or policyholder level administration (for reinsurance). The contracts therefore leave abrdrn Life solely with wholesale management of internal linked funds.

The SIMs have similar characteristics. There is no investment guarantee, insurance risk, charge guarantee or member administration and all contracts can be terminated by abrdrn Life at three months' notice.

### A.2 Underwriting performance

As described in the previous section, the policies written by the Company contain no guaranteed benefits and no investment guarantees. All unit-linked policies are classified as investment contracts for accounting purposes and assets managed under SIM contracts are not included in the financial statements.

The underwriting performance is limited to consideration of the excess of fee income over expenses and is shown in the table below.

### Underwriting performance, year to 31 December 2021 and 31 December 2020

	As at 31 December 2021				As at 31 December 2020			
	SIM	Reinsurance accepted	TIP	Total	SIM	Reinsurance accepted	TIP	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fee income	<b>2.16</b>	<b>1.46</b>	<b>1.25</b>	<b>4.86</b>	3.41	1.28	1.20	5.90
Performance fee income	<b>0.30</b>	<b>N/A</b>	<b>N/A</b>	<b>0.30</b>	0.32	N/A	N/A	0.32
Expenses	<b>2.38</b>	<b>1.41</b>	<b>1.20</b>	<b>4.99</b>	3.59	1.23	1.16	5.98
Underwriting performance	<b>0.08</b>	<b>0.05</b>	<b>0.04</b>	<b>0.18</b>	0.14	0.05	0.05	0.24

The reduction in underwriting performance during 2021 reflects a fall in the volume of business.

### A.3 Investment performance

The income and expenses arising from the investments within the internal linked funds are fully offset by an equivalent change in the value of policyholder liabilities. The non-linked assets are invested in cash and the ASI Liquidity Fund (Lux) Sterling Fund, a short-term money market fund which provides access to a diversified pool of high credit quality assets as follows:

- Collective Investment Undertakings: Aberdeen Standard Liquidity Fund (Lux) Sterling Fund as at 31 December 2021 £12.72m (2020: £13.21m).
- In the 12 month period ended 31 December 2021 the Company received interest on these assets of £11,481 (2020: £51,423).
- Cash and cash equivalents: Bank deposits as at 31 December 2021 £0.99m (2020: £1.45m).
- There was no income arising from bank deposits.

No material expenses were incurred in respect of the non-linked assets.

abrdrn Life does not invest directly in any securitisations.

### Environmental Social and Governance (ESG) considerations

ESG considerations are part of the investment management services provided by AAML to abrdrn Life. AAML takes account of ESG factors in its research, stock selection and portfolio construction. Through engagement and exercising of voting rights, it actively works with companies to improve corporate standards, transparency and accountability. For real assets – such as real estate – the focus is on sustainability, resource efficiency and socio-economic benefit. By making ESG central to its investment capabilities, AAML looks to deliver robust outcomes for clients – as well as actively contribute to a fairer, more sustainable world.

Information on the performance of each internal linked fund can be found in fund factsheets which are available on the abrdrn Life website at [www.abrdrn.com/en/uk/institutional/funds-centre/our-life-fund-range](http://www.abrdrn.com/en/uk/institutional/funds-centre/our-life-fund-range). This site also provides a link to abrdrn group wide information on climate change and sustainable investing.

### A.4 Performance of other activities

The Company has no finance or operating lease arrangements.

The Company had no other material income and expenses in the reporting period.

### A.5 Any other information

On 23 February 2021, the abrdrn Group announced the purchase of certain products in the Phoenix Group's savings business and subsequently on 14 September 2021 the Company, abrdrn plc and Standard Life Assurance Limited ("SLAL"), part of the Phoenix Group, together with other abrdrn Group and Phoenix Group entities, entered into an implementation agreement in relation to the purchase and transfer of these products. Subject to certain conditions including regulatory and court approvals, it is expected that the transaction will result in the Company acquiring by way of an insurance business transfer under Part VII of the Financial Services and Market Act 2000, the SLAL TIP and onshore bond portfolios and an investment plan policy in respect of the self-invested pension plan ("SIPP") business that will give SIPP customers access to the Company's range of unit-linked funds. The business transfer is not expected to complete before September 2023 (previously September 2022). The total assets of these businesses at 31 December 2021 was £1.2bn (31 December 2020: £1.2bn). The abrdrn Group will provide capital to the Company at the appropriate time to fund the completion of the relevant elements of the acquisition and ensure the Company has appropriate resources for the enlarged business. Post completion, the transaction would result in a significant increase in the scale of the Company's business and would result in the Company earning profits in relation to the acquired business. As the transaction is not expected to complete before September 2023, a more detailed progress update will be provided in the SFCR as at 31 December 2022.

## **B. System of governance**

### **B.1 General Information on the system of governance**

The governance framework for abrđn Life is based on the abrđn Group framework, with specific arrangements where necessary to address the requirements of abrđn Life as a UK insurance undertaking.

Day to day management of operational risks is delegated by abrđn Life to AAML via a formal MSA. Investment management is delegated to AAML via a separate IMA. All operational risks and issues are promptly escalated to the abrđn Life CEO and CRO by AAML.

The role of the Board is to organise and direct the affairs of the Company in a manner that seeks to promote the long-term sustainable success of the Company, maximise the value of the Company for the benefit of its shareholder whilst complying with the Constitution of the Company and relevant regulatory and corporate governance requirements, including the overriding regulatory responsibility to ensure fair treatment of its customers.

The Board considers the current system of governance appropriate for its business model, which is limited to offering unit-linked pension policies and investment management contracts to trustees of approved UK pension schemes and unit-linked pension reinsurance policies to UK insurance companies.

The Board has established the following two dedicated sub-committees, which receive input from functional committees established by abrđn Group as part of its group-wide risk management framework.

#### **Risk Committee**

The Risk Committee of abrđn Life is responsible for reviewing risk management information relating to the Company. The Committee keeps under review in particular:

- The alignment of the abrđn Group's strategy to the risk appetite and policy of the Company's Board.
- Quality of the abrđn Group's enterprise risk management framework and operating structure as a key control over the Company's risks.
- The extent to which risk assessment is in line with industry best practice and regulatory requirements.

#### **Audit Committee**

The Audit Committee of abrđn Life monitors the integrity of the financial statements of the Company, reviewing significant financial reporting issues and judgements. The Committee reviews and challenges as appropriate:

- The consistency of, and any changes to accounting policies.
- Whether the Company has followed appropriate accounting standards and made appropriate estimates, assumptions and judgements, taking into account the view of the external auditor and the Chief Actuary.
- The clarity of disclosure in the Company's financial reports.
- The annual internal audit plan, as informed by the Company's Board.

The Committee also reviews and challenges the external auditor's audit plan.

In addition, abrđn Life has the following executive management committee, chaired by the Chief Executive Officer (CEO), to review the output from activity delegated to AAML under the MSA and IMA which has an impact on customer outcomes.

#### **Client and Fund Governance Committee**

The Client and Fund Governance Committee (CFGC) of abrđn Life assists the CEO in their responsibilities for oversight of any activity which has a direct impact on customer outcomes. This includes, but is not limited to:

- Investment performance.
- Client facing documents and communications.
- Product changes.
- Complaints.

The Committee is also responsible for reviewing decisions around unit dealing and pricing.

The CEO is responsible for keeping the Board informed of any relevant matters.

#### **Diversity**

On an annual basis the abrđn plc Board attests to its compliance with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council. As part of this the abrđn plc Board approved the following Board Diversity statement.

The abrdn plc Board:

- Believes in equity and supports the principle that the best person should always be appointed to the role with due regard given to the benefits of diversity, including gender, ethnicity, age and educational and professional background when undertaking a search for candidates both executive and non-executive.
- Recognises that diversity can bring insights and behaviours that may make a valuable contribution to its effectiveness
- Believes that it should have a blend of skills, experience, independence, knowledge, ethnicity and gender amongst its individual members that is appropriate to its needs.
- Believes that it should be able to demonstrate with conviction that any new appointee can make a meaningful contribution to its deliberations.
- Is committed to maintaining its diverse composition.
- Supports the Group Chief Executive Officer's commitment to achieve and maintain a diverse workforce and an inclusive workplace, both throughout the Group and within his Executive Team.
- Has a zero tolerance approach to unfair treatment or discrimination of any kind, both throughout the Group and in relation to clients, customers and individuals associated with the Group.

The abrdn Life Board is subject to the abrdn Group governance arrangements in relation to diversity policies in line with the above statement and the abrdn plc Board Charter, which also includes the terms of reference of the abrdn Group Nominations and Governance Committees. Further detail are available at <https://www.abrdn.com/corporate/about-us/governance>

### **Senior Managers and Certification Regime (SMCR)**

The SMCR consists of 3 parts:

- Senior Managers Regime (SMR), which focuses on the most senior people (senior managers) who perform key roles (senior management functions) requiring PRA or FCA approval before starting their roles.
- Certification Regime, which applies to other staff who could pose a risk of significant harm to the firm or any of its customers.
- Conduct Rules, which are high level requirements that hold individuals to account.

abrdn Life has implemented SMCR and certified additional individuals who fall into the Certification Regime.

## **B.1.1 Key Functions**

### **B.1.1.1 Overview**

Key functions have been identified as the four mandatory functions required under Solvency II (actuarial, compliance, risk management and internal audit) and any other function that is of specific importance to the sound and prudent management of the Company.

A list of functions delegated to AAML (which may in turn rely on other companies within the abrdn Group) is provided in the MSA and the IMA. abrdn Life has determined which are considered to be key functions by identifying those which would significantly impact the business commercially or have adverse impact on policyholders should the services fail or not perform effectively. The additional key functions identified are detailed in Section B.1.1.2.

All key functions, except the Actuarial Function and those captured as running the firm, are outsourced to AAML. The Actuarial Function is outsourced to Barnett Waddingham LLP. In implementing the outsourcing arrangements, abrdn Life recognises the authority of the Key Function Holder (KFH) to carry out the relevant role on its behalf. This authority is supplemented by the scope of responsibilities included in the Company's Management Responsibility Map, and by the ability of any KFH or member of a key function to escalate any relevant matters to the abrdn Life CEO or to the Board. Details of the individuals responsible for the key functions (KFHs) are also detailed in the Management Responsibility Map which is reviewed and updated at least quarterly and shows individual responsibilities.

All key function holders, apart from the Chief Actuary, are senior managers within the abrdn Group and hold Senior Management Functions (SMFs) for abrdn Life as set out in the table overleaf. Most of them (or their delegates) regularly interact with the abrdn Life Board and/or abrdn Life CEO and/or attend the abrdn Life Board or Risk Committee meetings or other management forums chaired by the abrdn Life CEO, including the CFGC, to report developments in their areas of responsibility.

The terms of the outsourcing agreements are such that each outsourced service provider should maintain sufficient and appropriate resources to carry out the relevant key functions and must inform the Company of any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements. abrdn Life monitors the performance of the outsourcing arrangements and would escalate any actual or perceived resourcing concerns with the appropriate provider to consider any remedial actions necessary. The Company has also appointed individuals on the abrdn Life Board to oversee key functions. Such individuals may also escalate any relevant matters to the abrdn Life Board and/or within the wider abrdn Group.

## B.1.1.2 Summary of key functions, key function holders and responsibilities

<b>Actuarial</b> <b>Chief Actuary (SMF20)</b> <ul style="list-style-type: none"><li>– Provision of the Actuarial Function in accordance with Conditions Governing Business 6.</li><li>– Provision of additional actuarial and consultancy services as requested by abrdrn Life or as required by UK regulation, legislation or actuarial professional standards and guidance in relation to work that does not strictly fall under the remit of the Actuarial Function.</li></ul>	<b>Compliance</b> <b>Senior Compliance Manager (SMF16)</b> <ul style="list-style-type: none"><li>– Provision of compliance advice to the abrdrn Life Board and reporting of regulatory developments.</li><li>– Day to day support to abrdrn Life CEO and abrdrn Life Board on regulatory matters.</li></ul>
<b>Risk management</b> <b>Chief Risk Officer (SMF4)</b> <ul style="list-style-type: none"><li>– Performance of the ORSA.</li><li>– Provision and design of enterprise risk framework within the Group and ensuring that the group risk framework is implemented effectively at entity level and reporting on risk profile, appetite and tolerance levels as appropriate to the abrdrn Life Board.</li></ul>	<b>Internal audit</b> <b>Group Internal Audit Director (SMF5)</b> <ul style="list-style-type: none"><li>– Reviewing the adequacy and effectiveness of the Company's governance, processes, controls and risk management arrangements.</li><li>– Providing the Board, or delegated authority, with an objective opinion on the results of the Internal Audit Function's reviews.</li></ul>
<b>Investment management</b> <b>Chief Executive Officer of AAML (SMF7)</b> <ul style="list-style-type: none"><li>– Investment management services, and ensuring instruments held are aligned with mandate permissions and fund regulatory environment – as notified by abrdrn Life.</li><li>– Dealing and execution of trades and integration of ESG (and entity policies) into investment processes.</li></ul>	<b>Operations and Outsourcing</b> <b>Chief Operating Officer (SMF24)</b> <ul style="list-style-type: none"><li>– Ensuring the operational model is robust including the provision of technology infrastructure and premises.</li><li>– Oversight of third-party outsourcers and risk framework.</li></ul>
<b>Distribution</b> <b>Chief Executive Officer of AAML (SMF7)</b> <ul style="list-style-type: none"><li>– Implementation of sales strategy and reporting to the abrdrn Life Board.</li><li>– Sales process and customer experience including Insurance distribution and customer administration activities and regulatory compliance.</li></ul>	<b>Finance</b> <b>Group Financial Controller (SMF2)</b> <ul style="list-style-type: none"><li>– Client billing, banking, statutory accounting, management of shareholder capital, regulatory reporting of financial and actuarial data as appropriate (excluding actuarial elements).</li><li>– Regulatory reporting under Solvency II.</li></ul>
<b>Human resources</b> <b>Chief People Officer (SMF7)</b> <ul style="list-style-type: none"><li>– Development, communication and implementation of People policies.</li><li>– Responsibility for the provision of HR Regulatory services to enable compliance with SMCR &amp; Remuneration Regulations.</li></ul>	<b>Product</b> <b>Global Head of Product (SMF7)</b> <ul style="list-style-type: none"><li>– Ensuring processes and procedures lead to a clear identification of target market and customer needs and that abrdrn Life products remain suitable over time.</li><li>– Ensuring the Board receives the right management information to effectively monitor the product process to enable it to take appropriate action in the event of any concerns.</li></ul>
<b>Running the firm</b> <b>Non-executive directors (SMF9, SMF10, SMF11)</b> <b>Non-Executive Director</b> <ul style="list-style-type: none"><li>– Provide independent oversight and constructive challenge to the executive directors.</li><li>– Collectively responsible along with other members of the Board to; agree, implement and then oversee all management actions on behalf of the entity, including strategy, performance, risk management, resources (financial &amp; human), key appointments, third-party arrangements, and standards of conduct.</li></ul> <b>Board Chair</b> <ul style="list-style-type: none"><li>– Responsible for leading the board, facilitating committee meetings, and ensuring that it functions effectively and in accordance with its Board Charter.</li></ul> <b>Committee Chair</b> <ul style="list-style-type: none"><li>– Responsible for leading the committee in its execution of its duties as set out in its Terms of Reference, facilitating committee meetings, and reporting the committee's findings to the Board.</li></ul>	<b>Chief Executive Officer (SMF1)</b> <ul style="list-style-type: none"><li>– Leading the Executive Directors and Senior Management Function holders in the day to day running of the firm.</li><li>– Establish and maintain a system of governance within the context of the integrated operating model.</li><li>– Carry out oversight of all key functions providing services to the firm.</li></ul>

## Changes in the system of governance over the reporting period

There were no material changes in the system of governance over the reporting period.

### **B.1.2 Remuneration**

#### **B.1.2.1 Overview**

The abrdrn Group has an overarching Remuneration Policy that applies to all entities in the abrdrn Group. abrdrn Life has reviewed the Group Remuneration Policy and is of the view that it:

- Is consistent with Article 275 of the Delegated Regulation.
- Is consistent with, and promotes sound and effective risk management.
- Does not encourage risk-taking which is inconsistent with the risk profiles or the instruments constituting the internal linked funds.
- Does not impair compliance with its duty to act in the best interests of each of the internal linked funds and its shareholder.
- Recognises that different remuneration requirements may be applied within the abrdrn Group and achieves a high degree of consistency between different regimes and allows for day to day arrangements to be controlled at a group level.

The Board delegates decision making for Remuneration matters to the Group Remuneration Committee in accordance with Group Governance arrangements. The Chair of the Group Remuneration Committee holds the Senior Management Function Chair of the Remuneration Committee (SMF7) for the Company. The Board reviews any material changes to Remuneration Policy on an annual basis.

#### **B.1.2.2 How the abrdrn Group remuneration policy and practices are consistent with and promote sound and effective risk management and do not encourage excessive risk taking**

No supplementary pensions or early retirement schemes are in place for board members, SMFs, certified staff or KFHs.

abrdrn Group does not calculate individual awards directly on the basis of annual revenues or profit. Instead proposals are discretionary and based on a number of factors including multi-year performance and non-financial metrics, such as teamwork along with compliance and risk awareness.

Article 275 (2)(c) of the Delegated Regulation requires firms to defer a 'substantial portion of any variable remuneration' for a period of not less than three years. The abrdrn Group Policy is in line with this as it applies deferral of 75% of variable remuneration for a minimum of three years when variable remuneration reaches pre-defined levels such that a substantial proportion of variable remuneration is deferred. Solvency II also requires abrdrn Life to ensure that the deferral period is correctly aligned with the nature of the business, its risk and the activities of the employees in question. Taking into account its business model, abrdrn Life is of the opinion that the abrdrn Group remuneration deferral arrangements are appropriate.

#### **B.1.3 Payments between abrdrn Life and abrdrn Group**

abrdrn Life pays a share of its net revenues to abrdrn Group companies for services under the MSA and IMA. abrdrn Life also makes dividend payments from time to time. No dividend was paid in the reporting period (2020: £nil).

### **B.2 Fit and proper requirements**

All individuals performing an FCA or PRA SMF role, KFH role or Certified role must be 'Fit' and 'Proper'.

The assessment of whether a person is 'fit':

- Includes an assessment of the person's professional and formal qualifications, knowledge (including their awareness, and understanding, of all relevant regulatory requirements applying to the business area in which they work, control and manage) and relevant experience within the relevant financial sectors and whether these are adequate to enable sound and prudent management. Typically the requirements include possession of relevant qualifications and sufficient relevant experience within the abrdrn Group or similar organisations. For Senior Managers, information is detailed in a document which is reviewed internally and sent to the relevant regulator as part of the application process. For Certified staff, information is stored internally as part of new joiner and annual Certification reviews.
- Takes account of the respective duties allocated to that person and, where relevant, the asset management, insurance, financial, accounting, actuarial and management skills of the person.
- In the case of board members, takes account of the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the business is managed and overseen in a professional manner.
- Takes into account interview performance against agreed competencies identified for the role.

The assessment of whether a person is 'proper':

- Considers whether they are of good repute and integrity.
- Includes an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour and business conduct including any criminal, financial and supervisory aspects relevant for the purpose of the assessment.
- Considers whether the person performs his or her key functions in accordance with the relevant conduct standards specified in Insurance – Conduct Standards 3 of the PRA rulebook and COCON of the FCA handbook.
- Considers references received. abrdrn Life must take reasonable steps to obtain appropriate references in accordance with the FCA and PRA rules.

Ongoing competence:

Processes are in place to assess the competence of all employees on a regular basis, as well as to continue to assess employees' training needs. This is mainly done through the Performance Management Process and attestation of competence is also sought as part of the ongoing Fitness & Propriety assessments repeated annually. This process comprises the following four areas:

- Job Description.
- Competencies.
- Appraisal.
- Continuing Professional Development (CPD).

### B.3 Risk management system including the own risk and solvency assessment (ORSA)

The Board is responsible for the management and oversight of all risks affecting abrdrn Life. To achieve this, abrdrn Life uses a comprehensive risk management framework which has been established by abrdrn Group and which the Board considers to be appropriate to abrdrn Life's business model in general. The abrdrn Group risk framework is supplemented by specific additional arrangements established by the Board where necessary to address specific aspects of abrdrn Life's business model.

#### B.3.1 Group risk management framework

##### B.3.1.1 Enterprise Risk Management Framework (ERMF)

The purpose of the ERMF is to ensure that there are appropriate processes in place so that risk is assessed, monitored, controlled and appropriately governed based on a common set of components and systems.

#### Key Components of the ERMF



#### Oversight and assurance

abrdrn plc operates a 'three lines of defence' model of risk management, with clearly defined roles and responsibilities for individuals and committees. This is explained further in section B3.1.2. Both the second and third line have processes to oversee and provide assurance about activities, processes and projects that support the control, compliance and conduct environment. The second line monitoring and oversight activities tend to focus on compliance and conduct risks as this is a regulatory requirement in abrdrn plc's major operating jurisdictions. While the second and third line conduct their review independently, the

framing of their plans is coordinated and is presented every six months at the abrdrn plc Executive Leadership Team (ELT) and the Group Audit Committee to provide a view on completeness and overall coverage.

### **Culture**

A strong risk and conduct culture is at the heart of the ERMF. With a strong 'tone from the top', abrdrn plc seeks to promote a strong risk management culture throughout all of its businesses, including abrdrn Life, and to encourage values and behaviours that guide employees in the conduct of their work and the decisions they make. abrdrn plc's risk culture is founded on a clear, consistent risk strategy, and designed to support delivery of strategic objectives:

- **Governance** – ensuring the right governance to facilitate the implementation of pre-emptive and proactive risk management decisions and learn from and remedy issues.
- **Awareness** – a group-wide awareness and understanding of the impact of decisions on risk.
- **People** – ensuring the right people in the right roles, demonstrating the right behaviours with responsibilities clearly defined.

The abrdrn plc board members and senior management frequently communicate the importance of a strong risk culture to reinforce these expected values and behaviours and to enhance employee understanding and knowledge of risk.

### **Appetite**

The abrdrn Group has a risk appetite framework. Group level risk appetites are framed so as to apply across all the group's operations while allowing subsidiary boards to set more localised risk appetites that are apposite to the risk appetite of those boards' directors and the needs of the business. The risk appetite framework defines the parameters within which executive decision-making and risk-taking is expected to operate. The Group Chief Risk Officer and the broader second line team play a crucial role in monitoring whether decisions are likely to challenge risk appetites.

### **Accountability**

The UK Senior Management and Certification Regime (SMCR) provides a clear framework for (i) the identification of roles with particular accountabilities, (ii) the taking of reasonable steps within a hierarchical organisational environment and (iii) the approach to good conduct. Senior managers are accountable for making business decisions in line with both group level and local risk appetites.

### **Risk taxonomy**

The abrdrn Group Risk Taxonomy provides a common and consistent language for categorising and tracking risks. Starting with 12 principle risks (as reported in the abrdrn plc Annual report and accounts), over 80 risk sub-categories are set out. This list is updated as new risks emerge so that it is representative of the risk profile of the firm.

### **Policies**

abrdrn plc has a risk policy framework which sets out key policy standards for managing specific risks. At present, there are 35 group-level risk policies with policy owners who keep the policies under review and monitor the operation and application of the policies in the business. The risk policies map back to risk categories set at a group level as well as abrdrn plc board risk appetites.

### **Reporting and escalation**

Within abrdrn Group, the three lines of defence are supplemented by a range of risk related committees at subsidiary/entity, functional and operational business level. The abrdrn plc Board, executive directors and senior management have overarching responsibilities to ensure, through the application of good corporate governance, the effective and strategic stewardship and risk management of the Group. The abrdrn Life Board is responsible for ensuring the appropriate governance and the effective application of its risk management framework to abrdrn Life's business.

### **Risk and Control Self-Assessment (RCSA) process**

The RCSA process is designed so as to build a detailed picture of entity risks and the quality of their associated controls. By definition, risks and controls are self-assessed by business operating units and assurance is provided through quarterly oversight and challenge by the abrdrn Group Risk and Compliance function. Its aim is to evaluate and ensure that the primary controls within key processes are documented and subject to regular assessment by business owners. It provides senior management with assurance over the effectiveness of the control environment across key business areas. The assessment includes a review of the adequacy of the design of the suite of controls and an assessment of the actual performance of those controls.

### **Events and issues management**

An integrated risk management system, Shield, is used to identify, assess, track and report risk issues and events. All risk events and risk issues are logged and tracked in Shield. When risk events arise, the second line works actively with the business to ensure that root causes are established, remedial actions are owned and progressed to conclusion. The second line also oversees progress to resolve risk issues and/or to track the residual risk where risk issues remain open.

### **Training and advice**

Over 60% of second line resources support the provision of compliance advice to the business. Various training is delivered to the

business. Mandatory elearning is administered and monitored via the Thomson Reuters platform and there are processes and sanctions in place to deal with staff who fail to complete mandatory elearning on time.

**Metrics and indicators**

The ERMF is predicated on the maxim: "what gets measured gets managed". Metrics and indicators are produced to build an empirical view on the risks and the quality of their associated controls. These also feed into the assessment of risks versus risk tolerances laid down through the Group level risk appetites. The second line now has a data analytics team which is supporting the development of better data warehousing, management and visualisation tools.

**Financial and operational resilience**

abrdrn plc and its subsidiaries have processes for assessing the capital required to protect their customers, clients and other stakeholders from the crystallisation of risks. The abrdrn Group is an investment firm group under the FCA's Investment Firm Prudential Regime (IFPR) and conducts an Internal Capital Adequacy and Risk Assessment (ICARA) process on that basis. abrdrn Life is not directly in scope of prudential consolidation for the abrdrn Group (for IFPR purposes it is out of scope as it is a Solvency II firm). abrdrn Life operates an ORSA process which is discussed in further detail in B.3.3 below. Both the ICARA and ORSA processes have trigger events that may prompt a rapid reassessment of capital requirements and surplus resources if the risk profile is seen to materially change. In line with regulatory requirements, the abrdrn Group is also in the process of rolling out an Operational Resilience framework that identifies 'most important business services' (delivering client and market outcomes) and establishes operational tolerances for disruption of these services (and associated action plans for managing breaches of these tolerances).

**Strategic and emerging risks**

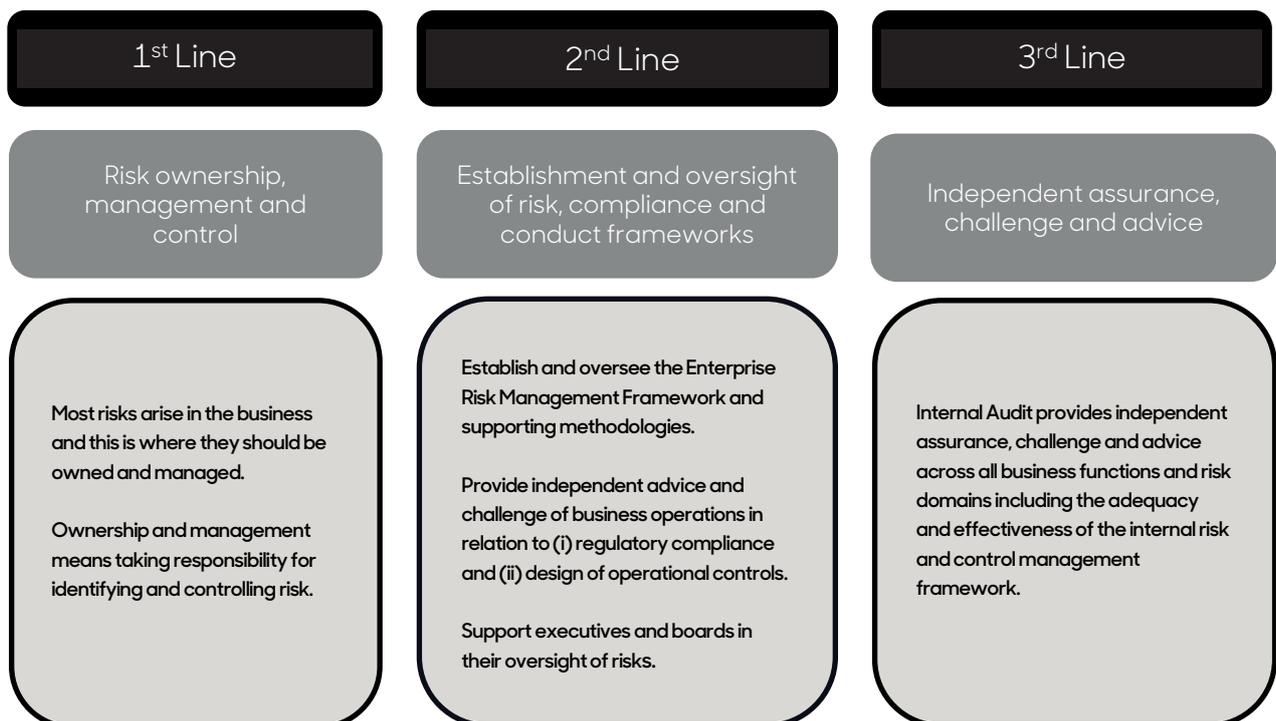
Strategic risks are monitored through business planning and business assessment activities drawing on market intelligence and competitor analysis. Emerging risks are monitored through a periodic exercise that draws on insights from internal and external research focussing on deeper trends and factors that could have significant operational and financial consequences for the abrdrn Group.

**ERMF application to abrdrn Life**

The ERMF is applied to abrdrn Life and is supplemented by additional arrangements. In particular, a risk register is maintained by abrdrn Life and owned by the Chief Risk Officer (CRO) of abrdrn Life. This outlines the most significant risks determined by the abrdrn Life CRO and CEO and includes commentary and scoring of risks. The Risk Register is tabled at the abrdrn Life Risk Committee quarterly.

**B.3.1.2 Three lines of defence**

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



### B.3.2 Additional abrdn Life risk framework

The ERMF described above is the primary means of managing abrdn Life's operational risks. Any material changes to the abrdn Life business model are referred by the Board to the abrdn Life Risk Committee for scrutiny, monitoring and oversight to ensure that the Board's decisions are adequately informed.

abrdn Life controls Market Risk, Underwriting Risk, Credit Risk and Liquidity Risk through the design of its contracts and selection of non-linked investments. The extent of any such risks are assessed through the ORSA process and any proposed or necessary changes to contract terms or non-linked investments are escalated appropriately and are subject to sign-off by the Board. Other types of risk such as regulatory or legislative change are also assessed as part of the ORSA process. Aggregate risk is monitored through monthly review of key performance indicators including financial metrics and operational effectiveness as well as regulatory breaches and complaints.

The abrdn Life Risk Committee has oversight of the Board's overall risk governance process to give clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure. The Risk Committee advises the Board on risk appetite and tolerance, in setting future strategy, taking into account the Board's overall degree of risk aversion and abrdn Life's current financial situation. Duties of the Risk Committee, as set out in its Terms of Reference, include ensuring that steps are taken to identify and control risks and providing input and challenge to the ORSA process.

### B.3.3 ORSA

The ORSA process is intended to identify, assess, monitor, manage and report on both short and long term risks and to determine the capital required to ensure that abrdn Life can continue to meet its solvency requirements at all times.

The ORSA enhances awareness of the risks faced by abrdn Life and the capital needed given those risk exposures. This awareness is used by abrdn Life as part of its decision making process.

The ORSA process is broken down into a number of stages as follows:

- Review and approval of the ORSA Policy.
- Risk identification, review and assessment.
- Risk modelling methodology and assumption review.
- Determination of the base balance sheet.
- Risk modelling analysis, including assessment of capital requirements and ongoing compliance with solvency requirements.
- ORSA report update.
- ORSA report review, challenge and approval.

A number of stages in the process may be iterative, with feedback loops. For example, the risk modelling methodology and assumption review assessment may lead to changes being required to the ORSA Policy to adequately capture any revised approach.

The CRO is responsible for planning and initiating the annual ORSA cycle, incorporating any regulatory requirements during the period (e.g. operational resilience, including cyber risk, being included) and for ensuring that all other relevant parties are aware of their roles and responsibilities and have committed appropriate time to the process. The CEO and the Chief Actuary are involved in most stages of the ORSA process. Other key contributors are:

- Compliance – involved in the risk identification, review and assessment.
- Finance – involved in determination of the base balance sheet.

The Risk Committee is responsible for providing initial challenge to the results of the ORSA process and the content of the ORSA report and thereafter proposing that the report be submitted for Board approval.

The Board is ultimately responsible for the ORSA Policy and Process. It takes an active role in setting the ORSA Policy and in accepting the results of the process by providing insight on the risks faced by abrdn Life and actions that might be taken and, where relevant, by providing challenge to the Policy, process, results of the process or presentation of the results.

The ORSA is used as a key input into business planning and forecasting (where scenario analysis is used to indicate forecast capital requirements under expected and potential strategies) and to inform strategic or material business decisions. In particular, the Board considers potential or necessary actions if the ORSA indicates that abrdn Life is failing to meet or may fail to meet its target solvency levels.

In normal circumstances the ORSA process is run on an annual basis. This is considered appropriate given the nature and scale of the business written by abrdn Life.

The ORSA process will also be followed outside of the annual cycle should there be a significant unexpected deterioration in own funds, a significant change in the risk profile of the business or an actual or planned strategic event such as the acquisition of business from another insurance entity. The CEO and the CRO will monitor the financial position of abrdn Life and internal and

external events to identify when an ad-hoc ORSA process might be appropriate. The Board or Risk Committee can propose that the ORSA process be run at any time if there is deemed to be sufficient justification. In any event, the need to perform any ORSA outside of the normal annual cycle must be approved by the Board.

The Company has determined its own solvency needs by using a combination of stress and scenario tests including forward-looking projections that consider the projected solvency position in a central 'best estimate' scenario and a number of adverse scenarios. The Company has determined the capital required for it to withstand adverse experience equivalent to that which might be encountered once every 200 years and holds a buffer above the level so determined.

Given the simplicity of the business and the risks accepted, abrdn Life does not, in general, consider it necessary to set quantifiable risk tolerances and limits across risk areas. However, the Board would consider possible and/or necessary actions if required capital is, or may become, unacceptable taking into account the risk, required capital and the specific circumstances. Such actions could include amendment to the risk management system to better control or mitigate those risks contributing to the capital requirement.

Conversely, any proposed changes to the risk management system are considered to determine the likely impact on the Company's capital position.

## B.4 Internal control system

The framework is based around the Solvency II definition of operational risk which is 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'. The Company's management of operational risk is therefore aimed at identifying risks in existing processes and improving existing controls to reduce the likelihood of failure and the impact of losses. A key element of the internal control system is the three lines of defence described in B.3.1.

abrdn Life seeks continuous improvement to internal controls. The effective management of the risk process is overseen by abrdn Group's Risk and Compliance function, facilitated through abrdn Group's risk management system, Shield. This system is the central tool used by the business to manage risks arising through day to day operations. Shield also allows for linkage between risks, controls, events and issues, meaning any gaps or potential deficiencies are clearly highlighted. This assists abrdn Group in improving its understanding, control and oversight of operational risks and in turn facilitates the achievement of its objectives.

abrdn Group's compliance function sits within the Risk and Compliance function, a permanent and independent risk management function which is hierarchically and functionally independent from the abrdn Group's operating units (first line).

The Risk and Compliance function includes dedicated teams in each geographical region to provide advisory services to the business who draw upon the Risk and Compliance shared services team (e.g. regulatory developments, assurance & monitoring) as required, covering:

- Business partner based alignment and relationship management, including specialisms by channel/asset type.
- Risk and Compliance advisory services specific to the business channel/region/country.
- Dedicated individuals responsible for compliance embedded in all regions/countries.

Teams within Risk and Compliance:

**Shared Services Team** – have a global remit for regulatory and conduct matters and cover regulatory developments, horizon scanning and consultations; regulatory engagement; conduct risk oversight framework including SMCR, compliance monitoring and oversight and board engagement and reporting.

**Investment Risk Oversight** – subject matter expertise in the oversight of investment risk, covering: oversight of product lifecycle process; assurance of investment risk monitoring processes; oversight of operation of investment risk policies.

**Corporate & Financial Risk** – subject matter expertise in the oversight of corporate & financial risk within the Group.

**Anti- Financial Crime** – deliver the abrdn Group's anti-financial crime framework and provide advice to the business and regulated entity Boards on financial crime matters.

## B.5 Internal Audit function

Internal Audit (IA) provides internal audit services to abrdn Life via the MSA with AAML. IA is a global function working under a single mandate, a single methodology and to a single standard. IA's proposition, at the highest level, is offering independent advice, challenge and assurance and subject matter experts' perspective of risks and controls across the whole business with access to all data, documents, premises and members of staff. This includes the provision of assurance over other sources of assurance within the first and second lines. The function reports direct to the abrdn Group Audit Committee, with the Chief Internal Auditor (CIA) having a direct reporting line to the abrdn Group Audit Committee Chair. The CIA also has a secondary,

administrative reporting line to the abrdrn plc Chief Financial Officer. IA is governed by a charter that is reviewed annually and available on abrdrn plc's external website.

IA conducts a documented annual planning process with multiple inputs and drivers. These include work that is directed by the abrdrn plc Board or regulators as well as work informed by risk events, business engagement, corporate strategy and by data driven insight. The plan is reinforced and refreshed throughout the year by ongoing assessments of changes in the business' risk profile and the abrdrn plc Board's risk appetite. Issues identified are rated as high, medium or low and those rated high and medium are entered, with a business action plan, onto the abrdrn Group's risk management system, Shield, to be managed by the responsible business team. For high issues and a sample of medium issues, the audit team will validate that management has closed the issues with appropriate supporting evidence.

Individual audit reports are distributed to the accountable executives and relevant team leaders as well as to a number of standing recipients including the abrdrn plc Chief Executive Officer, Chief Risk Officer and Regional Heads.

The abrdrn Group Audit Committee receives summary information to allow it to review the effectiveness of abrdrn Group's control environment.

The abrdrn Life Audit Committee meets at least twice yearly and is updated on all relevant IA reports. The IA function attends these meetings, and also holds regular meetings with the abrdrn Life CEO. The abrdrn Life Audit Committee may request that IA considers specific relevant topics or business areas for future audit work.

IA is committed to a philosophy of working to the highest ethical and professional standards and operates within the International Professional Practice Framework (IPPF) established by the Chartered Institute of Internal Auditors (CIIA). IA will comply with all relevant CIIA Standards and the Code of Ethics, or disclose non-conformance (subject to appropriate proportionality). IA also applies the recommendations from the Committee on Internal Audit Guidance for Financial Services on 'Effective Internal Audit in the Financial Services Sector' (updated most recently in 2021).

## **B.6 Actuarial function**

The Actuarial Function is outsourced to Barnett Waddingham LLP. The role of Chief Actuary is held by an appropriately qualified and experienced individual who is a Barnett Waddingham LLP partner. The Company's CEO provides oversight and assesses the performance of the arrangement.

## **B.7 Outsourcing**

### **B.7.1 Outsourced services**

abrdrn Life relies on abrdrn Group to carry out all business functions other than the Actuarial function. This outsourcing is governed by the MSA and IMA between abrdrn Life and AAML. The MSA is such that AAML is liable for all operational risk losses in respect of the abrdrn Life business, whether these occur as a result of a failure of AAML or as a result of a failure of a third-party provider and where that third party is unable or unwilling to compensate for any loss incurred. AAML may in turn rely on other parts of the abrdrn Group to carry out the contracted services. abrdrn Group operates a group wide risk and control framework which covers all services provided directly and indirectly to abrdrn Life via the MSA and IMA.

Actuarial services are outsourced to Barnett Waddingham LLP. Custody services are provided by Citibank N.A. (Citi) and fund administration services are provided by Citi and SS&C. The services provided under these arrangements are subject to appropriate contractual clauses that protect abrdrn Life from losses incurred as a result of operational risk events.

All outsourced services are provided by UK entities although some individual tasks may be carried out in a range of overseas locations.

Supplier relationships within abrdrn are governed and overseen, on a risk based approach, against the standards set within abrdrn plc's Procurement, Outsourcing and Third Party Management Policy (POTPM Policy).

In addition, oversight of services outsourced to AAML via the MSA and IMA is carried out at the quarterly service review and Client and Fund Governance Committee meetings and also reviewed at the Risk Committee and Board meetings.

### **B.7.2 Key points of the POTPM Policy**

- AAML uses the abrdrn Group Third Party Risk Management Framework to ensure outsourcing risks are clearly defined and regularly assessed with ongoing monitoring of underlying controls both internally and within its outsourced service providers. abrdrn plc chooses its service providers carefully and regularly monitors and supervises their performance to ensure that functions are being performed satisfactorily, and to ensure that abrdrn Group companies fulfil their regulatory obligations and contractual obligations to clients.
- abrdrn plc understands that while a service or function can be outsourced, the underlying risks and controls remain its responsibility. abrdrn plc is fully committed to actively managing these risks within its risk appetite.

- A risk assessment is performed on all outsourcers to assess the levels of risk exposure and to ensure the criticality of abrdrn plc's third party service providers such as material outsourcers is identified. Initial due diligence is performed on potential third party service providers based on the risk assessment.
- There are standard governance and oversight activities agreed for all levels of third party risk to ensure appropriate levels of governance and oversight activities are performed in line with the level of risk exposure.
- Oversight of third party risks is performed across the abrdrn Group with risk based monitoring and testing of control design and performance in third party service providers across the three lines of defence.
- Continuity of service is a key component of the abrdrn Group Third Party Risk Management Framework and aims to ensure minimal impact to abrdrn Group and its clients in the event of a failure within one or more of abrdrn Group's key third party service providers such as a critical outsourcer.

## **B.8 Any other information**

There is no other material information relating to the system of governance.

## C. Risk profile

The abr dn plc Board sets the group risk appetite to define the nature and level of risk that the abr dn plc Chief Executive and delegates are permitted to take to deliver the Group's strategic objectives. It is defined through a combination of risk appetite statements and tolerances.

Risk appetite tolerances are measured against risk metrics and are monitored on an ongoing basis so that prompt action may be taken as risks escalate or if the tolerances are likely to be breached. Executive management is responsible for staying within the abr dn plc Board's risk appetite and operating an appropriate risk framework to monitor and inform appropriate and timely risk taking.

abr dn Life adopts the high-level risk principles that guide the abr dn plc Board's risk appetite when delivering its strategy and business plan objectives. These principles are in place to provide guidance to the business and help to drive business strategy in line with the abr dn plc Board approved risk appetite:

- Risk appetites should be aligned with abr dn plc's strategic objectives.
- Risk appetites take into account the interests of clients, shareholders and employees.
- Risk appetites should inform entity level Board risk governance and executive risk management.
- Risk appetites should be easy to apply, communicate and interpret.

The abr dn plc Board has risk appetite statements across the 5 risk categories below. Tolerances are set at the level of the abr dn Group and monitored accordingly.

1. Operational risk (and 8 sub categories of operational risk as set out in the abr dn Group risk taxonomy)
2. Conduct
3. Regulatory and legal
4. Financial
5. Strategic

Any breaches of the group tolerances or material updates to the risk appetite statements that are relevant to abr dn Life are considered by the abr dn Life CRO and integrated into the quarterly risk reporting provided to the abr dn Life Board.

abr dn Life also considers these risk categories and appetite statements at entity level and identifies further risk categories, together with risk appetite statements, in its Risk Management Policy to reflect the requirements of being a Solvency II insurer including, but not limited to, the risk categories in C.1 to C.6 below.

Given the simplicity of the business and the risks accepted, abr dn Life does not, in general, set quantifiable risk tolerances and limits.

abr dn Life's risk appetite is aligned with its capital management policy to maintain solvency cover at or above its target level under stressed conditions as measured under stress and scenario tests (allowing for management actions as appropriate) carried out as part of the company's ORSA. The solvency cover target level is currently the greater of 196% of the SCR and 150% of the ORSA capital requirement.

Significant changes to the abr dn Life business model, operating model or risk profile may prompt a review of the risk appetite statement. Such circumstances might include:

- Changes in legislation regulation.
- Entering or writing a new class of insurance business.
- Significant changes to business strategy.
- Major industry changes or developments.
- Material or key risk changes.

### C.1 Underwriting risk

Underwriting risk means the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

abr dn Life has zero tolerance for insurance risks other than lapse (surrender) and expense risk. Contracts include no guaranteed benefits and contain no economic insurance risk. Although TIP policies include annuity options (on non-guaranteed

terms) no annuities are currently written. Therefore, the Company has no direct exposure to mortality or morbidity risks and does not transfer risks to special purpose vehicles.

Lapse risk is measured by the loss of assets under management which reduces future fund charge income and consequently potentially impacts both current and future years' profits. Expense risk is measured by the impact on current and potentially future years' profit.

abrdrn Life has a high tolerance to lapse risk and the consequent variation in fund charges earned as lapse risk is an inevitable part of insurance investment business. The risk of fluctuations in income is managed, where possible, by making expenses sensitive to the volume of charges received. This is achieved under the terms of the MSA and ISA between the Company and AAML whereby the majority of expenses payable are defined as a percentage of fund charge income. abrdrn Life aims to minimise lapses by providing a dedicated client service team, which has been set up specifically to meet the needs of UK pension schemes.

abrdrn Life's solvency position is not very sensitive to changes in lapse assumptions. If the best-estimate lapse rate is doubled, own funds reduce by £0.01m (2020: £0.01m), the SCR reduces by £0.01m (2020: £0.01m) and there is a 6% (2020: 4%) increase in SCR cover. Solvency cover is the Company's own funds divided by the SCR and the change in SCR cover is the SCR cover under the sensitivity less the SCR cover reported at the valuation date.

abrdrn Life has a low tolerance to expense risk. As mentioned above, the majority of expenses (fee related expenses) are defined as a set percentage of fund charge income. Modest additional expenses are incurred. The expense risk on these additional expenses is managed by:

- Reducing fee-related expenses if retained fund charge income is otherwise insufficient to meet the additional expense.
- Close monitoring of the additional expense amounts and their justification.

An increase in expenses leads to an increase in required capital under the Solvency II standard formula (all else equal). This risk is managed in all but extreme circumstances by contractual provisions between abrdrn Life and AAML which reduce fee related expenses if necessary such that retained fund charge income is sufficient to meet the increase in required capital together with the required margin of cover.

There has been no material change to underwriting risk or how it is measured over the reporting period.

The only material risk concentration is that individual policies may account for a significant percentage of assets under management. At 31 December 2021 the largest individual unit-linked policy accounted for 26% of the Company's unit-linked assets (2020: 25%). The largest SIM policy accounted for 90% of the assets managed under such contracts. (2020: 93%).

The nature of the expenses payable under the agreements between the Company and AAML are such that, while changes in experience will affect profitability, the Company is protected from making a loss in all but extreme circumstances (a significant rise in non-fee related expenses and/or a significant fall in assets under management).

abrdrn Life's own funds and SCR are not very sensitive to changes in expense assumptions, but small movements can lead to a relatively large absolute movement in the SCR cover. If the best-estimate of expenses not defined in relation to fee income is increased by 25%, own funds reduce by £0.02m (2020: £0.01m), the SCR reduces by £0.02m (2020: £0.01m) and the SCR cover increases by 10% (2020: 4%).

The impact of adverse lapse and expense experience is considered in the ORSA under a number of scenarios. These demonstrate that the Company is able to withstand extreme adverse lapse and/or expense experience whilst continuing to meet regulatory capital requirements and without impacting on its ability to meet policyholder obligations in full.

## C.2 Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Shareholder assets, linked assets and assets managed under SIM contracts are considered separately.

abrdrn Life has a low tolerance to market risk on shareholder assets. The shareholder assets are used to cover the SCR, the MCR and any technical provisions in excess of the linked assets, and are invested to preserve capital. Investments are located in the EU and limited to cash, short term bonds and short term money market instruments. Investment in short term bonds and money market instruments is achieved by investing in the Aberdeen Standard Liquidity Fund (Lux) Sterling Fund (Liquidity Fund), a money market UCITS fund.

abrdn Life has a high tolerance to market risk on linked assets and assets managed under SIM contracts. abrdn Life accepts that because it is conventional practice for investment charges to be expressed as a percentage of assets under management, its revenue from fund charges will be subject to market movements and the choices made by its customers on the allocation to different internal linked funds or investment strategies. This risk of fluctuations in income is managed, where possible, by making expenses sensitive to the volume of charges received.

The linked assets are managed in accordance with the investment mandate for the particular fund taking into account the prudent person principle requirements under the PRA Investments Rulebook and the permitted links rules included in the FCA Conduct of Business Sourcebook (COBS) 21. In particular, policyholder liabilities are fully matched with units established within the relevant internal linked funds and with assets of the same value.

Assets managed under SIM contracts are invested under client-specific investment mandates taking into account the prudent person principle requirements.

abrdn Life's own funds and SCR are not very sensitive to changes in the market value of assets under management, but small movements in these items can lead to a relatively large absolute movement in the SCR cover. If all managed asset values were to increase by 10%, own funds increase by £0.07m (2020: £0.02m), the SCR increases by £0.06m (2020: £0.01m) and SCR cover reduces by 33% (2020: 5%). If all managed asset values were to fall by 10%, own funds fall by £0.02m (2020: £0.01m), the SCR falls by £0.02m (2020: £0.01m) and SCR cover increases by 10% (2020: 4%).

There has been no material change to market risk or how it is measured over the reporting period.

The Company investigates the potential impact of market risks on its income and solvency position by way of stress and scenario tests that are carried out as part of the ORSA process. These demonstrate that abrdn Life is able to withstand extreme market falls whilst continuing to meet regulatory capital requirements and without impacting on its ability to meet policyholder obligations in full, but recognising that policyholder obligations will reflect the impact of market risks on linked assets.

### **C.3 Credit risk**

Credit risk means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.

Service provision, shareholder assets, linked assets and assets managed under SIM contracts are considered separately.

abrdn Life has a low tolerance to credit risk in relation to third party service providers. The risk of a service provider defaulting on its obligations is primarily managed by initial and on-going due diligence of the service provider together with protections included in service contract terms. The terms of the MSA between the Company and AAML are such that abrdn Life would seek redress from AAML if a third party service provider was unable or unwilling to meet its financial obligations towards the Company.

abrdn Life has a low tolerance to credit risk in relation to shareholder assets. The risk is managed by limiting direct exposure to cash (bank) counterparties and investing other assets in a diversified portfolio of high quality short-term assets. The bank counterparties must meet the criteria set by the abrdn Group Credit Risk Management Policy. For abrdn Life, cash balances are, in normal circumstances, limited to £2m to any single counterparty although this limit may be temporarily exceeded for operational reasons.

Cash balances are monitored daily. Diversification of non-cash assets is achieved by investing in the Liquidity Fund.

The tolerance to credit risk in relation to linked assets depends upon the investment objectives of each fund, but is generally low and is managed according to individual fund mandates. Thresholds are set for each fund to limit cash at the custodian, with a daily sweep into the Liquidity Fund to diversify counterparty exposure and reduce risk.

The tolerance to credit risk in relation to SIM contracts depends upon client-specific investment objectives.

The risk to abrdn Life of fluctuations in charge income as a result of asset defaults in the linked funds or under SIM contracts is managed, where possible, by making expenses sensitive to the volume of charges received.

There are no material risk concentrations other than to bank counterparties, with such exposures managed as described above.

abrdn Life's own funds and SCR are currently not very sensitive to the credit quality of its bank counterparties, but small movements can lead to a relatively large absolute movement in the SCR cover. If all bank counterparties are downgraded by one credit quality step, own funds are unchanged, the SCR increases by £0.03m (2020: £0.03m) and SCR cover falls by 18% (2020: 13%).

There has been no material change to credit risk or how it is measured over the reporting period. However, abrdn Life is conscious that the full economic effects of the ongoing Covid-19 pandemic may not have materialised to date and that future defaults may be higher than in the recent past. The potential longer term impacts of Covid-19 are taken into consideration by AAML fund managers when making investment decisions on behalf of abrdn Life and its policyholders.

The Company investigates the potential impact of credit risks on its income and solvency position by way of stress and scenario tests that are carried out as part of the ORSA process. These demonstrate that abrdn Life is able to withstand extreme credit events whilst continuing to meet regulatory capital requirements and without impacting on its ability to meet policyholder obligations in full, but recognising that policyholder obligations will reflect the impact of credit risks on linked assets.

#### **C.4 Liquidity risk**

Liquidity risk means the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

Shareholder assets, linked assets and assets managed under SIM contracts are considered separately.

abrdn Life has a low tolerance to liquidity risk in relation to shareholder assets. All shareholder assets are held in cash or in the Liquidity Fund which allows daily dealing. Given the nature and size of the Liquidity Fund, large redemptions can typically be made without impacting on the fund share price.

The linked assets are managed to provide appropriate liquidity, in normal circumstances, to allow policyholder redemptions to be met as they fall due. Fund managers use tools to project forward their cash balances and ensure that they have sufficient cash in the portfolio to meet obligations on a daily basis. In addition, abrdn Life has the contractual ability to suspend transactions where this is considered to be in the interests of policyholders.

Liquidity requirements for assets managed under SIM contracts depend upon client-specific requirements, noting that the assets managed under these contracts remain the legal property of the client.

There has been no material change to liquidity risk or how it is measured over the reporting period.

Given the nature of the business written by abrdn Life, the expected profit in future premiums calculated in accordance with Article 260(2) of the Delegated Regulation is zero.

#### **C.5 Operational risk**

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

abrdn Life has a low tolerance to operational risk and considers operational risk in respect of internal processes, personnel or systems as being transferred to AAML or third party suppliers through outsourced service agreements. Despite this risk transfer, abrdn Life maintains a risk register that captures key potential operational risks and the controls in place, and the risk register is reviewed regularly with any additional controls/risk mitigation considered by the abrdn Life Risk Committee. The Group's Operational Risk Management Policy applies to all services carried out by AAML for abrdn Life.

Operational risk from external events is primarily managed by ensuring compliance with current regulation and legislation, and by maintaining the ability to react appropriately to external risks and issues. As part of its ORSA process, abrdn Life considers the impact of external influences on its business model and considers the management actions that might be taken to address any issues.

There has been no material change to operational risk or how it is measured over the reporting period.

#### **C.6 Other material risk**

##### **Climate change risk**

Climate change risks means the risk arising from a fall in the value of investments or an increase in expenses or insurance liabilities caused by climate change. This could include transition risks when moving towards a less polluting, greener economy and physical risks that are a consequence of climate change. The speed of transition to a greener economy could affect certain economic sectors and financial stability. Physical risks from climate change are more frequent or severe weather events like flooding, droughts and storms resulting in damage to real estate assets, operational issues or weather-related insurance claims.

Climate change risk can, therefore, manifest in a number of other risk categories such as underwriting, market, credit and operational risk.

Given the nature of the business written, abrdn Life considers the primary risk to its business from climate change is a potential fall in the value of investments.

All assets managed by or on behalf of abrdn Life are managed in accordance with the abrdn Group approach for managing climate change risks. Based on a number of key areas of focus, the abrdn Group approach provides high-quality data and insights on climate change trends, risks and opportunities. This is integrated into decision making, driving positive outcomes for our clients and supports the transition to a low-carbon economy. As noted previously, the following site provides information relating to ESG arrangements (including climate change). [www.abrdn.com/en/uk/institutional/funds-centre/our-life-fund-range](http://www.abrdn.com/en/uk/institutional/funds-centre/our-life-fund-range)

Furthermore, as discussed in Section C.2:

- Shareholder assets are invested in short-term instruments that are unlikely to be materially affected by transition risks.
- The risk of fluctuations in income due to falls in asset values is managed, where possible, by making expenses sensitive to the volume of charges received.

This means that the impact on abrdn Life of any climate change related market risks, if they materialise, would be limited.

abrdn Life is not exposed directly to climate change related insurance risks but has considered the potential impact of climate change on lapses, which may be triggered by higher population mortality, and on expenses, which may arise on transition or in response to physical risks. It has assessed the potential impact of these risks as low given the risk mitigation measures in place as discussed in Section C.1.

### **Group risk**

Group risk is a risk of failure of companies in the abrdn Group, including AAML, or the abrdn Group as a whole. abrdn Life has no appetite for group risk but has a high tolerance to it and, in general, accepts the risk without management, reflecting the rationale for the existence of abrdn Life.

Within group risk, abrdn Life closely manages AAML's obligations to compensate abrdn Life for any operational risk losses. In addition to the contractual protections given in the internal and external outsourcing agreements, abrdn Life also considers the capital position and the extent of insurance cover maintained by AAML in determining the ongoing security of the outsourcing arrangement.

It should be noted that in the event of any significant group issues, abrdn Life has the ability to terminate all contracts at three months' notice.

### **Currency risk**

abrdn Life has limited exposure to currency risk from overseas assets held within certain unit-linked funds or managed under certain SIM contracts. Exchange rate fluctuations will result in fluctuations in charges which are based on sterling-equivalent asset values. This risk of fluctuations in income is managed, where possible, by making expenses sensitive to the volume of charges received.

### **Use of reinsurance and off-balance sheet positions**

abrdn Life has no outward reinsurance and holds no off-balance sheet positions.

## **C.7 Any other information**

There is no other material information regarding the risk profile of the Company.

## D. Valuation for solvency purposes

### D.1 Assets

abrdrn Life's assets are primarily those held to back unit-linked liabilities. The Solvency II valuation for each material class of asset is contained in Quantitative Reporting Template (QRT) reference S.02.01.02 and shown in the box below.

Article 75 of the Solvency II Directive requires that assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. This valuation basis is similar to the 'fair value' accounting concept which is defined within IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants'.

abrdrn Life has prepared its financial statements in accordance with FRS 101 and the Companies Act 2006. This basis requires many assets and liabilities to be recognised at fair value in accordance with IFRS 13 (in which the term 'fair value' is defined). Other assets and liabilities are short term in nature and there is no material difference between their carrying value and fair value.

At 31 December 2021, the value of assets for solvency purposes is equal to the value of assets reported in the financial statements. This was also the case at 31 December 2020.

The methodology for valuing and recognising these assets are summarised below:

Balance sheet category	Accounting policy	Further detail of balances	Financial Statements 31-Dec-21 £m	Solvency II value 31-Dec-21 £m	Solvency II value 31-Dec-20 £m <sup>2</sup>	QRT S.02.01 Reference
Collective Investments Undertakings	Fair value – using quoted market prices in active <sup>1</sup> markets	Investment in quoted liquidity funds	12.72	12.72	13.21	R0180
Assets held for index-linked and unit-linked contracts	Fair value – using quoted market prices in active <sup>1</sup> markets or other valuation techniques as disclosed in the financial statements where necessary	Assets held within the linked funds, primarily equities and holdings in collective funds. No properties are held directly.	1,087.87	1,087.87	1,041.66	R0220
Insurance and intermediaries receivables	Amortised cost – due to short-term nature of the receivables there is no material difference between the carrying value and fair value	Outstanding sales/ liquidations	2.15	2.15	1.91	R0360
Receivables (trade, not insurance)	Amortised cost – due to short-term nature of the receivables there is no material difference between the carrying value and fair value	Accrued income Prepayments Other debtors	2.03	2.03	2.01	R0380
Cash and cash equivalents	Amortised cost – based on statement values	Cash balances held	0.99	0.99	1.45	R0410

1. Active market as defined in International Financial Reporting Standard 13 – Appendix A.

2. There was no difference between the financial statements and Solvency II value for these assets at 31 December 2020.

No other material assumptions or judgements have been used, (or contribute to uncertainty) in the valuation of assets.

## D.2 Technical provisions

There are three lines of business, the TIP unit-linked insurance business, unit-linked reinsurance accepted on similar terms and SIM business. All business is pensions business.

The technical provisions at the valuation date are shown in the table below.

	As at 31-Dec-21 (£m)				As at 31-Dec-20 (£m)			
	SIM	TIP	Reinsurance accepted	Total	SIM	TIP	Reinsurance accepted	Total
Unit reserve	-	411.99	675.88	1,087.87	-	414.60	627.06	1,041.66
Value of in-force business	(0.01)	(0.00)	(0.00)	(0.02)	(0.01)	(0.00)	(0.00)	(0.01)
Risk margin	0.04	0.02	0.04	0.10	0.05	0.03	0.04	0.12
Total technical provisions	0.03	412.01	675.91	1,087.95	0.04	414.63	627.10	1,041.77

Given the similarities between them, the same methods are used to determine the technical provisions for all lines of business written. The assumptions used are also the same other than where highlighted below.

Technical provisions have been determined for unit-linked business as the sum of the unit reserve, value of the in-force business (VIF) and the risk margin. The SIM technical provisions are the sum of the VIF for that business and the risk margin.

The movement in technical provisions is dominated by the increase in the unit reserve of £46.21m. This reflects the net impact on the TIP and reinsurance accepted business of investment returns on the linked assets and new business exceeding the full and partial surrenders over the reporting period.

The VIF reflects the projected excess of income over expenses over the projection period. This is £0.01m higher at 31 December 2021 compared to the previous year-end, with lower projected net fee income, driven primarily by the reduction in SIM business over 2021, being more than offset by lower projected expenses.

The risk margin, which is a function of the operational risk SCR, life underwriting risk SCR and non-bank counterparty default risk SCR, has decreased by £0.02m, primarily due to a reduction in the operational risk SCR, which is a function of the expenses incurred in the twelve months to the reporting date.

### D.2.1 Unit reserve and VIF

The unit reserve is the value of units allocated to in-force unit-linked contracts at the valuation date, as disclosed in the financial statements (unit liabilities). The unit reserve is reported as 'technical provisions calculated as a whole' on form S.02.01.02 in Appendix 1.

The VIF has been determined, using recognised actuarial methods, as a best estimate calculation of the present value of the excess of policy charges over expenses, where a positive VIF is shown as a negative liability. The VIF is reported as the best estimate liability on form S.02.01.02 in Appendix 1.

A deterministic cash-flow projection method is used to determine the VIF. Although the Company manages the business on a long-term basis, the VIF projection is limited to three months. This reflects the Company's ability to terminate all contracts subject to a three-month notice period. The use of a short projection period has been discussed with the PRA and is considered by the Board to be a proportionate simplification compared to performing a long-term projection in accordance with Delegated Regulation Article 56. The use of a long-term projection is considerably more subjective given the nature of the business and the use of a long-term projection would not lead to a materially different result at 31 December 2021.

The projection involves estimating the policy charges and expenses cash flows that the Company expects to receive and incur respectively in each month of the three-month projection period, based on the business in force at the valuation date and using best estimate projection assumptions. The policy charge cash flows are projected separately for the unit-linked and SIM business. Expense cash flows are projected in aggregate, using the separately projected policy charge cash flows where relevant. The net 'charges less expenses' cash-flow in each month is then discounted to the valuation date to give a present value.

The policy charges cash flows are fund charges (fee income) which are either deducted directly from unit-linked funds, or otherwise invoiced directly to policyholders. A proportion of fund charges may be reimbursed to policyholders by way of a fee rebate.

The expenses cash flows fall into three categories:

- Expenses that are a percentage of net fee income received as contractually defined in the contractual agreements between the Company and AAML.
- Administration and custodian services charges as contractually defined in the services agreements between the Company and external third parties.
- Other expenses that are fixed or variable monetary amounts (direct expenses).

The administration and custodian service charges depend to an extent upon transaction volumes and are in part met by policyholders by way of recharges to the unit-linked funds used to determine policyholder benefits. The element of such fees met by policyholders is ignored in the VIF calculation on grounds of materiality. The projected element met by the Company is based on recent experience.

Net fee income is defined as fee income received less any fee rebates reimbursed to policyholders less the share of administration and custodian service charges met by the Company.

The assumption for direct expenses is based on the Company's expectations taking into account experience over the 12 months to the valuation date and any anticipated changes.

Economic assumptions are based on market data at the valuation date. Withdrawal assumptions are based on actual experience of the unit-linked business over a six year period to the valuation date, adjusted as necessary to make appropriate allowance for extraordinary events. There is currently insufficient experience data to derive credible withdrawal assumptions separately for the SIM business, as it was introduced at the end of 2018 and includes a very small number of policyholders. It is assumed that the average rate of fee income on the in-force business at the valuation date is maintained throughout the projection period, with the average rate of fee income determined separately for the unit-linked and SIM business.

There is no obligation for policyholders to pay additional premiums other than, for some policies, where fund charges are invoiced and paid by way of premiums. The technical provisions therefore include no allowance for additional premiums other than charges.

## **D.2.2 Risk margin**

The risk margin has been assessed in accordance with the methodology set out in the Delegated Regulation as the cost of holding an adjusted SCR over the projected run-off of the business.

Given all business is projected over three months, the risk margin has been determined over a one year period, the minimum period allowed by the regulations. In accordance with the Delegated Regulation, it has been calculated on the result of the SCR at the valuation date but with the bank counterparty default and market risk module SCR set equal to zero on the assumption that these risks could be hedged if required.

The risk margin has been apportioned across the three lines of business in proportion to their expense allocation. This is considered a proportionate and appropriate approach as the risk margin is primarily driven by operational risk which is a function of expenses. The impact of using a different apportionment method would not be material to the overall technical provisions by line of business.

## **D.2.3 Simplifications**

The use of a three-month projection period, reflecting the Company's ability to terminate all contracts subject to a three-month notice period, is a simplification. The use of a long-term projection is considerably more subjective given the nature of the business and the use of a long-term projection would not lead to materially different technical provisions at 31 December 2021.

The VIF has been determined using an aggregate approach. Under the aggregate approach, policy charge cashflows are projected in aggregate, split only between unit-linked and SIM business and expense cash flows are projected for the business as a whole, not at an individual policy level. The resulting VIF is then apportioned between unit-linked and SIM business based on their respective anticipated contribution to fee income less expenses. The unit-linked VIF is then apportioned between reinsurance accepted and TIP business based on the size of their respective unit reserve.

This approach involves the following simplifying assumptions:

- A single rate of surrender is used across all funds and all lines of business. In reality, surrender rates are likely to vary by fund and line of business. However, surrender rates for the business written by the Company are very hard to predict as they will depend on a number of factors including relative investment performance, market sentiment over a particular fund, the individual circumstances of the policyholder and the size of the policyholder's investment with the Company. However, the VIF is relatively insensitive to the surrender assumptions and, given the value of the VIF compared to the total technical provisions, more granular assumptions are unlikely to lead to materially different technical provisions.

- The approach used to apportion the VIF between lines of business implicitly assumes that expenses defined as monetary amounts (as opposed to percentage of policy charges) are apportioned over individual policies on a pro rata basis based on the monetary amount of annual policy charge each policy is expected to generate. A different allocation of the monetary expenses would not change the overall VIF, given the way expenses are determined, but could affect the split of the total between the lines of business. Given that the Company considers monetary expenses at a company level, this implicit apportionment, effectively by ability to pay, is not unreasonable, especially taking into account the low materiality of the VIF compared to the total technical provisions.

#### **D.2.4 Uncertainty associated with the value of technical provisions**

The methodology employed is proportionate to the nature, scale and complexity of the risks accepted by the Company.

There are no material deficiencies in the data used for the technical provisions.

All business written is unit-linked pensions business or pensions investment management with no investment guarantees. The unit liabilities are matched by holding the assets upon which the unit liabilities are determined.

The Company has the unilateral right to terminate contracts subject to three months' notice. This is a typical policy clause for the type of business written by the Company, which is sold only to institutional investors and protects the Company against the long-term impact of adverse experience. The expense agreements in place between the Company and others within the abrdn Group are such that in normal circumstances the Company retains only a modest percentage of net fee income out of which it needs to meet direct expenses. The retained amount is however increased if it would otherwise be insufficient to cover the direct expenses. The extent of the retained net fee income in excess of direct expenses is currently also modest.

Although the VIF depends upon the projection assumptions, the result is small in comparison to the overall technical provisions, which are dominated by the value of the unit liabilities.

Consequently, if different plausible assumptions or more complex methodology were to be used, the technical provisions would not be materially different.

#### **D.2.5 Reconciliation with financial statements**

All unit-linked contracts written by the Company are treated as investment contracts under applicable accounting rules. The accounting treatment for such contracts is to value the contracts at 'fair value', essentially the market value of the assets within the unit-linked funds, and no less than the amount that would be payable on immediate surrender.

The assets managed by the Company under SIM contracts are not shown in the financial statements.

The technical provisions reported in the Company's financial statements are therefore taken as the unit liabilities of £1,087.87m. At 31 December 2021 the technical provisions for solvency purposes are £0.08m (2020: £0.10m) higher than the technical provisions reported in the financial statements, reflecting the VIF and the risk margin held for solvency purposes.

#### **D.2.6 Adjustments and transitional arrangements**

A matching adjustment (as referred to in Article 77b of Directive 2009/138/EC) is not used.

A volatility adjustment (as referred to in Article 77d of Directive 2009/138/EC) is not used.

The transitional adjustment in respect to the risk-free interest rate-term structure (as referred to in Article 308c of Directive 2009/138/EC) is not used.

The transitional deduction in respect to technical provisions (as referred to in Article 308d of Directive 2009/138/EC) is not used.

#### **D.2.7 Reinsurance**

The Company has no recoverables from reinsurance contracts and has transferred no risks to special purpose vehicles.

#### **D.2.8 Material changes in assumptions**

The Company has made no material changes to assumptions since the previous reporting period.

### **D.3 Other liabilities**

At 31 December 2021, the value of other liabilities for solvency purposes was £3.93m (2020: £4.77m), this is the same value as that reported in the financial statements. The values, basis of valuation and explanation of balances held are shown below. References (in brackets) are also given to where amounts can be found on QRT S.02.01.02.

### **D.3.1 Trade and other payables**

Balances are initially measured at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. In practice the carrying values equate to the fair values due to the short term nature of the amounts. Insurance & intermediaries payables £2.15m (R0820) (2020: £1.91m), Trade and other payables £1.76m (R0840) (2020: £2.81m).

### **D.3.2 Deferred taxation**

A change in the basis of taxation for the Company, implemented in 2013, led to the recognition of profits that had previously been tax deductible. Under transitional arrangements those profits are recognised uniformly over the 10 year period commencing 1 January 2013. The deferred tax liability in both the financial statements and for solvency purposes at 31 December 2021, £0.02m (2020: £0.05m), is determined using the relevant rates of tax which apply over the remaining deferral period.

### **D.3.3 Contingent liabilities**

The IFRS valuation (prescribed by IAS 37) defines a contingent liability as:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
- A present obligation that arises from past events but is not recognised because; (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability will be disclosed under IFRS but not recognised. Article 11 of the Delegated Regulation states that contingent liabilities should be recognised if considered 'material'.

As at 31 December 2020 and 2021, the Company has concluded it holds no contingent liabilities.

### **D.4 Alternative methods for valuation**

As at 31 December 2021, assets held included holdings in collective investment undertakings which require valuation techniques which are classified as alternative valuation methods under Solvency II categorisations. However valuation uncertainty is considered immaterial given daily pricing of collectives held.

### **D.5 Any other information**

There is no other material information regarding the valuation of assets and liabilities for solvency purposes.

## E. Capital management

### E.1 Own funds

The Company seeks to maintain sufficient capital resources of appropriate quality to give policyholders assurance of our financial strength and to satisfy the requirements of the regulators. The capital management policy is designed to ensure that all capital requirements are met out of retained profits without the need to seek other forms of capital.

All of the Company's own funds are classified as Tier 1 basic own funds comprised of equity and retained earnings and are available to provide cover for both the SCR and the MCR without restriction. Own funds are predominately invested to preserve capital values, typically in a diverse portfolio of cash and short-dated instruments.

The Company performs financial projections under central and adverse scenarios to assess the capital required over a three-year business planning period.

#### E.1.1 Capital Management Policy

The Company may distribute by way of dividend the full amount of distributable profits disclosed in the audited accounts each year, or other amount as agreed provided that, following such payment abrdn Life will continue to hold a level of cover, as deemed appropriate by the Board, above the appropriate regulatory requirement applicable to the Company, or such other amount as may be agreed and having regard to the Company's business plan.

The Company's policy is to hold sufficient capital such that it may be treated under Article 199 of the Delegated Regulation as being equivalent to an entity with credit quality step 1 or any other maximum requirement applicable to the Company. This target has been set in order that the Company is able to demonstrate adequate financial strength but is not intended to represent any particular risk appetite.

The Board may cancel, amend or withhold dividends at any time prior to payment if such cancellation or amendment is necessary for the Company to meet regulatory requirements or its internal targets.

Prior approval by the PRA is not required by the Board for any dividend payment if the risk appetite of the company is maintained. However, the Company will notify the PRA of any dividend proposals.

There have been no material changes to the capital management policy over the reporting period. Any change in the capital management policy will be approved by the Board.

The Company monitors its capital position on an ongoing basis. Own funds at 31 December 2021 are as follows:

	As at 31-Dec-21 £m	As at 31-Dec-20 £m
<b>Tier 1 unrestricted</b>		
Ordinary share capital	1.50	1.50
Reconciliation reserve	12.38	12.21
<b>Total own funds</b>	<b>13.88</b>	13.71
Solvency Capital Requirement (SCR)	1.50	1.74
<b>SCR cover</b>	<b>927%</b>	786%
Minimum Capital Requirement (MCR)	3.13	3.34
<b>MCR Cover</b>	<b>444%</b>	411%

The total own funds have increased during the period, primarily due to net of tax profits earned during the period with a small additional contribution from the reduction in the risk margin and increase in the VIF. SCR cover has increased as a result of the increase in own funds and a decrease in the SCR that is discussed further in Section E.2.

The Company's MCR equals the €3.7m absolute floor as set out in regulation. The decrease in MCR since 31 December 2020 is due to the change in the Sterling; Euro exchange rate between 31 October 2020 and 31 October 2021, these being the dates, as set out in regulation, at which the exchange rate for the absolute floor are set for the previous and current reporting period respectively.

The reconciliation reserve comprises retained profits and the difference between the technical provisions and other liabilities for solvency purposes and the technical provisions and other liabilities reported in the financial statements.

At 31 December 2021, the difference between equity shown in the financial statements and the excess of assets over liabilities used for solvency purposes arises from the combined impact of the VIF and the risk margin that are not recognised in the financial statements but are reflected in the reconciliation reserve.

No basic own funds are subject to the transitional arrangements referred to in Articles 308b(9) and 308b(10) of Directive 2009/138/ EC. There are no ancillary own funds and no deductions made from the own funds.

There are no deferred tax assets as at 31 December 2021.

## E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR is determined using the standard formula. The SCR and MCR as at 31 December 2021 is shown below.

	As at 31-Dec-21 £m	As at 31-Dec-20 £m
<b>Solvency Capital Requirement</b>		
Operational risk	<b>1.40</b>	1.71
Market risk	<b>0.29</b>	0.29
Life underwriting risk	<b>0.03</b>	0.02
Counterparty default risk	<b>0.25</b>	0.26
Diversification across risk modules	<b>(0.13)</b>	(0.13)
Tax adjustment	<b>(0.34)</b>	(0.41)
<b>Total SCR</b>	<b>1.50</b>	1.74
<b>Minimum Capital Requirement</b>	<b>3.13</b>	3.34

The total SCR has decreased by £0.25m to £1.50m at 31 December 2021. The main contributions are:

- A decrease in operational risk due to lower expenses incurred in the twelve months to 31 December 2021 compared to those incurred in the twelve months to 31 December 2020, driven primarily by a reduction in the average level of in-force business over 2021 compared to 2020.
- A reduction in the size of the tax adjustment, primarily due to a lower SCR in aggregate.

The tax adjustment, also known as the loss absorbing capacity of deferred taxes (LACDT), is £0.34m (2020: £0.41m) and is calculated in accordance with Article 207 of the Delegated Regulation.

The LACDT at 31 December 2021 comprises:

- £0.05 million from the recovery of tax payable in respect of the year to 31 December 2021.
- £0.27 million from the offset of future profits, where the future profits available are assumed to be equal to the SCR for operational risk on the basis that, if an operational loss equal to the SCR for operational risk was incurred, the Company would receive the same amount as compensation under the MSA with AAML, as described in Section B.7.1.
- £0.02 million from the anticipated reduction in the deferred tax liability described in Section D.3.2.

The Company has not applied any of the simplifications outlined in Articles 88 to 112 of the Delegated Regulation. The Company is taking a proportionate and simplified approach to calculating the SCR for market risk in that all unit-linked assets and assets managed under SIM policies are assumed to be invested in 'Type 2' equities as defined in Article 168 of the Delegated Regulation. This approach has been confirmed as acceptable by the PRA subject to ongoing monitoring.

No undertaking specific parameters are used to calculate the SCR pursuant to Article 104(7) of Directive 2009/138/EC.

The Company has not made use of the option provided for in the third subparagraph of Article 51(2) of Directive 2009/138/EC.

The Company is not required to use any undertaking specific parameters in accordance with Article 110 of Directive 2009/138/EC. No capital add-on has been applied to the SCR.

The MCR calculation is set out in the Delegated Regulation. Given the nature of the Company's business, the required inputs to the calculation that are not defined under the regulations are limited to:

- The technical provisions excluding the risk margin for unit-linked life insurance and reinsurance obligations of £1,087.86m (2020: £1,041.66m).
- The technical provisions excluding the risk margin for other life insurance and reinsurance obligations (SIM business) of £(0.01)m (2020: £(0.01)m), which are floored at £nil.
- The amount of capital at risk. Given payments made under the contracts issued by the Company are not directly contingent on death, the capital at risk is taken to be zero.

The MCR for the Company is currently based on the €3.7m monetary minimum set out in regulations.

**E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement**

The Company does not use the duration-based equity sub-module option as set out in Article 304 of Directive 2009/138/EC.

**E.4 Differences between the standard formula and any internal model used**

The Company is not using an internal model.

**E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement**

The Company has complied fully with both the MCR and SCR during the reporting period.

**E.6 Any other information**

There is no other material information regarding the capital management of the Company.

## Statement of Directors' Responsibilities

The Directors acknowledge their responsibility for the preparation of the Solvency and financial condition report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under Section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed in the Prudential Regulation Authority waivers and discretions section of this document.

The Board is satisfied that the best of its knowledge and belief:

- (a) Throughout the financial year to 31 December 2021, abr dn Life has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company; and
- (b) It is reasonable to believe that in respect of the period from 31 December 2021 to the date of publication of the SFCR the Company has continued so to comply, and will continue so to comply for the remainder of the financial year to 31 December 2022.

The SFCR was approved by the Board and signed on its behalf by the following Director.

A handwritten signature in black ink that reads "Aron Mitchell". The signature is written in a cursive, flowing style.

**Aron Mitchell**

Director and Chief Executive Officer  
abr dn Life and Pensions Limited (abr dn Life)  
31 March 2022

## Prudential Regulation Authority waivers and discretions

The waivers and discretions in the table below apply to abrđn Life:

Description	Reference	Date of approval	Applicable from
Reporting 2.2 (1) AR Modification of Solvency II quarterly reporting requirements	2151065	24 September 2020	11 September 2020
Modifies financial conglomerate assessment for group supervision	4988232	3 September 2018	3 September 2018

## Forward-looking statements

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

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management of the abrđn Group about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. Each forward-looking statement speaks only as of the date of particular statement and the events discussed herein may not occur.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group's control, including among other things: the direct and indirect impacts and implications of the COVID-19 (coronavirus) outbreak on the economy, nationally and internationally, and on the Group, its operations and prospects; UK domestic and global political, economic and business conditions, competitive, market and regulatory forces (such as the UK's exit from the EU); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the value of and earnings from the Group's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks); operational information technology risks, including the Group's operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; the impact of pandemics, including the COVID-19 (coronavirus) outbreak; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its targets); exposure to third party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities (including changes in response to the COVID-19 (coronavirus) outbreak and its impact on the economy); and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations (including changes to the regulatory capital requirements that the Group is subject to or changes in connection with the COVID-19 (coronavirus) outbreak) in the jurisdictions in which the Company and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward looking statements.

The Company, nor any of its associates, directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Persons receiving this document should not place reliance on forward-looking statements. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Each forward-looking statement speaks only as at the date of the particular statement. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' future results.

## Appendix 1 – Quantitative reporting templates (QRTs)

### Contents

The following QRTs are required for the SFCR:

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QRT ref	QRT Template name
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses
S.05.02	Premiums, claims and expenses by country – Not reported as all business written in the UK
S.12.01	Life and Health SLT Technical Provisions
S.23.01	Own Funds
S.25.01	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement – only Life or only non-life insurance or reinsurance activity

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All figures are shown in £'000s.

## S.02.01.02 Balance sheet

CHM	Assets	Solvency II value
		C0010
R0030	Intangible assets	-
R0040	Deferred tax assets	-
R0050	Pension benefit surplus	-
R0060	Property, plant & equipment held for own use	-
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	12,721
R0080	Property (other than for own use)	-
R0090	Holdings in related undertakings, including participations	-
R0100	Equities	-
R0110	Equities - listed	-
R0120	Equities - unlisted	-
R0130	Bonds	-
R0140	Government Bonds	-
R0150	Corporate Bonds	-
R0160	Structured notes	-
R0170	Collateralised securities	-
R0180	Collective Investments Undertakings	12,721
R0190	Derivatives	-
R0200	Deposits other than cash equivalents	-
R0210	Other investments	-
R0220	Assets held for index-linked and unit-linked contracts	1,087,872
R0230	Loans and mortgages	-
R0240	Loans on policies	-
R0250	Loans and mortgages to individuals	-
R0260	Other loans and mortgages	-
R0270	Reinsurance recoverables from:	-
R0280	Non-life and health similar to non-life	-
R0290	Non-life excluding health	-
R0300	Health similar to non-life	-
R0310	Life and health similar to life, excluding health and index-linked and unit-linked	-
R0320	Health similar to life	-
R0330	Life excluding health and index-linked and unit-linked	-
R0340	Life index-linked and unit-linked	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries receivables	2,149
R0370	Reinsurance receivables	-
R0380	Receivables (trade, not insurance)	2,030
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	990
R0420	Any other assets, not elsewhere shown	-
<b>R0500</b>	<b>Total assets</b>	<b>1,105,762</b>

CHM	Liabilities	Solvency II value C0010
R0510	Technical provisions – non-life	–
R0520	Technical provisions – non-life (excluding health)	–
R0530	TP calculated as a whole	–
R0540	Best Estimate	–
R0550	Risk margin	–
R0560	Technical provisions – health (similar to non-life)	–
R0570	TP calculated as a whole	–
R0580	Best Estimate	–
R0590	Risk margin	–
R0600	Technical provisions – life (excluding index-linked and unit-linked)	26
R0610	Technical provisions – health (similar to life)	–
R0620	TP calculated as a whole	–
R0630	Best Estimate	–
R0640	Risk margin	–
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	26
R0660	TP calculated as a whole	–
R0670	Best Estimate	(10)
R0680	Risk margin	36
R0690	Technical provisions – index-linked and unit-linked	1,087,925
R0700	TP calculated as a whole	1,087,872
R0710	Best Estimate	(7)
R0720	Risk margin	61
R0740	Contingent liabilities	–
R0750	Provisions other than technical provisions	–
R0760	Pension benefit obligations	–
R0770	Deposits from reinsurers	–
R0780	Deferred tax liabilities	23
R0790	Derivatives	–
R0800	Debts owed to credit institutions	–
R0810	Financial liabilities other than debts owed to credit institutions	–
R0820	Insurance & intermediaries payables	2,149
R0830	Reinsurance payables	–
R0840	Payables (trade, not insurance)	1,762
R0850	Subordinated liabilities	–
R0860	Subordinated liabilities not in Basic Own Funds	–
R0870	Subordinated liabilities in Basic Own Funds	–
R0880	Any other liabilities, not elsewhere shown	–
<b>R0900</b>	<b>Total liabilities</b>	<b>1,091,886</b>
<b>R1000</b>	<b>Excess of assets over liabilities</b>	<b>13,876</b>

## S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations					Life reinsurance obligations			
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
CHM										
	<b>Premiums written</b>									
R1410	Gross	-	-	91,388	-	-	-	-	27,991	119,379
R1420	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1500	Net	-	-	91,388	-	-	-	-	27,991	119,379
	<b>Premiums earned</b>									
R1510	Gross	-	-	91,388	-	-	-	-	27,991	119,379
R1520	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1600	Net	-	-	91,388	-	-	-	-	27,991	119,379
	<b>Claims incurred</b>									
R1610	Gross	-	-	132,560	-	-	-	-	62,569	195,129
R1620	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1700	Net	-	-	132,560	-	-	-	-	62,569	195,129
	<b>Changes in other technical provisions</b>									
R1710	Gross	-	-	(38,560)	-	-	-	-	(83,397)	(121,957)
R1720	Reinsurers' share	-	-	-	-	-	-	-	-	-
R1800	Net	-	-	(38,560)	-	-	-	-	(83,397)	(121,957)
R1900	Expenses incurred	-	-	1,204	2,377	-	-	-	1,405	4,986
R2500	Other expenses									-
R2600	Total expenses									4,986

## S.12.01.02 Life and Health SLT Technical Provisions

CHM			Index-linked and unit-linked insurance			Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)		
			Insurance with profit participation	C0030	Contracts without options and guarantees	Contracts with options or guarantees	C0060				Contracts without options and guarantees	Contracts with options or guarantees	C0160				Contracts without options and guarantees	Contracts with options or guarantees
			C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole	R0010	-	411,992			-			-	675,879	1,087,872	-			-	-	-
R0020	Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	-	-			-			-	-	-	-			-	-	-
R0030	Technical provisions calculated as a sum of BE and RM																	
R0030	Best Estimate																	
R0030	Gross Best Estimate	R0030	-		-	(3)		(10)	-	-	(5)	(18)		-	-	-	-	-
R0080	Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0040	-		-	-		-	-	-	-	-		-	-	-	-	-
R0090	Best estimate minus recoverables from reinsurance/ SPV and Finite Re - total	R0090	-		-	(3)		(10)	-	-	(5)	(18)		-	-	-	-	-
R0100	Risk Margin	R0100	-	23			36			-	38	97	-			-	-	
R0110	Amount of the transitional on Technical Provisions																	
R0110	Technical Provisions calculated as a whole	R0110	-	-			-			-	-	-	-			-	-	-
R0120	Best estimate	R0120	-		-	-		-	-	-	-	-		-	-	-	-	-
R0130	Risk margin	R0130	-	-			-			-	-	-	-			-	-	-
R0200	Technical provisions - total	R0200	-	412,013			26			-	675,912	1,087,951	-			-	-	-

## S.23.01.01 Own funds

CHM		Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
	<b>Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35</b>					
R0010	Ordinary share capital (gross of own shares)	1,500	1,500		-	
R0030	Share premium account related to ordinary share capital	-	-		-	
R0040	Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	-	-		-	
R0050	Subordinated mutual member accounts	-		-	-	-
R0070	Surplus funds	-	-			
R0090	Preference shares	-		-	-	-
R0110	Share premium account related to preference shares	-		-	-	-
R0130	Reconciliation reserve	12,376	12,376			
R0140	Subordinated liabilities	-		-	-	-
R0160	An amount equal to the value of net deferred tax assets	-				-
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
	<b>Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds</b>					
	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220		-				
	<b>Deductions</b>					
	Deductions for participations in financial and credit institutions					
R0230		-	-	-	-	-
R0290	<b>Total basic own funds after deductions</b>	<b>13,876</b>	<b>13,876</b>	-	-	-
	<b>Ancillary own funds</b>					
	Unpaid and uncalled ordinary share capital callable on demand					
R0300		-			-	
	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand					
R0310		-			-	
R0320	Unpaid and uncalled preference shares callable on demand	-			-	-
	A legally binding commitment to subscribe and pay for subordinated liabilities on demand					
R0330		-			-	-
	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC					
R0340		-			-	
	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC					
R0350		-			-	-
	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0360		-			-	
	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC					
R0370		-			-	-
R0390	Other ancillary own funds	-			-	-
R0400	<b>Total ancillary own funds</b>	-			-	-
	<b>Available and eligible own funds</b>					
R0500	Total available own funds to meet the SCR	13,876	13,876	-	-	-
R0510	Total available own funds to meet the MCR	13,876	13,876	-	-	
R0540	Total eligible own funds to meet the SCR	13,876	13,876	-	-	-
R0550	Total eligible own funds to meet the MCR	13,876	13,876	-	-	
<b>R0580</b>	<b>SCR</b>	<b>1,497</b>				
<b>R0600</b>	<b>MCR</b>	<b>3,126</b>				
<b>R0620</b>	<b>Ratio of Eligible own funds to SCR</b>	<b>9.2715</b>				
<b>R0640</b>	<b>Ratio of Eligible own funds to MCR</b>	<b>4.4388</b>				

	<b>Reconciliation reserve</b>	
R0700	Excess of assets over liabilities	13,876
R0710	Own shares (held directly and indirectly)	-
R0720	Foreseeable dividends, distributions and charges	-
R0730	Other basic own fund items	1,500
	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-	
R0740	fenced funds	-
<b>R0760</b>	<b>Reconciliation reserve</b>	<b>12,376</b>
	<b>Expected profits</b>	
R0770	Expected profits included in future premiums (EPIFP) – Life business	-
R0780	Expected profits included in future premiums (EPIFP) – Non-life business	-
<b>R0790</b>	<b>Total expected profits included in future premiums (EPIFP)</b>	<b>-</b>

## S.25.01.21 Solvency Capital Requirement – for undertakings on standard formula

		Gross Solvency Capital Requirement		USP	Simplifications
CHM			C0110	C0090	C0120
R0010	Market risk	R0010	291		
R0020	Counterparty default risk	R0020	255		
R0030	Life underwriting risk	R0030	31		
R0040	Health underwriting risk	R0040	–		
R0050	Non-life underwriting risk	R0050	–		
R0060	Diversification	R0060	(134)		
R0070	Intangible asset risk	R0070	–		
R0100	<b>Basic Solvency Capital Requirement</b>	R0100	<b>442</b>		
<b>CHM</b>	<b>Calculation of Solvency Capital Requirement</b>		<b>C0100</b>		
R0130	Operational risk	R0130	1,397		
R0140	Loss-absorbing capacity of technical provisions	R0140	–		
R0150	Loss-absorbing capacity of deferred taxes	R0150	(343)		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	–		
R0200	Solvency capital requirement excluding capital add-on	R0200	1,497		
R0210	Capital add-on already set	R0210	–		
R0220	<b>Solvency capital requirement</b>	R0220	<b>1,497</b>		
	<b>Other information on SCR</b>				
R0400	Capital requirement for duration-based equity risk sub-module	R0400	–		
R0410	Total amount of Notional Solvency Capital Requirement for remaining part	R0410	–		
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	–		
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	–		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	R0440	–		
				<b>Yes/No</b>	
	<b>Approach to tax rate</b>		<b>C0109</b>		
R0590	Approach based on average tax rate	R0590	2 – No		
	<b>Calculation of loss absorbing capacity of deferred taxes</b>				
				<b>LAC DT</b>	
				<b>C0130</b>	
R0600	DTA				
R0610	DTA carry forward				
R0620	DTA due to deductible temporary differences				
R0630	DTL				
R0640	LAC DT		(343)		
R0650	LAC DT justified by reversion of deferred tax liabilities		(23)		
R0660	LAC DT justified by reference to probable future taxable economic profit		(265)		
R0670	LAC DT justified by carry back, current year		(55)		
R0680	LAC DT justified by carry back, future years		–		
R0690	Maximum LAC DT		(350)		

## S.28.01.01 Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations		C0010
CHM		
R0010	MCRNL Result	-

CHM		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0020	Net (of reinsurance) written premiums in the last 12 months C0030
R0020	Medical expenses insurance and proportional reinsurance	-	-
R0030	Income protection insurance and proportional reinsurance	-	-
R0040	Workers' compensation insurance and proportional reinsurance	-	-
R0050	Motor vehicle liability insurance and proportional reinsurance	-	-
R0060	Other motor insurance and proportional reinsurance	-	-
R0070	Marine, aviation and transport insurance and proportional reinsurance	-	-
R0080	Fire and other damage to property insurance and proportional reinsurance	-	-
R0090	General liability insurance and proportional reinsurance	-	-
R0100	Credit and suretyship insurance and proportional reinsurance	-	-
R0110	Legal expenses insurance and proportional reinsurance	-	-
R0120	Assistance and proportional reinsurance	-	-
R0130	Miscellaneous financial loss insurance and proportional reinsurance	-	-
R0140	Non-proportional health reinsurance	-	-
R0150	Non-proportional casualty reinsurance	-	-
R0160	Non-proportional marine, aviation and transport reinsurance	-	-
R0170	Non-proportional property reinsurance	-	-

Linear formula component for life insurance and reinsurance obligations		C0040
CHM		
R0200	MCRL Result	7,615

CHM		Net (of reinsurance/ SPV) best estimate and TP calculated as a whole C0050	Net (of reinsurance/ SPV) total capital at risk C0060
R0210	Obligations with profit participation - guaranteed benefits	-	
R0220	Obligations with profit participation - future discretionary benefits	-	
R0230	Index-linked and unit-linked insurance obligations	1,087,864	
R0240	Other life (re)insurance and health (re)insurance obligations	-	
R0250	Total capital at risk for all life (re)insurance obligations		-

CHM	Overall MCR calculation	C0070
R0300	Linear MCR	7,615
R0310	SCR	1,497
R0320	MCR cap	674
R0330	MCR floor	374
R0340	Combined MCR	674
R0350	Absolute floor of the MCR	3,126
		C0070
R0400	Minimum Capital Requirement	3,126

GB-040322-167066-6

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