Solvency and financial condition report 2023

abrdn Life and Pensions Limited

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and also our abrdn Life website
www.abrdn.com/en-gb/institutional/fund-centre/our-life-fund-range

The abrdn plc Annual report and accounts 2023 is also available on our website **www.abrdn.com/annualreport**

Summary

1.1 Business and performance summary

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

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 contacts 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 abrdn Life subject to the policyholder being given three months' notice.
- The only charges on policies are fund management charges (fund charges, with the amount collected referred to as fee income) 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 abrdn Life has not written any annuity business and does not expect to do so.
- They permit abrdn 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 abrdn 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 fee income over expenses, which was £0.03m for 2023 (£0.08m for 2022).

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

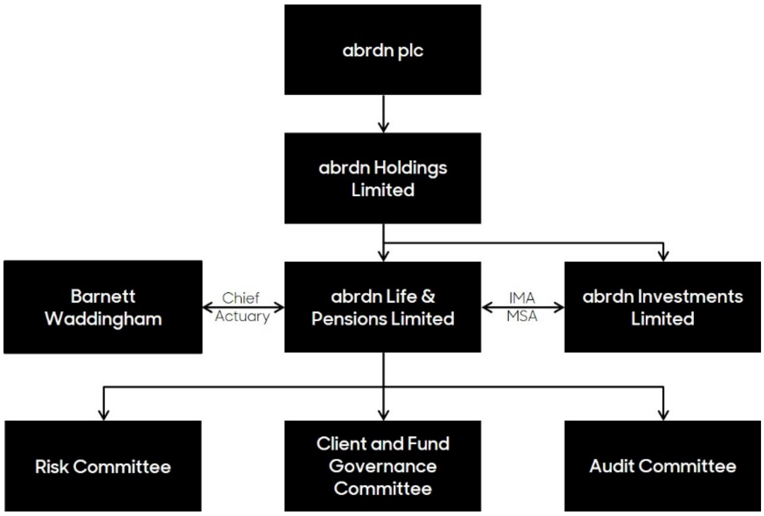
abrdn Life must comply with the Solvency II regulatory regime as adopted in the UK. In this document, references to requirements set out in Directive 2009/138/ EC (the Solvency II Directive) and Commission Delegated Regulation (EU) 2015/35 (the Delegated Regulation) should be interpreted as requirements as set out in those documents that apply in the UK as at 31 December 2023.

1.2 System of governance summary

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

The Company has identified a range of key functions which are provided by abrdn Investments Limited (aIL) 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 who is a partner of an external company.

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



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

- abrdn'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 abrdn 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 abrdn 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 abrdn Life can continue to meet its solvency requirements. 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.

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

1.3 Risk profile summary

abrdn 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 aIL as explained in Section B.7.

abrdn Life has a high tolerance to group risk and, in general, accepts the risk without management, reflecting the rationale for the existence of abrdn Life. However, within group risk, abrdn Life closely manages aIL'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 aIL 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

abrdn 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 £1.04m (2022: £1.27m).
- Minimum Capital Requirement (MCR) was £3.49m (2022: £3.44m).
- Own funds, all of which is 'tier 1' capital, were £14.59m (2022: £14.06m).
- Tier 1 capital represented 1,407% (2022: 1,111%) of the SCR and 417% (2022: 408%) of the MCR.

The decrease in the SCR primarily reflects the composition of the business in force at 31 December 2023 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 External events

During 2023 there have been no events which have had a material impact on the financial position of the Company.

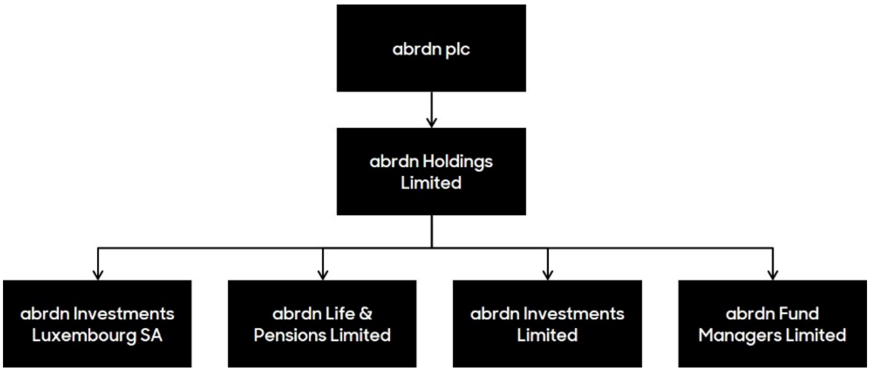
A. Business and performance

A.1 Business

abrdn Life is a private limited company. The Company is a wholly owned subsidiary of abrdn Holdings Limited (aHL) and is incorporated and domiciled in England. aHL is a wholly owned subsidiary of abrdn plc. The Group's business is structured around three types of businesses (Investments, Adviser and interactive investor) which are focused on the changing needs of clients. abrdn Life sits in the Investments business.

The ordinary shares of abrdn plc are listed on the London Stock Exchange. Further information on the business of abrdn Group is available in the abrdn 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), 12 Endeavour Square, London, E20 1JN 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 280 Bishopsgate, London EC2M 4AG. The registered number is 03526143. The Company's Auditor is KPMG LLP, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG.

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



The business of abrdn 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 abrdn 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 abrdn 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 abrdn 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 abrdn Life has not written any annuity business and does not expect to do so.
– They permit abrdn 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 abrdn 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 abrdn 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 2023 and 31 December 2022

	As at 31 December 2023				As at 31 December 2022			
	SIM	**Reinsurance accepted**	**TIP**	**Total**	SIM	Reinsurance accepted	TIP	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Fee income	**2.05**	**1.26**	**0.10**	**3.41**	1.98	1.35	1.00	4.33
Performance fee income	**0.00**	**N/A**	**N/A**	**0.00**	0.00	N/A	N/A	0.00
Expenses	**2.03**	**1.25**	**0.10**	**3.38**	1.94	1.32	0.99	4.25
Underwriting performance	**0.02**	**0.01**	**0.00**	**0.03**	0.04	0.03	0.01	0.08

The reduction in underwriting performance during 2023 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 held in respect of policyholder liabilities are fully offset by an equivalent change in the value of policyholder liabilities. The non-linked assets are invested in cash and the abrdn 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: abrdn Liquidity Fund (Lux) Sterling Fund as at 31 December 2023 of £13.47m (2022: £12.87m).
- In the 12 month period ended 31 December 2023 the Company received interest on these assets of £644,425 (2022: £181,698).
- Cash and cash equivalents: Bank deposits as at 31 December 2023 of £0.91m (2022: £1.16m).
- There was no income arising from bank deposits.

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

abrdn 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 aIL to abrdn Life. aIL 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, aIL looks to deliver robust outcomes for clients – as well as actively contribute to a fairer, more sustainable world. abrdn Life is not, at the date of this report obliged to prepare an entity report covering climate related disclosures in line with the recommendations of the Task Force on Climate Related Financial Disclosures ("TCFD"). However, it has elected to prepare this report for its clients and stakeholders. A link to the entity report can be found at **abrdn Life TCFD Report.**

Further information on climate change and sustainable investing within the abrdn group can be found on the abrdn Life website at **www.abrdn.com/en-gb/institutional/sustainable-investing/climate-change**

Information on the performance of each internal linked fund can be found in fund factsheets which are available within the literature centre on the abrdn Life website at **www.abrdn.com/en-gb/institutional/funds/our-life-fund-range/our-life-fund-range-literature**

TCFD product reports, where available, can also be found within the literature centre.

A.4 Performance of other activities

The Company has no finance or operating lease arrangements.

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

A.5 Any other information

On 23 February 2021, the abrdn Group announced the purchase of certain products in the Phoenix Group's savings business and subsequently on 14 September 2021 the Company, abrdn plc and Standard Life Assurance Limited (SLAL), part of the Phoenix Group, together with other abrdn 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.

Due to delays and competing projects within both Groups, the composition of the business transfer has been changed to include the SLAL TIP product only with the onshore bond and investment plan policy in respect of the SIPP business now being descoped from the intended Part VII transfer. During 2023, the SLAL TIP policies were subject to a Part VII transfer to move the policies from SLAL to Phoenix Life Limited (both entities within the Phoenix Group). This transfer successfully completed at the end of October 2023.

As at 31 December 2023 the total assets of the SLAL TIP business was £4.8bn. The abrdn Group will provide capital to the Company at the appropriate time to fund the completion of the business transfer and ensure the Company has appropriate resources for the enlarged business. The transaction is expected to complete in 2025.

B. System of governance

B.1 General Information on the system of governance

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

Day to day management of operational risks is delegated by abrdn Life to aIL via a formal MSA. Investment management is delegated to aIL via a separate IMA. All operational risks and issues are promptly escalated to the abrdn Life Chief Executive Officer (CEO) and Chief Risk Officer (CRO) by aIL.

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 for all customers and, as a product manufacturer, to help deliver good outcomes for retail customers through its role in the distribution chain.

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 abrdn Group as part of its group-wide risk management framework.

Risk Committee

The Risk Committee of abrdn Life is responsible for reviewing risk management information relating to the Company. In particular, the Committee keeps the following areas under review:

- The alignment of the abrdn Group's strategy to the risk appetite and policy of the Company's Board.
- Quality of the abrdn 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 abrdn 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, abrdn Life has the following executive management committee, chaired by the CEO, to review the output from activity delegated to aIL 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 abrdn 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.
- Consumer Duty compliance.
- 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 abrdn 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 abrdn 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 the Executive Leadership Team.
- Has a zero tolerance approach to unfair treatment or discrimination of any kind, both throughout the Group and in relation to clients and individuals associated with the Group.
- Supports the principle that the person best qualified, in the particular circumstances of the role, should always be appointed to the role with due regard given to the benefits of diversity, including the full range of protected characteristics, as well as cognitive diversity.

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 details are available at **www.abrdn.com/en-gb/corporate/about-us/governance**

abrdn Life also has its own Diversity policy, which can be found on the website below:
www.abrdn.com/en-gb/institutional/fund-centre/our-life-fund-range

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 alL (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 alL. 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 most hold Senior Management Functions (SMFs) for abrdn Life as set out in the table overleaf. Many 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

Actuarial

Chief Actuary (SMF20)

- Provision of the Actuarial function in accordance with Conditions Governing Business 6.
- Provision of additional actuarial and consultancy services as requested by abrdn 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.

Compliance

Head of Compliance (Insurance) (SMF16)

- Provision of compliance advice to the abrdn Life Board and reporting of regulatory developments.
- Day to day support to abrdn Life CEO and abrdn Life Board on regulatory matters.

Risk management

Chief Risk Officer (SMF4)

- Performance of the ORSA.
- Provision and design of Enterprise Risk Management 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 abrdn Life Board.

Internal audit

Head of Audit, Investments (SMF5)

- Input to and implement the Internal Audit plan in accordance with the Group's Internal Audit framework and policies.
- Reviewing the adequacy and effectiveness of the firm's governance, processes, controls and risk management.
- Providing the Board with an objective opinion on the results of the Internal Audit function's review.

Investment management

Chief Executive Officer of aIL (SMF7)

- Investment management services, and ensuring instruments held are aligned with mandate permissions and fund regulatory environment – as notified by abrdn Life.
- Dealing and execution of trades and integration of ESG (and entity policies) into investment processes.

Technology

Chief Enterprise Technology Officer (SMF24)

- Overall responsibility for IT and Security & Resilience services.
- Ensuring the operational model is robust including the provision of technology infrastructure and premises.
- Delivers the global technology platform and supporting services across the Group in line with best practice.

Distribution

Chief Executive Officer of aIL (SMF7)

- Implementation of sales strategy and reporting to the abrdn Life Board.
- Sales process and customer experience including Insurance distribution and customer administration activities and regulatory compliance.

Finance

Head of Capital Management (SMF2)

- Client billing, banking, statutory accounting, management of shareholder capital, regulatory reporting of financial and actuarial data as appropriate (excluding actuarial elements).
- Regulatory reporting under Solvency II.

Human resources

Chief People Officer (SMF7)

- Development, communication and implementation of People policies.
- Responsibility for the provision of HR Regulatory services to enable compliance with SMCR & Remuneration Regulations.

Product

Global Head of Product

- Ensures processes and procedures lead to a clear identification of target market and customer needs and that abrdn Life products remain suitable over time.
- Ensures 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.

Operations and Outsourcing

Chief Operating Officer, Investments (SMF24)

- Oversight of third-party operational services outsourced and risk framework.
- Lead and oversee Investment Operations.
- Ensures the operational model for abrdn Life is robust and understood.

Sound and prudent management

abrdn Group Executive Directors (SMF7)

- Maintain safety and soundness of the abrdn Group by implementing and/or overseeing strategy, performance, risk management, resources (financial & human), key appointments, third-party arrangements, and standards of conduct.

Running the Firm **Chief Executive Officer (SMF1)**	**Running the firm** **abrdn Life Non-Executive Directors (SMF9, SMF10, SMF11)**
– Leading the Executive Directors and Senior Management Function holders in the day to day running of the firm. – Establish and maintain a system of governance within the context of the integrated operating model. – Carry out oversight of all key functions providing services to the firm.	– Provide independent oversight and constructive challenge to the Executive Directors. – Collectively responsible along with other members of the abrdn Life Board to; agree, implement and then oversee all management actions on behalf of the entity, including strategy, performance, risk management, resources (financial & human), key appointments, third-party arrangements, and standards of conduct. – As chairs of committees and/or Boards, execution of its duties as set out in relevant Terms of Reference.

Changes in the system of governance over the reporting period

During the year the company performed an internal review of SMCR and also commissioned an external review of governance. This resulted in some individuals holding executive and non-executive roles within the broader abrdn Group, and holding SMF7 and Key Function roles for abrdn Life, being removed as SMF7s and Key Function Holders.

B.1.2 Remuneration

B.1.2.1 Overview

The abrdn Group has an overarching Remuneration Policy that applies to all entities in the abrdn Group. abrdn 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 abrdn 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 abrdn plc 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 Group Remuneration Committee reviews and approves the abrdn Group Remuneration Policy no less frequently than annually.

B.1.2.2 How the abrdn 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.

abrdn 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, individual conduct 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 abrdn Group Remuneration Policy is in line with this requirement where variable remuneration is deferred for a minimum of three years (with vesting no faster than on a pro-rata basis) when variable remuneration reaches a pre-defined level. This triggers deferral for a substantial proportion of variable remuneration. Solvency II also requires abrdn 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, abrdn Life is of the opinion that the abrdn Group remuneration deferral arrangements are appropriate. In addition to this, all variable remuneration at abrdn is subject to the application of malus and clawback terms.

B.1.3 Payments between abrdn Life and abrdn Group

abrdn Life pays a share of its net revenues to abrdn Group companies for services under the MSA and IMA. abrdn Life also makes dividend payments from time to time. No dividend was paid in the reporting period (2022: £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 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 abrdn 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.

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. abrdn 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)

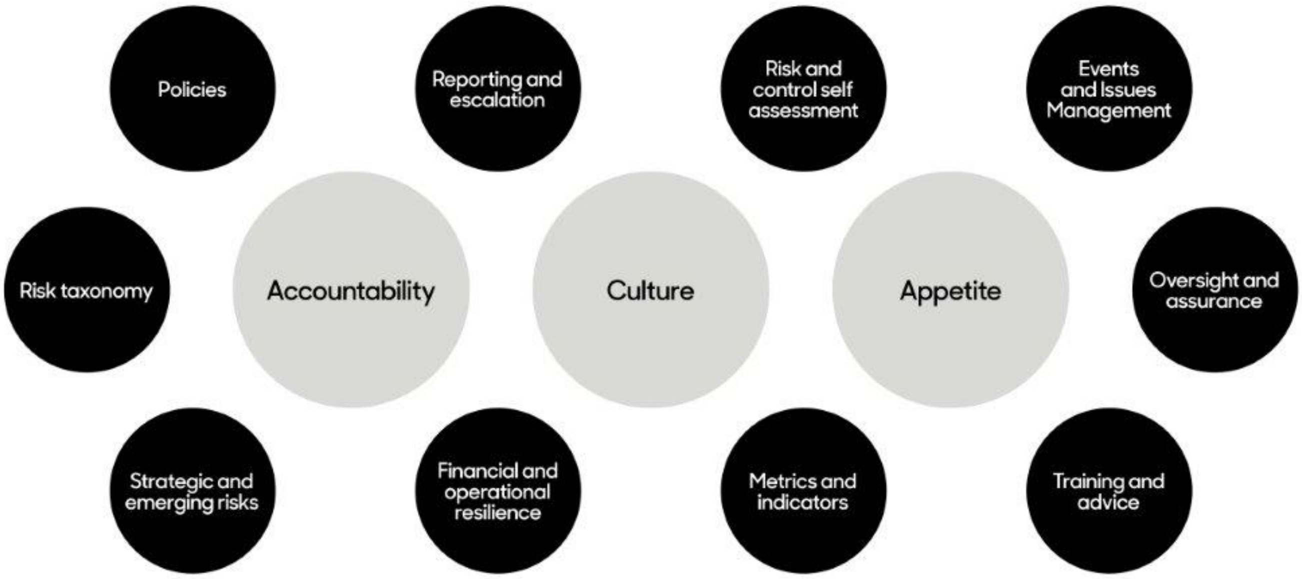
The Board is responsible for the management and oversight of all risks affecting abrdn Life. To achieve this, abrdn Life uses a comprehensive risk management framework which has been established by abrdn Group and which the Board considers to be appropriate to abrdn Life's business model in general. The abrdn Group risk framework is supplemented by specific additional arrangements established by the Board where necessary to address specific aspects of abrdn 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
abrdn 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 B.3.1.2. 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 abrdn 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 to the abrdn 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', abrdn plc seeks to promote a strong risk management culture throughout all of its businesses, including abrdn Life, and to encourage values and behaviours that guide employees in the conduct of their work and the decisions they make. abrdn 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 abrdn plc board members and senior management frequently express 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 abrdn 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 abrdn Group Risk Taxonomy provides a common and consistent language for categorising and tracking risks. Starting with 12 principal risks (as reported in the abrdn 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 Group and its subsidiaries.

Policies
abrdn plc has a risk policy framework which sets out key policy standards for managing specific risks. At present, there are 25 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 abrdn plc board risk appetites. Regulated entities have additional local policies to reflect their own needs and regulatory requirements.

Reporting and escalation
Within abrdn Group, the three lines of defence are supplemented by a range of risk related committees at subsidiary/entity, functional and operational business level. The abrdn 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 abrdn Life Board is responsible for ensuring the appropriate governance and the effective application of its risk management framework to abrdn Life's business.

Risk and Control Self-Assessment (RCSA) process
The RCSA process is designed so as to build a detailed picture of the entity risks and the quality of their associated controls. The framework considers material risks and key controls within abrdn functions by looking at Key Business Outcomes "KBOs" across risk categories. This is supported by documented end-to-end business processes that deliver the KBOs with responsibilities linked to the SMCR framework. The RCSA process also considers 'what could go wrong' in the context of the end-to-end abrdn processes used to understand key risks and identify key control requirements and evaluate key controls in line with enhanced standards on control identification, articulation and assessment.

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
A strong risk culture is reinforced through a training programme of face-to-face sessions and e-learning modules in addition to interactions with Risk & Compliance business partners. Mandatory training on risk policy is provided at regular intervals during the year and is monitored closely in terms of completion rates. Regulatory advice is offered, to ensure that rules and regulations are incorporated into working practices.

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.

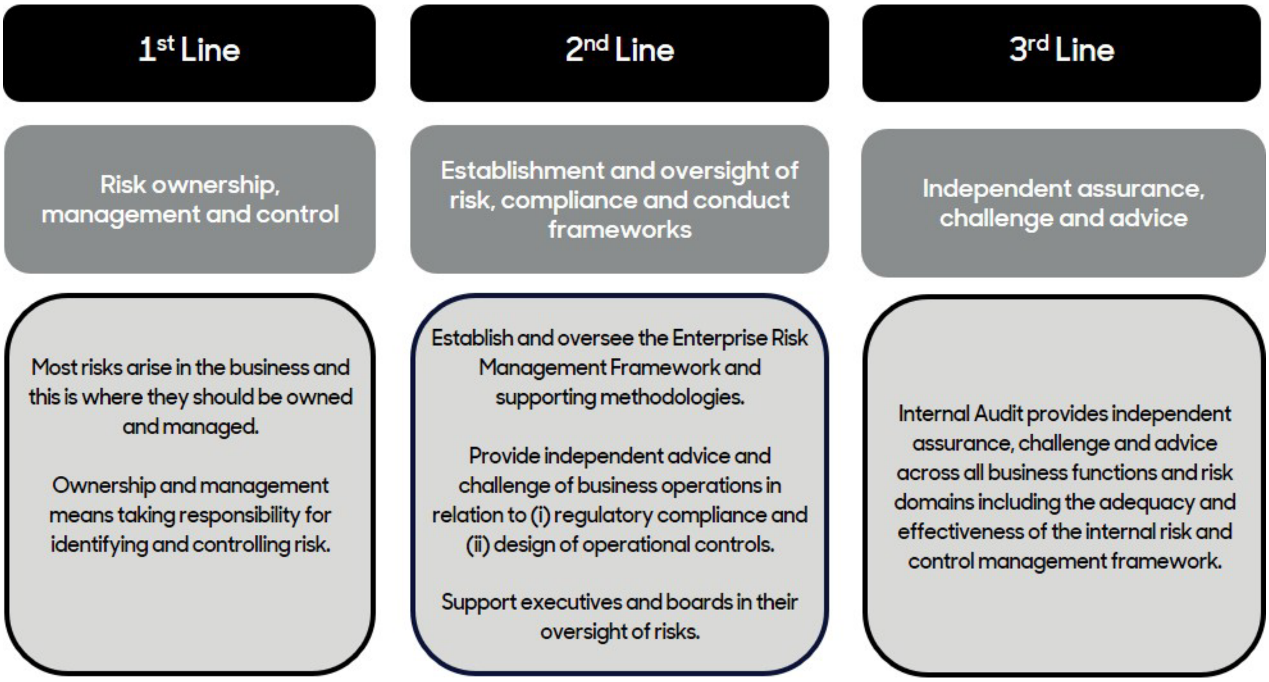
Financial and operational resilience
abrdn plc and its subsidiaries have processes for assessing the capital required to protect their customers, clients and other stakeholders from the crystallisation of risks. The abrdn Group is an investment firm group under the FCA's Investment Firms Prudential Regime (IFPR) and conducts an Internal Capital Adequacy and Risk Assessment (ICARA) process on that basis. abrdn

Life is not directly in scope of prudential consolidation for the abrdn Group (for IFPR purposes it is out of scope as it is a Solvency II firm). abrdn 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. The abrdn Group has implemented 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 abrdn Group.

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

B.3.1.2 Three lines of defence
abrdn 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 requirements resulting from regulatory change during the period 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:

- **Regulatory Framework & 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 Governance** – 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.
- **Risk Management Framework & Services** – subject matter expertise in the oversight of corporate & financial risk within the Group and the wider group risk management framework.
- **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 aIL. 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 abrdn plc Chief Financial Officer. IA is governed by a charter that is reviewed annually and available on abrdn plc's external website.

IA conducts a documented annual planning process with multiple inputs and drivers. These include work that is directed by the abrdn 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. Issues identified are rated as high, medium or low and entered, with a business action plan, onto the abrdn Group's risk management system, Shield, to be managed by the responsible business team. For issues rated as high, and a sample of issues rated as medium, 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 abrdn plc Chief Executive Officer, Chief Risk Officer and business area/Regional Heads.

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

The abrdn Life Audit Committee meets quarterly and is updated on all relevant IA reports. The IA function attends these meetings, and also holds regular meetings with the abrdn Life CEO. The abrdn 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

abrdn Life relies on abrdn Group to carry out all business functions other than the Actuarial function. This outsourcing is governed by the MSA and IMA between abrdn Life and aIL. The MSA is such that aIL is liable for all operational risk losses in respect of the abrdn Life business, whether these occur as a result of a failure of aIL 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. aIL may in turn rely on other parts of the abrdn Group to carry out the contracted services. abrdn Group operates a group wide risk and control framework which covers all services provided directly and indirectly to abrdn Life via the MSA and IMA.

Actuarial services are outsourced to Barnett Waddingham LLP, Citibank N.A, London Branch (Citi) provide Fund Accounting and SS&C provide Transfer Agency services. Citibank N.A, London Branch also provide custody services (noting this is not classified as an outsourced activity). The services provided under these arrangements are subject to appropriate contractual clauses that protect abrdn Life from losses incurred as a result of operational risk events.

All outsourced services are directly contracted with UK entities although some individual tasks may be carried out in a range of agreed overseas locations.

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

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

B.7.2 Key points of the POTPM Policy

- aIL uses the abrdn Group Third Party Risk Management and Intragroup Frameworks to ensure outsourcing risks are clearly defined and regularly assessed with ongoing monitoring of underlying controls within both its intragroup and external third party outsourced service providers. abrdn 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 abrdn Group companies fulfil their regulatory obligations and contractual obligations to clients.
- abrdn plc understands that, while a service or function can be outsourced, the underlying risks and controls remain its responsibility. abrdn 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 abrdn 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 abrdn 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 abrdn Group Third Party Risk Management Framework and aims to ensure minimal impact to abrdn Group and its clients in the event of a failure within one or more of abrdn 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 abrdn plc Board sets the group risk appetite to define the nature and level of risk that the abrdn plc Chief Executive Officer 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 abrdn plc Board's risk appetite and operating an appropriate risk framework to monitor and inform appropriate and timely risk taking.

abrdn Life adopts the high-level risk principles that guide the abrdn 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 abrdn plc Board approved risk appetite:

- Risk appetites should be aligned with abrdn 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 abrdn plc Board has risk appetite statements across the 5 risk categories below. Tolerances are set at the level of the abrdn Group and monitored accordingly.

1. Operational risk (and 8 sub categories of operational risk as set out in the abrdn 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 abrdn Life are considered by the abrdn Life CRO and integrated into the quarterly risk reporting provided to the abrdn Life Board.

abrdn 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, abrdn Life does not, in general, set quantifiable risk tolerances and limits. abrdn 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 greatest of 196% of the SCR, 150% of the MCR and 150% of the ORSA capital requirement.

Significant changes to the abrdn Life business model, operating model or risk profile may prompt a review of the risk appetite statements. 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.

abrdn 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 fee 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.

abrdn Life has a high tolerance to lapse risk and the consequent variation in fee income earned, as lapse risk is an inevitable part of insurance investment business. abrdn Life has a low tolerance to expense risk.

abrdn 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, and aims to minimise expense risk by close monitoring of expense amounts and their justification.

However, the primary mitigation against the risk of fluctuations in income or increases in expenses is the structure of the expenses payable under the MSA and IMA between the Company and aIL, which are a large proportion of total expenses incurred. The expenses payable under these agreements are defined as a percentage of fee income, and so vary in line with fee income, but they are also subject to a capped amount which is set such that the fee income retained by abrdn Life is the lower of gross fee income received and an amount sufficient to cover:

- Expenses incurred other than those under the MSA and IMA (non-fee related expenses).
- An estimate of any anticipated increase in the operational risk SCR together with abrdn Life's target margin of solvency cover on that increase because of increasing year-on-year expenses (noting that, under the Solvency II standard formula, the operational risk SCR for abrdn Life is a function of expenses incurred in the 12 months to the valuation date).

Therefore, the expenses payable under the agreements between the Company and aIL are such that, while changes in experience will affect profitability, the Company is protected from making an underwriting loss unless there is a material rise in non-fee related expenses and/or a material fall in assets under management such that fee income is insufficient to cover non-fee related expenses.

abrdn Life's own funds and SCR are not very sensitive to changes in lapse or expense assumptions, although small movement can lead to a relatively large absolute movement in the SCR cover (own funds divided by the SCR).

If the best-estimate lapse rate is doubled, own funds reduce marginally by £293 (2022: £nil), the SCR increases by £0.01m (2022: £nil) and there is a 13% (2022: nil%) decrease in SCR cover. The change in SCR cover is the SCR cover under the sensitivity less the SCR cover reported at the valuation date.

If the best-estimate of non-fee related expenses is increased by 25%, own funds increase by £0.01m (2022: £nil), the SCR increases by £0.08m (2022: £nil) and there is a 103% decrease in the SCR cover (2022: nil%). Here, the application of the capping mechanism described above leads to additional fee income being retained, perhaps counter-intuitively, leading to an increase in own funds.

The only material risk concentration is that individual policies may account for a significant percentage of assets under management. At 31 December 2023 the largest individual unit-linked policy accounted for 34% of the Company's unit-linked assets (2022: 31%). The largest SIM policy accounted for 61% of the assets managed under such contracts (2022: 93%).

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.

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

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.

abrdn 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 abrdn 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 as described in Section C.1.

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 would increase marginally by £2,698 (2022: £nil), the SCR reduces by £0.02m (2022: £nil) and there is a 27% increase in the SCR cover (2022: nil%). If all managed asset values were to fall by 10%, own funds would reduce marginally by £2,880 (2022 £nil), the SCR increases by £0.02m (2022: £nil) and there is a 28% decrease in SCR cover (2022: nil%).

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 aIL are such that abrdn Life would seek redress from aIL 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 Treasury and Capital 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 (2022: £nil), the SCR increases by £0.03m (2022: +£0.05m) and SCR cover falls by 38% (2022: -38%).

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 Covid-19 pandemic and recent geopolitical events may not have materialised to date and that future defaults may be higher than in the recent past. The potential longer term impacts are taken into consideration by aIL 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 aIL 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 aIL 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 risks

Climate change risk

Climate change risk 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**

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 aIL, 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 aIL'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 aIL 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

abrdn 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'.

abrdn 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 2023, 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 2022.

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

Balance sheet category	Accounting policy	Further detail of balances	Financial Statements 31-Dec-23 £m	Solvency II value 31-Dec-23 £m	Solvency II value 31-Dec-22 £m[2]	QRT S.02.01 Reference
Collective Investments Undertakings	Fair value – using quoted market prices in active[1] markets	Primarily investment in quoted liquidity funds	13.49	13.49	12.87	R0180
Assets held for index-linked and unit-linked contracts	Fair value – using quoted market prices in active[1] 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.	683.58	683.58	773.26	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	1.94	1.94	1.18	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	1.06	1.06	1.57	R0380
Cash and cash equivalents	Amortised cost – based on statement values	Cash balances held	0.91	0.91	1.17	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 2022.

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-23 (£m)				As at 31-Dec-22 (£m)			
	SIM	**TIP**	**Reinsurance accepted**	**Total**	SIM	TIP	Reinsurance accepted	Total
Unit reserve	**-**	**127.71**	**555.86**	**683.58**	-	206.36	566.91	773.26
Value of in-force business	**-**	**-**	**-**	**-**	-	-	-	-
Risk margin	**0.01**	**0.01**	**0.03**	**0.04**	0.04	0.01	0.03	0.08
Total technical provisions	**0.01**	**127.72**	**555.89**	**683.62**	0.04	206.37	566.94	773.34

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 decrease in the unit reserve of £89.68m. This reflects the net impact on the TIP and reinsurance accepted business of full and partial surrenders over the reporting period which have only been offset to a degree by new business and positive investment returns over the period.

The VIF reflects the present value of the projected excess of income over expenses over the projection period. The VIF is a negligible amount at 31 December 2023. The volume of in-force business at 31 December 2023 means expenses payable to alL under the MSA and IMA are expected to be capped such that abrdn Life's projected expenses are exactly equal to its income (see Section C.1). However, there are timing factors that give rise to equal and opposite profit cashflows in different months of the projection. While these sum to zero, a small VIF emerges due to the impact of discounting the amounts over different time periods.

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 £0.04m. This reduction primarily reflects both a regulatory change which, all else equal, reduces the Company's risk margin by one-third compared to the previous approach and 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 calculate 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 2023.

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 (giving rise to fee income) which are either deducted directly from unit-linked funds, or otherwise invoiced directly to policyholders. A proportion of fee income 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 aIL.
- 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 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 fund charge on the in-force business at the valuation date is maintained throughout the projection period, with the average rate of fund charge 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 amended by The Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023) 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 the operational risk SCR 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 2023.

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. Moreover, at 31 December 2023, the use of different plausible surrender assumptions will have little impact on the VIF as the restriction on expenses payable to aIL means the VIF will remain negligible under different assumptions.
- 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 talking 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 the Company typically retains only a modest percentage of net fee income out of which it needs to meet direct expenses. The retained amount is however increased, potentially up to 100%, if it would otherwise be insufficient to cover the direct expenses.

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 £683.58m. At 31 December 2023 the technical provisions for solvency purposes are £0.04m (2022: £0.08m) 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 2023, the value of other liabilities for solvency purposes was £2.76m (2022: £2.64m), 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 £1.94m (R0820) (2022: £1.18m), Trade and other payables £0.83m (R0840) (2022: £1.47m).

D.3.2 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 2022 and 2023, the Company has concluded it holds no contingent liabilities.

D.4 Alternative methods for valuation

As at 31 December 2023, 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 is required to be approved by the Board.

The Company monitors its capital position on an ongoing basis. Own funds at 31 December 2023 are as follows:

	As at 31-Dec-23 £m	As at 31-Dec-22 £m
Tier 1 unrestricted		
Ordinary share capital	**1.50**	1.50
Reconciliation reserve	**13.09**	12.56
Total own funds	**14.59**	14.06
Solvency Capital Requirement (SCR)	**1.04**	1.27
SCR cover	**1,407%**	1,111%
Minimum Capital Requirement (MCR)	**3.49**	3.44
MCR Cover	**417%**	408%

The total own funds have increased during the period, primarily due to net of tax profits earned during the period. 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 €4.0m absolute floor as set out in regulation (2022: €4.0m). The increase in MCR since 31 December 2022 is due to the change in the Sterling: Euro exchange rate between 31 October 2022 and 31 October 2023, 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 2023, 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 2023.

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 2023 are shown below.

	As at 31-Dec-23 £m	As at 31-Dec-22 £m
Solvency Capital Requirement		
Operational risk	**0.99**	1.20
Market risk	**0.29**	0.23
Life underwriting risk	**0.04**	0.00
Counterparty default risk	**0.14**	0.23
Diversification across risk modules	**(0.10)**	(0.09)
Tax adjustment	**(0.32)**	(0.30)
Total SCR	**1.04**	1.27
Minimum Capital Requirement	**3.49**	3.44

The total SCR has decreased by £0.23m to £1.04m at 31 December 2023. The main contributions are:

- A decrease in operational risk due to lower expenses incurred in the twelve months to 31 December 2023 compared to those incurred in the twelve months to 31 December 2022, driven primarily by a reduction in the average level of in-force business over 2023 compared to 2022.
- A reduction in counterparty default risk, primarily reflecting lower unpaid and accrued fees in respect of the SIM contracts.
- Modest increases in market risk and life underwriting risks, reflecting the lower level of in-force business at 31 December 2023, leading to higher anticipated expense strains under the market and lapse risk stresses .

The tax adjustment, also known as the loss absorbing capacity of deferred taxes (LACDT), is £0.32m (2022: £0.30m) and is calculated in accordance with Article 207 of the Delegated Regulation. Despite the fall in the SCR prior to the tax adjustment, the tax adjustment has increased over the year as a consequence of a change in the main rate of Corporation Tax from 19% to 25%, resulting in an effective rate of tax of 23.5% at 31 December 2023.

The LACDT at 31 December 2023 comprises:

- £0.16m from the recovery of tax payable in respect of the year to 31 December 2023.
- £0.16m 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 aIL, as described in Section B.7.1.

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 £683.58m (2022: £773.26m).
- The technical provisions excluding the risk margin for other life insurance and reinsurance obligations (SIM business) of £nil after application of the floor to avoid a negative amount (2022: £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 €4.0m 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 2023, abrdn 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 2023 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 2024.

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

Aron Mitchell
Director and Chief Executive Officer
abrdn Life and Pensions Limited (abrdn Life)
27 March 2024

Prudential Regulation Authority waivers and discretions

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

Description	Reference	Date of approval	Applicable from
Reporting 2.2 (1) AR Modification of Solvency II quarterly reporting requirements	00004239	4 February 2022	17 December 2021
Modifies financial conglomerate assessment for group supervision	0004830	16 May 2022	16 May 2022

Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategies, targets (including ESG 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 abrdn Group about future events, and are therefore subject to known and unknown 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', 'continues', '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.

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: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU, the ongoing conflict between Russia and Ukraine and the ongoing conflicts in the Middle East); 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; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its relevant ESG 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 and the impact of changes in capital, solvency or accounting standards, ESG disclosure and reporting requirements, and tax and other legislation and regulations (including changes to the regulatory capital requirements) that the Group is subject to 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.

Neither 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:

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

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)	13,490
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	13,490
R0190	Derivatives	–
R0200	Deposits other than cash equivalents	–
R0210	Other investments	–
R0220	Assets held for index-linked and unit-linked contracts	683,578
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	1,936
R0370	Reinsurance receivables	–
R0380	Receivables (trade, not insurance)	1,059
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	910
R0420	Any other assets, not elsewhere shown	–
R0500	**Total assets**	**700,973**

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)	6
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)	6
R0660	TP calculated as a whole	–
R0670	Best Estimate	–
R0680	Risk margin	6
R0690	Technical provisions – index-linked and unit-linked	683,614
R0700	TP calculated as a whole	683,578
R0710	Best Estimate	–
R0720	Risk margin	36
R0740	Contingent liabilities	–
R0750	Provisions other than technical provisions	–
R0760	Pension benefit obligations	–
R0770	Deposits from reinsurers	–
R0780	Deferred tax liabilities	–
R0790	Derivatives	–
R0800	Debts owed to credit institutions	–
R0810	Financial liabilities other than debts owed to credit institutions	–
R0820	Insurance & intermediaries payables	1,936
R0830	Reinsurance payables	–
R0840	Payables (trade, not insurance)	828
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	–
R0900	**Total liabilities**	**686,384**
R1000	**Excess of assets over liabilities**	**14,589**

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

CHM		Health insurance C0210 £000s	Insurance with profit participation C0220 £000s	Index-linked and unit-linked insurance C0230 £000s	Other life insurance C0240 £000s	Annuities stemming from non-life insurance contracts and relating to health insurance obligations C0250 £000s	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations C0260 £000s	Health reinsurance C0270 £000s	Life reinsurance C0280 £000s	Total C0300 £000s
		Line of Business for: life insurance obligations						Life reinsurance obligations		
	Premiums written									
R1410	Gross	–	–	29,400	–	–	–	–	24,088	53,488
R1420	Reinsurers' share	–	–	–	–	–	–	–	–	–
R1500	Net	–	–	29,400	–	–	–	–	24,088	53,488
	Premiums earned									
R1510	Gross	–	–	29,400	–	–	–	–	24,088	53,488
R1520	Reinsurers' share	–	–	–	–	–	–	–	–	–
R1600	Net	–	–	29,400	–	–	–	–	24,088	53,488
	Claims incurred									
R1610	Gross	–	–	100,397	–	–	–	–	106,982	207,379
R1620	Reinsurers' share	–	–	–	–	–	–	–	–	–
R1700	Net	–	–	100,397	–	–	–	–	106,982	207,379
	Changes in other technical provisions									
R1710	Gross	–	–	7,643	–	–	–	–	(71,850)	(64,207)
R1720	Reinsurers' share	–	–	–	–	–	–	–	–	–
R1800	Net	–	–	7,643	–	–	–	–	(71,850)	(64,207)
R1900	**Expenses incurred**	–	–	96	2,026	–	–	–	1,250	3,372
R2500	**Other expenses**									–
R2600	**Total expenses**									3,372

S.12.01.02 Life and Health SLT Technical Provisions

CHM				Index-linked and unit-linked insurance				Other life insurance						Health insurance (direct business)				
			Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	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)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
			C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	Technical provisions calculated as a whole	R0010	–	127,715			–			–	555,863	683,578	–			–	–	–
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	–	–			–			–	–	–	–			–	–	–
	Technical provisions calculated as a sum of BE and RM																	
	Best Estimate																	
R0030	Gross Best Estimate	R0030	–		–	–		–	–	–	–	–		–	–	–	–	–
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	–		–	–		–	–	–	–	–		–	–	–	–	–
R0100	Risk Margin	R0100	–	7			6			–	29	42	–			–	–	
	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	–	127,722			6			–	555,893	683,621	–			–	–	–

S.23.01.01 Own funds

CHM		Total C0010	Tier 1 – unrestricted C0020	Tier 1 – restricted C0030	Tier 2 C0040	Tier 3 C0050
	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35					
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	13,089	13,089			
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	–	–	–	–	–
	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	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	–				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	–	–	–	–	–
R0290	**Total basic own funds after deductions**	**14,589**	**14,589**	**-**	**-**	**-**
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	–			–	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	–			–	
R0320	Unpaid and uncalled preference shares callable on demand	–			–	–
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	–			–	–
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	–			–	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	–			–	–
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	–			–	
R0370	Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	–			–	–
R0390	Other ancillary own funds	–			–	–
R0400	**Total ancillary own funds**	**-**			**-**	**-**
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	14,589	14,589	–	–	–
R0510	Total available own funds to meet the MCR	14,589	14,589	–	–	
R0540	Total eligible own funds to meet the SCR	14,589	14,589	–	–	–
R0550	Total eligible own funds to meet the MCR	14,589	14,589	–	–	
R0580	**SCR**	**1,037**				
R0600	**MCR**	**3,495**				
R0620	**Ratio of Eligible own funds to SCR**	**14.0659**				
R0640	**Ratio of Eligible own funds to MCR**	**4.1746**				

		C0060
	Reconciliation reserve	
R0700	Excess of assets over liabilities	14,589
R0710	Own shares (held directly and indirectly)	–
R0720	Foreseeable dividends, distributions and charges	–
R0730	Other basic own fund items	1,500
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	–
R0760	**Reconciliation reserve**	13,089
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) – Life business	–
R0780	Expected profits included in future premiums (EPIFP) – Non-life business	–
R0790	**Total expected profits included in future premiums (EPIFP)**	–

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

CHM			Gross Solvency Capital Requirement C0110	USP C0090	Simplifications C0120
R0010	Market risk	R0010	286		
R0020	Counterparty default risk	R0020	143		
R0030	Life underwriting risk	R0030	38		
R0040	Health underwriting risk	R0040	–		
R0050	Non-life underwriting risk	R0050	–		
R0060	Diversification	R0060	(103)		
R0070	Intangible asset risk	R0070	–		
R0100	**Basic Solvency Capital Requirement**	R0100	**363**		

CHM	Calculation of Solvency Capital Requirement		C0100
R0130	Operational risk	R0130	992
R0140	Loss-absorbing capacity of technical provisions	R0140	–
R0150	Loss-absorbing capacity of deferred taxes	R0150	(319)
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	1,037
R0210	Capital add-on already set	R0210	–
R0220	**Solvency capital requirement**	R0220	1,037
	Other information on SCR		
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	–

	Approach to tax rate		Yes/No C0109
R0590	Approach based on average tax rate	R0590	2 - No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT C0130
R0600	DTA	
R0610	DTA carry forward	
R0620	DTA due to deductible temporary differences	
R0630	DTL	
R0640	LAC DT	(319)
R0650	LAC DT justified by reversion of deferred tax liabilities	–
R0660	LAC DT justified by reference to probable future taxable economic profit	(162)
R0670	LAC DT justified by carry back, current year	(157)
R0680	LAC DT justified by carry back, future years	–
R0690	Maximum LAC DT	(319)

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

CHM	Linear formula component for life insurance and reinsurance obligations	C0010
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	–	–

CHM	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCRL Result	4,785

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	683,578	
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	4,785
R0310	SCR	1,037
R0320	MCR cap	467
R0330	MCR floor	259
R0340	Combined MCR	467
R0350	Absolute floor of the MCR	3,495
		C0070
R0400	Minimum Capital Requirement	3,495

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