COLUMBIA THREADNEEDLE INVESTMENTS

Threadneedle Pensions Limited

Solvency and Financial Condition Report

31 December 2023

Report date: 02 April 2024

Contents

1 Summary

The Solvency and Financial Condition Report ("**SFCR**") is an annual Solvency II disclosure report for Threadneedle Pensions Limited ("**TPEN**") comprising five descriptive sections summarised under Section 1.1 to 1.6 with further corresponding details under respective sections A to E and the relevant Solvency II Quantitative Reporting Templates ("**QRTs**").

1.1 Business and performance

TPEN is a subsidiary of Threadneedle Asset Management Holdings Limited (**"TAMHL"**). TAMHL is a subsidiary via a number of UK holding companies of TAM UK International Holdings Limited (**"TAMUKIHL"**), a United Kingdom registered company owned by Ameriprise Financial, Inc. ("**Ameriprise**"), the ultimate parent company. TAMUKIHL is deemed as the parent entity of Europe Middle East and Africa ("**EMEA**") asset management business comprising of TAMUKIHL and its subsidiaries and Columbia Threadneedle Investments UK International Limited ("**CTIUKIL**") and its subsidiaries. TAMUKIHL and CTIUKIL's combined operations and all its subsidiaries are referred to as "**the Group**". The Group forms part of Columbia Threadneedle Investments, a global brand name of the global asset management business of Ameriprise.

TPEN is a unit-linked life assurance company within the Group which manages assets for UK pension schemes, including defined benefit ("**DB**") and defined contribution ("**DC**") pension schemes in insured unit-linked pooled funds under unit-linked insurance contracts. It does not write life assurance protection but earns fees on assets under management (**"AUM"**) for investment management and related services.

AUM decreased from £2.6 billion (**"bn"**) at 31 December 2022 to £2.2bn at 31 December 2023, largely due to net client outflows (client inflows minus client outflows) of £0.5bn offset by £0.1bn net investment return and change in other technical provisions net of reinsurance and expenses.

TPEN reported total comprehensive income of £1.2 million ("**m**") for the reporting period (2022: £1.2m). Profitability remained stable as a reduction in operating profit, primarily from lower AUM over the year, was offset by an increase in investment income from TPEN's shareholder investments reflecting increases in short-term interest rates. Total equity in the financial statements increased from £24.7m at 31 December 2022 to £25.9m at 31 December 2023.

1.2 System of governance

The Board of Directors of TPEN (the **"TPEN Board"**) bear ultimate responsibility and accountability for all matters pertaining to TPEN and delegates to the following board committees (refer to **Section B.1.1**):

- **TPEN General Management Committee ("GMC")** is responsible for the management, governance and risk management oversight over the day-to-day business processes to support TPEN's business;
- **Fund Pricing and Dealing Committee ("FPDC")** is a Group committee responsible for monitoring and reviewing the pricing of, and dealing in, funds to ensure that the clients and funds are treated equitably; and
- **TPEN Audit Committee** provides advice to assist the Board in carrying out its responsibilities as they relate to the statutory audit, financial reports and effectiveness of the company's internal quality controls, risk management systems and Internal Audit function.

The following Director resignation and appointment took place in the year ending 31 December 2023 and up to the date of publication of this report.

- Elliot Bennett, Chief Finance Officer was appointed to the Board on 07 June 2023; and
- Peter Stone, Commercial and Operations Director – UK Real Assets resigned from the Board on 12 June 2023.

There have been no other Director resignations and appointments in the year up to the date of publication of this report.

The following Senior Management Functions ("**SMFs**") personnel changes took place in the period and up to the date of publication of this report and are captured under **Section B.1.2**:

- David Logan has been appointed as SMF7 holder representing Group Entity Senior Manager with effect from 13 November 2023 following regulatory approval on 31 October 2023 and his appointment as the SMF24 holder representing 'Chief Operations' function of TPEN was replaced by Mike Fisher with effect from 10 November 2023 following regulatory approval; and

- Darrel Buckley's combined role as the SMF16 representing 'Compliance Oversight' and SMF17 representing 'Money Laundering Reporting Officer' of TPEN has been replaced by:
  - Chris Town as the SMF16 representing 'Compliance Oversight' with effect from 10 August 2023 following regulatory approval; and
  - Tammuz Rhead as the SMF17 representing 'Money Laundering Reporting Officer' with effect from 22 June 2023 following regulatory approval.

No other material changes in the system of governance have taken place over the reporting period.

TPEN's activities are undertaken via shared service arrangements with entities based in the United Kingdom, either through the Group companies (including investment management and distribution) or third-party service providers (including Chief Actuary and Transfer Agent). All arrangements are governed by legally binding agreements which outline the functions and activities provided, stipulating the duties and responsibilities of both parties. Individual SMFs have overall accountability for services provided to TPEN as set out in **Section B.7.1**, while the Chief Operating Officer (SMF24) is responsible for the Company's overall framework, policy, systems and controls relating to outsourcing. Responsibility for individual outsourcing arrangements may still be with relevant business lines or other areas within Group and/or wider Ameriprise in respect of its obligations to outsourced operational functions and activities as set out under PRA's Rulebook (PRA 2015/20: 'Conditions Governing Business Instrument' under Section 7 'outsourcing'). The arrangements are overseen by the TPEN Board and the GMC in accordance with TPEN's governance arrangements and Outsourcing Policy and Third-Party Risk Management Policy.

TPEN has no direct employees as its services are performed under contract by other Group companies or service providers. However, within TPEN's management responsibilities all SMFs and committee members, for the purposes of the Senior Managers and Certification Regime, are considered employees of TPEN. The Group remuneration and recruitment policies cover TPEN's directors as well as the Group employees who provide services to TPEN and ensure that all persons who are involved in running TPEN or have other key functions are at all times fit and proper and remunerated appropriately.

TPEN is part of the Group's Enterprise Risk Management ("**ERM**") framework which is embedded in the business through a Three Lines of Defence model which comprises business unit functions, Risk and Compliance functions, and Internal Audit.

The primary component of the internal control system operated by TPEN is the Risk and Control Self-Assessment ("**RCSA**") process. RCSA is performed by the responsible teams within the first line business with independent challenge provided by the risk and compliance functions within the second line of defence and internal audit within the third line of defence. RCSA is the process by which TPEN concludes on the status of its risks and control environment. The Group Finance function is responsible for the statutory and regulatory financial reporting for TPEN including oversight of the actuarial calculations and forms part of the First Line of Defence.

1.3 Risk profile

TPEN changed the projection period used in the calculation of its Technical Provisions and Solvency Capital Requirement ("**SCR**") from 1 year ("**1yrPP**") to 10 years ("**10yrPP**") as approved by the TPEN Board in June 2023. The adoption is to provide stability to TPEN's capital position. The choice reflects the expected period over which in-force liabilities will diminish to immaterial levels and is considered proportionate to TPEN's business and in compliance with the Solvency II requirements. The 10yrPP has been adopted by the Chief Actuary for valuation purposes as of 30 June 2023 and subsequent valuations. The PRA was communicated of this change on 17 July 2023 and has not raised any objections.

Throughout this report, comparison of ten-year projection period at 31 December 2023 to the one-year projection period and ten-year projection period at 31 December 2022 has been included in various tables for reference purposes. Analysis of the year-on-year movements and associated commentaries are on a like-for-like basis using the ten-year projection period. Where values are affected by the change in projection period, year-end 2022 numbers are referred to as "2022 rebased", reflecting that the 2022 year-end numbers included in the commentary are on a ten-year projection period basis and differ to the results published in the 31 December 2022 SCFR, which used a one-year projection period. The Pillar 1 operational risk capital requirement module and the credit (counterparty default) risk module of the SCR are not impacted by the change in the projection period from one year to ten years.

The Pillar 1 SCR is calculated using the Solvency II standard formula and for TPEN was £9.3m at 31 December 2023 (2022 rebased: £11.1m) after adjustments for risk diversification and the loss absorbing capacity of deferred taxes ("**LACDT**").

The most material risks to TPEN's business, by contribution to the SCR, are set out below:

- **operational risk** is the risk of loss caused by failure in processes, systems, people or external factors. Operational risk is TPEN's most material risk and represented 77% of the total SCR at 31 December 2023. The Pillar 1 SCR operational risk capital requirement is assessed by determining the trailing 12 months' expenses (excluding acquisition costs) and applying the factors specified for this risk in the standard formula SCR. Pillar 1 operational risk capital requirement decreased to £7.1m at 31 December 2023 (2022: £7.9m) due to net decrease in the trailing 12 months' combined shareholder and policyholder-borne expenses that are included in the calculation of the operational risk capital requirement primarily reflecting lower volume of business over 2023 leading to lower expenses;
- **market risk** is the risk that arises from fluctuations in values of, or income from assets, or in interest or exchange rates. Capital requirements are mainly estimated by applying stress scenarios to the projected cash flows of TPEN and decreased to £1.7m at 31 December 2023 (2022 rebased: £2.2m). The decrease is primarily due to a reduction in revenue following a reduction in AUM year on year and an increase in the average base lapse rate over the past five years from 10.7% in prior year to 14.3% in the current reporting period;
- **insurance (life underwriting) risk** is the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions. Capital requirements are estimated by applying various stresses to the projected cash flows and expense base of TPEN. The capital requirement for insurance risk decreased to £1.8m at 31 December 2023 (2022 rebased: £2.7m), primarily due to reduction in revenue from lower AUM and an increase in the average base lapse rate (as noted above) in the current reporting period; and
- **credit (counterparty default) risk** is the risk of loss resulting from counterparty default on assets on TPEN's shareholder balance sheet (including policyholder debtors, intra-group debtors and cash and cash equivalents). The Pillar 1 SCR credit (counterparty default) risk capital requirement remained broadly stable at £0.3m at 31 December 2023 (2022 rebased: £0.3m) as minor underlying exposures meant that increases in both Type 1 and Type 2 counterparty risk exposures were not material to the SCR. The Pillar 1 credit risk capital represents a relatively minor proportion of the SCR due to the high quality of the counterparties with which TPEN does business and that TPEN's own funds are primarily invested in high quality liquid assets within a collective investment scheme.

1.4 Valuation for solvency purposes

The valuation of assets and liabilities for Solvency II purposes is the same as under International Financial Reporting Standards ("**IFRS**") except for differences in the value of Technical Provisions for unit-linked contracts and a consequential difference in the deferred tax liability. As noted above, with effect from 30 June 2023, TPEN changed the projection period used to determine its Technical Provisions from one year to ten years. Analysis of the Technical Provisions year-on-year is on a like-for-like basis using the ten-year projection period as the basis.

The table below sets out Technical Provisions per financial statements and under Solvency II:

Table 1: Technical Provisions at 31 December

Technical Provisions (£'m)	2023	2022	
	10yrPP	10yrPP	1yrPP
Technical Provisions calculated as a whole (per financial statements)	2210.2	2,552.1	2,552.1
Best Estimate Liability	(2.7)	(5.1)	(0.8)
Risk Margin	1.3	3.3	0.5
Technical Provisions per Solvency II[1]	**2208.9**	**2,550.3**	**2,551.7**

[1] The sum may reflect rounding differences of £0.1m.

The key movements in Technical Provisions are set out below:

- **Technical Provisions calculated as a whole** (the value of units allocated to in-force policies) decreased in line with AUM which has decreased over the year 2023 largely due to net client outflows (client inflows minus client outflows) of £0.5bn offset by £0.1bn net investment return and change in other technical provisions net of reinsurance and expenses.
- **Best Estimate Liability ("BEL")** is a provision calculated by determining the discounted present value of best estimates of future cashflows of the policies and is an asset due to the profitable nature of the unit-linked insurance contracts. BEL has decreased to £2.7m at 31 December 2023 (2022 rebased: £5.1m) due to a lower expected profitability resulting from lower projected AUM at valuation date and an increase in the assumed base lapse rate; and
- **Risk Margin ("RM")** is a cost estimate of providing additional own funds to support the SCR under a hypothetical transfer of the insurance liabilities to a third party. This has reduced to £1.3m (2022 rebased: £3.3m) driven primarily by a change in the legislation which reduces cost of capital applied from 6% to 4% as well as introducing a tapering factor (a multiplier: 0.9 for long-term insurance (which applies to TPEN) subject to a floor of 0.25) which reduces the weight placed on projected future capital requirement used in the calculation of the RM. The fall in RM is also impacted by the reduction in the SCR.

The total equity in the financial statements represents TPEN's paid up share capital and retained earnings. Own Funds under Solvency II are calculated by taking total equity in the financial statements and adjusting for the BEL, RM and Deferred Tax relating to Technical Provisions.

The table below shows the reconciliation from total equity in the financial statements to Own Funds calculated under Solvency II.

Table 2: Own Funds at 31 December

Own Funds (£'m)	2023	2022	
	10yrPP	10yrPP	1yrPP
Total equity in the financial statements	25.9	24.7	24.7
Items not recognised in the financial statements:			
Best Estimate Liability (S.02.01.02)	2.7	5.1	0.8
Risk Margin (S.02.01.02)	(1.3)	(3.3)	(0.5)
Deferred Tax Liability relating to Technical Provisions	(0.3)	(0.3)	(0.1)
Own Funds under Solvency II[1]	**26.9**	**26.1**	**24.9**

[1] The sum may reflect rounding differences of £0.1m.

Total equity in the financial statements increased from £24.7m at 31 December 2022 to £25.9m at 31 December 2023 due to increase in retained earnings of £1.2m for the year to 31 December 2023. There were no dividends paid to the parent company during the year.

Own Funds under Solvency II increased from a rebased value of £26.1m at 31 December 2022 to £26.9m at 31 December 2023, reflecting movements in the component elements discussed above.

1.5 Capital management

All TPEN's Own Funds (refer to **Section E.1**) are deemed to have loss absorbing characteristics allowing them to be categorised as Tier 1 capital and hence contribute to Own Funds available to meet the SCR and Minimum Capital Requirement ("**MCR**").

At 31 December 2023, Own Funds were £26.9m (2022 rebased: £26.1m) compared to the SCR of £9.3m (2022 rebased: £11.1m) after adjustments for risk diversification and LACDT. The Solvency Coverage Ratio (Own Funds / SCR) was 290% (2022 rebased: 235%) and the capital surplus (Own Funds less SCR) was £17.6m (2022 rebased: £15.0m).

The SCR is laid out in the below table:

Table 3: Solvency Capital Requirement at 31 December

Solvency Capital Requirement (£'m)	2023	2022	
	10yrPP	10yrPP	1yrPP
Basic Solvency Capital Requirement	2.9	4.0	0.9
Operational risk (S.25.01.21)	7.1	7.9	7.9
Loss absorbing capacity of deferred taxes	(0.7)	(0.7)	(0.5)
Solvency Capital Requirement (SCR) [1]	**9.3**	**11.1**	**8.2**

[1] The sum may reflect rounding differences of £0.1m.

LACDT recognises that a future loss may also result in a reduction in associated tax liabilities, therefore reducing the potential impact to Own Funds. The LACDT assumes that the notional loss represented by the SCR occurs on the day after the valuation date (i.e., 1 January) rather than the valuation date itself (i.e., 31 December) and therefore profits arising only in the year to the valuation date are available to be carried forward to offset this notional loss.

As at 31 December 2023, the MCR was £4.2m (2022 rebased: £5.0m) resulting in a capital surplus (Basic Own Funds *less* MCR) of £22.7m (2022 rebased: £21.1m). TPEN's policy is that sufficient Own Funds will be maintained to meet regulatory requirements with adequate surplus in line with operating and strategic objectives. TPEN was compliant with the MCR and SCR over the reporting period. TPEN holds regular board meetings at least quarterly at which regulatory capital requirements are monitored by comparing capital requirements to Own Funds.

1.6 Additional information

1.6.1 Impacts of challenging macroeconomic environment

The impact of challenging macroeconomic environment from heightened inflation and interest rate rises on TPEN has been taken into account within the latest financial forecast carried out as part of the recent ORSA exercise approved by the TPEN Board on 05 December 2023.

Consideration of appropriate market growth, client flow and operating expense assumptions within the stress testing analysis of how TPEN is impacted by these economic, group and entity specific scenarios indicate TPEN is expected to remain adequately capitalised with sufficient liquidity to meet its liabilities as they fall due and is therefore able to continue to operate as a going concern.

A Business and Performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Threadneedle Pensions Limited is incorporated in England and Wales and is a private company limited by shares. The address of the registered office is:

Cannon Place
78 Cannon Street
London
EC4N 6AG

This Solvency and Financial Condition Report covers TPEN on a standalone basis.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

The supervisory authorities of TPEN are the Prudential Regulation Authority ("**PRA**") and the Financial Conduct Authority ("**FCA**"). They can be contacted at:

Prudential Regulation Authority
Bank of England
20 Moorgate
London
EC2R 6DA

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

A.1.3 External auditor of the undertaking

The independent auditors of TPEN are:

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

A.1.4 Holders of qualifying holdings in the undertaking

The direct and indirect holders of qualifying holdings in TPEN at any time during the reporting period and at the end of the financial year were:

- **TAMHL** is a company incorporated in England and Wales which is the immediate parent company of TPEN. At the reporting date, TAMHL owned 100% of the voting shares of TPEN and was able to exercise 100% of the voting power at any general meeting;
- **TAMUKIHL** is a United Kingdom registered company which is the ultimate European holding company of TPEN. At the reporting date, TAMUKIHL owned 100% of the shares of TAMHL, via a number of other holding companies, and was able to exercise 100% of the voting power at any general meeting; and
- **Ameriprise Financial, Inc.** is the ultimate parent company incorporated in the United States. At the reporting date, Ameriprise owned 100% of the voting shares of TAMUKIHL, and was able to exercise 100% of the voting power at any general meeting.

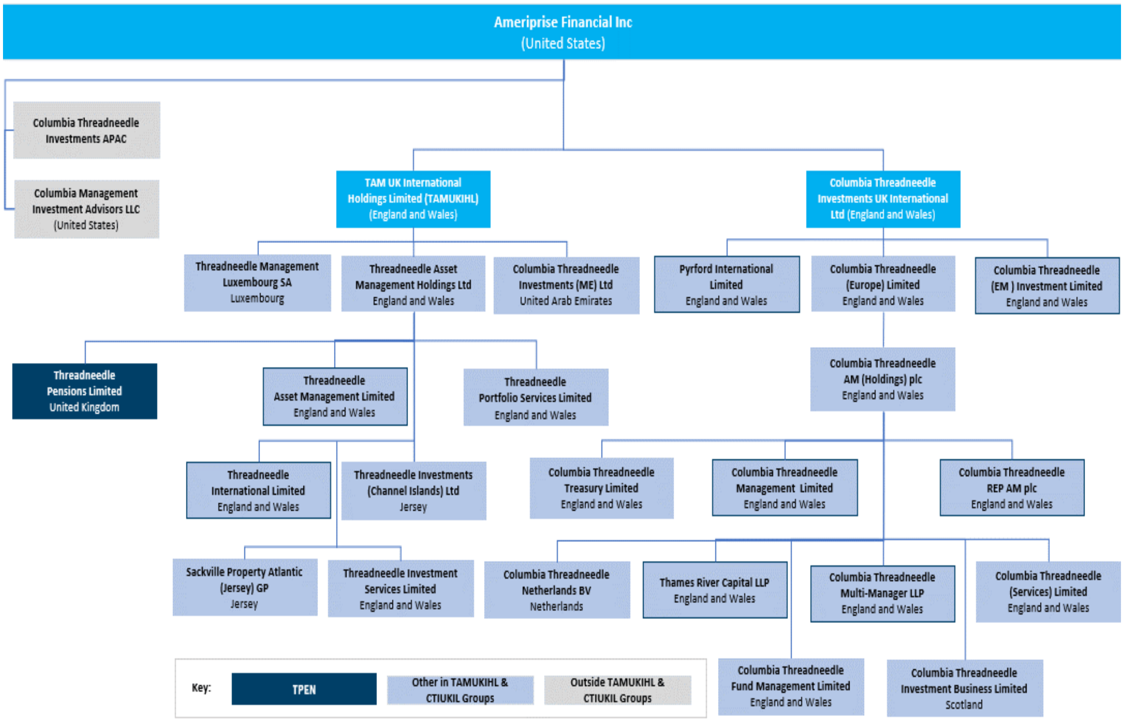
A.1.5 Legal structure of the Group

Columbia Threadneedle Investments is a global brand name of the global asset management business of Ameriprise, a leading US-based financial services provider. The EMEA business of Columbia Threadneedle Investments comprises TAMUKIHL Group and CTIUKIL Group and its subsidiaries. TPEN is a wholly owned subsidiary of TAMHL which is, via a number of other holding companies, a wholly owned subsidiary of TAMUKIHL.

TPEN has shared service arrangements with TAMHL, Threadneedle Asset Management Limited ("**TAML**"). All service providers are set out in **Section B.7**. From time to time, TPEN may have an interest in property management firms which relate to the premises owned by its Property Fund. As at 31 December 2023, there were Seven (2022: Seven) companies where

TPEN held more than 10% of the nominal value of any class of share capital that met the requirements to be classified as a subsidiary. The schematic below sets out a simplified Group structure and excludes a number of intermediate holding companies and related parties. TPEN is indicated in the diagram by a dark blue background.

Figure 1: Simplified Group Structure



Note: Some legal entities including non-regulated subsidiaries and intermediate holding companies are excluded from the diagram above.

A.1.6 Material lines of business and geographical areas

TPEN is a unit-linked life assurance company which manages assets for UK pension schemes (both DB and DC) through unit-linked pooled funds. The assets in the unit-linked pooled funds are managed under unit-linked life insurance contracts and are shown on the balance sheet under 'Assets held for unit-linked contracts'. TPEN does not, as part of its asset management activity, write life assurance protection.

One of the unit-linked pooled funds invests via reinsurance contracts in unit-linked pooled funds managed on a passive basis by a third-party asset manager. 'Reinsurance recoverables' from unit-linked pooled funds represents the amount that has been contracted out to a third-party asset manager under a contract of reinsurance. These third-party invested assets are valued at fair value based on current market value of the underlying assets and are shown in QRT S.02.01.02 as 'Reinsurance recoverables from life index-linked and unit-linked'.

All TPEN's business is carried out in the United Kingdom.

A.1.7 Significant business events during the reporting period

AUM decreased from £2.6bn at 31 December 2022 to £2.2bn at 31 December 2023, largely due to net client outflows (client inflows minus client outflows) of £0.5bn offset by £0.1bn net investment return, change in other technical provisions net of reinsurance and expenses.

TPEN remains profitable, reporting total comprehensive income for the year of £1.2m (£1.2m). Profitability remained stable as a reduction in operating profit, primarily from lower AUM over the year, was offset by an increase in investment income from TPEN's shareholder investments reflecting increases in short-term interest rates. Total equity in the financial statements increased from £24.7m at 31 December 2022 to £25.9m at 31 December 2023 following inclusion of retained earnings of £1.2m for the year ended 31 December 2023.

The following significant business events occurred during the reporting period:

- A proposal to change TPEN's projection period from one year ("**1yrPP**") to ten years

("**10yrPP**") was approved by the TPEN Board in June 2023. The adoption is to provide stability to TPEN's capital position. The choice reflects the expected period over which in-force liabilities will diminish to immaterial levels and is considered proportionate to TPEN's business and in compliance with the Solvency II requirements. The 10yrPP has been adopted by the Chief Actuary for valuation purposes as of 30 June 2023 and subsequent valuations.

There have been no other material changes during the reporting period with respect to TPEN's business and performance, system of governance or risk profile.

A.2 Underwriting performance

Under UK GAAP FRS, the unit-linked life insurance contracts written by TPEN are classified as investment contracts and are reported on TPEN's balance sheet. The balance sheet value of the assets held for unit-linked contracts (which are carried at market value) is always equal to the balance sheet value of the liabilities under the unit-linked contracts. Further deductions are made to arrive at the Technical Provisions under Solvency II as set out in **Section D.2.1**.

Client inflows (funds received from unit-linked policyholders to be invested on their behalf) are described as "premiums" in this report because they relate to insurance contracts. Premiums are recorded as an increase in both the assets and liabilities shown on the balance sheet. Client outflows (previously invested funds repaid to policyholders) are described as "claims" and are recorded as a reduction in assets and liabilities.

The technical provision for unit-linked contracts per UK GAAP FRS at 31 December 2023 was £2.2bn (2022: £2.6bn). The decrease is largely due to net client outflows (client inflows minus client outflows) of £0.5bn offset by £0.1bn net investment return and change in other technical provisions net of reinsurance and expenses. The net client outflows of £0.5bn (2022: £1.1bn) is shown in the table below.

Table 4: Unit-linked pooled fund flows in year to 31 December

Net flows - unit linked pooled funds	2023 £'m	2022 £'m
Premiums earned (client inflows)	156.8	199.9
Claims incurred (client outflows)	(624.6)	(1,277.8)
Net flows (premiums earned less claims incurred)	**(467.8)**	**(1,077.9)**

A.3 Investment Performance

A.3.1 Income and expenses arising from investments by asset class

Assets held for unit-linked contracts (including reinsurance recoverables) decreased to £2,210.2m (2022: £2,552.1m) largely due to net client outflows of £0.5bn offset by £0.1bn net investment return, and change in other technical provisions net of reinsurance and expenses as shown in the table below:

Table 5: Investment performance at 31 December

Investment performance	2023 £'m	2022 £'m
Opening balance – AUM held (1 January)	2552.1	3,880.1
Investment income	115.2	136.1
Unrealised gains / (loss) on investments	25.5	(430.4)
Premiums earned (client inflows)	156.8	199.9
Claims incurred (client outflows)	(624.6)	(1,277.8)
Fund expenses	(45.2)	(51.1)
Others[1]	30.4	95.4
Closing balance – AUM held (31 December)[2]	**2210.2**	**2,552.1**

[1] Others relate to other technical provision movements on reinsured assets, fund rebates and timing differences on flows.

[2] The sum may reflect rounding differences of £0.1m.

Fund expenses of £45.2m (£51.1m) relate to the costs of buying and selling the financial assets in the unit-linked pooled funds as well as specific property fund expenses. The property fund expenses include letting costs, property management fees, cost of repairs and ground rent charges. Fund expenses for 2023 decreased as a result of a decreased in AUM in 2023 when compared to 2022.

The table below shows the change in the value of assets held for unit-linked contracts between 31 December 2022 and 31 December 2023 by asset type:

Table 6: Increase in asset value at 31 December

Asset type	2023 £'m	2022 £'m	Variance £'m
Reinsurance recoverable unit-linked	42.5	36.3	6.2
Equity	434.0	561.5	(127.5)
Property	1,393.5	1,546.4	(152.9)
Fixed interest	223.3	230.8	(7.5)
Cash and cash equivalents	133.5	194.0	(60.5)
Other assets	37.5	39.3	(1.8)
Property liabilities	(38.9)	(40.1)	1.2
Ground/head lease liabilities	(15.1)	(16.1)	1.0
Asset value[1]	**2210.2**	**2,552.1**	**(341.9)**

[1] The sum may reflect rounding differences of £0.1m.

A.3.2 Information about any gains and losses recognised directly in equity over the reporting period

There were no gains or losses recognised directly in equity during the 12 months to 31 December 2023 (2022: nil).

A.3.3 Information about any investments in securitisation over the reporting period

TPEN did not hold any investments in securitisations in its non-unit-linked assets over the reporting period and at 31 December 2023 (2022: nil).

A.4 Performance of Other Activities

A.4.1 Summary of other material income and expenses

TPEN manages pooled investments (unit-linked contracts and reinsurance recoverables) for pension schemes operating within the United Kingdom.

TPEN's Statement of Comprehensive Income includes the following:

- income for the provision of specialist investment and other technical services relating to the management of the unit-linked investment contracts;
- direct product costs relating to these services (for example transfer agency costs);
- costs for distribution and investment management services supplied by other Group companies in line with the Group transfer pricing framework under which TPEN retains a fixed proportion of gross profit (revenue *less* direct costs); and
- allocated costs for other Group services (e.g., finance, compliance and legal).

The table below sets out material income and expenses as at 31 December 2023 including comparatives from the prior year.

Table 7: Summary of material income and expenses

Material income and expenses	2023 £'m	2022 £'m
Income from management of unit-linked investment contracts	10.0	15.2
Investment income: non-linked assets	0.9	0.1
Investment management costs	(6.7)	(8.0)
Distribution costs	(2.3)	(4.9)
Other costs (including tax)	(0.7)	(1.2)
Comprehensive income	**1.2**	**1.2**

Key movements include:

- Income from management of unit-linked investment contracts fell as a result of the fall in AUM over the year and consequently investment management fees charged by TPEN;
- Investment income from non-linked assets is driven by the year-on-year increase in the return on short-term money market investments;
- Investment management and distribution costs decreased during 2023 in line with falls in revenue; and
- Other costs have reduced due to reductions in fund related costs and reduced allocation of Group's service costs which are linked to AUM and income levels.

A.5 Any other information

A.5.1 Shareholder Rights Directive ("SRD II")

TPEN falls within scope of the 'Institutional Investor' definition under the Shareholder Rights Directive (2007/36/EC) as amended by Directive (EU) 2017/828 ("**SRD II**"), and as such is required to make certain disclosures in respect of its arrangements with its appointed asset manager.

Under a discretionary investment management agreement, TAML has been appointed by TPEN as the Investment Manager of the unit-linked pooled funds who in turn may co-manage with or delegate to companies within the Group.

TAML employs an investment strategy which seeks to achieve the investment objective of each unit-linked pooled fund offered to clients. It is incentivised to generate positive total investment returns for each unit-linked pooled fund, as opposed to aligning its investment strategy and decisions with the profile and duration of TPEN's liabilities, which are limited to and exactly match the unit-linked assets.

Furthermore, TPEN does not seek to align its evaluation of TAML's performance and its remuneration for asset management services with the profile and duration of its liabilities, instead these are based on TAML's ability to generate positive total investment returns for and achieve the investment objective of each unit-linked pooled fund it manages.

In undertaking its contractual obligation of seeking to achieve the investment objective of each unit-linked pooled fund, TAML integrates shareholder engagement in its investment strategy in accordance with Columbia Threadneedle Investments Active Ownership policy framework. This includes, amongst other things, the monitoring of financial and non-financial performance of investee companies.

Whilst TPEN does not define a targeted portfolio turnover or turnover range, it reviews turnover data (which includes associated costs incurred) of each unit-linked pooled fund provided to it by the asset manager on a quarterly basis. This data is comparative to prior periods, and detailed comments and observations are considered and challenged by TPEN's General Management Committee where necessary.

The investment management agreement with TAML can be terminated at any time on three months' written notice or with immediate effect in the event of certain events (including regulatory requirement or insolvency).

TPEN has no further material information to disclose.

B. System of Governance

B.1 General Information on the system of governance

B.1.1 Role and responsibilities of the administrative, management or supervisory body

Board of Directors

The TPEN Board and its Directors bear ultimate responsibility and Accountability for all matters pertaining to TPEN. Specific matters reserved for the TPEN Board have been defined in TPEN's Management Responsibility Map.

The TPEN Board receives a range of information to help carry out its duties, including:

- Financial and Capital Position Reporting and Financial Statements;
- Health and Safety Compliance Reports;
- General Management Committee Reporting;
- Risk management updates;
- Compliance Reports;
- Operating Reports;
- Investment Performance Reports; and
- Internal Audit Reports.

The Board is responsible for the ORSA (see **Section B.4.2**), as well as for implementing and managing TPEN's Enterprise Risk Management Framework (see **Section B.3.1**). The above information is presented to the TPEN Board by the head of the relevant functions including the Chief Actuary, Head of Controllership, EMEA Chief Risk Officer / Head of Operational Risk EMEA, Global Head of Investment Risk, or relevant representative, and Head of Compliance EMEA.

The Board is composed of the following Directors who are deemed to be 'fit and proper' in line with internal policies (refer to **Section B.2**):

- Ann Roughead, Independent Non-Executive Director;
- Kathleen Shailer (neé Cates), Independent Non-Executive Director and Chair of Audit Committee;
- Joseph Vullo, Chief Executive Officer;
- Elliot Bennett, Chief Finance Officer; and
- William (Ted) Truscott, Non-Executive Director / Chair.

The Board meets at least quarterly, and the quorum is two. All TPEN Board and board committee meetings are formally minuted. The TPEN Board delegates the following to three board committees:

- **TPEN General Management Committee ("GMC")** is responsible for management, governance and risk management oversight over the day-to-day business processes to support TPEN's business. The GMC membership is drawn from the Group functions ensuring management of the TPEN business has sufficient coordination, knowledge and expertise to be able to challenge the performance and results, including but not limited to any outsourced arrangements. The GMC reports to the TPEN Board;
- **Fund Pricing and Dealing Committee ("FPDC")** is a Group committee that is responsible for monitoring and reviewing the pricing of, and dealing in, funds to ensure that clients and funds are treated equitably. The Committee has particular regard to the requirements for Treating Customers Fairly ("**TCF**") and the Funds' obligations under Consumer Duty regulations; and
- **TPEN Audit Committee** provides advice to assist the Board in carrying out its responsibilities as they relate to the selection of the statutory auditor, financial reports and effectiveness of the company's internal quality controls, risk management systems and

internal audit function.

The roles and responsibilities of these TPEN Committees are outlined in the respective Terms of Reference ("**TOR**"). The Board approves the Board Committees' TOR and any changes thereto.

Persons have been appointed to Senior Management Functions ("**SMF**") responsible for managing one or more aspects of TPEN's affairs, so far as relating to the activity and those aspects which involve, or might involve, a risk of serious consequences for TPEN or for business/other interests in the UK. Each SMF has a Statement of Responsibilities ("**SOR**"), setting out their areas of responsibility and accountability.

TPEN's governance and management framework allows for delegation of authority. However, the allocated Senior Manager retains ultimate and overall responsibility for the SMF, Prescribed Responsibility ("**PR**"), or overall responsibilities assigned to them. The GMC and FPDC contain TPEN SMFs whose decisions are ratified by the TPEN Board.

The TPEN Board has assessed the system of governance and has concluded that it effectively provides sound and prudent management of the business and, is proportionate to the nature, scale and complexity of the operations of TPEN. This includes the governance of outsourced activities described further in **Section B.7**. The internal audit function performs an independent evaluation of the adequacy and effectiveness of the internal control system and other elements of the internal control system.

As a subsidiary of TAMUKIHL, TPEN is a part of the EMEA Governance Framework and matters relating to TPEN are discussed at the EMEA Financial and Operational Risk Committee ("**EMEA FORC**"), EMEA Business Management Committee ("**EMEA BMC**") and TAMUKIHL Audit and Risk Committee. However, only TPEN committees (i.e., GMC and FPDC) are able to make decisions to the extent delegated to them by the **Board**.

Three of the four key internal control functions (i.e., risk management, internal audit, and compliance) are undertaken via shared services arrangement with Group companies and the fourth (actuarial) is outsourced to a third party, Barnett Waddingham LLP (refer to **Section B.7**). Oversight of these service providers is performed by the Board and the GMC (where the Board has delegated authority to the GMC) which ensures that these functions perform to the level required (based on direct attendance by these internal control functions at either the Board or the GMC).

The majority of TPEN's activities are undertaken via shared services arrangements with other companies in the Group or outsourced to third parties outside the Group (refer to **Section B.7** for further details on outsource service providers).

B.1.2 Material changes in the system of governance that have taken place over the reporting period

The following Director resignation or appointment took place in the period and up to the date of publication of this report:

- Elliot Bennett, Chief Finance Officer was appointed to the Board on 07 June 2023; and
- Peter Stone, Commercial and Operations Director – UK Real Assets resigned from the Board on 12 June 2023.

There have been no other Director resignations and appointments in the year up to the date of publication of this report.

The following Senior Manager changes took place in the period and up to the date of publication of this report:

- David Logan has been appointed as SMF7 holder representing Group Entity Senior Manager with effect from 13 November 2023 following regulatory approval on 31 October 2023 and his appointment as the SMF24 holder representing 'Chief Operations' function of TPEN was replaced by Mike Fisher with effect from 10 November 2023 following regulatory approval; and
- Darrel Buckley's combined role as the SMF16 representing 'Compliance Oversight' and SMF17 representing 'Money Laundering Reporting Officer' of TPEN has been replaced

by:

- Chris Town as the SMF16 representing 'Compliance Oversight' with effect from 10 August 2023 following regulatory approval; and
- Tammuz Rhead as the SMF17 representing 'Money Laundering Reporting Officer' with effect from 22 June 2023 following regulatory approval.

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

TPEN has no employees as its services are performed under contract by other Group companies or service providers. The Group Remuneration Policy covers TPEN's directors as well as the Group employees who provide services to TPEN.

B.1.3.1 Principles of the Group remuneration policy

The Group's remuneration policies and practices are an integral part of arrangements that support the work, culture and commitment to serving the Group's clients.

The remuneration policies and practices are based on those of Ameriprise and are consistent with applicable regulatory requirements including Solvency II, Undertakings for the Collective Investment in Transferable Securities ("**UCITS**"), Alternative Investment Fund Managers Directive ("**AIFMD**"), Markets in Financial Instruments Directive II ("**MiFID**") and the Investment Firms Prudential Regime ("**IFPR**").

The Group remuneration policy is based on the following principles:

- remuneration programmes must be aligned with the Group and Ameriprise strategy, objectives, values and long-term interests;
- remuneration opportunity and rewards must be competitive enough to attract and retain the key talent who can help the Group achieve consistently superior results for its clients and stakeholders;
- there should be a strong linkage between remuneration and both financial and non-financial performance, while also supporting the Group's culture and values;
- remuneration decisions must be made on a well-informed basis based on the employee's experience, responsibilities, and performance, while also considering external market and internal comparability;
- remuneration programmes must be operated in full compliance with all applicable legal, tax, and regulatory requirements. No alternative remuneration arrangements will be established that might circumvent local legislation and regulatory requirements; and
- remuneration programmes must be consistent with and promote sound and effective risk management and not induce imprudent risk-taking or impair the safety and soundness of the Group. This includes the need for remuneration programmes to avoid introducing or incentivising conflicts of interest or potential mis-selling.

With regards to fixed remuneration the Group is committed to ensuring that:

- salaries remain competitive within the labour market, by conducting an annual pay review and benchmarking salaries against other employers from an independent third party;
- salary adjustments consider individual performance and that individuals are not discriminated against because of gender, marital or civil partnership status, race, religion or belief, sexual orientation, age, disability, gender reassignment, pregnancy and maternity, or because they work part time or on a fixed term contract;
- each employee is paid at the level of at least the national minimum wage; and that
- each employee's annual fixed remuneration is adequate without having to rely on incentive payments.

B.1.3.2 Share options, shares or variable components of remuneration

With regard to variable compensation, all permanent employees are eligible to participate in the Group's incentive arrangements which are entirely discretionary in nature and may be amended or withdrawn by the Group in its absolute discretion at any time. The incentive schemes applicable to each role and business may be varied from time to time.

The amounts of any individual incentive awards made by the Group are discretionary and based on business and individual performance against financial and non-financial criteria.

Awards are made according to the individual employee's performance against their Goals and Leadership scores, market remuneration levels for comparable roles, internal comparators and the funding available to fund total incentive awards, further influenced by the employee's adherence to and delivery of the Group's risk and regulatory compliance responsibilities.

Incentive awards due immediately and not deferred are normally paid in cash but may be delivered in other instruments. Incentive awards that are deferred may be delivered in cash or other instruments, including shares or options over shares in Ameriprise, as required from time to time by Group practice or by regulatory requirement, either Group-wide or applied to specific individuals.

Incentive deferral rates, deferral instruments, and deferral periods comply with the deferral requirements of the regulation applicable to their roles; incentive deferral is also applied to senior and higher paid employees outside this group as a matter of good practice.

B.1.3.3 Supplementary pension for the members of the administrative, management and other key function holders

The Group's remuneration policy does not include any supplementary pension or early retirement schemes for members of the Board or other key function holders. The Group offers all staff the choice of making contributions into a DC scheme which the Group will match up to a limit. TPEN is not exposed to any risks from these pension scheme arrangements.

B.1.4 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking and with members of the administrative, management or supervisory body

There were no material transactions in the reporting period.

B.2 Fit and Proper requirements

B.2.1 Requirements for skills, knowledge and expertise

Under Senior Managers and Certification Regime ("**SMCR**"), TPEN is required to assess the fitness and propriety of individuals performing any of the following roles:

- Designated Senior Management Functions;
- Notified Non-Executive Directors; and
- Certification Function or Key Function Holders.

Fitness and propriety are assessed prior to an individual performing a role, on an annual basis and in the event of a change, which may include but not limited to a conduct breach or disciplinary investigation, change of role and extended periods of absence.

The Fitness and Propriety Policy, designed to meet the PRA's Insurance - Fitness and Propriety Rulebook and the FCA's Fit and Proper test (known as "FIT"), sets how the fitness and proper assessment is carried out.

In deciding whether a person is fit and proper, TPEN satisfies itself that the person:

a. has the personal characteristics (including being honest, of good repute and having integrity);

b. possesses the level of competence, knowledge and experience;

c. has the qualifications and has undergone, or will undergo, all training required to enable such person to perform their role effectively and in accordance with any relevant regulatory requirements, including those under the regulatory system, and to enable sound and prudent management of TPEN; and

d. is financially sound.

Examples of the checks to assess fitness proprietary of such persons include, but not limited to the following:

- Bankruptcy & Credit checks;
- Criminal Records checks;
- Global Sanctions check;
- Advanced Media check;
- UK Directorship check;
- FCA Register check;
- Qualification Certificates;
- Regulatory references;
- Ongoing performance reviews;
- Pre-employment interviews; and
- Continuous Professional Development.

TPEN Board Competency is reviewed to ensure that the Board has sufficient knowledge and information in order to provide effective review and challenge.

B.3 Risk management system including the Own Risk and Solvency Assessment

B.3.1 Risk Management Framework, implementation and integration

Ameriprise has implemented a comprehensive Enterprise Risk Management ("**ERM**") programme for all subsidiaries and operations, including TPEN. TPEN maintains its own Operational Risk Management policy that sets out its operational risk strategy, framework components and roles and responsibilities. This policy is closely aligned to that of Columbia Threadneedle. The objective of this policy is to establish an effective and sustainable operational risk framework and governance practices across TPEN and Columbia Threadneedle, which can be understood and adhered to by all staff.

The framework is designed to manage operational risk exposures and associated harms that have been agreed by the GMC and the TPEN Board, which has the ultimate responsibility and accountability for determining the nature and magnitude of risks in the TPEN business. The TPEN Board is also ultimately responsible for implementing and managing TPEN's risk management framework.

Key components of the Operational Risk Framework include RCSAs, monitoring of Internal Risk Events ("**REVs**") and the tracking and reporting of Key Risk Indicators ("**KRIs**"). The Operational Risk team produces regular management information which provides a summary and analysis of the key risks, KRI trends and new events in the reporting period and this is reported to the GMC and TPEN Board on a quarterly basis.

TPEN is subject to the Group's risk and control framework which comprises strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on a continuous basis the risks to which TPEN is or could be exposed and their interdependencies.

The Group operates a Three Lines of Defence model to further embed the Group's four key values of client focus, excellence, integrity and respect, which can be summarised as follows:

Table 8: Three Lines of Defence model

Line of Defence	Roles and Responsibilities
First Line - Business Units	Undertake day-to-day risk management
	Comply with risk management framework, policies, and procedures
	Apply internal management controls and improvement actions
Second Line - Risk & Compliance	Oversee and challenge risk management in First Line of Defence
	Provide guidance and direction to First Line of Defence
	Develop and communicate the risk management framework

Third Line - Internal Audit	Independent perspective and challenge process
	Review and oversee the First and Second Lines of Defence

Further information on the roles and responsibilities of each line of defence is set out below:

- **First Line of Defence** are the main departments of the business that manage money for clients, distribute our funds and provide our supporting operations. These departments have primary responsibility for identifying and managing risks and potential harms in their area and for developing and implementing controls, policies and procedures necessary to manage those risks in order to protect the best interests of policyholders;
- **Second Line of Defence** comprises functions that provide oversight and challenge of the effective operation of the Group's internal control framework. Second Line of Defence functions report significant findings to the appropriate Executive and Oversight Committee(s) and also provide reports to the TPEN Board, the TPEN Audit Committee and TAMUKIHL Audit and Risk Committee ("**ARC**") as appropriate; and
- **Third Line of Defence** is the Internal Audit function, which reports to the TAMUKIHL ARC TPEN Audit Committee and the Board. The Head of Internal Audit has direct reporting lines to the Chairman of the TAMUKIHL ARC and the General Auditor of Ameriprise. Internal Audit provides independent assurance of the suitability and effectiveness of the Group's processes, controls and Risk Management Framework, including management's execution of its responsibilities to seek to ensure an effective system of internal controls, risk management, and compliance is embedded throughout the Group. To this end, Internal Audit undertakes a programme of risk-based audits, as well as ad hoc reviews and investigations, covering all aspects of both the first and second lines of defence, the findings of which are reported to all Three Lines of Defence, including accountable line management, the functional business and the EMEA FORC, the Risk and Compliance functions, TAMUKIHL ARC and TPEN Audit Committee.

B.3.2 Own Risk and Solvency Assessment

The TPEN Board is responsible for the Own Risk and Solvency Assessment process while the EMEA CRO (SMF4) is accountable for the delivery.

The ORSA process includes the following:

- review and confirmation of key risks by the GMC and TPEN Board;
- identification of operational risks for discussion at operational risk workshops;
- operational risk workshops held with Subject Matter Experts (**"SMEs"**) from the First and Second Lines of Defence to identify and quantify severe but plausible loss events based on the identified key operational risks and considering internal and external loss data;
- calculation of Pillar 2 capital requirements (including credit risk, market and insurance risk, tax risk, and liquidity risk) as assessed through the ORSA by SMEs including the Chief Actuary, Regulatory Capital Management and Investment Risk;
- define and implement stress testing scenarios;
- refine capital requirements if appropriate; and
- extensive review of results of the process by internal SMEs.

The ORSA process involves SMEs and senior management across TPEN and the Group:

- Regulatory Capital Management team co-ordinates the process;
- Finance Controllership team provides balance sheet and other financial figures;
- Chief Actuary assists in estimation of the Pillar 2 market and insurance risk capital requirements;
- Counterparty Credit Risk team assists in the estimation of the Pillar 2 credit risk capital requirement;

- SMEs drive the determination of appropriate loss event scenarios and the Operational Risk team facilitate and challenge;
- Treasury reviews and challenges the ORSA and underlying Pillar 2 methodologies and assessments; and
- Governance forums, including GMC, EMEA FORC, TAMUKIHL Audit and Risk Committee and TPEN Board review and approve the results.

B.3.2.1 Review and approval of the ORSA

The ORSA process is usually conducted on an annual basis throughout the year and the results of the ORSA are reviewed and approved by the TPEN Board at least annually. However, in exceptional circumstances the TPEN Board will consider re-performing the ORSA on an ad-hoc basis as documented in the ORSA Policy. A new assessment may be required following a significant change in risk profile.

Events that may require a reassessment of the ORSA include:

- an acquisition or divesture of a business;
- significant change in market conditions; or
- significant change to type or level of new business.

To ensure that the risk and capital implications of business decisions are constantly monitored, a monthly report is prepared and submitted to the EMEA FORC which includes executive directors of TPEN, and a quarterly update is provided to the TPEN Board. This will assess any material changes in TPEN's business, strategy, shared service arrangements or outsource providers and its financial position as well as recent material internal loss events that affect TPEN or its unit-linked funds.

B.3.2.2 Solvency needs

The Board determines the solvency needs of TPEN in the following way:

- **capital surplus** (i.e., Own Funds minus capital requirements) under Pillar 1 and Pillar 2 internal capital requirement assessed through the ORSA;
- **overall capital requirement** is based on whether the capital surplus is lower under Pillar 1 or Pillar 2. At 31 December 2023, the surplus when calculated under Pillar 1 was lower than when calculated under Pillar 2 and therefore the binding constraint was the Pillar 1 total capital requirement; and
- **capital management activities** are monitored to ensure that Own Funds remain in excess of 125% of the capital requirement, as calculated under a ten-year projection period.

B.4 Internal control system

B.4.1 Internal control system

Ameriprise Financial has implemented a comprehensive ERM programme for all subsidiaries and operations (including TPEN) which provides a framework for the identification, monitoring and management of risk, including compliance with applicable local regulatory requirements and expectations. It is designed to enable the Group to protect the interests of its clients by managing all elements of risk on a forward-looking basis.

The primary component of the internal control system operated by TPEN is the risk management framework and processes, specifically RCSA process by which the TPEN Board concludes on the status of its risks and control environment and is assessed in terms of inherent and residual risk. The RCSA process is performed by responsible teams within the first line business with independent challenge provided by the risk and compliance functions within the second line of defence and internal audit within the third line of defence. Any relevant risk events or other control environment issues are reported to the TPEN Board, and an assessment is made whether further action is required.

The Group through shared services arrangement with Group companies provides financial services to TPEN. The Group's finance responsibilities include maintaining the books and records of TPEN and the production of the statutory and regulatory financial reporting. The Group Finance function is part of the First Line of Defence of the Group and so follows the RCSA process including identifying and documenting the risks and mitigating controls relating to its business processes. These include the production of financial information. As described above, the Finance RCSA is subject to review and challenge from the control functions within the Second and Third Lines of Defence.

The financial statements are subject to rigorous controls in the production and review leading to finalisation and the actuarial provisioning calculations are prepared by the Chief Actuary and reviewed by the finance function and the Board.

B.4.2 Implementation of the compliance function

The EMEA Deputy Head of Compliance (SMF16) is responsible for Compliance Framework and the Head of Financial Crime Prevention (SMF17) is responsible for the Financial Crime Prevention Framework for TPEN.

The Role of Compliance, as the Second Line of Defence, is to provide oversight and challenge of the effective operation of TPEN's internal control framework and to advise on all areas of regulatory principles, rules and guidance, including leading on any regulatory changes, and undertaking monitoring activity on key areas of regulatory risk while remaining independent. Compliance responsibilities include advising the Board and the GMC on these matters.

B.4.3 Material changes in internal control system

There were no material changes to the internal control system in the 12 months to 31 December 2023.

B.5 Internal audit function

B.5.1 Implementation of the function

The Group provides TPEN with an effective internal audit function through a shared service arrangement with Group companies which includes an evaluation of the adequacy and effectiveness of the internal control system and other elements of the system of governance and is objective and independent from the operational functions. Head of Global Asset Management Audit, Risk and Control Services fulfils the SMF5 role under the SMCR regime and the accountabilities of the SMF5 are documented within the Statement of Responsibilities.

The Group's Internal Audit function acts as the Third Line of Defence. It is responsible for the independent assessment of, and providing advice on, the control environment structure and risk implications of TPEN's business activities, which is achieved through:

- delivery of an annual risk-based audit plan, as approved by the TAMUKIHL Audit and Risk Committee, the TPEN Board and TPEN Audit Committee;
- completion of ad hoc reviews and investigations; and
- building relationships with Senior Management and the wider business in order to act in an advisory capacity to promote good governance and risk management.

Any relevant findings and recommendations are reported to the TPEN Board and TPEN Audit Committee.

B.5.2 Independence of the internal audit function

The Internal Audit function of the Group is managed by the Head of Global Asset Management Audit, Risk and Control Services who is an employee of the Group, has no responsibility for any other function across the business and has direct reporting lines to the General Auditor of Ameriprise, Chair of the TPEN Audit Committee, and the Chair of TAMUKIHL Audit and Risk Committee. This reporting structure ensures the continual independence of the internal audit function.

B.6 Actuarial function

B.6.1 Actuarial function

Actuarial services (from the Chief Actuary) are provided to TPEN by Barnett Waddingham. The Chief Actuary is a Fellow of the Institute and Faculty of Actuaries and has complied continuously with the specific professional obligations this requires. He holds a Practising Certificate and fulfils the SMF20 function under the SMCR regime.

The Chief Actuary is accountable for:

- providing financial reporting numbers as appropriate, including Pillar 1 calculations and Pillar 2 insurance and market risk calculations;
- providing input as to whether TPEN would comply continuously with the requirements regarding the calculation of Technical Provisions;
- identifying potential risks arising from the uncertainties connected to the above calculation; and
- providing overall guidance and direction in relation to the production of the ORSA.

The Chief Actuary's specific responsibilities as part of the First Line of Defence include:

- determining a semi-annual Solvency II balance sheet for TPEN;
- advising on Solvency II reporting;
- preparing semi-annual market and insurance risk assessments; and
- summarising the methods, assumptions and data used for the above.

The Chief Actuary's specific responsibilities as part of the Second Line of Defence include:

- reviewing and providing opinion on TPEN's underwriting policy (effectively for TPEN the types of business it is prepared to write and on what terms) and the adequacy of its reinsurance arrangements;
- contributing to the effectiveness of the risk-management system referred to in Article 44 of the Solvency II Directive;
- concluding on the adequacy of the use of the Standard Formula;
- contributing to the review of whether TPEN meets the requirements for Technical Provisions referred to in the Solvency II Directive; and
- providing guidance in relation to the production of the ORSA.

The full accountabilities of the Chief Actuary are documented within the **SOR**. To fulfil these responsibilities the Chief Actuary liaises extensively with the Group Finance function and produces an annual report (and a half-yearly update) which he submits and presents to the Board setting out the tasks that he has undertaken and their results, and any relevant recommendations.

B.7 Outsourcing

B.7.1 Outsourcing and Third-Party Risk Management Policy

TPEN's business model and strategy is to appoint third parties, including intra-group companies and in particular through outsourcing arrangements to provide services and in general, permit sub-delegation. All service providers are domiciled in the UK.

When appointing third parties, TPEN

- remains fully responsible for discharging all of its obligations and assigns accountability for services provided as set out in **Section B.1**;
- determines that outsourcing will not lead to materially impairing the quality of the firm's system of governance, unduly increasing the operational risk, impairing the ability of the supervisory authorities to monitor the firm's compliance with its obligations, undermining continuous and satisfactory service to policyholders;
- assesses the appropriateness of the delegate for the services to be provided, including both competency and capabilities, financial soundness and other key areas;

- specifies the nature of the proposed arrangements in legally binding agreements;
- defines, documents, and understands its responsibilities and its third parties' respective responsibilities;
- pays particular attention to any unusual or new investment or product type; and
- identifies, assesses, and manages conflicts of interests.

Third Parties, including intra-group companies impact the risk profile of TPEN and TPEN has identified a need to hold Pillar 2 capital against the risks associated with some of its outsourced services. The impact of legal agreements between TPEN and Third Parties is considered when determining the operational risk capital requirement. Refer to **Section C.5**.

B.8 Any other information

TPEN has no further material information to disclose.

C. Risk profile

TPEN changed the projection period used in the calculation of its Technical Provisions and Solvency Capital Requirement ("SCR") from 1 year ("1yrPP") to 10 years ("10yrPP") as approved by the TPEN Board in June 2023. The adoption is to provide stability to TPEN's capital position. The choice reflects the expected period over which in-force liabilities will diminish to immaterial levels and is considered proportionate to TPEN's business and in compliance with the Solvency II requirements. The 10yrPP has been adopted by the Chief Actuary for valuation purposes as of 30 June 2023 and subsequent valuations.

Throughout this report, comparison of ten-year projection period at 31 December 2023 to the one-year projection period and ten-year projection period at 31 December 2022 has been included in various tables for reference purposes. Analysis of year-on-year movements and associated commentaries is on a like-for-like basis using the ten-year projection period. Where values are affected by the change in projection period, year-end 2022 numbers are referred to as "2022 rebased", reflecting that the 2022 year-end numbers included in the commentary are on a ten-year projection period basis and differ to the results published in the 31 December 2022 SFCR, which used a one-year projection period. The Pillar 1 operational risk capital requirement module and the credit (counterparty default) risk module of the SCR are not impacted by the change in the projection period from one year to ten years.

The largest risk to which TPEN is exposed is operational risk which represented 76% of the SCR at 31 December 2023 (2022 rebased: 71%) as shown in the chart below. Operational risk is the risk of loss caused by failure in processes, systems, people or external factors. It is described in this section together with other categories of risk.

The standard formula SCR for TPEN at 31 December 2023 was £9.3m (2022 rebased: £11.1m) after adjustments for risk diversification and the LACDT.

An overview of the SCR by risk type is set out below:

Table 9: Solvency Capital Requirement

Solvency Capital Requirement (£'m)	2023	2022	
	10yrPP	10yrPP	1yrPP
Market risk	1.7	2.2	0.5
Credit (counterparty default) risk	0.3	0.3	0.3
Insurance (life underwriting) risk	1.8	2.7	0.4
Diversification offset	(0.9)	(1.2)	(0.3)
Operational risk	7.1	7.9	7.9
Loss absorbing capacity of deferred taxes (LACDT)	(0.7)	(0.7)	(0.5)
Total SCR[1]	**9.3**	**11.1**	**8.2**

[1]The sum may reflect rounding differences of £0.1m.

Further information on the SCR and commentary on movements over the reporting period are set out in **Section E.2**.

Prudent person principle

TPEN is required to consider whether assets are invested in accordance with the Prudent Person Principle ("**PPP**") as defined in Article 132 of the Solvency II Directive (2009/138/EC). The PPP sets out the expectation that TPEN must only invest in assets and instruments whose risks the undertaking concerned can properly identify, measure, monitor, manage, control and report and appropriately take into account in the assessment of its overall solvency needs.

As set out in **Section D.1**, the majority of assets on TPEN's balance sheet are held in respect of unit-linked pooled contracts which are invested on behalf of policyholders in line with the investment guideline of each fund. Investment management activities are outsourced to TAML. TPEN has arrangements in place to ensure that the external investment manager invests in accordance with the PPP for the unit-linked pooled funds.

TPEN's Own Funds are prudently invested taking account quality, security, liquidity, profitability, and the investment portfolio as a whole. TPEN invests the majority of its Own Funds in the CT Sterling Short-Term Money Market Fund ("**CT Sterling Fund**") which was chosen taking into account the Prudent Person criteria. For example, constituents of the fund have high credit ratings and holdings with individual counterparties within the CT Sterling Fund are managed within counterparty exposure tolerance levels. The remaining assets on TPEN's balance sheet relate to corporate cash, the majority of which is held with a third-party banking provider with a long-term Standard & Poor's credit rating of A+, debtors largely relating to fees receivable, and small 'box holdings' in some unit-linked funds.

C.1 Underwriting risk

C.1.1 Material underwriting risks and changes over the reporting period

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

Two of the life underwriting sub-modules in the SCR are relevant to TPEN:

- **lapse risk** relates to the risk that profitable unit-linked investment contracts are withdrawn at a faster rate than expected and that non-profitable contracts are not withdrawn; and
- **expense risk** relates to the risks that expenses will be higher than expected and the future rate of inflation on these expenses will be higher than expected.

Underwriting risk is estimated by applying stress scenarios defined in the standard formula to the projected cash flows of TPEN used to calculate the Best Estimate Liability. For expense risk, the stress involves a one-off increase in certain types of expenses together with higher ongoing increases in these expenses. Refer to **Section C.1.3** where stresses and sensitivity analysis are noted. Following the switch from 1yrPP to 10yrPP, the insurance (underwriting) risk capital requirements are higher than historically, reflecting the longer period over which the risks are assessed. TPEN retains the contractual right to terminate all policies subject to giving policyholders three months' notice such that long-term risks can be eliminated over a short timeframe if necessary.

The underwriting risk SCR has fallen compared to the rebased amount, primarily due to a reduction in the pre-stress revenue stream from lower AUM and an increase in the average base lapse rate over the past five years from 10.7% in prior year to 14.3% in the current reporting period.

There were no material changes over the reporting period to the risks TPEN is exposed to and no material changes in measurement techniques other than the switch to the 10yrPP.

C.1.2 Assessment of and risk mitigation techniques used for underwriting risks

The capital requirement for underwriting risk is calculated in accordance with the standard formula SCR:

- **lapse risk** is the most material underwriting risk for TPEN. All TPEN's business is subject to a 40% mass lapse stress which is based on an assessment by the Chief Actuary that TPEN's unit-linked pooled funds do not meet the requirements of Article 2(3)(b)(iii) and (iv) of Solvency II Directive 2009/138/EC; and
- **expense risk** stresses assume expenses rise by 10% initially and then inflate by 1% per annum more than would otherwise have been assumed (in line with Solvency II Commission Delegated Regulation (EU) 2015/35 ("**DR**") Article 140). The stresses are applied to direct expenses and allocated costs for Group services (e.g., finance, compliance and legal), but are not applied to variable costs for distribution and investment management services provided by other Group companies, which are based on the level of unit-linked assets managed by TPEN (refer to **Section A.4.1**).

Client flows and expenses are monitored by the Board at quarterly meetings. The following risk mitigation techniques are used to assess lapse risk and expense risk respectively:

- client service teams work closely with key clients to increase client retention; and
- the fee-related nature of the majority of the expenses payable under TPEN would mean that whilst changes in experience can reduce profitability, TPEN is protected from making a loss, in all but the most extreme scenarios.

Over the reporting period there was no material change to the potential impact of lapse risk, which continued to be the main underwriting risk.

C.1.3 Risk sensitivity for underwriting risk

The most material underwriting risk to TPEN is lapse risk. Three different lapse stresses are considered as part of the calculation of the SCR for underwriting risk:

- a 50% increase in lapse rates,
- a 50% decrease in lapse rates; and
- a mass lapse of profitable business.

The mass lapse stress is 40% (2022: 40%). The results of these lapse stresses give an indication of the sensitivity of the SCR to different lapse rates. The most onerous lapse rate stress, the mass lapse stress, is included in the SCR. The mass lapse stress contributes approximately £1.5m (2022 rebased: £2.4m) to the SCR (before diversification effects and allowance for LACDT).

The following risk sensitivities were assessed to measure the potential impact to TPEN's solvency capital position:

- **direct expenses and allocated costs for other Group services** increase by 10%; and
- **lapse rates** increase by 100% (i.e., lapse rates double).

The table below sets out the impact of these scenarios on TPEN's SCR and coverage ratio (Own Funds divided by SCR) at 31 December 2023:

Table 10: Underwriting risk - risk sensitivities

Sensitivity analysis	Change in SCR £'000	Change in SCR coverage ratio %
Direct expenses and allocated costs increase by 10%	45	(3.6)
Lapse rates increase by 100%	(909)	25.6

C.2 Market risk

C.2.1 Material market risks and changes over reporting period

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

TPEN is exposed to market risk through the following assets:

- **assets held in the unit-linked funds** including equity, property and fixed income securities are exposed to market risk. However, the value of the liabilities for the unit-linked contracts increases or decreases in line with the fair value of the financial assets thus eliminating the balance sheet market risk for TPEN; and
- **non-linked assets on TPEN's balance sheet** including assets held in the CT Sterling Fund deemed subject to market risk (e.g., commercial paper, certificates of deposits, time deposits and bonds), and a small amount of seed money in unit-linked pooled funds.

As result of the above, the primary exposure to market risk arises from the equity and property market impact on the revenues from policyholders linked to the value of unit-linked assets.

The decrease in market risk to £1.7m at 31 December 2023 (2022 rebased: £2.2m) is primarily due to a reduction in the pre-stress revenue stream from lower AUM and a higher base lapse rate. There were no other material changes over the reporting period and there were no other material changes in the measurement techniques.

The impact of market risk on the AUM and future revenue of TPEN has been assessed as part of the ORSA through stress testing as described **Section C.7.1**.

C.2.2 Assessment and risk mitigation techniques used for market risk

The methodologies used to estimate market risk mainly involve stress scenarios defined in the standard formula SCR.

The contributions to market risk from equity market, property market, interest rates, credit spreads, concentration and currency risk are derived by assessing the impact of market stresses on the profitability of unit-linked contracts and on TPEN's non-linked assets, predominantly TPEN's holding in the CT Sterling Fund.

The contribution from spread risk involves identifying assets deemed subject to this risk and calculating the change in market value of these assets due to an increase in credit spreads. The stress applied to each asset is dependent on the asset's credit rating and duration.

The contribution from concentration risk is derived by determining which assets are deemed subject to this risk (unit-linked assets are excluded), identifying which are large enough in isolation to create excess exposures and then aggregating these excess exposures in the manner prescribed in the standard formula SCR.

The nature of TPEN's business model mitigates the balance sheet market risk of the assets held in the unit linked funds (see **Section C.2.1**). Given the small size of the residual market risk no further risk mitigation techniques are used.

C.2.3 Risk sensitivity for market risk

The following market risk sensitivities were assessed to measure the potential impact to the SCR and the solvency coverage ratio (Own Funds divided by SCR):

- market value of unit-linked assets increases by 10%;
- market value of unit-linked assets reduces by 10%; and
- interest rates increase/decrease by 1%. In both scenarios, no allowance has been made for the change in the value of unit-linked assets in the event of a change in interest rates, only the subsequent impact on the SCR stresses has been considered. The change in the non-linked assets as a result of the interest rate changes is calculated and therefore affects the SCR coverage ratio.

The table below sets out the impact of these scenarios on TPEN's SCR and coverage ratio (Own Funds divided by SCR) at 31 December 2023:

Table 11: Market risk - risk sensitivity

Sensitivity analysis	Change in SCR £'000	Change in SCR coverage ratio. %
Market value of unit-linked assets increase by 10%	170	(1.0)
Market value of unit-linked assets reduce by 10%	(168)	1.0
Interest rates increase by 1%	(6)	0.9
Interest rates reduce by 1%	6	(0.9)

Additional analysis is performed as part of the ORSA process to understand the impact of stress scenarios on the profitability and solvency capital adequacy of TPEN. This stress testing includes a scenario in which a severe market downturn is combined with underperformance based on historical performance. The result of the stress test demonstrated that TPEN remains profitable and adequately capitalised under such a scenario.

C.3 Credit risk

C.3.1 Material credit risks and changes over reporting period

Credit risk is defined as the risk of loss resulting from counterparty default. TPEN is exposed to credit risk in the following areas:

- policyholder debtors;
- intra-group debtors; and
- cash at bank and holdings in the CT Sterling Fund.

There were no material changes over the reporting period and no material changes in measurement techniques.

C.3.2 Assessment of risk mitigation techniques used for credit risk

Exposures within the scope of the credit (counterparty default) risk module have been sub-divided between 'Type 1' and 'Type 2' exposures according to DR Article 189. For example, cash at bank (in a call account) is classified as a Type 1 exposure while policyholder debtors are classified as Type 2 exposures.

The majority of the risk calculated under the SCR arises from policyholder debtors which attract a 15% capital charge as they are all less than three months due.

Credit risk in TPEN's unit-linked pooled funds (including equity and fixed income securities and properties) is borne by policyholders. In particular, no additional credit risk capital is held where a TPEN fund accesses a third-party insurance fund via reinsurance as per PRA letter to TPEN on 21 December 2015 concluding that TPEN is not required to hold capital against reinsurer counterparty default risk on such funds. Refer to **Section C.6.2** for details on how risks relating to Fund Liquidity (including the Property Fund) are managed.

Policyholder debtors where TPEN has the right to recover any such debts from the unit-linked pooled funds are excluded from the Type 2 counterparty default calculation, on the basis that such exposures do not create counterparty exposure to policyholders for TPEN shareholders. At 31 December 2023, 17% (2022: 27%) of policyholder debtors fell into this category.

The Company monitors outstanding debtors via a long-established credit control process and escalation process for invoices exceeding 30 days in outstanding. The Group Counterparty Credit Risk team performs credit risk assessments on the counterparties in in which TPEN invests shareholders assets. The Group Counterparty Credit Risk policy sets out the requirements for reviewing the creditworthiness of counterparties including the frequency of assessment, monitoring and escalation. Credit exposures are monitored on a daily basis to ensure they remain within pre-defined limits.

Credit risk associated with outward reinsurance used to give policyholders access to funds managed by other insurers is borne by the policyholder.

No specific risk mitigation techniques are used.

There were no other material changes over the reporting period and no other changes in measurement technique.

C.3.3 Risk sensitivity for credit risk

The following credit risk sensitivities were assessed to measure the potential impact to TPEN:

- all banks where TPEN holds cash are downgraded by one credit quality step; and
- policyholder debtors increase by 20%.

The table below sets out the impact of these scenarios on TPEN's SCR and coverage ratio (Own Funds divided by SCR) at 31 December 2023:

Table 12: Credit risk - risk sensitivity

Sensitivity analysis	Change in SCR £'000	Change in SCR coverage ratio %
Exposures to banks downgraded by one credit quality step	39	(1.2)
20% increase in policyholder debtors (<3 months due)	23	(0.8)

C.4 Liquidity risk

C.4.1 Material liquidity risks and changes over reporting period

Liquidity risk is defined as the risk arising in the event TPEN is unable to meet its obligations as they fall due, either because of an inability to liquidate assets, obtain funding due or only doing so as a result of incurring unacceptable losses.

TPEN continues to hold sufficient liquid assets well in excess of minimum risk appetite levels.

Liquidity risk in relation to TPEN's pooled fund range (i.e., Fund Liquidity Risk) is described in **Section C.6.2**.

C.4.2 Assessment of and risk mitigation techniques used for liquidity risks

Any potential financial harms to TPEN or any impact to clients are mitigated through the Group Corporate Liquidity Risk Policy and Management Framework ("**Liquidity Policy**"). The Liquidity Policy documents the management framework, responsibilities, processes, and contingency arrangements of the Group and its subsidiaries, supporting the ability to meet future financial commitments as they fall due either in business-as-usual or under stress environment.

Liquidity is managed daily with cash management and monitoring of balances in place to ensure obligations are met and minimum liquidity requirements are satisfied.

Liquidity risk for TPEN is considered under the ORSA, with liquidity stress testing undertaken to understand the impact of severe but plausible stress events on TPEN's liquidity position. The results of the stress test assessment are used to calibrate the company's liquidity risk appetite and associated KRIs.

TPEN's liquidity position is discussed and reported to relevant regional risk governance committees (monthly) and TPEN Board (quarterly) to aid monitoring, oversight, and escalation (as and when required).

C.4.3 Expected profit included in future premiums

The total amount of the expected profit included in future premiums is zero.

C.4.4 Risk sensitivity for liquidity risks

Liquidity stress testing is conducted as part of the ORSA to assess the liquidity required under a range of stressed conditions. The scenarios include idiosyncratic, market-wide and combined scenarios over a range of time horizons. This testing demonstrated that TPEN maintains sufficient liquid resources to withstand severe liquidity shocks.

C.5 Operational risk

C.5.1 Material operational risks and changes over reporting period

TPEN defines operational risk (direct or indirect) as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The categories of operational risk to which TPEN is or could be exposed to are set out below:

Table 13: TPEN's operational risks

Basel category		Risk name
1	Internal Fraud	- Failure to comply with laws and regulations[1] - Outsourced Service Providers - Other Processing Errors
2	External Fraud	
3	Employment Practices and Workplace Safety	- Premises, Health & Safety - Other Processing Errors
4	Clients, Products, and Business Practices	- Marketing/Communications - Information Security and Data Protection - Outsourced Service Providers - Other Processing Errors - Failure to comply with laws and regulations[1] - Failure to comply with contractual obligations[1]
5	Damage to Physical Assets	- N/A see note below
6	Business Disruption and System failure	- IT Resilience & Business Continuity

Basel category		Risk name
7	Execution, Delivery, and Process Management	- Trade Errors - Mandate Breach - External Reporting - Change Management - Other Processing Errors

[1] 'These are categorised as 'Legal and Compliance risks' rather than 'Operational risks' but relate to the external consequences of underlying processes.

TPEN does not hold significant assets on its shareholder balance sheet therefore it is considered that there is no material risk for the Basel Category "Damage to Physical Assets".

TPEN's Risk Library is reviewed annually with the objective of aligning to the Group's risk library.

C.5.2 Assessment of risk mitigation techniques used for operational risks

TPEN's Operational Risk Policy aims to establish an effective and sustainable operational risk framework and governance practices which can be understood and adhered to by all staff. The framework is designed to manage operational risk exposures that have been agreed by the TPEN Board and the GMC.

The following elements of the Operational Risk Framework are used to assess and manage operational risks:

- a top-down assessment of operational risks facing the business;
- identifying and mapping important business activities and services to assess operational resilience;
- all Columbia Threadneedle RCSAs are reviewed annually by the First Line of Defence business units to ensure they capture key risks, and the associated control environment. Risk scoring is reassessed, and this process is overseen by the Second Line of Defence. RCSAs are also reviewed following any 'trigger events' to processes, products or operating models. All risks identified as part of the RCSA process are rated on an inherent basis (not taking account of controls), and on a residual basis, taking account of controls in place to mitigate them;
- material REVs are escalated to senior management and governance forums;
- where available, external loss data is reviewed annually to help create a forward-looking view of any potential emerging risks that are assessed during the ORSA process;
- controls are reviewed as part of investigations when loss events occur, both in relation to the event itself to ascertain if they can be strengthened but also considering whether associated processes or products could be impacted;
- operational risk workshops are held regularly with SMEs from the First and Second Lines of Defence to identify severe but plausible loss events and to discuss the frequency and severity with which these risks apply to TPEN;
- the KRIs in relation to TPEN (linked to its RCSAs) are reviewed quarterly as part of quarterly GMC and TPEN Board reporting to identify whether there are any early indicators of movement outside set risk appetite thresholds; and
- assessment of legal cover from intragroup service agreements.

All risks are reported to the GMC and the Board in the TPEN Dashboard with KRIs monitored to provide an early indication as to the status and direction of movement of the underlying risk.

Since the majority of TPEN's operational activities are delivered by Group Asset Management entities, Ameriprise Group shared services, by external providers, this is coupled with the review by the GMC and TPEN Board of the performance of the respective intra-group and outsourced service providers. The ORSA also considers that the underlying contracts provide some legal protection to TPEN in the event of a loss caused by a service provider.

The contribution from operational risk in the SCR is calculated as 25% of non-acquisition expenses incurred over the last 12 months. Policyholder borne expenses, largely relating to the Property Fund, are included in the calculation of the operational risk module. Dilapidation costs relating to individual properties within the Property Fund, which form only a modest fraction of total expenses, are excluded from the expense base to the extent that such expenses are not incurred by TPEN but are borne by tenants when tenants are contractually obliged to meet dilapidation costs.

C.5.3 Risk sensitivity for operational risks

The following operational risk sensitivities were assessed to measure the potential impact to the SCR and the solvency coverage ratio:

- policyholder-borne expenses are 20% higher; and
- policyholder-borne expenses are 20% lower.

Table 14: Operational risk - risk sensitivity

Sensitivity analysis	Change in SCR (£'000s)	Change in SCR coverage ratio %
Policyholder-borne expenses increase by 20%	936	(27.7)
Policyholder-borne expenses reduce by 20%	(936)	33.9

C.6 Other material risks

C.6.1 Concentration risk

TPEN is exposed to concentration risk arising from its key clients, outsource service providers and corporate banking provider:

- **key client** concentration is assessed by monitoring the proportion of AUM and revenue attributable to these clients. Dedicated client service teams work closely with the clients to ensure that TPEN continues to meet their needs. Stress testing scenarios are used to model the impact of the loss of key clients on the profitability, solvency coverage, and liquidity position;
- **outsource service providers** (refer to **Section B.7**) concentration to service providers. The performance of service providers is assessed by the GMC and TPEN Board on a regular basis. As part of the ORSA process, specific stress scenarios are used to model the impact of operational failures of material outsourced service providers and TPEN ensures it has sufficient capital to withstand such severe events. There were no material changes to TPEN's outsource service providers over the reporting period; and
- **corporate banking provider** is a highly rated institution. The concentration risk is mitigated as TPEN invests the majority of its excess cash in the CT Sterling Fund which is diversified over a range of highly rated counterparties. TPEN remains within its internal limit for exposure to a single counterparty.

C.6.2 Fund liquidity risk

Fund / client liquidity risk is defined as the risk of being unable to manage fund liquidity in accordance with agreed terms or objectives. This would include the inability to meet redemption requests. In a liquidity constrained environment where redemptions may exceed the ability to raise liquidity, TPEN has the option to defer redemption requests or suspend dealing in a fund to protect the interests of clients (for example, property fund suspension during 2020 and property fund redemption deferrals in 2022).

C.6.3 Other material risks

TPEN offers asset management services to its clients in the form of unit-linked insurance contracts. The nature of this service introduces the following risks to TPEN:

- **investment performance/sustained underperformance** making funds less attractive;
- **market events** resulting in a decline in AUM and a reduction in fees earned;
- **profit margin compression** due to changing market conditions;
- **talent risk** due to loss of key talent resulting in client outflows; and

- **financial risks from climate change** for the TPEN corporate entity which could result in an absolute reduction in AUM over the longer term, which will in turn reduce revenue and could eventually jeopardise its business model. The impacts to policyholders from potential impact to unit-linked assets are managed by the Group's Responsible Investments team (see **Section C.7.2**). The Chief Finance Officer (i.e., SMF2) is accountable for financial risks arising from climate change risk.

The potential impact of these risks is assessed through stress scenarios (see **Section C.7.1**) as part of the ORSA process and KRIs relating to these risks are reported to the GMC and TPEN Board.

There were no material changes to the risk profile of TPEN over the reporting period.

C.7 Any other information

C.7.1 Stress and scenario testing and sensitivity analysis

Stress tests are performed to model the impact of severe but plausible stresses on TPEN's profitability and capital position as part of the ORSA process, including:

- **stress testing** is performed to assess the impact of a range of single and multifactor stress tests (including climate change) on TPEN's three-year (20 years for climate change) financial forecast to assess impact to TPEN's profitability and capital position. TPEN was forecast to remain in a capital surplus position under the base case and across all stress scenarios. The scenarios are developed based on an assessment of TPEN's risk profile, and are informed by key business changes, emerging risks, and recent REVs and external losses;
- **liquidity stress testing** is conducted as part of the ORSA to assess the liquidity required under normal and stressed conditions; and
- **reverse stress testing** in which TPEN performs an assessment on its business plan to identify a range of adverse circumstances which could cause its business plan to become unviable.

The stress testing performed as part of the ORSA has shown that while these severe scenarios would have a material impact on profitability, TPEN would continue to maintain a capital surplus above its internal threshold and would continue to be able to service its clients.

C.7.2 Climate Change

PRA published a Supervisory Statement ("**SS3/19"**) and Policy Statement ("**PS11/19**") in April 2019 entitled "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", which sets out the regulatory expectations for firms such as TPEN. Further to these PRA's requirements along with the Dear CEO Letter (issued in July 2020) to build long term stress scenarios on climate change, TPEN has leveraged stress assumptions included in the Bank of England's Climate Biennial Exploratory Scenario ("**CBES**") (published in June 2021) as documented in TPEN's ORSA. On 21 October 2022, the PRA published another 'Dear CEO Letter' entitled "Thematic feedback on the PRA's supervision of climate-related financial risk and the Bank of England's Climate Biennial Exploratory Scenario exercise" which requires every firm in scope of SS3/19, including TPEN, to demonstrate how it is responding to PRA's expectation including measures put in place in managing the financial risks from climate change. The thematic feedback was reviewed by the TPEN Board on 28 June 2023 concluding that TPEN continues to meet the requirements in SS3/19 and PS11/19. The actions taken by TPEN and also embedded in the ordinary course of TPEN's activities were documented in the latest ORSA.

TPEN Property Fund is committed to a net zero operational carbon emissions target by 2040 and continues to be supported by fund-level frameworks providing individual targets, commitments and pathways. The TPEN Board approved revisions to the investment objective of the TPEN Property Fund formalising aims to deliver positive environmental or social outcomes. TPEN provides quarterly investor reports on the fund's financial and responsible investment performance (including energy efficiency, flood risk and water consumption, amongst others) which allow policyholders to track the progress of the Fund against its investment objectives.

Below sets out the approach used by TPEN to measure and report sustainability practices and performance data (energy and greenhouse gas emission) for the period 01 October 2022 to 31 September 2023. This has been developed to comply with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, also referred to as Streamlined Energy and Carbon Reporting ("**SECR**").

Under this legislation all quoted companies, "large" unquoted companies and LLPs are required to report their UK energy use, associated Scope 1 & 2 emissions, an intensity metric and, global energy use where applicable, along with a narrative on energy efficiency actions taken in the previous financial year. Scope 1 emissions include direct emissions from controlled gas boilers (converted from kWh usage) and Scope 2 emissions include indirect emissions from electricity purchased by TPEN and consumed within real estate assets owned by the company (converted from kWh usage).

TPEN qualifies for SECR as a low energy user, thus making it exempt from reporting emissions against the SECR framework.

The table below summarises TPEN Property Fund's relevant energy and greenhouse gas ("**GHG**") emissions for the year ending 30 September 2023. Overall energy consumption decreased by 5.8% on a like-for-like basis between October 2022 to September 2023.

Table 15: Scope 1 and 2 emissions (tCO_2e)

GHG Scope	Oct 2022 – Sep 2023		Oct 2021 – Sep 2022	
	Absolute Energy Use (kWh)	Absolute Tonnes of Carbon Dioxide equivalent (tCO_2e)	Absolute Energy Use (kWh)	Absolute Tonnes of Carbon Dioxide equivalent (tCO_2e)
Gas / Scope1	6,668,789.6	1,219.0	8,356,602.1	1,526.5
Electricity / Scope 2	11,853,684.0	2,411.1	15,305,917.1	3,034.5
Total	**18,522,473.6**	**3,630.1**	**23,662,519.2**	**4,561.0**

The table below quantifies intensity values for the year ending 30 September 2023:

Table 16: Scope 1 and 2 emissions intensity ($kgCO_2e$)

Sector (Per m^2)	Oct 2022 – Sep 2023		Oct 2021 – Sep 2022[1]	
	Energy Intensity (kWh)	Carbon Intensity ($kgCO_2e$)	Energy Intensity (kWh)	Carbon Intensity ($kgCO_2e$)
Industrial: Non-Refrigerated Warehouse	12.3	2.5	12.2	2.4
Industrial: Refrigerated Warehouse	0.4	0.1	0.4	0.1
Lodging, Leisure & Recreation: Other	6.8	1.4	6.5	1.3
Office: Business Park	26.3	5.3	31.4	6.3
Office: Corporate: Low-Rise Office	147.6	28.8	158.3	30.4
Office: Corporate: Low-Mid Office	80.0	16.1	85.7	16.9
Retail: Retail Centres: Shopping Centres	12.8	2.6	12.9	2.6
Retail: Retail Centres: Strip Mall	12.9	2.6	12.8	2.5
Retail: Retail Centres: Warehouse	3.7	0.8	3.8	0.7

[1] Oct 2021 – Sep 2022 have been restated based on reclassification of asset sectors per GRESB guidelines.

Energy Efficiency Actions

Environmental data management system and quarterly reporting

TPEN Property Fund ("the Fund") uses SIERA as its environmental data management system where energy, water, waste and greenhouse gas emission data are collected and validated for all assets where the portfolio has operational control. Following data assurance checks performed by a third-party consultant, energy and greenhouse gas emission data are reported on a quarterly basis for the portfolio's 20 highest energy consuming assets. At the fund level, a science-based target has been established. TPEN, targets a 67% energy intensity reduction and 97% carbon intensity reduction by 2040 (from a 2022 baseline). These targets are reviewed annually to monitor progress and identify opportunities for improvement.

Technical sustainability audit programme

Columbia Threadneedle Investments has completed technical sustainability audits at 30 of TPEN's largest energy consuming assets. These technical sustainability audits were a combination of physical and desk-based assessment, and identify current environmental performance, regarding energy and carbon as well as the tangible identification of opportunities for environmental and financial improvement.

Managing agent sustainability requirements

Managing agents play a crucial role in supporting Columbia Threadneedle's sustainability programme. As such, Columbia Threadneedle has developed a set of Environmental, Social and Governance ("**ESG**") key performance indicators to guide managing agents for the fund in their support of the fund's sustainability programme. These indicators include coverage of energy, water, and waste data, impact on local community, and regular tenant engagement through tenant satisfaction surveys.

Global Real Estate Sustainability Benchmark (GRESB)

GRESB is a global real estate benchmark which assess ESG performance. The fund achieved three stars in the eighth submission year (2023) and an overall score of 77/100.

GRESB is benchmarked against two dimensions:

- **management** – relating to policies and processes that set out the fund's intent for managing sustainability issues. TPEN achieved a score of 30 out of 30, which was 2 points above the peer group average (28); and
- **performance** – actions and programmes that have been initiated by the fund. TPEN scored 47 out of 70, which was 4 points above the peer group average (43).

TPEN has no further material information to disclose.

D. Valuation for Solvency Purposes

As noted in **Section 1.4,** TPEN with effect from 30 June 2023 changed the projection period used to determine its Technical Provisions from one year to ten years.

Throughout this section and the entire report, comparison of the ten-year projection period at 31 December 2023 to the one-year projection period and ten-year projection period at 31 December 2022 has been included in various tables for reference purposes. Analysis of the year-on-year movements and commentaries are on a like-for-like basis using the ten-year projection period. Where values are affected by the change in projection, year-end 2022 numbers are referred to as "2022 rebased", reflecting that the 2022 year-end numbers included in the commentary are on a ten-year projection period basis and differ to the results published in the 31 December 2022 SFCR, which used a one-year projection period.

A summarised balance sheet as at 31 December 2022 and 2023 is set out below:

Table 17: Assets and Liabilities - Solvency II valuation - as at 31 December

Solvency II valuation (QRT S.02.01.02) **(£'m)**		**2023**	**2022**	
		10yrPP	**10yrPP**	**1yrPP**
Assets	D.1.1	2,237.7	2,578.3	2,578.3
Liabilities [1]	D.2.1 and D.3.1	2,211.9	2,553.6	2,553.6
Items not recognised in the financial statements:				
Best Estimate Liability (S02.01. 01)		2.7	5.1	0.8
Risk Margin (S.02.01.01)		(1.3)	(3.3)	(0.5)
Deferred tax liability relating to Technical Provisions		(0.3)	(0.3)	(0.1)
Own Funds[2]		**26.9**	**26.1**	**24.9**

[1] At 31 December 2023, liabilities include £2.2bn of technical provisions (2022: £2.6bn) relating to TPEN's insurance business (refer to D.2.1) and the remaining £1.7m (2022: £1.6m) relate to other liabilities (refer to D.3.1)
[2] The sum may reflect rounding differences of £0.1m.

D.1 Assets

D.1.1 Solvency II valuation for each material class of asset

The following table analyses TPEN's assets at fair value per the financial statements and on a Solvency II basis.

Table 18: Assets per financial statement and on a solvency II basis - as at 31 December

Asset class £'m	**2023**		**2022**	
	Financial Statement	**Solvency II basis**	**Financial Statement**	**Solvency II basis**
Collective investment undertakings [1]	22.3	22.3	22.1	22.1
Other investments	0.0	0.0	0.0	0.0
Assets held for unit-linked contracts [2,3]	2,221.7	2,167.2	2,571.9	2,515.8
Reinsurance recoverable unit-linked [3]	42.5	43.0	36.3	36.3
Liabilities associated with unit-linked [2,3]	(54.1)	-	(56.1)	-
Receivables (trade not insurance)	2.1	2.1	2.1	2.1
Cash and cash equivalents	3.1	3.1	2.1	2.1
Total assets[4]	**2,237.7**	**2,237.7**	**2,578.3**	**2,578.3**

[1] Investment used to seed TPEN's funds is shown separately as 'Other investments' on the Solvency II balance. sheet but included as collective investment undertakings in the financial statements.
[2] Liabilities associated with unit-linked funds are shown separately in the financial statements. The net amount of assets and liabilities are shown as an asset on the Solvency II balance sheet.
[3] These three items sum to the net value of units allocated to in-force policies of £2,210.2m (2022: £2,552.1m) and match against Technical Provisions calculated as a whole of £2,210.2m (2022: £2,552.1m).
[4] The sum may reflect rounding differences of £0.1m.

A description of each asset type is set out below along with key movements in the 12 months:

Collective investment undertakings and other investments

At the reporting date TPEN held £22.3m (2022: £22.1m) in collective investment schemes, which were invested as follows:

- holdings in the CT Sterling Fund of £22.3m (2022: £22.1m) which is a Variable Net Asset Value Short Term Money Market Fund under the EU Money Market Fund Regulation ("**MMFR**") and the fund is actively managed by TAML to seek to achieve its objective to provide income and preserve the original value of the investment. Shares in assets in collective investment schemes are valued at fair value for Solvency II based on market prices of the underlying assets at the reporting date; and
- seed investments in TPEN's pooled funds of £0.03m (2022: £0.03m) are held within a variety of collective investment schemes and valued at fair value based upon the published price of the collective investment scheme.

Collective investment undertakings and other investments increased by £0.2m over the reporting period due to additional investment in the CT Sterling Fund.

Assets held for unit-linked contracts

Assets held for unit-linked contracts represent policyholder investments into TPEN's pooled fund range, and are fair valued as follows:

- **Level 1** – fair value is derived from quoted prices (unadjusted) in active market prices for identical assets or liabilities;
- **Level 2** – fair value is derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as price) or indirectly (i.e., derived from prices); and
- **Level 3** – fair value is derived from valuation techniques using inputs that include significant inputs for the asset or liability that are not based on observable market data (unobservable market inputs).

At 31 December 2023, TPEN held £0.9bn Level 1 (2022: 1.1bn), nil at Level 2 (2022: nil) and £1.4bn Level 3 (2022: £1.5bn) assets (net of associated liabilities) to cover linked liabilities. Level 3 investments comprise investment property in TPEN's Property Fund which is measured initially at cost, including related transaction costs, on the date of acquisition or the date of unconditional exchange, if earlier. After initial recognition, investment property is carried at fair value, after the deduction of unamortised lease incentives.

Assets held for unit-linked contracts (net of liabilities associated with unit-linked and including reinsurance recoverables, see below) decreased by £0.4bn largely due to net client outflows (client inflows minus client outflows) of £0.5bn offset by £0.1bn net investment return and change in other technical provisions net of reinsurance and expenses.

Valuations of UK Real Estate investments are performed on either a quarterly or monthly basis by CBRE Limited ("**CBRE**"), and on an ad-hoc basis by Jones Lang LaSalle ("**JLL**"). Both CBRE and JLL are professional, third party, independent Chartered Surveyors, at the period end in accordance with Royal Institute of Chartered Surveyors Appraisal and Valuation Standards. CBRE and JLL hold recognised and relevant professional qualifications and have relevant experience in the location and category of the investment property being valued.

CBRE calculates the gross value of each property by comparing the expected rental cash flows by an appropriate rental yield. Future cash flows are calculated based on the surveyor's expectation of rental receipts during and after the current tenancy ends, typically based on an assessment of rents charged on comparable properties. Fair value is based on active market information, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset.

The fair values by asset exposure class are set out in Table 6 of **Section A.3.1.**

Reinsurance recoverable unit-linked

Reinsurance recoverables from unit-linked contracts represents the amount that has been contracted out to other institutions under a contract of reinsurance. TPEN uses reinsurance to delegate investment management rather than for risk mitigation. The reinsurance recoverables include one fund which is managed on a passive basis in line with the 'FTSE Actuaries UK Conventional Gilts over 15 years index' benchmark. The TPEN GMC provides oversight of the performance of externally managed funds.

This fund is valued at fair value based on current market value of the underlying assets, determined by reference to quoted active market prices at the close of business on the balance sheet date. No adjustment is made to the value to allow for the potential risk of the reinsurer defaulting on its obligations. This is because any credit risk relating to the creditworthiness of reinsurers used by TPEN is deemed to be borne by the relevant policyholders such that any reduction in asset values upon default would be matched by an equal reduction in policyholder liabilities. Reinsurance share of claims provisions at 31 December 2023 was £42.5m (2022: £36.3m).

Receivables (trade not insurance)

Receivables (trade not insurance) are amounts due for services performed in the ordinary course of business, which generally have 30-day payment terms. Receivables are recognised at fair value equivalent to the invoice amount and are maintained at this value as the amount receivable for services is not subject to change after the invoice is issued. Debtors Receivables totalling £0.3m were past due as at 31 December 2023 (2022: £0.2m). No receivables were written-off as bad debts in 2023 (2022: none).

There is no active market for the receivables or similar assets that can be used to fair value the assets. It is considered that the present value of the expected cash flows, allowing for anticipated bad debts, is materially the same as measuring the receivables at amortised cost using the effective interest rate method, less any impairment. As a result, there is no difference between IFRS and Solvency II measurement.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank overdrafts, over-night call accounts and other short term highly liquid investments that are readily convertible on demand to known amounts of cash with an insignificant change in their fair values. Such investments are those with less than three months' maturity from the date of acquisition. As at 31 December 2023 deposits at call with banks amounted to £3.1m (2022: £2.1m) which included cash held overnight with UK banks.

D.1.2 Solvency II and IFRS valuation differences by material class of asset

There are no differences between the valuation of assets under Solvency II and the valuation in the financial statements which are produced under IFRS. There have been no changes to the valuation and recognition approach during the year.

TPEN has made no adjustments to reinsurance recoverables in its financial statements in recording the reinsurance share of claims provisions for solvency purposes.

D.2 Technical Provisions

D.2.1 Technical Provisions by material line of business

A material change has been made to the methodology used to calculate the Technical Provisions, whereby the historical practice of using a short, one-year projection has been replaced by a long, ten-year projection.

This change currently reduces TPEN's Technical Provisions and increases its Own Funds. However, it also increases TPEN's SCR leading to a fall in solvency cover (Own Funds divided by the SCR).

The historical approach reflects TPEN's contractual right to terminate all contracts and close out risk, subject to giving policyholders three-months' notice but recognising that a practical wind-down of the business may take longer.

The historical approach was considered a proportionate simplification that required disclosure, (see **Section D.2.4** of the SFCR as at 31 December 2022) and an assessment, at least annually, of the continued suitability of the approach.

The ongoing suitability assessment had become onerous compared to the benefit of maintaining the short projection period approach, such that the TPEN Board, upon the advice of the Chief Actuary, has agreed that a long-term projection should be used to determine TPEN's Technical Provisions.

The projection period is limited to ten years as a ten-year period is expected to capture all material risks associated with the in-force business, noting that TPEN still retains the contractual right to unilaterally terminate all policies upon giving policyholders three months' notice.

The change from a one-year projection ("**1yrPP**") to a ten-year projection ("**10yrPP**") has a material impact on certain elements of the Technical Provisions, the Best Estimate Liability and Risk Margin which is discussed further below. There is a corresponding impact on certain elements of TPEN's SCR (refer to **Section E**).

Technical Provisions relating to unit-linked contracts were £2,208.9m at 31 December 2023 (2022 rebased: £2,550.3m) as set out below:

Table 19: Technical Provisions at 31 December

Technical Provisions (£'m)	2023	2022	
	10yrPP	10yrPP	1yrPP
Technical Provisions calculated as a whole[1]	2,210.2	2,552.1	2,552.1
Items not recognised in the financial statements:			
Best Estimate Liability (negative provision)	(2.7)	(5.1)	(0.8)
Risk Margin	1.3	3.3	0.5
Technical Provisions per Solvency II[2]	**2,208.9**	**2,550.3**	**2,551.7**

1. Reported in TPEN's financial statements and on QRT S.02.01.02 as "Technical Provisions – index-linked and unit-linked, TP calculated as a whole".

2 The sum may reflect rounding differences of £0.1m

Technical Provisions calculated as a whole

For liabilities that can be replicated reliably using financial instruments for which a reliable market value is observable (for example, TPEN's unit-linked liabilities, because they exactly match the unit-linked assets), the market value of replicating financial instruments is used.

The Technical Provisions calculated as a whole are equal to and fully covered by the sum of assets held to cover linked liabilities, liabilities associated with linked liabilities and the reinsurers' share of technical provisions as shown in the financial statements. The Technical Provisions calculated as a whole are equal to the Technical Provisions for linked liabilities (before deduction of the reinsurers' share) shown in the financial statements.

The reinsurers' share of technical provisions is the reinsurance recoverable calculated as described in **Section D.1.1**.

Technical Provisions (before deduction of the reinsurers' share) per financial statements decreased by £0.3bn (2022: £1.3bn) in line with the decrease in the value of unit-linked assets (refer to **Section A.3**).

Best Estimate Liability (negative provision)

For liabilities that cannot be replicated in the manner set out above within this section, a best estimate of the provision (i.e., Best Estimate Liability or "**BEL**") is calculated as well as a Risk Margin in accordance with Solvency II requirements.

The BEL has been calculated as the present value of expected future cashflows (fee income and expenses) arising from the in-force business, discounted using the "risk-free" yield curve (term dependent rates) specified by the PRA. The BEL is an asset due to the profitable nature of contracts.

The key assumptions are set out below:

- **projection period** over which the best estimate is accrued is switched from one year to ten years following TPEN Board's approval in June 2023 as discussed above;
- **lapse rates** on existing policies are 14.3% (2022:10.7%) per annum taking account of past experience; and
- **expenses** continue to be primarily subject to the Group transfer pricing policy. This policy provides some protection to TPEN's profit in that if revenue were to decrease, so too would expenses.

Economic assumptions used at 31 December 2023 reflect the economic environment at that date, with "risk free" interest rates significantly higher and short-term inflation lower than at the previous year-end.

The BEL has decreased, compared to the rebased amount at 31 December 2022, to £2.7m at 31 December 2023 (2022 rebased: £5.1m), primarily due to lower expected profitability as a result of lower AUM and the increase in the assumed lapse rate.

Risk Margin

The Risk Margin is determined as the cost of providing additional Own Funds to support the future SCR requirements under a hypothetical transfer of the insurance liabilities to a third party. The Risk Margin is derived by using the elements of the SCR not deemed hedgeable (that is, elements other than bank counterparty and market risk exposures). Relevant elements of the SCR are projected forward over the ten-year projection period, and the Risk Margin is determined by applying the formula set out in DR 2015/35 Article 39. The formula multiplies the projected SCR amounts by a tapering factor (multiplier) which starts at 1 and reduces to give less weight to the SCR amounts projected in future years of the projection. The taper-adjusted SCRs are then multiplied by a specified cost of capital rate (4%) and the resulting amounts discounted to the valuation date using the risk-free rates and added to give the Risk Margin.

The Risk Margin has reduced, compared to the rebased amount at 31 December 2022, to £1.3m (2022 rebased: £3.3m) primarily due to a change in the legislation, effective from 31 December 2023 which reduced the cost of capital used in the computation from 6% to 4% and introduced a tapering factor referred to above. The fall in RM is further impacted by the reduction in the SCR.

D.2.2 Uncertainty associated with the value of Technical Provisions

A source of uncertainty is how actual experience will differ from the best estimate assumptions used to calculate Technical Provisions. A range of sensitivity analyses are performed in accordance with DR Article 272(1)(b) to ensure TPEN understands this uncertainty including increases and decreases in AUM, and increases in policyholder expenses, other expenses and lapse rates.

Estimates, assumptions and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although the BEL 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 linked liabilities.

Consequently, if different plausible assumptions were to be used, the technical provisions in aggregate would not be materially different.

D.2.3 Solvency II and IFRS valuation differences of Technical Provisions by material line of business

At 31 December 2023, the IFRS valuation of unit-linked liabilities is £2,210.2m (2022: £2,552.1m) and the valuation for solvency purposes is £2,208.9m (2022 rebased: 2,550.3m). The Solvency II valuation includes the BEL and Risk Margin as required under Solvency II. Material changes to the valuation and recognition approach during the year include the change from 1yrPP to 10yrPP in the calculation of the BEL element of the Technical Provisions as described in **Section D.2.1** and the change in legislation reducing the cost of capital and introducing a tapering factor in the computation of the RM (refer to **Section D.2.1**).

D.2.4 Other

TPEN does not apply or make use of the following:

- matching adjustment referred to in Article 77b of Directive 2009/138/EC;
- volatility adjustment referred to in Article 77d of Directive 2009/138/EC;
- transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC; or

- transitional deduction / Transitional Measure on Technical Provisions ("**TMTP**") referred to in Article 308d of Directive 2009/138/EC.

D.3 Other Liabilities

D.3.1 Solvency II valuation for each material class of other liabilities

Total other liabilities increased by £0.4m in the 12 months to 31 December 2023, largely due to the impact of the change in standard rate of Corporation Tax in the UK from 19% in 2022 to 25%, effective April 2023, with a blended rate of 23.5% used in 2023 on tax liabilities.

The table sets out a summary of other liabilities:

Table 20: Other liabilities at 31 December

Other Liabilities[1]	2023 £'m	2022 £'m
Deferred tax liability	0.3	0.1
Payables (trade not insurance)	0.9	0.7
Any other liabilities not shown elsewhere	0.8	0.8
Total other liabilities	**2.0**	**1.6**

[1] As reported in QRT S.02.01.02.

A description of each of these other liabilities are set out below:

Deferred tax liability

At 31 December 2023 the deferred tax liability reflects deferred tax relating to Technical Provisions (See **Table 23**). This has been calculated by multiplying the negative BEL less the Risk Margin by an assumed tax rate of 25% (2022: 19%) and is not included in the financial statements.

Payables (trade not insurance)

Payables include the following:

- **amounts due to Group undertakings** relating to investment management services and distribution services supplied by other Group companies in line with the Group transfer pricing framework. These services are invoiced and settled quarterly; and
- **fees to the transfer agent** which are paid quarterly after a receipt of a valid invoice that reconciles to the rate card per the service level agreement.

No payables were past due during the year 2023 (2022: none).

Any other liabilities not shown elsewhere

Any other liabilities include custody and sub-advisor fees and corporation tax payables recognised on an accrual's basis.

D.3.2 Solvency II and IFRS valuation differences by material class of other liabilities

There are no material differences between the valuation of other liabilities for solvency purposes and the valuation in the financial statements. The only difference is that the Solvency II other liabilities include a minor deferred tax liability relating to the Solvency II Technical Provisions (as described in **Section D.3.1**).

D.4 Alternative methods for valuation

Refer to **Section D.1.1** for details of valuation methods for TPEN's assets. No other alternative valuation techniques are used.

D.5 Any other information

TPEN has no further material information to disclose.

E. Capital management

E.1 Own Funds

E.1.1 Objective, policies and process for managing own funds

TPEN's policy is that sufficient Own Funds will be maintained to meet regulatory requirements with adequate surplus in line with operating and strategic objectives. TPEN holds regular board meetings at least quarterly in which it reviews regulatory capital requirements compared to Own Funds.

As part of the ORSA process, a three-year (20 years for climate change) plan is prepared which assists in capital planning.

None of TPEN's Own Funds are subject to transitional arrangements and TPEN has no ancillary Own Funds. No deductions are applied to Own Funds and there are no material restrictions affecting their availability and transferability.

E.1.2 Own funds classified by tiers

Own Funds can be classified as Tier 1, Tier 2 or Tier 3 depending on the loss absorbing characteristics of the capital. Tier 1 capital is the best form of capital for the purposes of absorbing losses. TPEN's Own Funds are deemed to have loss absorbing characteristics allowing them to be treated as Tier 1 capital and hence contribute to Own Funds available to meet the SCR and MCR.

Own Funds increased by 3.1% following incorporation of retained profits of £1.2m and a decrease in the Risk Margin £2.0m offset by a decrease in BEL by £2.4m, with 31 December 2022 values rebased to 10yrPP.

Table 21: Own Funds classified by tiers at 31 December

Own funds[1] (£'m)	Tier	2023 10yrPP	2022		YoY % 10yrPP
			10yrPP	1yrPP	
Share capital	1	11.3	11.3	11.3	0.0%
Reconciliation reserve	1	15.6	14.8	13.6	5.4%
Own Funds under Solvency II		**26.9**	**26.1**	**24.9**	**3.1%**

[1] As reported in QRT S.23.01.01.

As shown in the table below, the reconciliation reserve comprises retained earnings and reconciliation adjustments from the IFRS balance sheet to the Solvency II balance sheet. Changes in the reconciliation reserve and therefore Own Funds could arise from changes in the profitability of TPEN, any dividends paid by TPEN to its parent, Solvency II adjustments of BEL and Risk Margin.

The share capital and reconciliation reserve are available for distribution subject to meeting SCR and capital surplus requirements, are not subordinated in any way, and have no restricted duration.

The reconciliation reserve is calculated as follows:

Table 22: Reconciliation reserve at 31 December

Reconciliation reserve (£'m)	2023 10yrPP	2022	
		10yrPP	1yrPP
Retained earnings in the financial statements	14.6	13.4	13.4
Items not recognised in the financial statements:			
Best Estimate Liability (S.02.01.01)	2.7	5.1	0.8
Risk Margin (S.02.01.01)	(1.3)	(3.3)	(0.5)
Deferred tax liability relating to Technical Provisions	(0.3)	(0.3)	(0.1)
Reconciliation reserve[1]	**15.6**	**14.8**	**13.6**

[1] The sum may reflect rounding differences of £0.1m

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, by tier

All TPEN's Own Funds are Tier 1 and are therefore eligible to be used for meeting the SCR.

E.1.4 Eligible amount of basic own funds to cover the Minimum Capital Requirement, by tier

All TPEN's Own Funds are Tier 1 and are therefore eligible to be used for meeting the MCR.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II Own funds

The following table reconciles the differences (reconciliation reserve) between the equity in the financial statements and the excess of the assets over liabilities as calculated for solvency purposes (Solvency II - Basic Own Funds).

Table 23: Solvency II - Basic Own Funds at 31 December

Own Funds (£'m)	2023 10yrPP	2022 10yrPP	2022 1yrPP
Total equity in financial statements	25.9	24.7	24.7
Items not recognised in the financial statements:			
Best Estimate Liability (S02.01. 01)	2.7	5.1	0.8
Risk Margin (S.02.01.01)	(1.3)	(3.3)	(0.5)
Deferred tax liability relating to Technical Provisions	(0.3)	(0.3)	(0.1)
Own Funds under Solvency II[1]	**26.9**	**26.1**	**24.9**

[1] The sum may reflect rounding differences of £0.1m.

Movements in components of Own Funds under Solvency II are described in **Section E.1.2**.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The amount of TPEN's SCR and MCR at the end of the reporting period are £9.3m (2022 rebased: £11.1m) and £4.2m (2022 rebased: £5.0m) respectively. The Solvency Coverage Ratio was 290% at 31 December 2023 (2022 rebased: 235%).

E.2.2 Solvency Capital Requirement split by risk modules

The table below sets out the components of the SCR (using the standard formula):

Table 24: Solvency Capital requirement split by risk modules at 31 December

Solvency Capital Requirement (£'m)	2023 10yrPP	2022 10yrPP	2022 1yrPP
Market risk	1.7	2.2	0.5
Credit (Counterparty default) risk	0.3	0.3	0.3
Insurance (Life underwriting) risk	1.8	2.7	0.4
Diversification benefit	(0.9)	(1.2)	(0.3)
Basic Solvency Capital Requirement	**2.9**	**4.0**	**0.9**
Operational risk (S.25.01.21)	7.1	7.9	7.9
Loss absorbing capacity of deferred taxes	(0.7)	(0.7)	(0.5)
Solvency Capital Requirement (SCR) [1]	**9.3**	**11.1**	**8.2**

Note: As reported in QRT S.25.01.21.
[1]The sum may reflect rounding differences of £0.1m

The methodology for the calculation of individual components of the SCR are described in **Section C**.

The largest single contributor to the decrease in the SCR, compared to the rebased amount at 31 December 2022, is the £0.8m decrease in the operational risk capital requirement due to a net decrease in the trailing 12 months' expenses that are included in the calculation of the operational risk capital requirement. The operational risk capital requirement is unaffected by the change in projection period.

The counterparty default risk SCR is also unaffected by the change in projection period and is a similar level to the previous year, reflecting similar exposure in aggregate.

The market risk capital requirement decreased to £1.7m at 31 December 2023, compared to the rebased amount at 31 December 2022, (2022 rebased: £2.2m). Although there is a small contribution to the market risk SCR from the potential loss of shareholder assets under stress, the market risk SCR primarily reflects the loss of income to TPEN should unit-linked asset values fall. The market risk stresses affecting unit-linked assets are, in general, applied as a percentage fall in AUM and, broadly speaking, the SCR elements reflect a percentage fall in TPEN's projected future income. At 31 December 2023, AUM was lower than at the previous year-end and the best estimate lapse assumption was higher. Both factors reduce TPEN's projected income, which can be seen by the reduction in the BEL over the period. The lower projected income results in lower market risk capital requirements as a similar percentage stress applied to a lower amount of income results in a lower monetary value of the income lost under stress, and it is the income lost under stress that contributes to the capital requirement. The largest impacts are seen under the property risk and equity risk sub-modules, reflecting the predominance of these asset classes in the unit-linked funds.

The capital requirement for insurance risk decreased to £1.8m at 31 December 2023, compared to the rebased amount at 31 December 2022, (2022 rebased: £2.7m). The mass lapse stress is applied in a similar way to the market stresses in that it effectively results in percentage loss of future income. Similar to the market risk SCR, the mass lapse risk SCR falls as the same stress applied to a lower future income stream results in a lower monetary value of income lost under the stress. The impact of the fall in the lapse risk SCR is offset to a small extent from an increase in the expense risk SCR, primarily reflecting a slightly higher aggregate level of expected expenses at 31 December 2023 compared to the previous year-end.

LACDT at 31 December 2023 is broadly stable at £0.7m. The LACDT assumes that, on incurring a loss equal to the SCR excluding the LACDT, TPEN could recover Corporation Tax paid or payable in respect of the year to the valuation date and that the deferred tax liability relating to Technical Provisions could be reversed. The LACDT at 31 December 2023 comprises £0.4m from the recovery of tax payable in respect of the year to 31 December 2023, and £0.3m from the anticipated reduction in the deferred tax liability relating to Technical Provisions (described in **Section D.3.1**).

E.2.3 Simplified calculations and Company specific parameters

TPEN uses the Solvency II standard formula to calculate its SCR, where:

- No simplifications per the Solvency II Delegated Regulation Articles 89 to 112 have been used. Where it proved impractical to capture a full look-through of some unitised funds held within some of TPEN's portfolios, these funds were treated as Type 2 Equities, per Delegated Regulation Article 168(3);
- No undertaking-specific parameters have been used; and
- TPEN was not subject to a capital add-on or any required use of undertaking-specific parameters by the PRA that might need to be disclosed in the SFCR under Article 110 of Directive 2009/138/EC.

E.2.4 Inputs used to calculate the Minimum Capital Requirement

TPEN is required by Solvency II Article 129 to maintain an amount of eligible basic own funds, the MCR. The MCR is calculated as the maximum of €4.0m which is converted to GBP using exchange rates prescribed in the Solvency II regulations (at 31 December 2023, this rate was £0.87366 as published in the Official Journal 31/10/2023 and the prior year was £0.86115), and the linear MCR derived from a proportion of Technical Provisions and a proportion of the SCR, with the linear MCR subject to upper and lower bounds of 25% to 45% of the SCR.

At the reporting date, the upper bound (i.e., 'MCR cap' as shown in the table below) was applied and the MCR of £4.2m (2022 rebased: £5.0m) was 45% of the SCR.

Table 25: Minimum Capital Requirement at 31 December

Minimum Capital Requirement	2023	2022	
	10yrPP	10yrPP	1yrPP
Linear MCR (Technical Provisions (excl. reinsurance and risk margin) x 0.007)	15.2	17.6	17.6
SCR	9.3	11.1	8.2
MCR cap	4.2	5.0	3.7
MCR floor	2.3	2.8	2.1
Combined MCR	4.2	5.0	3.7

Absolute floor of the MCR (GBP equivalent of €4.0 from Dec-22 onwards)	3.5	3.4	3.4
MCR	**4.2**	**5.0**	**3.7**

Note: As reported in QRT S.28.01.01.

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

TPEN did not use the duration-based equity risk sub-module when calculating its SCR.

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

TPEN applies the standard formula model and does not use an internal model to calculate the SCR.

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

There was no breach of the SCR or the MCR over the reporting period.

E.6 Any other information

TPEN has no further material information to disclose.

F. Validations

F.1 Directors' confirmation

Threadneedle Pensions Limited

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2023

We certify that:

The Solvency and Financial Condition Report ("**SFCR**") has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations; and

We are satisfied that:

a. Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the insurer; and

b. It is reasonable to believe that, at the date of the publication of the SFCR, the insurer has continued to comply, and will continue to comply in future.

Threadneedle Pensions Limited Board of Directors

02 April 2024

Glossary

The following abbreviations and acronyms have been included in this report:

AIFMD	Alternative Investment Fund Managers Directive
ARC	Audit and Risk Committee
AUM	Assets Under Management
BEL	Best Estimate Liability
bn	Billion
CBRE	CBRE Limited
CTI	Columbia Threadneedle Investments Group of companies
CT Sterling Fund	CT Sterling Short-Term Money Market Fund
DB	Defined Benefit
DC	Defined Contribution
DR	Solvency II Delegated Regulation (DR 2015/35)
EMEA	Europe Middle East and Africa
EMEA BMC	EMEA Business Management Committee
EMEA FORC	EMEA Finance and Operational Risk Committee
ERM	Enterprise Risk Management
FCA	Financial Conduct Authority
FPDC	Fund Pricing and Dealing Committee
FIT	FCA's Fit and Proper test
GMC	General Management Committee of TPEN
GRESB	Global Real Estate Sustainability Benchmark
IFRS	International Financial Reporting Standards
IFPR	Investment Firms Prudential Regime
JLL	Jones Lang LaSalle
LACDT	Loss Absorbing Capacity of Deferred Taxes
KRI	Key Risk Indicators
m	Million
MCR	Minimum Capital Requirement
MiFID	Markets in Financial Instruments Directive
MMFR	EU Money Market Fund Regulation
ORSA	Own Risk and Solvency Assessment
PPP	Prudent Person Principle
PR	Prescribed Responsibility
PRA	Prudential Regulation Authority
PS	Policy Statement
QRT	Solvency II Quantitative Reporting Template
RCSA	Risk and Control Self-Assessment
REV	Internal Risk Events
SCR	Solvency Capital Requirement
SECR	Streamlined Energy and Carbon Reporting
SFCR	Solvency and Financial Condition Report
SMCR	Senior Managers & Certification Regime
SME	Subject Matter Expert
SMF	Senior Management Function
SRD	Shareholder Rights Directive
TAMHL	Threadneedle Asset Management Holdings Limited
TAML	Threadneedle Asset Management Limited
TAMUKIHL	Threadneedle Asset Management UK International Holdings Limited
TMTP	Transitional Measure on Technical Provisions
TPEN	Threadneedle Pensions Limited
TPEN Board	Board of Directors of TPEN
UCITS	Undertakings for Collective Investment in Transferable Securities

Quantitative Reporting Templates

Quantitative Reporting Templates ("**QRTs**") are reported in GBP thousands while the tables in the Summary (Section 1), and Sections A – E of this document are reported in GBP million.

QRTs subject to external audit are S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.0 (Refer to Section F.2 for further information).

The following QRTs are included in the SFCR:

- S.02.01.02 - Balance sheet
- S.05.01.02 - Premiums, claims and expenses by line of business
- S.05.02.01 - Premiums, claims and expenses
- S.12.01.02 - Life and Health SLT Technical Provisions
- S.23.01.01 - Own Funds
- S.25.01.21 - Solvency Capital Requirement - for undertakings on standard formula
- S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02 - Balance sheet – assets (GBP thousands) – (1 of 2)

		Solvency II value
Assets		**C0010**
Intangible assets	**R0030**	
Deferred tax assets	**R0040**	
Pension benefit surplus	**R0050**	
Property, plant & equipment held for own use	**R0060**	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	22,297
Property (other than for own use)	**R0080**	
Holdings in related undertakings, including participations	**R0090**	
Equities	**R0100**	
Equities - listed	**R0110**	
Equities - unlisted	**R0120**	
Bonds	**R0130**	
Government Bonds	**R0140**	
Corporate Bonds	**R0150**	
Structured notes	**R0160**	
Collateralised securities	**R0170**	
Collective Investments Undertakings	**R0180**	22,265
Derivatives	**R0190**	
Deposits other than cash equivalents	**R0200**	
Other investments	**R0210**	32
Assets held for index-linked and unit-linked contracts	**R0220**	2,167,208
Loans and mortgages	**R0230**	
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	
Reinsurance recoverables from:	**R0270**	42,973
Non-life and health similar to non-life	**R0280**	
Non-life excluding health	**R0290**	
Health similar to non-life	**R0300**	
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	
Health similar to life	**R0320**	
Life excluding health and index-linked and unit-linked	**R0330**	
Life index-linked and unit-linked	**R0340**	42,973
Deposits to cedants	**R0350**	
Insurance and intermediaries receivables	**R0360**	
Reinsurance receivables	**R0370**	
Receivables (trade, not insurance)	**R0380**	2,137
Own shares (held directly)	**R0390**	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	
Cash and cash equivalents	**R0410**	3,129
Any other assets, not elsewhere shown	**R0420**	
Total assets	**R0500**	2,237,744

S.02.01.02 - Balance sheet – liabilities (GBP thousands) - (2 of 2)

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
TP calculated as a whole	**R0530**	
Best Estimate	**R0540**	
Risk margin	**R0550**	
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	**R0570**	
Best Estimate	**R0580**	
Risk margin	**R0590**	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	-
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	**R0620**	
Best Estimate	**R0630**	
Risk margin	**R0640**	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	-
TP calculated as a whole	**R0660**	
Best Estimate	**R0670**	-
Risk margin	**R0680**	-
Technical provisions – index-linked and unit-linked	**R0690**	2,208,854
TP calculated as a whole	**R0700**	2,210,181
Best Estimate	**R0710**	- 2,668
Risk margin	**R0720**	1,341
Contingent liabilities	**R0740**	
Provisions other than technical provisions	**R0750**	
Pension benefit obligations	**R0760**	
Deposits from reinsurers	**R0770**	
Deferred tax liabilities	**R0780**	332
Derivatives	**R0790**	
Debts owed to credit institutions	**R0800**	
Financial liabilities other than debts owed to credit institutions	**R0810**	
Insurance & intermediaries payables	**R0820**	
Reinsurance payables	**R0830**	
Payables (trade, not insurance)	**R0840**	883
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	**R0860**	
Subordinated liabilities in BOF	**R0870**	
Any other liabilities, not elsewhere shown	**R0880**	819
Total liabilities	**R0900**	2,210,888
Excess of assets over liabilities	**R1000**	26,856

S.05.01.02 - Premiums, claims and expenses by line of business (GBP thousands) – (1 of 3)

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross - Direct Business	**R0110**									
Gross - Proportional reinsurance accepted	**R0120**									
Gross - Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**									
Net	**R0200**									
Premiums earned										
Gross - Direct Business	**R0210**									
Gross - Proportional reinsurance accepted	**R0220**									
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**									
Net	**R0300**									
Claims incurred										
Gross - Direct Business	**R0310**									
Gross - Proportional reinsurance accepted	**R0320**									
Gross - Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**									
Net	**R0400**									
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**									
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers 'share	**R0440**									
Net	**R0500**									
Expenses incurred	**R0550**									
Other expenses	**R1200**									
Total expenses	**R1300**									

S.05.01.02 - Premiums, claims and expenses by line of business (GBP thousands) – (2 of 3)

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**								
Gross - Proportional reinsurance accepted	**R0120**								
Gross - Non-proportional reinsurance accepted	**R0130**								
Reinsurers' share	**R0140**								
Net	**R0200**								
Premiums earned									
Gross - Direct Business	**R0210**								
Gross - Proportional reinsurance accepted	**R0220**								
Gross - Non-proportional reinsurance accepted	**R0230**								
Reinsurers' share	**R0240**								
Net	**R0300**								
Claims incurred									
Gross - Direct Business	**R0310**								
Gross - Proportional reinsurance accepted	**R0320**								
Gross - Non-proportional reinsurance accepted	**R0330**								
Reinsurers' share	**R0340**								
Net	**R0400**								
Changes in other technical provisions									
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**								
Gross - Non- proportional reinsurance accepted	**R0430**								
Reinsurers' share	**R0440**								
Net	**R0500**								
Expenses incurred	**R0550**								
Other expenses	**R1200**								
Total expenses	**R1300**								

S.05.01.02 - Premiums, claims and expenses by line of business (GBP thousands) – (3 of 3)

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**			156,807						156,807
Reinsurers' share	**R1420**			5,253						5,253
Net	**R1500**			151,554						151,554
Premiums earned										
Gross	**R1510**			156,807						156,807
Reinsurers' share	**R1520**			5,253						5,253
Net	**R1600**			151,554						151,554
Claims incurred										
Gross	**R1610**			624,562						624,562
Reinsurers' share	**R1620**			96						96
Net	**R1700**			624,466						624,466
Changes in other Technical Provisions										
Gross	**R1710**			-102,483						-102,483
Reinsurers' share	**R1720**			-6,717						-6,717
Net	**R1800**			-95,766						-95,766
Expenses incurred	**R1900**			56,205						56,205
Other expenses	**R2500**									0
Total expenses	**R2600**									56,205

S.05.02.01 - Premiums, claims and expenses – by country (GBP thousands) – (1 of 2)

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations					Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	R0010							
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
Premiums written								
Gross - Direct Business	R0110							
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140							
Net	R0200							
Premiums earned								
Gross - Direct Business	R0210							
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240							
Net	R0300							
Claims incurred								
Gross - Direct Business	R0310							
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340							
Net	R0400							
Changes in other technical provisions								
Gross - Direct Business	R0410							
Gross - Proportional reinsurance accepted	R0420							
Gross - Non- proportional reinsurance accepted	R0430							
Reinsurers' share	R0440							
Net	R0500							
Expenses incurred	R0550							
Other expenses	R1200							
Total expenses	R1300							

S.05.02.01 - Premiums, claims and expenses – by country (GBP thousands) – (2 of 2)

		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R1400							
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	156,807						156,807
Reinsurers' share	R1420	5,253						5,253
Net	R1500	151,554						151,554
Premiums earned								
Gross	R1510	156,807						156,807
Reinsurers' share	R1520	5,253						5,253
Net	R1600	151,554						151,554
Claims incurred								
Gross	R1610	624,562						624,562
Reinsurers' share	R1620	96						96
Net	R1700	624,466						624,466
Changes in other Technical Provisions								
Gross	R1710	-102,483						-102,483
Reinsurers' share	R1720	-6,717						-6,717
Net	R1800	-95,766						-95,766
Expenses incurred	R1900	56,205						56,205
Other expenses	R2500							-
Total expenses	R2600							56,205

S.12.01.02 – Life and Health SLT Technical Provisions (GBP thousands) – (1 of 2)

			Index-linked and unit-linked insurance			Other life insurance				
		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, incl. Unit-Linked)**
		C0020	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0150**
Technical provisions calculated as a whole	**R0010**		1,434,483							775,698	2,210,181
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**		42,973								42,973
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	**R0030**				-1,731					-937	-2,668
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**										
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**				-1,731					-937	-2,668
Risk Margin	**R0100**		870							471	1,341
Amount of the transitional on Technical Provisions											
Technical Provisions calculated as a whole	**R0110**										
Best estimate	**R0120**										
Risk margin	**R0130**										
Technical provisions - total	**R0200**		1,433,622							775,232	2,208,854

S.12.01.02 – Life and Health SLT Technical Provisions (GBP thousands) – (2 of 2)

		Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	**Total (Health similar to life insurance)**
			Contracts without options and guarantees	Contracts with options or guarantees			
		C0160	**C0170**	**C0180**	**C0190**	**C0200**	**C0210**
Technical provisions calculated as a whole	**R0010**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**						
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	**R0030**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	**R0090**						
Risk Margin	**R0100**						
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0110**						
Best estimate	**R0120**						
Risk margin	**R0130**						
Technical provisions - total	**R0200**						

S.23.01.01 - Own Funds (GBP thousands) – (1 of 2)

		Total	Tier 1 – un-restricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	11,300	11,300			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	15,556	15,556			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
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						
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					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	R0290	26,856	26,856			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	26,856	26,856			
Total available own funds to meet the MCR	R0510	26,856	26,856			
Total eligible own funds to meet the SCR	R0540	26,856	26,856			
Total eligible own funds to meet the MCR	R0550	26,856	26,856			
SCR	R0580	9,258				
MCR	R0600	4,166				
Ratio of Eligible own funds to SCR	R0620	290.08%				
Ratio of Eligible own funds to MCR	R0640	644.63%				

S.23.01.01 - Own Funds (GBP thousands) – (2 of 2)

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	26,856	
Own shares (held directly and indirectly)	**R0710**		
Foreseeable dividends, distributions and charges	**R0720**		
Other basic own fund items	**R0730**	11,300	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		
Reconciliation reserve	**R0760**	15,556	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	**R0770**		
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**		
Total Expected profits included in future premiums (EPIFP)	**R0790**		

S.25.01.21 - Solvency Capital Requirement - for undertakings on standard formula (GBP thousands) – (1 of 2)

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	R0010	1,731		
Counterparty default risk	R0020	331		
Life underwriting risk	R0030	1,751		
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	-938		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	R0100	2,875		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	7,085
Loss-absorbing capacity of Technical Provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-702
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	9,258
Capital add-on already set	R0210	
Solvency capital requirement	R0220	9,258
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirement for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF SCR aggregation for article 304	R0440	

S.25.01.21 - Solvency Capital Requirement - for undertakings on standard formula (GBP thousands) – (2 of 2)

Approach to tax rate		**C0109**
Approach based on average tax rate		**No**

Calculation of loss absorbing capacity of deferred taxes		**LACDT**
		C0130
LACDT	**R0640**	-702
LACDT justified by reversion of deferred tax liabilities	**R0650**	-332
LACDT justified by reference to probable future taxable economic profit	**R0660**	
LACDT justified by carry back, current year	**R0670**	-370
LACDT justified by carry back, future years	**R0680**	
Maximum LACDT	**R0690**	-2,340

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (GBP thousands) – (1 of 2)

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCR_{NL} Result	R0010	

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

S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity (GBP thousands) – (2 of 2)

Linear formula component for life insurance and reinsurance obligations

		C0040
MCR_L Result	R0200	15,152

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	2,164,540	
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

Overall MCR calculation

		C0070
Linear MCR	R0300	15,152
SCR	R0310	9,258
MCR cap	R0320	4,166
MCR floor	R0330	2,315
Combined MCR	R0340	4,166
Absolute floor of the MCR	R0350	3,495
-	-	**C0070**
Minimum Capital Requirement	R0400	4,166