

Solvency and Financial Condition Report 2023

Standard Life International DAC,
part of the Phoenix Group
For the year ended 31 December 2023

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Directors' responsibility statement

Introduction and background

About us

At Standard Life International we can trace our origins back 190 years, and today help over 500k customers across Ireland, Germany, the UK and Austria manage their financial futures. We are now one of Ireland's leading pension and investment providers, with a head office in Dublin backed by the strength and reach of Phoenix Group.

Our purpose and vision

Standard Life International dac's (SLIDAC's or the Company's) purpose is to help people secure a life of possibilities. It will do this through serving customers and advisors across their economic life-cycle as they save for, transition to and maximize income in their retirement.

SLIDAC operates across three core markets:

Ireland: The Company provides a range of products including savings, investments, pensions and individual annuities domestically. This part of the business represents approximately €7.7bn Assets under Administration ('AuA'); We work in partnership with financial advisers all over Ireland, helping them support their clients' financial goals. Whether that's pension and retirement planning or looking into investment opportunities, we offer a range of products to meet a wide variety of needs.

Germany and Austria: The business operates through a branch, established under Freedom of Establishment ('FoE') in Germany. Business in Austria is written on a Freedom of Services ('FoS') basis through the German Branch. The business has circa €13.3bn AuA (mostly long-term deferred annuity savings products), around 90% of this is with-profits business. All the German with-profits business is reinsured.

UK: SLIDAC also sells unit-linked, open architecture products into the UK. Since Brexit, SLIDAC remained in the Temporary Permissions Regime ('TPR') until it ended on 31 December 2023 and adhered to the UK conduct of business rules for UK policyholders. From January 2024, SLIDAC will use certain existing permissions to sell new business to customers habitually resident in the UK, Channel Islands and Isle of Man, with financial promotions approved by Phoenix Group Management Services (PGMS) as an "authorised person". This business is targeted at higher net worth individuals and is predominantly wealth management and estate planning-focused in nature. This part of the business represents AuA of approximately €10.1bn.

As part of Phoenix Group we enjoy a powerful presence in the financial world. The Group's focus is on long term savings and pension business. Looking after c. 12 million policy holders, with £283bn assets under management (as at 31 December 2023). Phoenix Group operates a thriving business comprising of investment and retirement solutions, giving us access to best-in-class strategies and expertise.

Our growth and strategy

At Standard Life we have gained a depth of knowledge and understanding of how people plan for their financial futures across all the markets we operate in. We are well positioned to leverage the Phoenix Group's strength to set ourselves up for strong growth in the markets we operate in.

We see a number of key trends echoing across these markets and use that understanding in combination with specific customer and advisor insights to shape our investment and growth roadmaps which are reviewed annually to course correct for change – whether that change is driven by legislation, politics, social, economic, and technological developments. We are investing to deepen our capabilities in our existing core markets and expand into attractive adjacent opportunities that build on our ability to support customers to save for, transition to and maximize income during retirement.

With the recent changes in the Finance Act 2022, we redeveloped the Personal Retirement Savings Account ('PRSA') in Ireland to become flexible, simpler, and more versatile than ever. It caters for a wide range of customer needs and with our digital innovations they can manage their policy online from application through MySL, our online policy hub. Whilst in Germany we are pursuing innovative solutions to support the needs of the customer in this market.

Our values

At Standard Life, part of Phoenix Group, it's not just what we do, but how we do it, that is critical to our success. Our values – what we stand for as an organisation – guide us in everything we do. They inspire us to act responsibly towards our customers and everyone whose lives we touch. Through our values, we want colleagues to feel empowered to make a difference.

We have five values: Passion, Responsibility, Growth, Courage and Difference.

Our customers trust us with their financial future. That's a huge responsibility, which is why our values emphasise 'doing the right thing', both as individuals and as a business. Everything we do is about achieving the best possible outcomes for our customers. That's why our values focus on constantly finding ways to adapt, innovate and improve – helping us to stay relevant in an ever-changing environment.

We also strive to be a high-performing organisation, and that means attracting and retaining the best talent. These values reflect a collaborative, inclusive workplace where all colleagues have opportunities to learn, develop and flourish.

Passion: we're passionate about understanding, and acting on, what's important to our customers, colleagues and society.

Responsibility: we build trust by taking accountability and empowering others to do the right thing.

Growth: we grow our business through finding new ways to develop our expertise and innovate.

Courage: we're ambitious in the challenges we solve and we always speak up.

Difference: we collaborate across boundaries and embrace difference to deliver the best customer and colleague outcomes.

Second Life

Second Life is how we talk about retirement, the life you will live once fulltime employment stops. Our Second Life platform contains a range of content and tips to support financial advisers and customers to plan for their journey to and through retirement.

Having a good financial plan is essential, but people often overlook how they can use the c. 2,000 hours (based on a 40-hour working week) of reclaimed time a year they will have after retirement. We believe it is essential that people plan holistically for retirement. Planning across all three retirement ready indicators (financially prepared, socially connected and mentally prepared) delivers a better retirement outcome.

The Second Life platform was developed to create an emotional connection with retirement. To inspire people to start thinking and planning for retirement on their terms.

We have designed the Second Life questionnaire, a simple short set of questions that provoke discussion on how a person would like to live in retirement. It covers the lifestyle to be maintained through to how time would ideally be spent. We have also shared a series called the 'Retirement Chats' where people coming to or just into retirement talk about their experiences, what they are enjoying and what they might do differently. People can readily identify with this series, and it has influenced how they are planning for their own second life, their way.

Directors' responsibility statement continued

Introduction and background continued

Our people

We aim to make Standard Life a great place to work. A place colleagues are proud and happy to be. To achieve this, we have many streams of work, continuously improving our colleague experience. We believe this will help us to attract and retain talent in a very buoyant labour market.

Our salaries are benchmarked and competitive within our industry. We offer colleagues a package of benefits that includes annual leave (increased in line with tenure), flexible working arrangements, family leave (which includes maternity, paternity, carer, bereavement and more).

To ensure our colleagues are ready and able for their work, we encourage a free health screening, mental health first aiders and access to the Employee Assistance Programme which extends to immediate family members too.

We want our business to reflect the customers we serve and the communities we operate in. We're striving to make sure our workplace is diverse, a place where all colleagues are treated with respect and dignity and can bring their whole self to work. Building a diverse workforce allows us to attract the best talent, broaden our skillsets and widen our thinking. Ultimately, it helps us deliver the best outcomes for our customers.

Gender equity is a key focus for our DEI strategy. We made a commitment as part of the Women in Finance Charter that we would aim to have 33% of our senior leadership roles occupied by women at the end of 2023. We have met this target and now look forward to our next target which is to see 40% of our senior leadership roles occupied by women at the end of 2024.

Across the Group we run a range of networks to enable colleagues to come together and discuss issues that matter to them. These networks include carers, colleagues with disabilities or long-term illness, Mind Matters for mental health and wellbeing, Affinity to support LGBTQ+ colleagues and allies and many more. These networks are vital to continuously improve our culture, ensure inclusion and strengthen us as a great place to work.

Supporting and developing our colleagues in a continuous cycle of learning is essential to the way we work at Standard Life. Our learning programme provides a framework and resources to give all colleagues the opportunity to learn, grow and develop.

Our Vulnerable Customers programme includes training colleagues to support customers with vulnerabilities and work with our charity partner The Samaritans.

Giving back is part and parcel of our culture and aligns with our purpose to help people secure a life of possibilities. We're proud to partner with Samaritans Ireland who offer support, tools, resources and services to prevent people reaching crisis point. The German branch have a charity partnership with Hilfe für Krebskranke Kinder Frankfurt e.V., a Frankfurt charity that helps children afflicted with cancer. Our teams help with fundraising and volunteer their time, and our organisation matches and donates funds raised by our colleagues.

We continue to support Junior Achievement Ireland through their educational programme which brings business people into the classroom to role model the importance of education in building a successful and sustainable future for all.

Sustainability

As retirement specialists, we strive to be an uncompromising force for good in society, and so we're taking action where we can have the biggest impact. That's why our purpose-led approach focuses on three critical areas: People, Planet and Building a Sustainable Business.

People – we want to help people live better, longer lives. We can contribute to better financial futures and support closing the pension savings gap through:

- delivering on financial wellness and inclusion
- helping people on their journey to and through retirement

We listen to the opinion and experience of over 5,600 adults in Ireland every year and bring this thinking together to give a platform for the voice of the retiree. What is it really like to be retired in Ireland today? How are younger adults preparing for this golden milestone, or not? What are the influences driving retirement planning? By listening and understanding, we can take action that helps to remove the retirement planning barriers readily put up by people, opening up a life of possibilities for all.

Insights garnered from this research enables us to drive campaigns to educate and motivate underserved groups in our community. Our 'Women and Pensions' series encourages women to engage with retirement planning, irrespective of their potential pot size. We produce content to support advisers to have conversations with female clients in a way that resonates and engages them.

Our Better with age campaign is designed to celebrate this golden milestone. Retirees have frequently let us know the images of retirement as grey, golfing and galivanting are outdated. Retirement is about living life on their terms. It's about family, community, connection, but at a more leisurely pace. Our campaign shares stories of why, with the right amount of retirement planning and a little imagination, life gets better with age.

Our End of Career Guidance Counsellor speaks in the market, with advisers, customers and colleagues about how to pivot skills towards the end of traditional careers. More people are choosing to stay in employment past the typical retirement age. This choice is sometimes driven by financial needs, but also by the need to remain socially connected and purposefully busy. This content encourages people to consider the type of work they are suited to as they age – part time, flexible work and often moving into education and mentoring.

Planet – how we invest and manage risk on behalf of our customers is an opportunity for Standard Life to drive change on: climate change – the most material environmental theme, and nature and biodiversity – of increasing importance.

As part of the Phoenix Group, we are transitioning our business to net zero and nature positive. We aim to deliver better outcomes for our advisers, customers and stakeholders. We are playing our part in tackling the climate and nature emergency.

Our investment portfolio will be net zero by 2050, with ambitious milestones in 2025 and 2030. We have made simple, but effective changes around our office – we've removed single use plastic and given all colleagues a reusable water bottle. We are decarbonising our operations through investment in energy efficiency and purchasing renewable energy.

Building a Sustainable Business - we are committed to sustainability and best practice governance to maintain high standards of oversight, integrity and ethics. That's why we're embedding sustainability into everything we do.

Our Code of Conduct is more than a set of rules, standards and behaviours. It is core to who we are as a business. It reflects our values and ambitions. And it is why we are trusted as an organisation and an employer. Our Code, along with our suite of risk and HR policies, and the laws and regulations of the countries in which we work, provides a framework which supports colleagues in behaving ethically and acting with integrity, whatever their role.

Directors' responsibility statement continued

Introduction and background continued

Sustainability continued

Taking action on financial crime is vital in preventing harm to individuals and society. We are committed to acting fairly and ethically in all countries in which we operate, and to effectively manage any breaches of regulatory or legislative compliance on money laundering, fraud, sanctions, bribery and corruption.

We process large amounts of personal information every day and take our data protection responsibilities seriously. We are committed to protecting customer privacy, and we cooperate with regulators and authorities to ensure that we comply with the latest data protection legislation.

Purpose of this report

This document sets out a Solvency and Financial Condition Report ('SFCR') for Standard Life International DAC ('SLIDAC' or 'the Company' or 'SL Intl') for the year ended 31 December 2023, to satisfy the requirements of Solvency II. The SFCR and the accompanying Quantitative Reporting Templates ('QRTs') provide detailed information of the Company's business and performance, governance, risk profile and capital position.

The purpose of the report is to assist policyholders and other stakeholders to understand the capital position of the Company under Solvency II as at 31 December 2023. In 2016, the Solvency II regulatory regime came into force for insurers across the European Union ('EU'). Under Solvency II, every insurer is required to identify its key risks and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the Solvency Capital Requirement ('SCR'). The SCR is calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensures that capital is sufficient to withstand broadly a '1 in 200 year event'. The capital resources available to meet the requirements are called Own Funds.

The main purpose of holding capital is to provide security to policyholders and other customers. The Company considers itself to be strongly capitalised under Solvency II, as Own Funds are significantly higher than the SCR, as set out in the Capital Management section of this Summary. As at 31 December 2023 the Company's Solvency II surplus over the SCR is €361,312k, with a ratio of eligible own funds to SCR of 194%.

Please note that, due to the nature of the information displayed in tables throughout this report, there may be rounding differences in some cases.

Section A – Business and performance

The Company is a private company limited by shares, incorporated, registered and domiciled in Ireland. The Company's main activities consist of the provision of life assurance and pension products in the UK, Ireland, Austria and Germany, with the business written in Ireland and Germany. The Company is authorised and regulated by the Central Bank of Ireland ('CBI').

The Company's immediate parent is Phoenix Group Holdings plc ('PGH'), a company incorporated and resident in the United Kingdom. A simplified PGH Group structure chart is presented in section A.1.2.1.

In 2023 the Company changed accounting framework from IFRS to Irish GAAP, referred to as GAAP throughout this paper. The performance of the Company, as set out in section A, is described using results as presented in the GAAP financial statements.

For the year ended 31 December 2023, the Company generated a profit before tax of €24.3m (2022: loss of €1.6m); driven by an increased return on shareholder assets as a result of investment decisions and favourable market conditions, as well as better margins on business written. Further details on the components and the key drivers of the performance results are included in section A.2.

Section B – System of governance

SLIDAC is an insurance company and is operated in accordance with its Board Charter.

The Board's role is to organise and direct the business of SLIDAC in a manner designed to further the best interests of the Company, having regard to the interests of its shareholders and other stakeholders, while complying with its legal, regulatory and fiduciary duties and corporate governance requirements, including those duties and requirements set out under the Companies Act 2014 (as amended), the Company's Constitution and Articles of Association, Board Charter and the Corporate Governance Requirements 2015.

The Company has an established system of governance, which includes the Enterprise Risk Management ('ERM') framework of policies, controls and practices by which it meets all the requirements of sound, risk-based management. The Company operates under its ERM framework in line with the Phoenix Group harmonised framework.

The system of governance was reviewed in November 2023 as part of its annual refresh. Changes are detailed in Section B.1.4.

This, along with the review by the Chief Risk Officer of the overall effectiveness of our system of governance and risk and control framework, leads to the conclusion that the system of governance is adequate given the nature, scale and complexity of the risks inherent in the Company.

Section C – Risk profile

The Company operates a standardised Risk Management Framework ('RMF'), for the identification and assessment of the risks it may be exposed to, and the amount of capital that should be held in relation to those exposures. The Company continues to make use of a Partial Internal Model ('PIM') which takes an Internal Model approach to calculating the Counterparty Default Risk and Operational Risk capital requirements. Capital requirements for all other risk modules use Standard Formula. Aggregation of the overall capital requirements is completed using the Standard Formula correlation matrix approach.

The risk profile of the Company has remained broadly in line with 2022. The main changes to the risk exposure in 2023 were:

- The Company entered into a reinsurance agreement with a PGH entity, Phoenix Re Limited ('PRL'), ceding all of the market risk and 10% of the longevity risk arising from the annuity portfolio.
- Underwriting and expense assumptions were refreshed across a variety of products to reflect the most recent experience.
- Phoenix Group's consolidation of its UK life insurance entities, meaning the counterparty to the with-profits reinsurance arrangement has changed from Standard Life Assurance Limited ('SLAL') to Phoenix Life Limited ('PLL').

The chart below shows the composition of the Company's undiversified Solvency Capital Requirement ('SCR') as at 31 December 2023. The largest component of the undiversified SCR is lapse risk, which is the risk of adverse movements in either surrender rates or persistency rates on policies, leading to losses of future income. Lapse risk falls within the Underwriting Risk category in the table below.

The definitions of the risk categories are provided in section C with further details on the SCR set out in section E.2.1.

Directors' responsibility statement continued

Section C – Risk profile continued

Risk Profile



Underwriting risk	43%
Market risk	39%
Credit risk	10%
Operational risk	8%

Section D – Valuation for solvency purposes

For the purposes of Solvency II reporting, the Company applies the Solvency II valuation rules to value its assets, Technical Provisions and other liabilities. The principle that underlies the valuation methodology for Solvency II purposes is to recognise assets and liabilities at an amount for which they could be exchanged, transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

The excess of assets over liabilities measured on a Solvency II basis for the Company is set out in the table below:

	2023 €'000	2022 €'000
Excess of assets over liabilities	744,571	765,979

The Tier 2 ancillary own funds of €55 million are included in the above figures for both years. This represents a commitment from SLIDAC's parent company, PGH.

Section D provides further information on the description of the bases, methods and main assumptions used in the valuation of assets, Technical Provisions and other liabilities, including explanations of the material differences between GAAP and Solvency.

Section E – Capital management

The capital positions for the Company at 31 December 2023 and 31 December 2022 are presented in the table below:

	2023 €'000	2022 €'000
Eligible Own funds	744,571	765,979
SCR	383,259	328,959
Solvency II capital surplus	361,312	437,020
Solvency cover	194%	233%

The Company held Own Funds in excess of both the SCR and Minimum Capital Requirement ('MCR') throughout the reporting period and therefore, fully complied with the capital requirements.

Quality of Own Funds

Eligible Own Funds represent the available capital to support the SCR.

Of the Company's Eligible Own Funds, 93% are unrestricted Tier 1, and are principally comprised of ordinary share capital, share premium account related to ordinary share capital, surplus funds and the reconciliation reserve. The remaining 7% (€55,000k) are Tier 2 Ancillary Own Funds which will become Tier 1 if called upon. The Company has sufficient Tier 1 own funds to cover its capital requirements.

As at 31 December 2023, the Company's Solvency II surplus over the SCR is €361,312k, with a ratio of Eligible Own Funds to SCR of 194%. The decrease in the Solvency II surplus from €437,020k at the end of 2022 reflects the economic, assumption and model changes over the course of the year. Further details of material drivers of change are provided in E.1.4.2.

Further details regarding the Company's capital position are set out in Section E.1.

Sensitivities and scenario analysis

As part of the Company's internal risk management processes, the Solvency II surplus is tested against a number of financial scenarios. The results of that stress testing on the Company's surplus are provided below and demonstrate the resilience of the Solvency II surplus.

	Solvency II Surplus (€'000)
Base: 31 December 2023	361,312
Following a 20% fall in equity markets	363,314
Following a 15% fall in property values	361,325
Following a 60bps interest rates rise	375,490
Following a 80bps interest rates fall	334,295
Following credit spread widening	358,757
Following 6% decrease in annuitant mortality rates	353,005
Following 10% increase in assurance mortality rates	361,082
Following a 10% increase in lapse rates	358,421
Following a 10% decrease in lapse rates	361,523
Following a 5% increase to expenses and 0.5% increase to expense inflation	343,707
Following a rating downgrade to PLL from AA to A	351,011
Following PLL Recovery Rate assumption reduction from 95% to 94%	352,079

Future developments

On 19 February 2024, the CBI granted SLIDAC approval to proceed with a capital reduction, transferring €200m of share premium into other reserves, using the Summary Approval Procedure ('SAP'). With due consideration of the year end 2023 financial and related information, the SLIDAC Board approved the capital reduction process at its Board meeting on 27 March 2024. This has no impact on the Solvency position of the Company.

Directors' responsibility statement

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

Financial period ended 31 December 2023.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report in all material respects in accordance with the CBI rules and the Solvency II regulations.

The Directors are satisfied that:

- throughout the financial year to 31 December 2023, the Company has complied in all material respects with the requirements of the CBI rules, including Solvency II regulations as applicable to the Company; and
- it is reasonable to believe that in respect of the period from 31 December 2023 to the date of publication of the Solvency and Financial Condition Report, the Company has continued to comply, and will continue so to comply in future.

For and on behalf of the Board of Directors

Naomi Dolly
Chief Financial Officer
31 March 2024

Section A – Business and performance

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Section A – Business and performance

A.1 Business

A.1.1 Information regarding the Company

SLIDAC was established in Ireland on 27 September 2005 (originally registered as Standard Life International Limited). Standard Life International Limited converted to a Designated Activity Company in April 2016, under the Companies Act, 2014. The Company is an insurance undertaking, and its main activities consist of the provision of life assurance and pension products in the UK, Ireland and Germany.

SLIDAC is a wholly owned subsidiary of PGH.

The Company is incorporated in Ireland under the Irish Companies Act, 2014.

The Company is authorised by the CBI to transact insurance business in Ireland and cross-border life assurance business in the EU under the European Union (Insurance and Reinsurance) Regulations 2015 (S.I. 485 of 2015).

The Company exited the Temporary Permissions Regime ('TPR') on 30 December 2023 and from January 2024 will use the pre-existing and longstanding Jersey permit to support the ongoing provision of the International Bond (offshore) to our existing customers resident in the UK and to continue to offer this product to new customers in the UK market.

With regard to the conduct of business requirements, the Company operates within the CBI's Consumer Protection Framework. For business in Germany and Austria, conduct is supervised by Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin') and the Finanzmarktaufsicht ('FMA').

The Company's supervisor is the Central Bank of Ireland, North Wall Quay, Spencer Dock, Dublin, Ireland. The CBI applies group supervision under Solvency II to Standard Life International dac at the level of PGH.

The Company's external auditors, Ernst & Young, were appointed by the Board of Directors on 6 November 2018 to audit the financial statements of the Company for the year ended 31 December 2018 and subsequent financial periods up to the year ended 31 December 2023. Klynveld Peat Marwick Goerdeler (KPMG) will be appointed by the Board of Directors to audit the financial statements of the Company for the year ended 31 December 2024 and subsequent financial periods in accordance with Section 383(2) of the Irish Companies Act 2014.

Section A – Business and performance continued

A.1 Business continued

A.1.2 Company and Group structure

A.1.2.1 Legal Structure of the Group

An extract of the simplified Phoenix Group structure chart as at 31 December 2023 is provided below, and shows the Company's position within the legal structure of the Phoenix Group. All shareholdings are 100% unless shown otherwise. A summary of the Group structure can be found in the Group's SFCR.

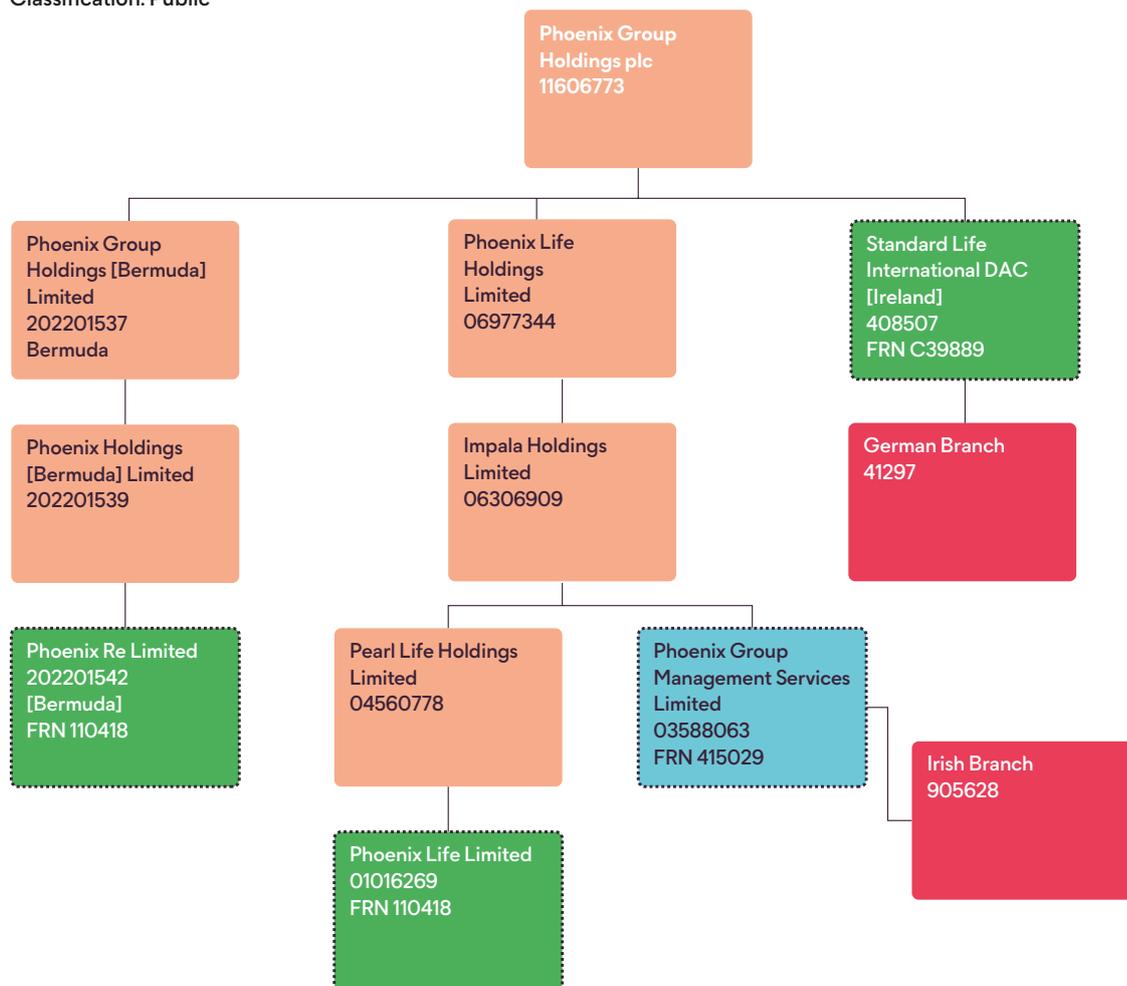
Subsequent analysis of financial information in this section relates to the Company only.

Phoenix Group Structure Chart – Summary

31 December 2023

Shareholdings are 100% unless shown otherwise

Classification: Public



- Corporate
- Management services
- Life companies
- Branches
- Indicates regulated by PRA and/or FCA or local equivalent

A.1.2.2 Governance and Organisation

The Company is a wholly owned subsidiary of PGH. The Company has a well-embedded governance structure, with strategy, governance and risk management set out in Board-approved policies that are consistent with the equivalent Group policies. Further information on the governance structure is provided in Section B.

Section A – Business and performance continued

A.1 Business continued

A.1.3 Material lines of business and geographical areas

A.1.3.1 Material Lines of Business

There are four Solvency II lines of business which are based on the characteristics of the different products administered. The table below shows the material Lines of Business ('LoB') for the Company:

	SLIDAC
Insurance with-profit participation	✓
Index-linked and unit-linked insurance	✓
Health insurance	–
Other life insurance	✓

A.1.3.1.1 Insurance with-profit participation

The insurance with-profit participation LoB is comprised of conventional with-profit products and unitised with-profit products.

A with-profit, or participating, policy is one where the policyholder participates in the profits of the fund. An insurer aims to distribute part of its profit to the with-profit policyholders in the form of bonuses. The value of such distributions is based on, among other things, the performance of the underlying pool of assets. Policy pay-outs are generally subject to a minimum guarantee and are 'smoothed' to lessen the impact of changes in the underlying value of the assets in the short term.

All with-profit policies are entitled to potential incremental bonuses throughout the life of the policy as well as a terminal, or final, bonus. The terminal bonus represents the policyholder's final share of the assets of the fund.

A.1.3.1.2 Index-linked and unit-linked insurance

The value of unit-linked products is linked directly to the performance of the underlying assets. The policyholder typically bears all of the investment risk with unit-linked products. The benefits attributable to the policyholder are determined by reference to the investment performance of a specified pool of assets.

Customers do not legally own the underlying assets or the units themselves; they own a contract (the policy) with a right to a benefit. The value of that benefit is determined by reference to the price of their chosen fund.

The unit-linked funds retroceded back to SLIDAC under the reinsurance arrangement are included within this LoB.

A.1.3.1.3 Health insurance

Health insurance business is not material in the context of the Company's overall insurance business.

A.1.3.1.4 Other life insurance

Other life insurance includes all remaining underwritten business and includes protection policies and annuity business.

The majority of the business included in this line of business is annuity business. Annuities generally provide a specified income stream over the life of the policyholder.

A.1.3.2 Geographical Areas

The Company is headquartered in Ireland and sells life assurance and pension products to customers in the United Kingdom, Ireland, Germany, and Austria. Irish and UK policies are serviced by the Irish office and German and Austrian policies are serviced by the SLIDAC German branch.

A.1.4 Significant business and other events over the reporting period

During the year SLIDAC made an election to transition from International Financial Reporting Standards (IFRS) to Irish GAAP for the basis of preparation of the financial statements for year ended 31 December 2023, with a transition date of 1 January 2022. The financial statements of the Company for the year ended 31 December 2023 have been prepared in accordance with Irish GAAP in conformity with the requirements of the Companies Act 2014. The main change is the replacement of Technical Provisions determined on an IFRS accounting basis with Technical Provisions determined in accordance with Irish GAAP. The remaining changes are presentational in nature or relate to the granularity and content of disclosures included in the financial statements.

In April 2023 the Board of Directors of SLIDAC approved issuing an intercompany loan of €50m to PGH repayable in March 2025 and issued on an arm's length basis. SLIDAC's Statement of comprehensive income recognises interest payments as income in line with the terms of the loan.

On September 2023, the internal reinsurance arrangements with Standard Life Assurance Limited ('SLAL') set up by treaty, covering Irish and German business were novated to Phoenix Life Limited ('PLL') as part of the transfer of business from SLAL in to PLL. This resulted in a change of counterparty from SLAL into PLL but preserved the substance of the reinsurance treaty.

On 27 October 2023, the service company Standard Life Assets and Employee Services Limited (SLAESL) used by SLIDAC for personnel and other support services transferred to Phoenix Group Management Services Limited ('PGMS'). The SLAESL business transfer moved all assets, people, and operations into PGMS, including all the SLAESL Irish branch activities. Completion of the business transfer simplifies the group service company operating model and provides a blueprint for any future integrations and acquisitions.

Effective 1 October 2023, SLIDAC entered into a reinsurance agreement with Phoenix Re Limited, a Bermudan reinsurer and related undertaking for the in-force and new business flows for in-payment annuities. As a result of this arrangement, SLIDAC has recognised a reinsurance asset of €364m at end of 31 December 2023.

Since Brexit, SLIDAC remained in the Temporary Permissions Regime (TPR) until it ended on 31 December 2023 and adhered to UK conduct of business rules for UK policyholders. From January 2024, SLIDAC will use certain existing permissions to continue to sell new business to customers habitually resident in the UK, Channel Islands and Isle of Man, with financial promotions approved by Phoenix Group Management Services ("PGMS") as an "authorised person".

A.1.5 Significant events after the reporting period

At the SLIDAC board meeting on 15 February 2024, an extension of the existing €100m intercompany loan was approved from 31 March 2024 to 30 June 2028. The loan extension was executed on 25 March 2024.

Section A – Business and performance continued

A.1 Business continued

On 19 February 2024, the CBI granted SLIDAC approval to proceed with a capital reduction, transferring €200m of share premium into other reserves, using the Summary Approval Procedure ('SAP'). With due consideration of the year end 2023 financial and related information, the SLIDAC Board approved the capital reduction process at its Board meeting on 27 March 2024.

A.2 Underwriting performance

The Company commenced writing life assurance business in 2006. Total net earned premiums on insurance contracts for the year ended 31 December 2023 were €703m (2022: €727m). The Company reported a profit before tax for the year of €24.3m (2022: loss of €1.6m).

The key performance indicators for the year are set out below:

- Assets under management increased to €31.3bn (2022: €28.5bn) driven mainly by market movements; of which €14.0bn (2022: €12.4bn) relates to an intra-group reinsurance arrangement with PLL.
- SLIDAC net inflows of €520m (2022: €739m) were a result of gross inflows of funds received from customers of €2,076m (2022: €1,891m) and gross outflows of funds withdrawn of €1,556m (2022: €1,152m);
- For the year ended 31 December 2023, the Company generated a profit before tax of €24.3m (2022: loss of €1.6m); driven by an increased return on shareholder assets as a result of investment decisions and favourable market conditions, as well as better margins on business written;
- The Company's overnight shareholder liquidity position is €197m (2022: €238m). SLIDAC's liquidity position remains above the minimum requirements set out in the Board approved liquidity policy.
- At 31 December 2023, the Company had available capital resources of €745m (2022: €766m) as measured on a Solvency II ('SII') basis, and its SCR was €383m (2022: €329m). The solvency coverage ratio as at 31 December 2023 was 194% (2022: 233%)

The financial highlights as per the financial statements for the year are set out below:

- Gross written premiums decreased by €49m in 2023 to €1,441m (2022: €1,490m) driven by a reduction in sales in the UK international bond market. The difference between gross written premium and the inflows KPI relates to premiums received from investment contracts which are accounted for on a deposit basis.
- Investment income for the year was €340.4m, compared to investment income of €284.3m in 2022; driven mainly by realised gains, dividend income and interest income.
- In 2023, the Company posted a profit before tax of €24.3m (2022: loss of €1.6m)
- Shareholders' equity increased to €623m (2022: €599m)

The Company will continue to strive for profitable growth by offering products in Ireland, Germany, Austria and the UK designed to meet customer needs in line with market developments. The objective is to generate satisfactory returns for the shareholders whilst meeting the reasonable expectations of policyholders under its statutory, financial, and regulatory obligations.

A summary of the Company's performance during the year ended 31 December 2023 is presented below and more details are contained in sections A.3. The information below contains a summary of the profit before tax in the annual financial statements.

	Section Reference	2023 €'000	2022 €'000
Premiums written			
Gross premiums written		1,441,358	1,489,771
Outward reinsurance premiums		(738,450)	(762,761)
Earned premiums, net of reinsurance		702,908	727,010
Claims incurred			
Gross Amount		(1,743,983)	(1,467,839)
Reinsurers' share		1,055,433	941,755
Claims incurred net of reinsurance		(688,550)	(526,084)
Total change in technical provision net of reinsurance		(1,272,420)	2,117,018
Net investment return	A.3	1,321,792	(2,205,222)
Net operating expenses		(214,339)	(283,275)
Other income/(expenses)		174,866	168,971
Profit/(loss) before tax	A.2.1	24,259	(1,582)

A.2.1 Analysis of profit/(loss) before tax

The profit before tax of the Company split by geographical area is as follows:

	Ireland €'000	Germany & Austria €'000	UK €'000
Profit/(loss) before tax	16,926	931	6,402

As a result of the reinsurance arrangement with Phoenix Re Limited, there was a one-off allocation of investment income between Germany & Austria, and Ireland in 2023 which led to an increase in Ireland's Profit before tax and a decrease in Germany's Profit before tax. This one-off adjustment has been excluded from the table above.

The Ireland number includes the return on shareholders' assets in 2023 of €13m.

A.2.2 Operating profit

Operating profit is used as a performance measure of the underwriting activities of the Company and is considered an appropriate measure of the underlying performance of the Company as it excludes the impact of short-term economic volatility and other one-off items which, due to their size or nature, are not indicative of long-term operating performance.

Operating profit includes the effects of variances in experience for non-economic items, such as mortality and expenses, and the effect of changes in non-economic assumptions. It also incorporates the impacts of significant management actions where such actions are consistent

Section A – Business and performance continued

A.2 Underwriting performance continued

with the Company's core operating activities (for example, actuarial modelling enhancements and data reviews). Operating profit excludes non-operating items considered to fall outside of the course of the Company's normal operations and shareholder tax.

	Section Reference	2023 €'000	2022 €'000
Profit/(loss) before tax		24,259	(1,582)
Add back: non-operating items	A.2.3	12,267	1,461
Operating profit/(loss)		36,526	(121)

The operating profit in 2023 of €36.5m is an increase on the operating loss experienced in 2022 (€0.12m)

A.2.3 Analysis of non-operating items

Other material non-operating items which are not included within operating profit are outlined below:

	2023 €'000	2022 €'000
Non-operating items		
Total investment return variances and economic assumption changes	(3,603)	4,727
Non-operating expenses	(8,664)	(6,188)
Total non-operating items	(12,267)	(1,461)

In 2023 there was €12.3m of non-operating items made up of short-term economic volatility movements of €3.6m, and one-off restructuring expenses of €8.7m.

A.3 Investment performance

The details of the investment performance are as follows:

	2023 €'000	2022 €'000
Investment income		
Interest income on financial assets designated at fair value through profit or loss (FVTPL)	26,532	13,999
Interest income on financial income at amortised cost	5,468	80
Dividend income	86,444	66,712
Rental income	1,818	1,910
Net realised gains/losses on financial assets at FVTPL	222,316	217,096
FX gains/losses	(2,178)	(15,512)
Total investment income	340,400	284,285
Unrealised gains/(losses) on investments:		
Financial instruments:	1,002,914	(2,463,078)
Investment property	1,578	(624)
Net unrealized gains/(losses) on investments	1,004,493	(2,463,702)
Investment expenses and charges	(23,101)	(25,805)
Total investment return	981,392	(2,489,507)
Net investment return	1,321,792	(2,205,222)

Net investment return in the year was a gain of €1,322m (2022: loss of €2,205m), the main driver of the movement is the favourable market conditions experienced during current year.

A.4 Performance of other activities

The performance of all activities is included in section A.2 and A.3.

A.5 Any other information

There is no further material information in addition to that set out in section A.1.4 to be disclosed regarding business and performance.

Section B – System of governance

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Section B – System of governance

B.1 General information on the system of governance

This section provides information on the system of governance in place for the Company. Any material changes that have taken place over the reporting period are also included. Details on the structure of the Board and committees are provided, with a description of their main roles and responsibilities, as well as a description of the main accountabilities and responsibilities of all key functions.

B.1.1 Overview

The existing system of governance comprises:

- Governance framework – how we manage our business including the role of the Board and its committees.
- Organisational and operational structure – how we structure our business and define roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation.
- Risk management system – a risk-based approach to managing our business. It includes the methods and processes we use to manage risks consistently. We refer to our risk management system as the ERM framework.
- Internal control system – contains a range of processes, captured within the Company's policies, to manage risks at the highest level, how we assess impact and likelihood of risks and how we determine the effectiveness of our key controls.

The effectiveness of the system of governance and ERM framework is reviewed each year and updated where necessary.

The Company has a clearly defined system of governance and ERM framework as at 31 December 2023. In addition to the established Board, there also exists a Nomination Committee, an Audit Committee, a Remuneration Committee, a Risk Committee and a Model Governance Committee. At a management level, the Company has an established European Senior Leadership Team ('ESLT'), with the following sub-committees:

- Enterprise Risk Management Committee;
- Growth Forums (one for Ireland and one for Germany & Austria);
- Partial Internal Model Committee;
- Separate Irish and German and Austrian Operational and Conduct Risk Committees, which are due to be combined into a single Committee during 2024;
- Investment and Credit Committee;
- Reinsurance Business Committee;
- Product Oversight Governance Committee;
- Customer Incident Management Committee (one for Ireland and one for Germany & Austria);
- Regulatory Change Forum; and
- Product Pricing and Profitability Committee.

The Company has an established ERM framework of policies, controls and practices by which it meets all the requirements of sound, risk-based management. The Company sets its policies and risk & control standards by assessing the appropriateness of the Group policies and the risk & control standards within them, before adopting or adapting them into the SLIDAC equivalents. Generally, the Group's policy framework is also fit for purpose for the company, with some strengthening of controls put in place to make it more appropriate to SLIDAC's business and risk profile. In this way, the Company can maintain standalone policies while aligning to those of the rest of the Phoenix Group.

All of the above are key components in the Company's role as the European hub for the Phoenix Group. A graphical representation of this and the inherent decision-making structure can be seen in the following section.

B.1.2 System of governance

The governance framework provides a structure to support compliance with the Company's regulatory and Corporate Governance Requirements obligations. The Company's governance framework is approved by the Board, kept under regular review, and documented in the Board Charter. The Company Secretary reviews the Board Charter and the Terms of Reference for each Board Committee annually, considering developments in regulatory guidance and corporate governance best practice, and recommends any changes to the Board, for its approval.

The framework consists of the following key elements which are discussed further in this section:

- Decision-making structure;
- The Function of the Company Board;
- The Role of Non-Executive and Executive Directors;
- Board committees;
- The Executive and Executive committees;
- Scheme of Delegation;
- Code of conduct;
- Prudent Person Principle;
- Fitness and Probity regime; and
- Remuneration

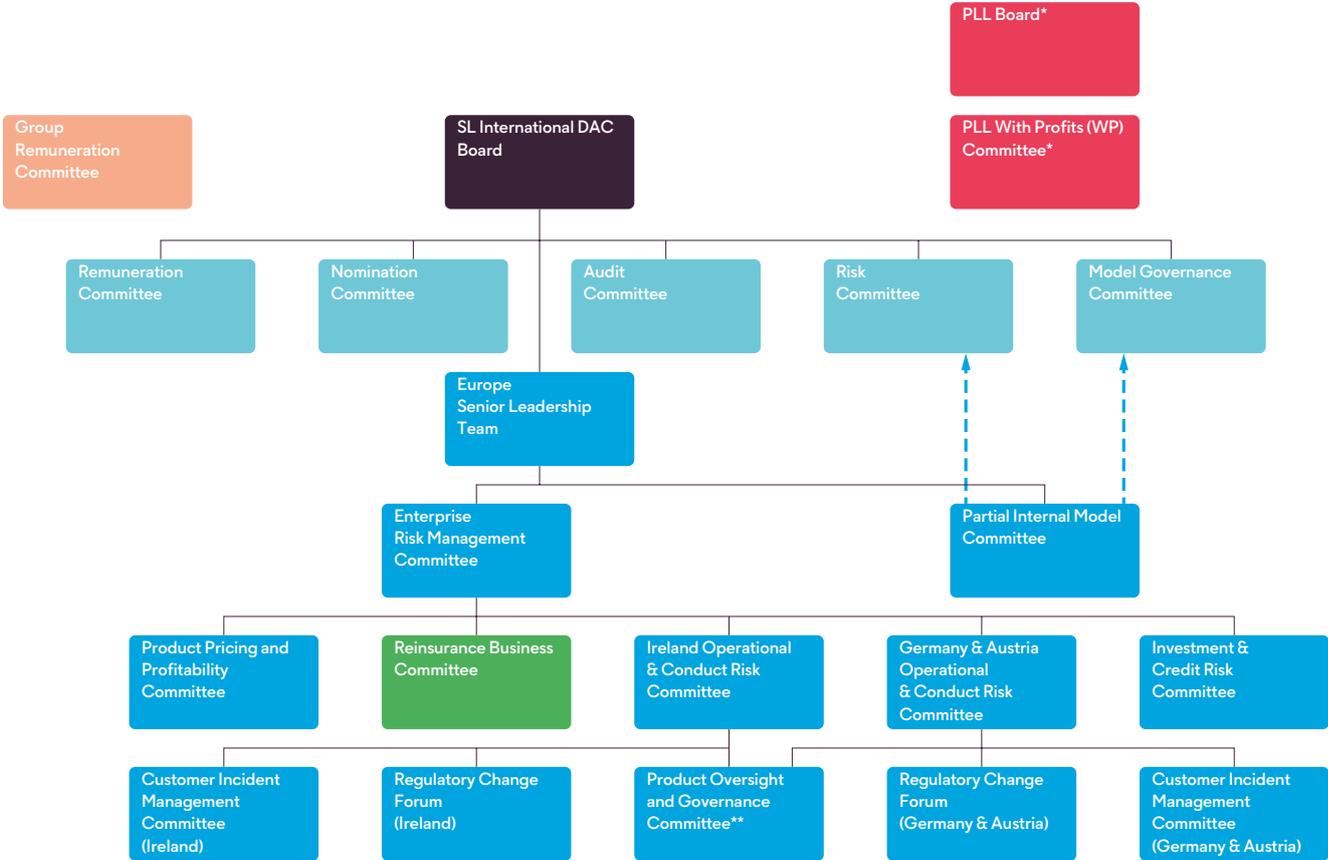
Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Company governance structure chart

The diagram below provides an illustration of the Company’s governance structure as at 31 December 2023.



* SLIDAC has a right to make representations to the PLL Board and PLL WP Committee as agreed in the reinsurance agreements.

** Product Oversight and Governance Committee meets separately for Irish/International Bond matters and German/Austrian matters.

▲ The dashed line with arrow pointing upwards highlights that although the respective committees derive their authority from the ESLT, they also both feedback information upwards to the respective board committees.

- PLL Bodies
- Group Governance Committee
- SLIDAC Board Committee
- SLIDAC Management Committee
- Joint PLL & SLIDAC Management Committee

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

The function of the Company Board

SLIDAC is an insurance company and is operated in accordance with its Board Charter.

The Board's role is to organise and direct the business of SLIDAC in a manner designed to further the best interests of the Company, having regard to the interests of its shareholders and other stakeholders, while complying with its legal, regulatory and fiduciary duties and corporate governance requirements, including those duties and requirements set out under the Companies Act 2014 (as amended), the Company's Constitution and Articles of Association, Board Charter and the Corporate Governance Requirements 2015. As a high impact firm, there are additional obligations placed on the Company by the Corporate Governance Requirements for Insurance Undertakings 2015 with respect to, amongst other things, the frequency of Board meetings. The Board shall meet as often as is appropriate to fulfil its responsibilities effectively and prudently. The Board shall meet at least six times per calendar year and at least three times in every six month period.

The Board Charter identifies matters that are specifically reserved for decision by the Board. In order to achieve Board approval, a majority of Directors must concur. In some cases, unanimous approval by the Directors is required.

The Company's Board must refer certain matters to the PLL Board and the PGH Board, including certain matters relating to corporate structure, capital, transactions, communications, and governance and these are also outlined in the Company's Board Charter.

The Board of Directors has overall responsibility for the approval of the ERM framework, including the Risk Strategy, the Risk Appetite Framework, the Risk Registers and all related quantitative risk limits, and review of its implementation including monitoring management actions in respect of any breaches, and the implementation of any Board recommendations arising as a result of any breaches as well as managing the Company's internal control framework. The framework is designed to manage, rather than eliminate, risk and can only provide reasonable, not absolute, assurance against material misstatement or loss.

The Board consists of the following roles:

- Four independent Non-Executive Directors;
- Two PGH Non-Executive Director; and
- Three Executive Directors

The Chairperson of SLIDAC is currently one of the independent Non-Executive Directors. Board composition and the skills and competencies of the Board are kept under regular review and assessed at least annually as part of the Board effectiveness review.

The Board is collectively responsible for:

- determining the Company's objectives and strategy;
- ensuring that the necessary financial and human resources, including succession plans at Board and executive level, are in place to allow the Company to achieve its objectives;
- ensuring the Company has a Remuneration Policy that is in line with the risk strategies of the Company;
- ensuring the Company has an adequate and effective internal control framework, that includes well-functioning risk management, compliance, actuarial and internal audit functions as well as appropriate financial reporting and accounting frameworks;
- determining the amounts, types and distribution of internal capital and own funds adequate to cover the Company's risks;
- ensuring that robust and transparent corporate and management structures with effective communication and reporting channels are in place to allow the Company to achieve its objectives;
- determining policies applicable to the Company, including approving Company policies and adopting Group policies;
- determining and overseeing the strategy for the on-going management of material risks and establishing and maintaining a framework of internal controls that enables the financial and operational risks of the Company to be assessed and managed;
- monitoring progress by the Company towards the achievement of its objectives and compliance by the Company with approved plans and policies;
- reporting to relevant stakeholders on the Company's activities;
- appointing Board committees to meet the Company's requirements and relevant corporate governance standards;
- delegating clearly defined authorities to the Chairperson, the Chief Executive, Board committees and otherwise as the Board will determine from time to time; and
- formally reviewing its own effectiveness as well as the effectiveness of its Committees.

The role of Non-Executive and Executive Directors

The role of the Non-Executive Directors is to participate fully in the work of the Board including advising, supporting and challenging management as appropriate. Their roles and responsibilities are set out in the Board Charter.

Executive Directors' duties are to manage the day-to-day business of the Company with the other members of the Executive team, within the parameters set out by the Board and in the Board Charter. They also have separate responsibilities as members of the Board. Their roles and responsibilities are set out in the Board Charter.

Executive and Non-Executive Directors have the same statutory responsibilities.

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Board Committees

The Board is supported in the oversight of the System of Governance – including the ERM Framework, the Own Risk and Solvency Assessment ('ORSA') process and the system of internal controls – by the Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee and the Model Governance Committee. Further details regarding each of these committees are set out in the table below.

Committee	Role, duties and responsibilities
Audit Committee	<p>The role of the Audit Committee is to consider and to make appropriate recommendations to the Board on:</p> <ul style="list-style-type: none"> – Financial reporting documentation including: draft financial statements (including significant reporting issues and judgments), interim and preliminary results' announcements, any announcements relating to financial performance, financial returns to regulators and any significant financial information contained in any document for Board approval; – The Company's Solvency II capital position and related messaging, as disclosed in the Annual Report and Financial Statements, the Regular Supervisory Report ('RSR'), annual SFCR and the year-end Quantitative Reporting Templates ('QRTs'); – The Company's internal and external audit arrangements, including the independence of the external audit firm; and – The Company's internal controls over financial and regulatory reporting, money laundering and financial crime. <p>The Audit Committee meets at least four times a year to coincide with the Company's financial reporting cycle. Members of the Committee are appointed by the Board. The Committee shall be made up of at least three members and all members of the Committee shall be Non-Executive Directors with the majority being independent Non- Executive Directors.</p>
Risk Committee	<p>The role of the Risk Committee is to consider and to make appropriate recommendations to the Board on:</p> <ul style="list-style-type: none"> – The Company's material risk exposures, current risk strategy and future risk strategy and their impact on capital; – The structure, implementation and maintenance of the Company's ERM Framework and its suitability to react to forward-looking issues and the changing nature of risks; – The Company's Risk Management Function, Risk Appetite Framework ('RAF'), and changes to both the RAF and the quantitative risk limits; – The due diligence on risk issues and aspects of major transactions, investments, strategic proposals, major product developments and other corporate transactions, ensuring the potential consequences of any such transactions are appropriately considered; – Regulatory Compliance and Regulatory Reporting matters; – Material actuarial matters affecting the Company; – The annual review of the appropriateness to the Company of Group policies and review any proposed new or amended Group policies and determine whether they should be recommended to the Board for adoption by SLIDAC; and – The Company's ORSA including steering how the assessment is to be performed and challenging the results, and the impact the ORSA on the strategic direction of the Partial Internal Model. <p>The Risk Committee meets at least four times a year to coincide with the Company's financial reporting cycle and otherwise as required by the Board or Committee. Members of the Committee are appointed by the SLIDAC Board. The Committee shall be composed of Directors with the majority being Non-Executive Directors, independent Non- Executive Directors or a combination of both.</p>

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Board Committees continued

Committee	Role, duties and responsibilities
Nomination Committee	<p>The role of the Committee is to:</p> <ul style="list-style-type: none"> • Review/consider and/or make recommendations to the Board with regard to: <ul style="list-style-type: none"> – The structure, size, diversity and composition of the Board; – The short, medium and long-term contingency and succession planning for the Board, in particular the Board Chairperson, and approve the succession plans for Pre-Approval Controlled Function ('PCF') holders; – The appointment and removal of the Board Chairperson, the Deputy Board Chairperson (if appointed), the Non- Executive Directors, the Executive Directors and the Chief Executive Officer ('CEO'); – The appointment of members and chairpersons to Committees of the Board; – The appointment and removal of PCF holders; – The continued appointment of any Non-Executive Director at the conclusion of his or her specified term of office on the Board, having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required; and – Make recommendations to the Board with regard to the continued appointment of any Non-Executive Director at the conclusion of his or her specified term of office on the Board. • Keep under review the Board's policy on diversity (in all its forms) and any measurable objectives that the Board has set for implementing the policy, and progress on achieving the objectives; • In considering appointments prepare a comprehensive job description, taking into account for Board appointments, the existing skills and expertise and diversity of the Board and the anticipated time commitment required; • Ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, service on committees of the Board and involvement outside Board meetings; • Approve and review the implementation of processes for identifying the training needs of Directors; and processes for selecting, inducting and training Directors; • Approve outside appointments of the Board Chairperson and make recommendations to the Board regarding the authorisation of any actual or potential conflict of interest of any Director, and review regularly the authorised conflicts; and • Review annually the time required from non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties. <p>The Nomination Committee meets at least twice a year at appropriate times in the reporting cycle and otherwise as required by the Board or the Committee. The Committee is composed of at least three non-executive Directors, with the majority being independent non-executive Directors.</p>
Model Governance Committee	<p>The role of the Committee is to:</p> <ul style="list-style-type: none"> • Review and recommend on the strategic direction of the PIM; • Review and recommend on the on-going appropriateness of the design and operation of the PIM, including when appropriate, summary information produced under the PIM Triggers Process, and oversee that the PIM continues to appropriately reflect the risk profile; • Review and recommend the Model Governance Policy to the Board Risk Committee and the underlying Model Change Policy at least annually; • Review the reasonableness of the PIM including accepted limitations, as well as areas that require improvement and the status of efforts to improve previously identified weaknesses; • Oversee that an appropriate PIM change prioritisation and planning process is in operation and provide challenge, as necessary, and that the materiality and proportionality framework is operated in relation to the PIM; • Ensure that the governance requirements set out in the Validation Framework (underlying the Model Governance Policy) are met; • Provide oversight and challenge on the effectiveness and independence of Independent Validation and Assurance, and the Risk Department's oversight of the PIM and ensure that the PIM is an integral part of the Risk Management Framework; • Ensure that there are adequate independent review procedures in place around the PIM design, operation and validation; • Provide oversight of the Company's assessment of the extent to which the PIM complies with the Solvency II Directive; • Report to the Board on the oversight exercised by the Committee, including as appropriate, key findings and opinions over the PIM, considering Validation, Independent Validation, and Independent Assurance; and • Support of its oversight of the PIM, review the outputs of the PIM, to the extent that this informs its governance over the Reasonableness of the PIM and in support of oversight of compliance with the Use Test Minimum Control Standards within the Model Governance Policy. <p>The Model Governance Committee is required to meet at least twice a year at appropriate times in the reporting cycle or more frequently, as circumstances require. The Committee shall comprise two Non-Executive Directors, the SLIDAC Chief Risk Officer, the SLIDAC Head of Actuarial Function, the SLIDAC Chief Financial Officer and the SLIDAC Chief Operating Officer. The Board can also appoint any additional members it deems appropriate. Members of the Committee shall have been determined by the Board to have recent and relevant financial experience.</p>

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Executive and Executive Committees

Chief Executive Officer

The role of the CEO is to manage the day-to-day business of the Company subject to Matters Reserved for the Board and the matters assigned by the Board to the Board Committees. The CEO assists the Board in carrying out its role by providing advice and recommendations consistent with the agreed strategic direction and operational, financial and regulatory good practice.

European Senior Leadership Team

The ESLT is installed to manage the business of SLIDAC on a day-to-day basis according to the delegated authorities of and with the SLIDAC CEO. The ESLT's key responsibilities are:

- Supporting and implementing strategies of the SLIDAC business as approved by the Board as appropriate;
- Approving for submission to the Board detailed business plans for the SLIDAC business, including business priorities, sales targets, product and customer propositions and budgets in accordance with the agreed International business plan and priorities;
- Monitoring business results against agreed plans;
- Reviewing and monitoring Strategic Risks;
- Ensuring the following key operating principles are followed:
 - Operate a sustainable life assurance company consistent with the criteria of the SLIDAC Business and the Group;
 - Provide competitive, relevant products and a superior level of service to customers;
 - Maintain the good standing reputation, image and integrity of the SLIDAC business;
 - Retain the confidence and support of the Group Executive; and
 - Manage all risks in line with approved appetite and reduce level of unrewarded risk.
- Ensuring the operation of an effective internal control framework; and
- Reviewing key outputs from the SLIDAC Enterprise Risk Management Committee and taking appropriate actions.

Executive Committees

In addition to the ESLT, there are ten other Management committees which are to oversee the operations of SLIDAC, namely the:

- ERM – It derives its authority from the Board, which is delegated to the CEO, and ultimately reports to the CEO. The scope of the ERM covers SLIDAC's International Bond business in the UK, its Irish Domestic business and its German Branch (including Austrian business). The ERM considers and has responsibility for all strategic, financial, operational and regulatory risks and conflicts of interest arising from the current and proposed activities of SLIDAC's business. The Committee considers conduct risk and receives and relies on reporting from the Operational & Conduct Risk Committees in that regard;
- Growth Forums – They exist in both Ireland and Germany and have responsibility for the day-to-day delivery of local level reporting and inputs required by the ESLT. The Teams derive their authority from and ultimately report to the CEO, with a direct reporting line to the ESLT. Each Team's purpose is to manage the business of SLIDAC in Ireland, the UK, Germany and Austria, on a day-to-day basis according to the delegated authorities of and with the SLIDAC CEO;
- Investment and Credit Committee – The overarching responsibility of the Committee is to support the SLIDAC ESLT in delivering effective management of credit and investment risks. Individual members of the Committee are accountable for the provision of appropriate input;
- Partial Internal Model Committee – The role of which is to support the European Senior Leadership Team in reviewing all aspects of the Partial Internal Model. The Committee provides assurance to the Model Governance Committee (and to the SLIDAC Board, if the Model Governance Committee deem appropriate) on the ongoing Appropriateness and Reasonableness of the Partial Internal Model;
- Operational & Conduct Risk Committees – They are established in both Ireland and Germany but will be amalgamated during 2024. The Committees are sub Committees of the SLIDAC ERM. The scope of the Committees covers operational and conduct risks concerning the Irish and the German & Austrian businesses. Compliance and Financial Crime matters are in scope as well. All significant risk and control issues are reported via the risk dashboard/ Views on Risk and Compliance Report to the SLIDAC ERM (one for Ireland and one for Germany & Austria);
- Reinsurance Business Committee – It exists in the context of the intra-group reinsurance arrangements between PLL and SLIDAC, to provide a mechanism through which both parties may communicate with each other and obtain and consider information in relation to the reinsured business, to facilitate the running of the operational processes associated with the reinsurance and to oversee significant claims and the acceptability of pricing of new business;
- Product Oversight Governance Committee – It is responsible for maintaining oversight of Product Governance for all SLIDAC Propositions in order to prevent and mitigate customer detriment and embed the delivery of fair outcomes for all customers. The aim is to ensure that the interests of our customers are taken into consideration throughout the life cycle of products, including the process of designing and manufacturing the product, bringing it to the market, monitoring the product once it has been distributed and exiting the product if applicable;
- Customer Incident Management Committee The purpose of the Committee is to identify and oversee improvements to customer experience and outcomes, in line with customer strategies and propositions and to fully understand, make decisions and challenge actions in relation to the management of conduct and customer risk across the SLIDAC Irish & UK, and German & Austrian businesses in line with established risk appetites;
- Regulatory Change Forum – The purpose of the Forum is to oversee that all regulatory change impacting the SLIDAC business is actively assessed and appropriately implemented; and
- The Product Pricing and Profitability Committee (PPPC) – is a management committee whose purpose is to be responsible for the pricing of SLIDAC products in all markets; actively consider where profitability targets are conflicting with market competitiveness for new business and recommend remedial action where appropriate; provide commercial review and challenge to the development of new products or amendments to existing products; and be responsible for the monitoring of appropriate MI in relation to new business pricing and profitability of existing business.

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Scheme of Delegation

The SLIDAC Scheme of Delegation sets out the flow and principles of delegation from the SLIDAC Board to its Committees, Executive Directors and members of senior management. The SLIDAC Board can delegate, where appropriate, all or part of its authority to an individual Director or to a Board Committee or other individuals competent to carry out that task.

The Delegated authorities document outlines the appropriate authority levels that have been assigned to senior representatives across the business to apply to settlement transactions carried out on behalf of the Company.

Delegated authority is an important control that allows the business to operate in a controlled but efficient and effective manner by giving individuals clear accountability for specific activities.

Code of Conduct

Good governance within the Company is predicated on the ethical behaviour of the organisation's staff. In recognition of this, the Company has developed, adopted and communicated a Code of Conduct which provides guidance on the high standards of ethical behaviour expected from staff to fulfil the Company's aim of becoming the trusted home for the financial future of customers.

Prudent Person Principle

The Prudent Person Principle is a set of qualitative requirements used to govern investment decisions and asset allocations. In particular, it sets out the expectation that insurers will exercise prudence in relation to the acquisition and holding of assets and places responsibility on the insurer to decide whether the nature of any investment is appropriate and to be able to show that it has systems and controls to hold and manage any such investments.

The Company's policies state the standards that business units must comply with in managing the key risks that threaten the achievement of our strategy and business objectives. A range of these standards are directly relevant to the requirements of the Prudent Person Principle and are primarily contained in the following policies:

- Market Risk Management policy
- Credit Risk Management policy
- Insurance Risk Management policy
- Capital Management policy
- Liquidity and Funding Policy

Policy compliance reporting on our internal risk management system, called GCM, demonstrates whether the Company has been compliant with the relevant policy standards and, as a consequence, with the requirements of the Prudent Person Principle. Further details on Prudent Person Principle compliance can be found in Section C, Risk Profile.

Fitness and Probity regime

Under the CBI's Fitness and Probity regime, only individuals who are deemed to be fit and proper can carry out Controlled Functions.

Pre-Approval Controlled Functions are a subset of Controlled Functions which require approval from the CBI prior to the candidate being appointed to the role.

The Central Bank of Ireland has strengthened requirements in this area with the Individual Accountability Framework signed into law in March 2023. The Company supports this and has a project in place to ensure that it complies with the new requirements as they come into force.

Remuneration

The Company's Remuneration Policy is fully aligned to the strategic aims of the Company and to Phoenix Group's Remuneration Policy. Its aim is to attract and retain talent at all levels focused and capable of delivering business objectives whilst considering the interests of shareholders and other stakeholders, balanced with the affordability to make these payments.

The SLIDAC Board is responsible for ensuring that these principles are applied and that individuals are not rewarded for taking on undue risks. The Remuneration Committee of the Board supports it in achieving these objectives.

The independent Non-Executive Directors on the SLIDAC Board have consulted with the Head of HR (Europe) and the Group Remuneration Committee and are satisfied that the bonus structure for the Executive Directors of SLIDAC is not excessive and that it does not drive inappropriate risk taking.

Fixed and variable elements of remuneration: employee remuneration is composed principally of fixed and variable elements of reward as follows:

(a) Fixed reward:

- Fixed remuneration: salary (and cash allowances, if appropriate)
- Benefits (including pension)

(b) Variable reward: bonus, including the Phoenix Group Deferred Bonus Share Scheme where awards in excess of a predefined limit for senior employees are delivered in shares with a three year vesting period. Senior employees may also be awarded a long-term incentive award.

Section B – System of governance continued

B.1 General information on the system of governance continued

B.1.2 System of governance continued

Appropriate ratios of fixed to variable remuneration will be set to ensure that fixed and variable components of total remuneration are appropriately balanced; and the fixed component is a sufficiently high proportion of total remuneration to allow the Company to operate a fully flexible policy on variable remuneration components including paying no variable remuneration component. Bonus awards are contingent upon the Company meeting various business targets set at the start of each year. The targets were based on financial and customer measures in 2023.

Executive Directors and Group Non-Executive Directors are members of Phoenix pension schemes. The schemes offered by Phoenix Group are defined contribution. Independent Non-Executive Directors have no supplementary pension or early retirement scheme with SLIDAC.

There were no material transactions during the reporting period with shareholders, persons exercising significant influence, or members of the Board.

All employee share plans: employee share ownership was promoted through the Phoenix Share Incentive Plan.

B.1.3 Overview of organisational and operational structure

The Company has an established and well-defined organisational and operational structure with clearly defined roles, responsibilities and reporting lines to ensure that appropriate spans of control operate throughout the organisation, in relation to its business activities and risk management.

Each business within PGH, including SLIDAC, maintains a list of all of its decision-making committees. Each committee operates under its own terms of reference, which sets out its authority, purpose, scope and quorum details. The purpose of a quorum rule is to give decisions made by a committee enough authority to allow binding action to be conducted.

The Company's governance functions include Risk and Compliance, Internal Audit and Actuarial who have responsibility for monitoring, reviewing, challenging and reporting on the status of the Company's risks on an ongoing basis. Fit and proper checks are carried out on applicable staff from key functions to ensure that they possess the competency, expertise and integrity necessary for the performance of their duties.

Three lines of defence

The Company operates a "three lines of defence" model of risk management, with clearly defined roles and responsibilities for individuals and committees:

- First line: Day-to-day risk management is delegated from the Board to the Chief Executive Officer and, through a system of delegated authorities, with specified limits, to business managers. The role of business managers in the first line is to establish, own and operate the key elements of the risk control processes.
- Second line: The role of the second line is performed by the SLIDAC Risk and Compliance Function. The second line are responsible for providing effective advice and challenge to the business stakeholders in the first line, providing oversight of risk management activities and ensuring that risks are being identified, assessed, controlled, monitored and reported appropriately. The second line also undertakes independent assurance reviews, as set out in the annual plan which is approved by the Board Risk Committee. The overall second line Mission and Mandate have been set out at the ERM and Board Risk Committee.
- Third line: The role of the third line is performed by Internal Audit that provides independent verification of the adequacy and effectiveness of governance, risk management and internal controls.

B.1.4 Changes to the System of Governance and ERM framework during 2023

Key changes to the System of Governance and ERM framework during 2023 have been:

- From January 2024, SLIDAC will use its existing Jersey Cat A permit to continue to sell to UK based customers;
- The Phoenix Group consolidated its UK Life insurers into a single entity, Phoenix Life Limited, which is now the reinsurance counterparty for the Company's with-profits business;
- The services entities within the Phoenix Group were consolidated, meaning that human resources are provided to the Company by Phoenix Group Management Services ('PGMS') instead of Standard Life Assets and Employee Services Limited ('SLAESL');
- The creation of Growth Forums (one each for Ireland and for Germany/Austria) responsible for the day-to-day delivery of local-level reporting and inputs required by the European Senior Leadership Team. These forums replace the previous Country Leadership Teams; and
- Updated reporting lines of the Company Governance bodies.

B.2 Fitness and Probity requirements

SLIDAC carries out due diligence and 'fitness and probity' checks before appointing people to Controlled Function (CF) and Pre-Approval Controlled Function (PCF) roles. PCFs include new Directors (including non-executive Directors), Executives and other roles specified by the CBI. The checks are fully documented and include an assessment of whether the person is 'fit' based on professional and formal qualifications, knowledge and relevant experience for the responsibilities of the role; and 'probity' based on honesty, financial soundness, character and criminal record.

Each year a Competency and Capability review is conducted to ensure that individuals carrying out PCF and CF roles are fit to carry out the role and individuals are asked to review the Fitness and Probity Standards and re-certify that they comply with those Standards.

Effectiveness reviews of the SLIDAC Board, the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee were undertaken in November 2023. Directors also completed self-assessment questionnaires. Actions were agreed following the reviews.

SLIDAC's employees are subject to the Performance Management Process which takes into consideration whether there are any material issues identified that will materially impact the competence and capability of employees to carry out their role.

Section B – System of governance continued

B.3 Risk management system

The Company's risk management system is part of the wider system of governance and includes the ERM framework and the ORSA.

B.3.1 Enterprise risk management framework

A key part of the Company's system of governance is the ERM framework. The ERM framework includes the methods and processes used to manage risks and identify and seize commercial opportunities related to the achievement of our objectives, protecting and enhancing value. It enables a risk based approach to managing the business and incorporates the five elements listed below and integrates concepts of strategic planning, operational management and internal control. The framework has been developed and embedded in the business over a number of years.



All the ERM components (listed below) are interconnected and work together to provide the Company with a holistic framework encouraging proactive and pre-emptive risk management across the business.

- **Risk culture:** the way we think and act as individuals and as a business. It encompasses our attitudes, capabilities and behaviours towards risk. Our culture drives how we identify, understand, openly discuss, and act on current and future risks.
- **Risk control processes:** the practices by which we manage financial and non-financial risks within the Company. They are used to identify, assess, control and monitor risk.
- **Strategic risk management:** this forms an integral part of the strategic planning process and is directly linked to our corporate objectives. It supports the development of long-term value by ensuring well informed risk-reward decisions are taken in pursuit of our business plan, and that capital is distributed to the areas where most value can be created from the risks taken.
- **Risk and capital models:** the models that we use to measure our risk exposures and capital position and the work that we do to test and understand the sensitivity of these positions.
- **Emerging risks:** the aim of emerging risk management is to identify risks before they materialise to help us anticipate future threats. This gives us time to engage with the risk, understand it and respond accordingly. Our screening process informs stress testing and capital adequacy requirements.

Work to harmonise the Standard Life and PGH ERM frameworks has continued across SLIDAC in 2023. All SLIDAC risk policies were reviewed in 2023 and are in line with the current Group risk policies.

B.3.2 Own risk and solvency assessment

The ORSA is a set of processes that underpin our ERM framework. These processes identify, assess, control and monitor the risks which inform our capital requirements. A core principle of the Company's ORSA is that it is not a single annual exercise but the combination of inter-linked risk management processes happening continuously throughout the year.

The purpose of the ORSA is to inform and develop:

- Our understanding of the current and potential risks to the business over the product lifecycles. This includes both financial and non-financial risks including environmental, social and governance risks and their potential to affect both the long and short-term value of the business;
- Our appetite for these risks and how we manage them;
- Our own assessment of current solvency and capital requirements with respect to the risks; and
- A forward-looking assessment of the risk and solvency needs of the business over a multi-year time horizon in light of the business plans.

The Company's ORSA processes play a key role in supporting decision making and strategy developments at boards and risk committees. These processes run concurrently, operate continuously throughout the year and underlie the identification, assessment, control and monitoring of risks.

An ORSA Report is reviewed and approved by the Board at least annually or if the ORSA triggers are met, for example when there has been a material change in risk appetites or a material change to risk exposures.

Section B – System of governance continued

B.3 Risk management system continued

The Company's solvency needs are assessed using the Partial Internal Model at each reporting period and projected into the future as part of the business planning cycle. The appropriateness of the Standard Formula is also reviewed at least annually to ensure that the risk profile is properly captured and that the scope of the Partial Internal Model remains appropriate.

The risk management system interacts with our capital management activities by ensuring that well-informed risk-reward decisions are taken in pursuit of our business plan objectives, allowing capital to be delivered to areas where most value can be created from the risks taken. Our consistent application of effective and pre-emptive risk management across our business protects our short-term value while encouraging the development of long-term value. Oversight of risk within the business is delivered through the ORSA processes.

The ORSA process is summarized in the diagram below.



B.3.3 Risk Management and IM Governance

Since 2022, the Company has used a CBI-approved Partial Internal Model. This means that the capital held by the Company takes account of the benefit from the risk management tools in place.

The governance in place for the Partial Internal Model ensures that it remains up to date and appropriate for use, for example via regular assessments of the risk environment as reported in the Company's ORSA processes.

The Model Governance Committee ('MGC') has specific roles and responsibilities in relation to the governance of the Partial Internal Model on an ongoing basis. The Committee monitors the strategic direction and overall governance of the Internal Model and provides assurance to the relevant Board of its ongoing appropriateness, performance and effectiveness. Full details of the Committee's responsibilities are set out in its terms of reference.

The validation process which is used to monitor the performance and ongoing appropriateness of the Partial Internal Model is carried out by the dedicated Partial Internal Model team. The output of this activity is presented to the MGC through quarterly validation reports. The process is as follows:

- All proposed Partial Internal Model methodology changes are reviewed extensively within the first line before undergoing a robust second line independent review and challenge. The second line review conclusions are presented to the MGC alongside the first line proposal for approval.
- All methodology underlying the Partial Internal Model is subject to a comprehensive periodic review within the first line. The second line will independently review the appropriateness of the conclusions following this process, as well as initiate their own periodic reviews. External expertise may be sought to add new insight into the review and challenge process.

The Solvency II Pillar 1 balance sheet results are subject to second line independent review and challenge. In particular, the appropriateness of the SCR is considered from both a top-down and bottom-up perspective in order to provide an assessment of whether the SCR is materially reasonable, the Partial Internal Model as a whole appropriately reflects the risk profile of the business, and the Internal Model is expected to operate effectively going forward.

Section B – System of governance continued

B.4 Internal control system

Our internal control system contains a range of processes which are captured under our Conduct and Operational Risk framework as part of the risk control process element of the ERM framework.

B.4.1 Conduct and operational risk framework

A key feature of the ERM framework is the Risk Universe, upon which the Risk Policy framework is based. The Risk Policy framework incorporates key risks and Minimum Control Standards relating to each policy and key risk. The ERM framework also features a holistic Risk and Control Self-Assessment approach and Incident and Breach Management procedures. Tracking of actions plans and key risk indicators also forms part of the framework. The Conduct and Operational Risk framework comprises the following processes outlined below:

- Business risk profiles;
- Risk policy framework;
- Risk assessment including risk registers;
- Risk and Control self-assessment;
- Incident and breach management;
- Action plan management; and
- Key risk indicators.

Business Risk Profiles

A Business Risk Profile ('BRP') is a Line 1 report for a particular risk category which provides an overview of how well that risk is managed. BRPs contain a risk definition, qualitative and quantitative assessments of risks, details of key controls, key risk indicators and any relevant internal or external loss data. They also contain details of the top-down and bottom-up emerging risks and action plans to improve risk mitigation.

BRPs exist for each material Level 2 or Level 3 risk category and each BRP has an identifiable Risk Owner in Line 1. The Risk Owner is responsible for ensuring that the BRP is completed and they are supported in this by Risk Champions within their area. Risk Owners update most BRPs on a quarterly basis.

Risk policy framework

The policy framework helps the Company to achieve the high level business objectives by providing a structure to help articulate how the code of conduct, governing principles and all of the policies and procedures fit together to make sure that the business and employees operate within approved limits and standards, as defined by the Board.

The fair treatment of customers is integral to all SLIDAC's business activities and of fundamental importance. As such, policies are implemented with their specific impact on the customer in mind. This framework provides a structured process for developing and implementing policies consistently across the business.

Risk assessment including risk registers

Risk assessment is the process whereby operational risks which might adversely affect the Company's ability to meet its stated business objectives are identified, assessed and managed in order to minimise any adverse impact. Conducting the risk assessment process increases the likelihood of meeting our business objectives and plans because we have identified up-front what can go wrong and have taken actions to prevent this.

It is mandatory for all business units to establish, own and operate risk assessment processes. The recording, ongoing monitoring and management of the risks identified through these processes is enabled using 'risk registers' which are held on the GCM system.

The registers detail a range of information captured through the risk assessment process including: a description of the risk; details of the likely causes and impacts; an assessment of the risk in impact and likelihood terms; details of the responses to the risk; and details of the 'owner' for each risk. Responsibility for implementing a risk assessment process including appropriate responses, and the creation and ongoing management of a risk register rests with business unit leaders and managers. They will be supported in this by their business unit risk team.

Risk and Control Self-Assessment

Risk and Control Self-Assessment ('RCSA') is a self-assessment tool, its purpose being to ensure that the risks that exist in key processes and the primary controls within them are documented and subject to regular assessment by business owners. The assessments include:

- the inherent likelihood and impact of key risks;
- the likelihood and impact of those risks following actions taken and controls put in place to mitigate against them;
- a review of the adequacy of the design of the suite of controls;
- an assessment of the actual performance of those controls;
- evidence to support control performance; and
- an overall control effectiveness conclusion.

The results of the RCSA certification process feed into the BRPs and provide senior management with assurance over the awareness of risks, and the effectiveness and quality of the control environment operated across the key business processes.

RCSA results may also lead to designing new procedures or changing existing procedures to reduce the probability of control failures.

Incident and Breach Management

An incident is a risk that has materialised as a result of a deficiency in our system of internal control or an external event and a breach is an incident that has gone beyond the appetites set for risks. Since they can have a significant impact on the Company's reputation and

performance, we aim to identify and understand these quickly to ensure that an appropriate response is taken. The GCM system is used to log any incidents and breaches that occur and ensure action plans are put in place for corrective action.

Section B – System of governance continued

B.4 Internal control system continued

B.4.1 Conduct and operational risk framework continued

Action Plan Management

Action plan management is an important aspect of the conduct and operational risk control framework. Its purpose is to:

- Ensure that control improvement work is identified, what is required is clearly expressed, ownership is clear and target dates are set;
- Demonstrate active management of the control environment;
- Prioritise control improvement work; and
- Provide progress on work to allow source owners to determine the impact of outstanding issues.

Key Risk Indicators

Our key risk indicators ('KRIs') aim to identify potential issues before they materialise and are used as a monitoring tool to provide a snapshot of the current business exposure to specific risks.

KRIs are a blend of control indicators and other management information that is focused on a particular risk. The key differential of a KRI is that the metric has a direct correlation to an increase or decrease in probability, impact or exposure to a specific risk.

KRIs assist both business management and risk management functions by providing a tool to:

- Monitor risks by measuring trends or performance of KRIs;
- Provide an early warning to enable proactive rectifying action and help to minimise exposure to losses;
- Promote a proactive risk culture by providing a trigger for management action; and
- Bring objectivity to the risk process.

All the outputs from our conduct and operational risk control framework flow through to the other stages of the ERM framework, such as the risks being reflected in our risk and capital models.

B.4.2 Risk and Compliance function

The Risk and Compliance function is a second line of defence function and is embedded into our strategic and operational decision making. The function promotes informed decision-making and controlled risk-taking that improves customer outcomes and delivers long-term value for shareholders.

The Risk and Compliance function achieves this by:

- Providing guidance, advice, challenge, independent review and assurance of key activities;
- Developing Regulatory relationships that help deliver the business strategy;
- Ensuring that Compliance activities are undertaken; and
- Designing and implementing a risk management framework that supports the execution of business strategy.

The Risk and Compliance function is led by the Chief Risk Officer, who has dual reporting lines to the SLIDAC Chief Executive Officer and the Group Open Division CRO. The SLIDAC Chief Risk Officer also has access to the chairperson of the Risk Committee and regularly attends Board Risk Committee meetings. The function covers all elements of the Risk Universe.

Support is also provided by Group functions.

B.4.3 Regulatory compliance

The Company's Regulatory Compliance policy requires the business to provide assurance that they are complying with the relevant regulations.

The Regulatory Compliance policy sets out the standards the business must adhere to in complying with the relevant regulations. These standards are in place to prevent non-compliance. The Head of Compliance is the policy implementation manager for this policy and is also responsible for the annual review of the standards and benchmarks for this policy.

The assessment of the adequacy of the measures adopted to prevent non-compliance is a continuous process and follows an annual cycle starting and ending at annual policy review. The assessment includes:

- Board review and approval of the policy standards (with benchmarks approved by the Chief Risk Officer) to apply in the following year;
- A quarterly self-assessment of compliance with the Board approved policy. Where this highlights areas of non-compliance, action plans are set up to ensure compliance (along with appropriate timescales);
- A review of the above assessment by the policy implementation manager. This review will consider the evidence provided to show compliance, the action plans and other information already reported in the GCM system;
- A review of the policy standards and benchmarks by the policy implementation manager. This review takes into account the cases of non-compliance (or near misses) reported over the year and the adequacy of the current standards and benchmarks in reducing the numbers and controlling the impact of these cases; and
- Board review and approval of the revised policy standards resulting from the above review.

Section B – System of governance continued

B.5 Internal Audit function

Internal Audit activities for the Company are provided by Standard Life International Internal Audit ('SLIIA') function. The primary role of SLIIA is to support the Board and Executive Management to protect the assets, reputation and sustainability of the organisation. This is achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

SLIIA operates in compliance with the International Standards for the Professional Practice of Internal Auditing, the Internal Audit Code of Ethics and the Guidance on Effective Internal Audit in the Financial Services Sector and guidance provided by the European Confederation of Institutes of Internal Audit ('ECIIA').

B.5.1 Roles and responsibilities of Internal Audit

The SLIIA scope is unrestricted and there are no aspects of the organisation which SLIIA is prohibited from reviewing. Key business risk areas and industry themes identified both internally and externally, are prioritised to receive more extensive coverage, regular ongoing review and opinion formation.

The function has a number of responsibilities, including producing, delivering and reporting on the annual Internal Audit plan.

B.5.2 Reporting

SLIIA attend, and issue reports to the Company's Board Audit Committee ('SLIBAC') and any other governing bodies and Board committees as appropriate.

Annually SLIIA's reporting to the SLIBAC will include significant control weaknesses, root-cause and relevant 'lesson learned' analysis, themes and a view on the adequacy of management's remediation plans. At least annually, SLIIA will provide an opinion on the strength of the design and operation of the Risk Management/Internal Control Framework (and adherence to the risk appetite framework across the business).

B.5.3 Independence and objectivity of the Internal Audit function

In order to maintain its independence and objectivity from the activities it reviews, SLIIA ensures the following:

- The Company's Head of Internal Audit ('SLIHIA') reports functionally to the Company's Board (through the SLIBAC Chair) and administratively to the Phoenix Group Head of Internal Audit ('PGHIA'). The SLIBAC Chair is the final approval point for recommendations made by the PGHIA regarding the performance objectives, appraisal, appointment or removal of the SLIHIA as well as the overall compensation package of the SLIHIA which is further ratified by the Group Audit Committee.
- The remuneration of the SLIHIA is structured in a manner such that it avoids conflicts of interest, does not impair independence and objectivity and is not directly or exclusively linked to the short term performance of the organisation.
- The SLIHIA ensures that Internal Audit remains free from anything that impacts its ability to carry out its responsibilities in an unbiased manner.
- Internal Audit has the right to attend and observe all or part of executive management meetings and any other key management decision-making forums. It also has sufficient and timely access to all Board and Executive management information and a right of access to all the organisation's records, necessary to discharge its responsibilities.
- Effective Risk Management, Compliance and other assurance functions are an essential part of the Company's corporate governance structure. SLIIA is independent of these functions and is neither responsible for, nor part of, them. In evaluating the effectiveness of internal controls and risk management processes, in no circumstances does SLIIA rely exclusively on the work of these other assurance providers. SLIIA exercises informed judgement as to when to leverage the work of other assurance providers and always examine for itself an appropriate sample of the activities under review, after a thorough evaluation of the effectiveness of other assurance providers' work in relation to the applicable area.

B.6 Actuarial function

The actuarial function has the following responsibilities:

- Technical Provisions: co-ordinate calculation of Technical Provisions; ensure the appropriateness of the methodologies and underlying models used as well as assumptions made in the calculation of the Technical Provisions; inform the Board of the adequacy of calculation; provide opinion on the adequacy of Technical Provisions;
- Underwriting: prepare an opinion on overall underwriting policy;
- Reinsurance: prepare an opinion on adequacy of reinsurance arrangements;
- Risk management: contribute to an effective risk management system.

In addition to the above which are required by the Solvency II Directive delegated acts and guidelines, the Actuarial function also performs the following functions:

- SCR methodology: ensure the appropriateness of the methodologies used in the calculation of the SCR;
- GAAP actuarial liabilities: ensure the appropriateness of the methodology and assumptions for the calculations of GAAP actuarial liabilities;
- Investment oversight: oversee and manage investment decisions relating to SLIDAC's shareholder funds and funds backing annuities;
- Capital management: monitor and manage capital; and
- With-Profits and Reinsurance management: monitor management of the with profits funds and oversee the adequacy and effectiveness of reinsurance arrangements.

In addition to the requirements of Solvency II, the Actuarial Function is subject to the requirements of the CBI's Domestic Actuarial Regime.

Section B – System of governance continued

B.7 Outsourcing

The Company's Third Party Management Policy and Supplier Management Governance Process set the standards that the Company must comply with for outsourcing arrangements.

The Company expressly retains responsibility for meeting all relevant regulatory and legal requirements by the outsource providers and includes the requirement for the implementation of appropriately robust governance structures. The Sourcing and Procurement Framework also highlights that customer outcomes must be considered at the outset and throughout the lifecycle of any outsourcing arrangement.

For each outsourced arrangement with the Company, an Executive Sponsor, Accountable Authority and Supplier Relationship Manager are appointed. Outsourced control functions (as per CBI fitness and probity definitions) are required to satisfy the fitness and probity requirements. In addition to these, the Supplier Governance Manager, the Chief Risk Officer, Chief Operating Officer and local level

Operational & Conduct Risk Committees ('OCRC') have specific roles in relation to the approval and subsequent governance of outsourcing arrangements. The OCRC is responsible for reviewing all proposed outsourcing arrangements that are identified by the Chief Risk Officer (or nominated deputy) as potentially having a material impact on the risk profile and annually reviews the complete master list of outsourcing arrangements across the Company.

The Company uses a number of outsourcing partners to operate and deliver core systems, capabilities and processes. Most arrangements are to other companies within the Phoenix Group and are located in the UK. We also have arrangements with companies based in Ireland and Germany.

B.8 Any other information

The Company continues to exercise oversight in relation to its outsourcing arrangements, in line with Governance rules, and review its overall operation of organisational governance.

Please note information on the Company's approach to Responsible Investment can be found on the following webpage (and the German version below):

<https://www.standardlife.ie/investment-options/responsible-investment>

<https://www.standardlife.de/ueber-uns/nachhaltigkeit>

Sustainability and Climate Risk are managed across the Group and the Company is fully involved in measuring and monitoring the risks. The Group's approach to these risks can be found on the following webpage:

<https://www.thephoenixgroup.com/our-impact/responsible-business/reports-policies/>

Section C – Risk profile

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Section C – Risk profile

Risk profile

Section B.3 sets out the risk management system including information on how the Risk Management Framework ('RMF') is implemented and integrated into the organisational structure and decision-making processes of the Company.

This section provides information on the risk profile of the Company, including for each category of risk, a description of the risks, a description of the measures used to assess these risks, material risk exposures, concentrations and risk mitigation techniques. Sensitivity analysis for each category of risk is also provided.

The Company's principal risks and uncertainties are described in Note 30 of the 2023 Annual Financial Statements. These are:

Risk	Description	More detail included in section
Demographic and Expense Risk	Demographic The risk that arises from the inherent uncertainties as to the occurrence, amount and timing of future cash flows due to demographic experience differing from that expected. This class of risk includes risks that meet the definition of insurance risk under GAAP and other financial risks.	C.1 Underwriting risk
	Expense The risk that expense levels are higher than planned or revenue falls below that necessary to cover actual expenses. This can arise from an increase in the unit costs of the Company or an increase in expense inflation, either Company specific or relating to economic conditions. This risk will be present on contracts where the Company cannot or will not pass the increased costs onto the customer. Expense risk can reflect an increase in liabilities or a reduction in expected future profits.	
Financial Market and Credit Risks	Market The risk that arises from the Company's exposure to market movements which could result in the value of income, or the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by differing amounts.	C.2 Market risk
	Credit The risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner.	C.3 Credit risk
Operational Risk	The risk of adverse consequences for the Company's business resulting from inadequate or failed internal processes, people or systems, or from external events. This includes conduct risk as defined below.	C.4 Operational risk
Liquidity Risk	The risk that the Company is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost.	C.5 Liquidity risk
Conduct Risk	The risk that through our behaviours, strategies, decisions and actions the Company delivers unfair outcomes to our customers/clients and/or poor market conduct.	C.6 Other material risks
Strategic Risk	Risks which threaten the achievement of the strategy through poor strategic decision-making, implementation or response to changing circumstances.	C.6 Other material risks

The risks above are covered in this section, which follows a prescribed format and order. Sections C.1 to C.6 provide information on specific material risks to which the Company is exposed. Section C.7 covers information which applies across these material risks.

Capital held in respect of these risks is described in Section E. Please see Quantitative Reporting Template S.25.05.21 to see the split of the SCR by risk category.

Section C – Risk profile continued

Risk profile continued

SLIDAC uses a CBI-approved Partial Internal Model ('PIM') to calculate its Solvency Capital Requirement. The PIM introduces an Internal Model approach for calculating the Counterparty Default Risk and Operational Risk capital requirements, with all other risk modules using the Standard Formula. Aggregation of the overall capital requirements is completed using the Standard Formula correlation matrix approach.

The chart below gives an indicative exposure of the overall risk profile for the Company and shows a high-level view of the composition of the undiversified SCR.

Risk Profile



Underwriting risk	43%
Market risk	39%
Credit risk	10%
Operational risk	8%

The table below shows the composition of the actual Company undiversified SCR, calculated in accordance with the Partial Internal Model:

Risk profile	Basis	Section reference	SLIDAC SCR	
			31 December 2023	31 December 2022
Underwriting risk	Standard Formula	C.1	43%	46%
Market risk	Standard Formula	C.2	39%	36%
Credit risk	Partial Internal Model	C.3	10%	9%
Operational risk	Partial Internal Model	C.4	8%	9%
Liquidity risk	N/A	C.5	0%	0%
Other risks	N/A	C.6	0%	0%
Total	Partial Internal Model		100%	100%

Underwriting and Market SCRs are calculated using the Standard Formula approach, Credit and Operational SCRs are calculated using the Partial Internal Model approach.

The Company does not hold SCR for liquidity or other risks, as explained further in Section C.5 and C.6.

The key factors affecting the movement of each risk category are set out in their respective sections below. More details regarding the SCR are set out in section E.2.

C.1 Underwriting risk

C.1.1 Risk exposure

Underwriting risk refers to the risk that the frequency or severity of insured events may be worse than expected and includes expense risk. Contracts underwritten by the Company include the following material sources of underwriting risk:

Risk Source	Description
Lapse Risk	Adverse movement in either surrender rates or persistency rates on policies, leading to losses. This includes the risk of greater than expected policyholder option exercise rates giving rise to increased claims costs.
Mortality Risk	Higher than expected number of deaths experienced on life and protection products or greater than expected increase in mortality rates.
Longevity Risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Catastrophe Risk	Once-off catastrophic event causing a sharp spike in mortality rates.
Expense Risk	Unexpected timing or value of expenses incurred.
Disability Risk	Higher than expected number of disabilities experienced on disability covers or greater than expected increase in disability rates.

Section C – Risk profile continued

C.1 Underwriting risk continued

C.1.1 Risk exposure continued

The table below shows the split of the undiversified SCR in respect of underwriting risk.

Components of Underwriting Risk	31 December 2023	31 December 2022
Lapse Risk	29%	32%
Mortality Risk	1%	1%
Longevity Risk	3%	3%
Catastrophe Risk	0%	0%
Expense Risk	9%	9%
Disability Risk	1%	1%
Total Underwriting Risk	43%	46%

During the year ended 31 December 2023, the key changes to the Company's exposure to underwriting risk include:

- 10% of the longevity risk exposure arising from the annuity portfolio has been reinsured to PRL.
- Underwriting assumptions were refreshed across a variety of products to reflect the most recent experience analysis.

C.1.2 Risk measurement

The Company uses several methods to assess and monitor underwriting risk exposures both for individual types of risks insured and the overall risks. These methods include the Solvency II Standard Formula, experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing.

The risk capital requirement for underwriting risk is assessed using the Standard Formula model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2023, underwriting risk represented 43% of the Company's total undiversified SCR as shown in the table at the beginning of Section C.

C.1.3 Risk concentration

The Company is not exposed to any material concentration of underwriting risk. For all underwriting risks described above, the Company's exposure is spread across a diversified portfolio of products. No individual policyholder contract size is large enough to represent a material concentration as a proportion of the Company's total risk exposure.

C.1.4 Risk mitigation

Reinsurance is used within the Company primarily to reduce risk exposures arising on with-profits policies. The reinsurance arrangements (including those with PLL) covering these policies reduce the Company's underwriting risk exposure in respect of these policies. There are some rider benefits on this reinsured book that are reinsured with external parties. If the external agreements were to default, the liability would be captured by the PLL reinsurance treaty. There is also a small amount of reinsurance on the retained German business, where some rider benefits on policies are reinsured to third parties.

The Company entered into a reinsurance arrangement with PRL in 2023, ceding all market risks and 10% of the longevity risks arising from the annuity portfolio.

For business retained within SLIDAC, underwriting risks are managed using appropriate and active pricing and regular monitoring of experience. We also have a risk appetite framework which limits the amount of exposure we have to individual risks.

The Company actively monitors its actual experience on longevity and persistency, along with other underwriting risks. This gives timely identification of any significant divergence from long-term trends, which can enable the underlying causes to be identified and appropriate actions implemented.

C.1.5 Sensitivity analysis

As part of the Company's internal risk management processes, the impact of a number of underwriting risk scenarios on the SCR is monitored. These sensitivities incorporate some modelling approximations and results are indicative. The results of such stress testing on the Company's SCR are provided below.

	SII Surplus (€'000)	Coverage Ratio (%)
Base: 31 December 2023	361,312	194%
Following 6% decrease in annuitant mortality rates	353,005	192%
Following 10% increase in assurance mortality rates	361,082	195%
Following a 10% increase in lapse rates	358,421	197%
Following a 10% decrease in lapse rates	361,523	191%
Following a 5% increase to expense 0.5% increase to expense inflation	343,707	191%

As can be seen from the results, the Company is reasonably resilient to such scenarios.

Section C – Risk profile continued

C.2 Market risk

C.2.1 Risk exposure

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market influences. The Company is exposed to the following material sources of market risk:

Risk Source	Description
Equity Risk	The risk of reduction in earnings and/or value, from unfavourable movements in equity asset values. In this context, equity assets should be taken to include shares, equity derivatives and equity collectives (OEICs, unit trusts, investment trusts).
Property Risk	The risk of adverse property market movements which could result in a financial loss.
Interest Rate Risk	The risk that the fair value of future cash flows of a financial instrument will fluctuate relative to the respective liability due to the impact of changes in market interest rates and the associated guarantees on certain insurance contracts.
Spread Risk	The risk of reduction in earnings and/or value, from unfavourable movements in the spread between corporate bond yields and swap rates used to discount insurance liabilities.
Currency Risk	The risk of reduction in earnings and/or asset and liability values, arising solely as a consequence of changes to currency exchange rates. This risk category also covers the risk of a change in swap rates in one currency, relative to the swap rate in another currency.
Concentration Risk	The risk that holdings in single assets or groups of associated assets magnify the market risk due to the concentrated nature of the exposure, due to a lack of diversification.

The table below shows the split of the undiversified SCR in respect of market risk for the Company.

Components of Market Risk	31 December 2023	31 December 2022
Equity Risk	22%	20%
Property Risk	0%	0%
Interest Rate Risk	0%	0%
Spread Risk	2%	4%
Currency Risk	10%	9%
Concentration Risk	5%	3%
Total Market Risk	39%	36%

The key changes to the Company's exposure to market risk, for the year ending 31 December 2023, were as follows:

- Market risk exposures arising from the annuity portfolio has been reinsured to PRL.
- The Company agreed an internal group loan of €50m, additional to the €100m agreed during 2022.
- During 2023 the Company re-invested a portion of shareholder funds from money-market funds into longer dated government bonds to receive more favourable returns, while reducing the volatility of the balance sheet to changes in the Risk Margin due to movement of interest rates.

C.2.2 Risk measurement

The Company uses several methods to assess and monitor market risk exposures both for individual market risk categories and for the aggregate exposure to all market risks. These methods include monitoring of asset portfolio composition, interest rate mismatch metrics, strategic asset allocation, and hedge effectiveness. In addition, risk is measured using the Standard formula, sensitivity analyses, scenario analyses and stress testing.

The risk capital requirement for market risk is assessed using the Standard Formula model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

At 31 December 2023, market risk represented 39% of the Company's total undiversified SCR.

C.2.3 Risk concentration

Market risk concentrations are minimised by offering a wide range of investment options to the Company's customers. The Company also has a risk appetite framework which limits the amount of exposure it has to individual risks.

C.2.4 Risk mitigation

A number of financial risk mitigation techniques are used throughout the Company including:

Risk Mitigation Technique	Description
Diversification	Where possible investments are diversified across class, industries and counterparties.
Cashflow Matching	In the case of the immediate annuity portfolios assets with similar cash flows to the liabilities are selected to minimise the risk of reinvesting cash flows at adverse prices.
Hedging	Hedging programmes are in place within the with profits funds of the Company to reduce the exposure to equity risk on future policyholder charges, and to manage market risk (in particular equity and interest rate risk). To mitigate exposure to interest rate risk, assets with similar sensitivity to interest rate risk as the corresponding liabilities are selected where possible, such as government bonds held to offset movements in the Risk Margin resulting from changing interest rates, thus reducing balance sheet volatility. Foreign Exchange forward contracts are used to mitigate currency risk on charges on the unit-linked funds.

Section C – Risk profile continued

C.2 Market risk continued

C.2.5 Sensitivity analysis

As part of the Company's internal risk management processes, the impact of a number of market risk scenarios on the SCR is monitored. These sensitivities incorporate some modelling approximations and results are indicative. The results of such stress testing on the Company's SCR are provided below.

	SII Surplus (€'000)	Coverage Ratio (%)
Base: 31 December 2023	361,312	194%
Following a 20% fall in equity markets	363,314	208%
Following a 15% fall in property values	361,325	194%
Following a 60bps interest rates rise	375,490	199%
Following a 80bps interest rates fall	334,295	186%
Following credit spread widening (equivalent to 50% of the Standard Formula stress)	358,757	194%

The Company's biggest exposure is to a fall in interest rates, which increases the value of the with profit liabilities reinsured to PLL. This has an impact on counterparty default SCR and increases the Risk Margin.

C.3 Credit risk

C.3.1 Risk exposure

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. These obligations can relate to both on and off balance sheet assets and liabilities. The Company is exposed to the following material sources of credit risk:

Risk Source	Description
Investment counterparty risk	The risk of reduction in earnings and/or value, arising from counterparty defaults on investments such as derivatives, money market instruments and cash deposits.
Reinsurance counterparty risk	The risk of reduction in earnings and/or value, arising from the failure of a reinsurance counterparty to meet its contractual obligations by way of default or delayed claim settlements.

During the year ended 31 December 2023 the key changes to the Company's credit risk exposures were:

Reinsurance:

- The reinsurance of the annuity business to PRL; and
- Phoenix Group's consolidation of some of its UK life insurance entities, meaning the counterparty to the with-profits reinsurance arrangement has changed from SLAL to PLL

The other key credit risk exposures to the Company remain:

- Money market instruments and cash deposits; and
- The currency hedges in place, initially implemented in September 2019, and which are currently refreshed on a rolling three-month basis.

C.3.2 Risk measurement

Several methods are used to assess and monitor credit exposures. These methods include monitoring of asset portfolio composition and single name counterparty monitoring. In addition, these methods include the use of a CBI approved Partial Internal Model for counterparty default risk, sensitivity analyses, scenario analyses and stress testing. Differences between the Standard Formula and the Internal Model approach are described in section E.4.

C.3.3 Risk concentration

Concentration of credit risk exists where the Company has significant exposure to an individual counterparty or a group of counterparties with similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. Counterparty credit risk is monitored by the counterparty limits contained within the investment guidelines and investment management agreements.

An indication of the Company's exposure to credit risk can be illustrated using the credit rating of the counterparties included in the credit risk SCR exposure. The table below provides information regarding the aggregate credit exposure split by credit rating, for direct holdings (other than assets held for unit-linked contracts) in counterparties.

Rating	Market Value (€'000)	Percentage of Total %
AAA	168	0%
AA	830,128	75%
A	145,319	13%
BBB	45,851	5%
BB	0	0%
B and below	0	0%
Non-rated ¹	78,628	7%
Total	1,100,096	100%

¹ The non-rated exposure shown includes exposure to PRL

Section C – Risk profile continued

C.3 Credit risk continued

C.3.3 Risk concentration continued

As at 31 December 2023, the largest credit exposures to a single name counterparty in the Company's asset portfolio were:

Top 10 single name credit exposures	(€'000)
PLL ¹	776,109
HSBC Holdings PLC	25,281
KBC Bank NV	13,271
MUFG Bank Ltd/London	12,682
Qatar National Bank QPSC	11,244
China Construction Bank Corp	9,322
CITIBANK	6,954
Sumitomo Mitsui Banking Corp	6,525
Colgate-Palmolive Co	6,406
Procter & Gamble Co/The	5,853

¹ The exposure to PLL shown here is the excess of reinsurance asset less collateral.

The Company is exposed to concentration risk in respect of reinsurance ceded to subsidiaries of the PGH; PLL and PRL. This is largely mitigated by collateral and other security arrangements with the reinsurers and concentration limits in respect of individual reinsurance counterparties.

C.3.4 Risk mitigation

The Company manages its exposure to credit risk, including concentration risk in-line with its Credit Risk Policy. This helps to mitigate the Company's credit risk by ensuring that appropriate processes, controls and governance is in place to monitor, report and manage all aspects of credit risk (including concentration risk).

The large exposure that the Company has to PLL through the internal reinsurance arrangements is mitigated by two security arrangements that were entered into at the same time as the reinsurance arrangement. A 'fixed charge' provides the Company with a charge over specified assets in PLL and acts as collateral for the majority of the reinsurance asset with PLL. The remaining 'uncollateralised' reinsurance asset is secured with a floating charge that the Company has over the remainder of the assets of PLL.

The exposure through the PRL reinsurance arrangement is mitigated by three security arrangements. A 'fixed charge' over specified PRL assets held by an independent custodian and two Letters of Credit issued by PGH, PRL's parent company, that pay out in the event of default by PRL. The 'fixed charge' acts as collateral over the majority of the reinsurance asset with PRL.

The ongoing effectiveness of credit risk mitigation is monitored on a regular basis by the Investment and Credit Risk Committee.

C.3.5 Sensitivity analysis

As part of the Company's internal risk management processes, the impact of a credit risk scenario on the SCR is monitored. This sensitivity incorporates some modelling approximations and results are indicative. The result of such stress testing on the Company's SCR is provided below.

	SII Surplus (€'000)	Coverage Ratio (%)
Base: 31 December 2023	361,312	194%
Following PLL Credit Rating Downgrade from AA to A	350,011	192%
Following PLL Recovery Rate assumption reduction from 95% to 94%	352,079	192%

C.4 Operational risk

C.4.1 Risk exposure

Operational risk is defined as the risk of loss or adverse consequences for the Company resulting from inadequate or failed internal processes, people or systems, or from external events. It is divided into a number of categories as captured through the development of the Company's Risk Universe. From a capital perspective the main sources of operational risk are described below:

- Financial control and reporting – the risk of financial failure, reputation loss, loss of earnings and/or value arising from the inappropriate recording, reporting and disclosure of financial information.
- Data protection/Information Security – the risk of financial or reputational loss that can result from failing to ensure confidentiality of information, failing to protect the integrity of information and/or, failing to secure and maintain availability of information.
- Regulatory compliance – the risk of having sanctions imposed on individuals or the firm including their 'license to operate' being withdrawn by a regulator, or having conditions applied (retrospectively or prospectively) that constrain the ability to properly meet its customers and stakeholders needs, and adversely impact the economic value of the firm. This includes reductions in earnings and/or value through a combination of regulatory fines, operational costs to fix issues, and other financial or reputational losses.

Where operational risk exposures have the potential to materially influence the level of operational capital held in respect of any current or new scenario, the Company operates a trigger process where this is considered on an ongoing basis as new management information becomes available through, for example, internal events, external events, changes to regulations, and changes to the risk profile of the business.

Section C – Risk profile continued

C.4 Operational risk continued

C.4.2 Risk measurement

The Company uses a Partial Internal Model calculation for operational risk. This calculation is based on a detailed analysis of operational risks using a scenario-led approach in which the quantification for each risk is parameterised through workshops informed by expert opinion as well as internal and external data where appropriate and available. The scenarios are designed to be extreme but plausible, and the likelihood of the event arising and the impact on the business are calibrated to determine a capital requirement for each. The correlations and interactions between different types of operational risks are assessed separately and an aggregation model is used to determine the overall operational risk capital requirement for the Company.

The capital held in respect of the Company's operational risk on the Partial Internal Model basis was €46m at 31 December 2023 and represented 8% of the Company's total undiversified SCR as shown in the table at the beginning of section C.

The risk capital requirement for operational risk is assessed using the same frequency-severity based model that PGH has developed for use in the Group for their harmonised Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

Compared to the Standard Formula approach, which uses a simple factor-based calculation to determine the capital requirement, the Partial Internal Model assessment is more tailored to the operational risks the Company is exposed to.

C.4.3 Risk concentration

Within the Company, operational risks are not significantly concentrated into any of the operational risk categories considered in the assessment. The largest operational risk concentrations are in relation to the financial control & reporting, data protection and regulatory compliance categories, as defined in section C.4.1.

C.4.4 Risk mitigation

The Company seeks to manage exposure to operational risk by establishing Minimum Control Standards (MCS), and supporting practices where appropriate, for each risk category. These MCS are defined within individual risk policies covering each of the operational risk categories and are designed to ensure that the Company operates within the low-level qualitative risk appetite statements that are defined within those policies. Periodic reporting by risk owners monitors risk exposure against these agreed limits, considering the extent to which the MCS are being effectively applied. The effectiveness of this range of MCS' is monitored and reported on an ongoing basis to relevant management oversight committees.

In addition, a number of insurance policies are used to reduce operational risk exposures in practice. The key policies are Crime, Cyber Crime, Professional Indemnity, Premises and Business Interruption and Employer's Liability Cover for all employees.

There is however nominal allowance made for this within the assessment of solvency needs due to the expected length of time for recoveries exceeding the one-year forward-looking period and no prior claims made on these policies. Should instances become apparent where the Company makes a claim on these policies, more allowance may be made for these recoveries in future.

C.5 Liquidity risk

C.5.1 Risk exposure

Liquidity risk is defined as the failure of the Company to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Company has exposure to liquidity risk resulting from normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements.

The Company does not hold risk capital against liquidity risk. Liquidity risk is managed by holding an appropriate proportion of the assets in liquid form, with the proportion determined based on periodic investigations into liquidity requirements, which include consideration of cash flows in normal conditions, as well as investigation of scenarios where cash flows differ markedly from those expected (primarily due to significant changes in policyholder behaviour).

C.5.2 Risk measurement

Liquidity risk is measured by comparing the level of liquid assets with the amount required to maintain the normal monthly level of cash flows over the business planning period, with allowance made for any expected non-recurring cashflows.

C.5.3 Risk concentration

Liquidity risk for SLIDAC arises primarily from the following key sources:

- Operational risk events;
- Mass lapse events;
- Longevity risk on annuity business;
- Asset defaults (beyond best estimate) on assets exposed to credit risk which support the Company's annuity liabilities;
- Very short-term pre-funding of large investments or switches; and
- Changes in the amount of collateral posted to track the movement in the value of foreign exchange forward contracts.

The Company is not exposed to material concentrations of liquidity risk since it holds sufficient liquidity to cover fluctuations in cash outflows arising from these areas.

Section C – Risk profile continued

C.5 Liquidity risk continued

C.5.4 Risk mitigation

For annuity and unit-linked business, liquidity risk is primarily managed by holding a range of diversified instruments which are assessed against estimated cash flow and funding requirements.

For annuity contracts, assets are held which are specifically chosen with the intention of matching the expected timing of annuity payments. The Company and PRL actively manage and monitor the performance of these assets against liability benchmarks and liquidity risk is minimised through the process of planned asset and liability matching.

For non-participating unit-linked contracts, a core portfolio of assets is maintained and invested in accordance with the mandates of the relevant unit-linked funds. Policyholder behaviour and the trading position of asset classes are actively monitored. The unit price and value of any associated contracts would reflect the proceeds of any sales of assets.

The Company undertakes regular assessments of its cash flow requirements under normal conditions, as well as considering scenarios where cash flows differ markedly from those expected (primarily due to extreme policyholder behaviour). In addition, the Company performs periodic reviews of its liquidity risks and performs stress testing on these risks to define minimum liquid asset requirements. These liquid asset requirements are monitored against available liquidity and tangible assets across various time horizons, with the outcomes reported through regular management information. This mitigates the risk that the Company does not have appropriate liquidity under severe stress conditions.

The Company is required to monitor, assess, manage and control liquidity risk in accordance with the relevant principles within the Company's risk policy framework. Oversight is provided both at a Phoenix Group level and within the Company. In addition, the Company benefits from membership of a larger group to the extent that, centrally, the Phoenix Group:

- Coordinates strategic planning and funding requirements;
- Monitors and manages risk, capital requirements, and available capital on a group-wide basis.

The Company initially adopted its own risk policy framework and then performed a full refresh of its policies in line with the harmonisation of the risk management frameworks across the entities in the Phoenix Group; the risk policies approved by the Board are at least as stringent as the PGH risk policies. All policies are reviewed and re-approved on an annual basis. Each entity in the Group, including the Company, is responsible for the definition and management of its contingency funding plan. Liquidity risk is managed by each entity in consultation with the relevant PGH functions.

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Company expects to be able to manage liquidity risk on an ongoing basis.

C.5.5 Expected profits in future premiums

Own Funds are used to cover the SCR (see more details in section E.1). The value of liabilities, included within Own Funds, takes into account expected future premium payments even if the policyholder is not contractually committed to making the payments. This methodology for valuing liabilities therefore implicitly allows for any Expected Profits In Future Premiums ('EPIFP') which reduces the liability value and increases Own Funds.

At 31 December 2023, the Company's EPIFP (Gross of Reinsurance) is shown below. This comprises future profits arising across all lines of business.

	31 December 2023 (€'000)	31 December 2022 (€'000)
EPIFP (gross of tax and reinsurance)	375,162	384,774

C.6 Other material risks

A business-wide review of risks is performed to determine a list of risks which should be assessed. This assessment considers:

- Reputational risk, including conduct risk, the risk of a downgrade to PLL's or PGH's external credit rating and impacts on underwriting risks such as persistency and expenses.
- Strategic risk, including impacts on underwriting risks such as persistency, expenses and new business levels.

The approach taken to the assessment is a qualitative analysis of each of the risks in turn appropriate to the nature, scale and complexity of these exposures. The assessment described here concludes that there are no other material risks that the Company is exposed to. Consequently:

- There is currently no requirement to hold additional capital in respect of these risks.
- Other risks are not considered when investing assets according to the Prudent Person Principle.
- No material other risks were identified through the sensitivity, scenario and stress tests described in section C.7.2.

Customer risk is the risk arising from the failure to have a customer centric culture, including failure to meet reasonable customer expectations, failure to design and/or manage products/propositions appropriately, or inappropriate (unclear, unfair or misleading) financial promotions, sales practices and/or distribution agreements resulting in poor customer outcomes. The types of scenarios leading to these outcomes are included in the assessment of operational risk, and so there is no requirement to hold additional capital in respect of these risks.

Section C – Risk profile continued

C.7 Any other information

C.7.1 Prudent Person Principle

The Prudent Person Principle ('PPP') is a set of requirements which governs the investments that an insurer is allowed to make. For example, insurers may only invest in assets and instruments whose risks they can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of their overall solvency needs. To avoid repetition, we describe the PPP compliance of all asset classes together rather than individually.

The Company's investment risk management framework ensures assets that are backing Technical Provisions are invested in accordance with the requirements of the PPP, as set out in Article 132 of the Solvency II Directive.

The investment risk management framework is underpinned by the policy framework, which includes market risk, insurance risk, credit risk, liquidity & funding, and capital management policies and requires that the risks associated with investments are identified, assessed, controlled and monitored.

Decisions on significant investment matters (including the types of assets that can be invested in) are the responsibility of the SLIDAC Board. Any new proposals follow robust governance and review processes to ensure that proper consideration of the risks, benefits, costs and other implications has been given.

The Company's shareholder and policyholder assets, other than those relating to unit-linked policies are invested in External Fund options. These assets must be managed in accordance with requirements that are set by the Company with reference to the nature, term and other relevant characteristics of the liabilities that they back, along with considerations of the risk characteristics of the assets. Compliance with these requirements is monitored on an ongoing basis and reviewed at least annually to ensure the ongoing appropriateness of existing asset allocations and constraints. Compliance with regulatory requirements such as the CBI's and FCA's Conduct of Business rules is also monitored.

There is a Group-wide Conflicts of Interest Policy and localised controls are in place to ensure that where conflicts arise, they are managed appropriately with the best interests of customers in mind.

The Company manages assets on behalf of with-profits and unit-linked customers as well as assets backing non-profit business and shareholder assets. Further detail of the PPP compliance for these types of business is given in the sections below.

With-profits business

Within the Company's with-profits business, the Company manages investments with the objective of balancing the level of risk taken to deliver growth over the long term and the need to meet all contractual obligations to policyholders.

The with-profits assets are managed in a collection of funds and are invested according to the currency, term and nature of the underlying liabilities. These investments include some assets backing non-profit business that was written prior to SLAL's demutualisation and is owned by the Heritage With-Profit Fund. For all of these assets, the Company seeks to ensure the security, quality and liquidity of the portfolio of assets as a whole by predominantly investing in liquid securities that are listed or traded on regulated exchanges. Concentrations of assets are avoided by adhering to limits set by, for example, asset type, geography and counterparty.

The Company aims to make with-profits investment decisions in the best interests of all its with-profits customers. It is the role of the With-Profits Actuary to advise the SLIDAC Board on its use of discretion for the with-profits funds and on the reasonable expectations and fair treatment of policyholders in the PLL with-profits funds. The With-Profits Actuary is supported in this aim by the PLL With-Profits Committee, which provides independent advice to the Company's Board in relation to matters affecting the fair treatment of policyholders within the with-profits funds.

Shareholder funds

Shareholder funds are directly exposed to investment profits and losses. The most significant funds are a short duration bonds fund for surplus liquidity, intercompany loans to PGH and the liquidity fund. These funds are primarily invested in fixed interest investments and cash, with the objective of optimising the risk-adjusted return and ensuring the diversification of credit risk exposures. Derivative instruments may be used to hedge against market risk exposures, for example the risk of adverse currency exchange rate movements.

The investment strategy is operated within constraints set within the qualitative and quantitative requirements of the risk policies that relate to managing investments: Credit Risk, Market Risk, Liquidity Risk and Capital Management. The investment constraints set may vary from time to time but are designed to ensure that adequate levels of diversification and liquidity are maintained. Examples of the types of constraints include limits on permitted asset types and exposures to individual companies, market sectors and credit ratings.

This investment approach ensures the security, quality, liquidity and profitability of the portfolio as a whole.

The Investment and Credit Risk Committee has a key role in ensuring that shareholder investment strategy and investment performance are fully aligned to expectations and are within risk appetite.

Section C – Risk profile continued

C.7 Any other information continued

C.7.1 Prudent Person Principle continued

Unit-linked

Within the Company's unit-linked business we offer a wide range of funds which offer customers a choice of investment risk, asset classes and investment styles. These funds comprise both the Company's own funds (internal funds) and an External Fund Link ('EFL') arrangement between PLL and SLIDAC whereby, the unit value only, of a block of unit-linked business which is reinsured to PLL, is ceded back to SLIDAC. Our internal funds are managed by abrdn plc (formerly Aberdeen Standard Investments).

There is a fund mandate for each of the Company's internal funds which details key aspects of how the fund is to be managed by abrdn, including the objective of the fund, its benchmark, and the assets that the fund is permitted to invest in, including any restrictions.

We operate an extensive governance framework covering all of our unit-linked funds (internal and external) to ensure that our unit-linked fund range is developed and managed appropriately on an ongoing basis. As part of this, all unit-linked funds are reviewed regularly to ensure that expectations set with customers remain aligned to how the funds are being managed by the investment manager. The effectiveness of the operation of this framework is regularly reported to the SLIDAC Board.

To ensure the quality, security and liquidity of our funds, we predominantly invest in liquid securities that are listed or traded on regulated exchanges, or in daily priced funds that are authorised or recognised by the financial regulators in the markets where we operate.

Discretionary Investment Managers must only invest policyholder assets in permitted links according to the service level agreements in place between them and the Company. During significant market events, we ensure our funds are priced appropriately and we may take other action as required to protect all customers in the fund. For example, we may place a fund into deferral in response to liquidity concerns until an appropriate level of liquidity is reached.

C.7.2 Sensitivity analysis

As part of the Company's Risk Management Framework ('RMF'), stress and scenario tests are used extensively to support the assessment of risk and provide an analysis of their financial impact.

The Solvency II surplus is sensitive to certain market risks, mainly interest rate movements. Key non-market risks, impacting the Solvency II surplus, are expense and PLL rating downgrade.

The table below shows the effect of a change to key assumptions, with all other variables held constant on the Company's Solvency II Solvency Capital Requirement. Some modelling approximations have been used in the calculation of these results.

	SII Surplus (€'000)	Coverage Ratio (%)
Base: 31 December 2023	361,312	194%
Following a 20% fall in equity markets	363,314	208%
Following a 15% fall in property values	361,325	194%
Following a 60bps interest rates rise	375,490	199%
Following a 80bps interest rates fall	334,295	186%
Following credit spread widening	358,757	194%
Following 6% decrease in annuitant mortality rates	353,005	192%
Following 10% increase in assurance mortality rates	361,082	195%
Following a 10% increase in lapse rates	358,421	197%
Following a 10% decrease in lapse rates	361,523	191%
Following a 5% increase to expenses 0.5% increase to expense inflation	343,707	191%
Following PLL Downgrade to credit Rating A	350,011	192%
Following PLL Recovery Rate assumption reduction from 95% to 94%	352,079	192%

C.7.3 Other information

The overall risk environment remains uncertain but there are positive signs for the Company. Inflation has continued to reduce from its peak and interest rate hikes have likely come to an end. Employment statistics have been robust for some time now and consumer confidence metrics have improved from lows seen in 2022/2023.

Inflation however remains above the low levels seen in 2021. The Company has taken actions to manage the impact on the business, including both customers and staff. Control of costs is a key priority for management, and the Company holds the cost of living as an important consideration within conduct risk and treating customers fairly.

Section D – Valuation for solvency Purposes

In this section

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Section D – Valuation for solvency Purposes

This section covers the valuation of assets (section D.1), Technical Provisions (section D.2) and other liabilities (section D.3) for the Company's Solvency II balance sheet. The valuation is determined in line with regulations and is consistent with the Phoenix Group. The Balance Sheet S.02.01.02 is included in Appendix 1.

In accordance with Solvency II valuation regulations and unless expressly stated below, the Company has valued its assets and other liabilities at fair value. In order to establish the fair value of assets and other liabilities, the following principles have been applied:

- Assets have been valued at the amounts for which they could be exchanged between knowledgeable willing parties in an arm's length transaction.
- Other liabilities have been valued at the amounts for which they could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

Section D.1.2 provides separately for each of the material classes of assets and liabilities (excluding Technical Provisions which are covered in section D.2), a description of the bases, methods and main assumptions used in their valuation for solvency purposes. An explanation of differences to the GAAP financial statements is also provided. All classes of assets and liabilities presented are consistent to the SE.02.01.02 Balance Sheet QRT. The Solvency II value of the assets and liabilities are set out together with a 'Statutory accounts value' column.

The 'Statutory accounts value' column depicted is determined using recognition and valuation methods consistent with those used in the financial statements and in accordance with GAAP. Reclassification of line items has taken place, to align disclosures with the Solvency II presentation format and for ease of comparison between the two sets of numbers. This means that the 'Statutory accounts value' column may not directly agree to line items on the financial statements of the Company.

Some of the Company's assets and liabilities are determined using alternative valuation methods which use non-observable market inputs and follow accepted market practice. Further details are included in section D.4.1.

D.1 Assets and liabilities

D.1.1 Overview

This section covers the valuation of assets and liabilities on the Company's Solvency II balance sheet.

The table below sets out the Solvency II balance sheet and the 'Statutory accounts value' columns for the Company.

	Note	Solvency II Value €'000	Statutory Accounts Value €'000	Difference €'000
Balance Sheet as at 31 December 2023				
Deferred acquisition costs	1	0	217,321	(217,321)
Intangible assets	2	0	2,434	(2,434)
Deferred tax assets	3	0	11,972	(11,972)
Property, plant and equipment held for own use	4	4,006	4,006	0
Investments (other than assets held for index-linked and unit-linked contracts)	5			0
Holdings in related undertakings, including participations		172,484	172,484	0
Bonds		270,883	270,883	0
Collective Investment Undertakings		44,758	44,758	0
Derivatives		375	375	0
Deposits other than cash equivalents		0	0	0
Assets held for index-linked and unit-linked contracts	6	17,451,097	17,451,097	0
Loans and mortgages	7	191,752	191,752	0
Reinsurance recoverables	8	13,530,100	15,214,600	(1,684,501)
Insurance and intermediaries receivables	9	5,292	5,292	0
Reinsurance receivables	9	113,022	113,022	0
Receivables (trade, not insurance)	10	84,914	86,130	(1,216)
Cash and cash equivalents	11	27,755	27,755	0
Total Assets		31,896,438	33,813,882	(1,917,444)
Technical Provisions (BEL plus Risk Margin)	12	30,768,772	32,524,261	(1,755,489)
Provisions other than Technical Provisions	13	723	723	0
Pension benefit obligations		15	15	
Deferred tax liabilities	3	3,476	4,487	(1,010)
Derivatives	14	429	429	0
Debts owed to credit institutions	15	1,750	1,750	0
Insurance and intermediaries payables	16	175,052	175,052	0
Reinsurance payables	16	553	176,498	(175,945)
Payables (trade, not insurance)	17	256,097	256,097	0
Any other liabilities not elsewhere shown	18	0	52,056	(52,056)
Total Liabilities		31,206,867	33,191,368	(1,984,501)
Excess of Assets over Liabilities		689,571	622,514	67,057

Section D – Valuation for solvency Purposes continued

D.1 Assets and liabilities continued

D.1.1 Overview continued

The table above reflects reallocation adjustments which have been applied to assets and liabilities in the Company's GAAP statutory accounts at 31 December 2023. These adjustments relate to the following:

- Presentation adjustments (excluding unit/index-linked) move other balances from the balance sheet line items used in the GAAP statement of financial position to the appropriate balance sheet line items used in the Solvency II balance sheet.
- Presentation adjustments (unit/index-linked) move unit-linked fund balances from the relevant balance sheet line items used in the GAAP statement of financial position into the 'Assets held for index-linked and unit-linked contracts' line in the Solvency II balance sheet.

D.1.2 Asset and liability valuation bases, methods and main assumptions

The Company's Solvency II valuation principles (including the bases, methods and main assumptions) for each asset and liability class are set out below. Unless otherwise stated (i.e. where there are differences to the 'Statutory accounts value' column) the valuation methods for GAAP are consistent with the valuation methods of the regulations. Further details on the GAAP valuation principles are set out in the Notes to the GAAP financial statements in the SLIDAC Annual Reports and Accounts for the year ended 31 December 2023. The change in accounting framework from IFRS to GAAP has not resulted in significant changes to the valuation principles set out below during the year. Details regarding the valuation of Technical Provisions are covered separately in section D.2.

Note	Balance Sheet Item	Valuation Principles
1	Deferred acquisition costs	In the Company's GAAP statutory accounts, some costs incurred in issuing certain contracts are deferred and amortised as Deferred Acquisition Costs ('DAC'). For Solvency II, DAC are valued at zero unless they can be sold separately, and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of the deferred acquisition costs in the Company have been assessed as meeting these criteria.
2	Intangible assets	For Solvency II intangible assets are valued at zero unless the intangible assets can be sold separately, and it can be demonstrated that there is value for the same or similar assets (i.e. that a value has been derived from quoted prices in active markets). None of the Company's intangible assets have been assessed as meeting these criteria and therefore these are valued at zero. Furthermore, any related deferred tax is written off. For GAAP, intangible assets are measured on the balance sheet at cost less accumulated amortisation and any impairment loss recognised to date. The Company has recognised as intangible assets software which has been developed internally and other purchased technology which is used in managing and executing its business.
3	Deferred tax assets	Deferred tax is determined on temporary differences between the fair value of assets and liabilities on the Solvency II balance sheet and their tax base at the valuation date. Differences in the value of deferred tax balances between the Solvency II and GAAP balance sheets arise because of differences in the carrying values of the underlying assets and liabilities. Further details on the origin of the deferred tax assets are provided in section D.1.3.
4	Property, plant and equipment held for own use	<p>Property held for own use In line with GAAP, owner-occupied property is stated at the revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment.</p> <p>Plant and equipment held for own use In the Company's GAAP statutory accounts, plant and equipment is initially recognised at cost and subsequently measured at cost less depreciation. Depreciation is charged to the income statement over up to 4 years depending on the length of time the Company expects to derive benefit from the asset.</p> <p>Where property, plant and equipment relates to a right-of-use lease asset, the right-of-use asset is initially measured at cost and subsequently depreciated using the straight-line method from commencement date to the end of the lease term.</p> <p>There is no valuation difference between the Solvency II balance sheet and the GAAP statutory accounts in property, plant and equipment held for own use.</p>

Section D – Valuation for solvency Purposes continued

D.1 Assets and liabilities continued

D.1.2 Asset and liability valuation bases, methods and main assumptions continued

5	Investments (other than assets held for index-linked and unit-linked contracts)	<p>In line with GAAP, the value of investments (other than assets held for index-linked and unit-linked contracts) are determined using a fair value methodology as follows:</p> <ul style="list-style-type: none"> • For financial instruments traded in active markets (such as exchange traded securities and derivatives), fair value is based on quoted market prices at the period end provided by recognised pricing services. Market depth and bid-ask spreads are used to corroborate whether an active market exists for an instrument; • Where quoted market prices are not available, quoted market prices for similar assets or liabilities are used to determine the fair value; • Where either of the above are not possible, alternative valuation methods are used to determine fair value. Where discounted cash flow techniques are used, future cash flows are based on contractual cash flows using current market conditions and market-calibrated discount rates and interest rate assumptions for similar instruments; and • Certain financial instruments are determined by valuation techniques using non-observable market inputs based on a combination of independent third-party evidence and internally developed models. Further details are included in section D.4.1. <p>Holdings in related undertakings greater than 20%, including participations comprise Collective Investment Undertakings. Where the interest is less than 20% it is included within 'Collective Investment Undertakings' line. Any investments in Collective Investment Undertakings related to unit-linked contracts are included as Assets held for index-linked and unit-linked contracts.</p> <p>In both the Company's GAAP statutory accounts and the Solvency II balance sheet, Government bonds are valued using quoted market prices provided by recognised pricing sources. For corporate bonds listed on a recognised stock exchange, quoted market prices are used. For other corporate bonds, these instruments are valued using pricing data received from external pricing providers or in some cases using broker quotes where observable market data is unavailable. For a small number of investment vehicles and debt securities, standard valuation models (based on a discounted cash flow approach) are used, as by their nature and complexity, they have no external market. Inputs into such models are based on observable market data where applicable.</p> <p>In both the Company's GAAP statutory accounts and the Solvency II balance sheet, interests in pooled investment funds, including holdings in property collective investment schemes (referred to as Collective Investments Undertakings under Solvency II) are held at fair value. The Company receives valuations from investment managers of the underlying funds, based on quoted market prices. Where quoted prices are not available, they are estimated using pricing models or discounted cash flow techniques. Where pricing models are used, inputs are based on market-related data at the period end.</p> <p>In both the Company's GAAP statutory accounts and the Solvency II balance sheet, derivative assets are held at fair value. The fair value of OTC assets is estimated using pricing models, with inputs based on market-related data at the period end. The fair value of exchange traded securities is based on quoted market prices at the period end provided by recognised pricing services. Deposits other than cash and cash equivalents comprise short-term deposits that cannot be used to make payments before a specific maturity date or without any penalty.</p>
6	Assets held for index-linked and unit-linked contracts	<p>Assets held for unit-linked funds are measured based on the fair value of the underlying assets and liabilities (other than Technical Provisions) held within such funds. Under GAAP, assets and liabilities of unit-linked contracts are separately reported on a line-by-line basis. Under Solvency II, all assets and liabilities backing unit-linked contracts are reported on a single line in Assets held for index-linked and unit-linked contracts.</p>
7	Loans and mortgages	<p>Assets categorised as Loans and mortgages in the Solvency II balance sheet include two intercompany loans with the Company's ultimate parent, loans to individuals and loans on policies. In the Company's GAAP statutory accounts, loans are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method, less any impairment losses. The GAAP accounting values do not differ materially from the fair values and hence there is no valuation difference between the Solvency II balance sheet and the GAAP statutory accounts.</p>
8	Reinsurance recoverables	<p>The value of reinsurance recoverables is dependent on the expected claims and benefits arising under the related reinsured policies. To the extent that the Solvency II valuation of the related Technical Provisions differs to the valuation under GAAP, the valuation of the related reinsurance recoverable will also be impacted. Further details on the calculation approach for Solvency II reinsurance recoverables are included in section D.2.8.</p>
9	Insurance and intermediaries receivables, Reinsurance receivables	<p>Given their short-term nature, the carrying amount per the GAAP financial statements is considered to represent the fair value for these assets under Solvency II.</p>
10	Receivables (trade, not insurance)	<p>No value is ascribed for certain prepayments under Solvency II, where they cannot be sold separately to a third party.</p> <p>In contrast under GAAP, prepayments are recognised as an asset at amount paid less expenses incurred.</p>

Section D – Valuation for solvency Purposes continued

D.1 Assets and liabilities continued

D.1.2 Asset and liability valuation bases, methods and main assumptions continued

11	Cash and cash equivalents	Cash and cash equivalents comprise of cash balances that are usable for all forms of payments without penalty or restriction.
12	Technical provisions (BEL plus Risk Margin)	Details regarding the valuation of Technical Provisions are covered in section D.2.
13	Provisions other than Technical Provisions	Consistent with GAAP, under Solvency II, a provision is recognised when the Company has a present legal or constructive obligation, as a result of a past event, which is likely to result in an outflow of resources and where a reliable estimate of the amount of the obligation can be made. If the effect is material, the provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.
14	Derivatives	In the Company's GAAP statutory accounts and under Solvency II, the fair values of OTC derivative liabilities are estimated using pricing models, with inputs based on market-related data at the period end. The fair value of exchange-traded securities is based on quoted market prices at the period end provided by recognised pricing services.
15	Debts owed to credit institutions	Debts owed to credit institutions consist of the bank overdraft liabilities and derivative collateral. These are short term in nature and are valued at fair value, i.e. amounts payable on the balance sheet date.
16	Insurance and intermediaries payables, Reinsurance payables	These are short term in nature and are valued at amortised cost. This approximates the fair value valuation basis under Solvency II for these liabilities. The GAAP amount includes a €175m negative reinsurance asset held within the Germany Heritage With-Profit Fund, which is included within reinsurance recoverables under Solvency II.
17	Payables (trade, not insurance)	In the Company's GAAP statutory accounts, trade payables are recorded at amortised cost. This approximates the fair value valuation basis under Solvency II for these liabilities. Accordingly, there are no valuation differences between the GAAP statutory accounts and the Solvency II balance sheet.
18	Any other liabilities not elsewhere shown	This balance sheet caption relates to deferred income balances. In the Company's GAAP statutory accounts, front-end fees on certain service contracts, including investment management service contracts, are deferred as a liability and amortised. In accordance with the Solvency II valuation rules, nil value has been allocated to deferred income balances.

D.1.3 Analysis of deferred tax

Deferred tax on the Solvency II balance sheet is recognised by reference to expected future taxable profits and valued based on the differences between the carrying value in the balance sheet and its tax base. Under Solvency II, the Deferred Tax Liability ('DTL') exceeds the Deferred Tax Asset ('DTA'), leading to a net liability position at 31 December 2023.

From a Statutory Accounts perspective at 31 December 2023, the SLIDAC DTA is €11,972k, primarily related to historic losses within SLIDAC whilst SLIDAC DTL is €4,487k, giving a net tax asset of €7,485k.

A comparison of the Solvency II and GAAP Deferred Tax is shown in the table below.

Item	Total Solvency II (€'000)	Statutory Accounts (€'000)
Losses and Depreciable Tax Asset Carried Forward	310,415	84,755
Potential Deferred Tax Asset (12.5% of Losses Carried Forward, 32% for Germany)	82,806	
Actual deferred tax asset (capped to DTL)*	23,419	11,972
Timing Differences between S2 and GAAP:		
– Remove DAC/DIR	(150,195)	
– Remove Intangibles	(2,086)	
– Remove GAAP Reserves	34,561	
– Add Solvency II Best Estimate Liabilities	383,351	
– Add Solvency II Risk Margin	(170,927)	
Total Timing Differences	94,705	
Deferred Tax Liability (12.5% of Timing Differences for Ireland, 32% for Germany)	23,419	
Statutory Accounts Deferred Tax Liability – Unit Linked	0	
Policyholder Deferred Tax	(3,476)	(3,476)
Total Deferred Tax Liability	(26,895)	(4,487)
Net Deferred Tax Position	(3,476)	7,485

* 'capped to DTL' isn't relevant for statutory accounts purposes.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions

This section provides separately for each line of business ('LoB') the value of Technical Provisions, including the amount of the Best Estimate Liability ('BEL'), Technical Provisions ('TPs') as a whole and the Risk Margin, as well as a description of the bases, methods and main assumptions used in the valuation of Technical Provisions.

This section also includes a quantitative and qualitative explanation of material differences between the bases, methods and main assumptions used by the Company for the valuation of technical provision for solvency purposes and those used for their valuation in GAAP.

D.2.1 Introduction

The valuation of Technical Provisions is performed in line with the Solvency II Directive, and the more detailed provisions of Chapter III of the Delegated Acts.

This approach values liabilities at the amount to be paid if the Company's insurance obligations were immediately transferred to another insurance undertaking, making use of and consistent with information provided by the financial markets and generally available data on underwriting risks (market consistency).

The value of Technical Provisions is determined as the sum of TPs calculated as a whole, a BEL, and a Risk Margin. Technical Provisions calculated as a whole, are the full value of the policyholder unit-linked investment funds, as these are made up of assets which have a reliable observable market value.

The BEL is a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk-free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods, and taking account of all future cash inflows and outflows required to settle the insurance obligations.

The Risk Margin is the additional amount required to ensure that the value of the technical provisions is equivalent to the amount that another insurance undertaking would be expected to require in order to take-over and meet the insurance obligations.

The BEL and the Risk Margin are calculated separately.

The Company does not apply the transitional measure on Technical Provisions as described in the Solvency II Directive. This allows for a deduction from Technical Provisions which reduces to zero over the transitional period of 16 years. The transitional risk free interest rate term structure referred to in Article 308c of the Solvency II Directive is not applied by the Company.

The valuation approach is summarised in subsequent sections.

The only simplified method used to calculate Technical Provisions is the risk driver approach to calculating the Risk Margin as set out in Section D.2.11.

SLIDAC has utilised the Partial Internal Model (PIM) in the calculation of the Operational Risk and Counterparty Default Risk modules since Q2 2022 having received regulatory approval. These risk modules are used in the calculation of the Risk Margin. All other risk modules are calculated using Standard Formula under Solvency II.

The decision to move from IFRS to GAAP during 2023 had implications for the risk discount rate and sterling reserve methodology. Details of these changes are included in section D.2.2 below.

D.2.2 Technical Provisions by line of business

This section provides Technical Provisions split by Solvency II LoB as at 31 December 2023 including the amount of BEL and TPs as a whole, and the Risk Margin.

For the purpose of Solvency II reporting, lines of business are as follows:

- Insurance with profit participation – includes all conventional and unitised with profits business
- Index-linked and unit-linked insurance – unit-linked business, including the present value of future profits
- Health insurance – including permanent health insurance and income protection
- Other life insurance – immediate and deferred annuities, protection, other non-with profits business

At 31 December 2023, the contribution to Technical Provisions from each LoB was as follows:

Technical provisions by Line of Business	Insurance with-profit participation	Index-linked and unit linked insurance	Health insurance	Other Life insurance	Total technical provisions
	€'000	€'000	€'000	€'000	€'000
Best Estimate Liabilities	12,083,721	(388,596)	152,855	606,435	12,454,416
Risk Margin	33,797	126,129	263	10,737	170,927
Technical Provisions as a whole	0	18,143,430	0	0	18,143,430
Gross technical provisions	12,117,518	17,880,963	153,119	617,173	30,768,772

Within each of these groups, the valuation of cash flows is determined at grouped policy level, where similar policies are grouped and modelled together within the actuarial model for efficiency purposes. The TPs as a whole for Index-linked and unit-linked insurance business includes the BEL in respect of the EFL, described in section C.7.

The Company writes business in the UK, Ireland and Germany, with cash flows denominated in Sterling for UK (converted to Euro) and Euro for Ireland and Germany.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.2 Technical Provisions by line of business continued

The table below outlines separately for each LoB, the material differences between the bases, methods and main assumptions used for Solvency II and those used for GAAP.

	Note	Insurance with-profit participation €'000	Index-linked and unit-linked insurance €'000	Health insurance €'000	Other Life insurance €'000	Total technical provisions €'000
Technical provisions – IFRS to Solvency II reconciliation						
Statutory accounts value technical provisions – gross		13,529,590	18,144,199	152,855	634,260	32,460,904
Other Technical Provisions (Fund for Future Appropriations)		63,033	0	0	0	63,033
Statutory accounts value reinsurance		(13,592,623)	(682,536)	(151,319)	(612,216)	(15,038,694)
Statutory accounts value technical provisions – net		0	17,461,663	1,536	22,044	17,485,243
Change to discount curve	1	–	–	–	–	–
Change in restriction for negative sterling reserves	2	(22,906)	(379,294)	0	(5,031)	(407,230)
Demographic margin	3	0	(10,940)	0	(8,012)	(18,952)
Other	4	0	(18)	0	8,311	5,527
Solvency II Best Estimate Liabilities – net		(22,906)	17,071,803	1,536	17,313	17,067,746
Add Risk Margin	5	33,797	126,129	263	10,737	170,927
Solvency II technical provisions – net		10,891	17,197,933	1,799	28,050	17,238,673
Solvency II reinsurance		12,106,627	683,030	151,319	589,123	13,530,100
Solvency II technical provisions – gross		12,117,518	17,880,963	153,119	617,173	30,768,772

An explanation of the material changes between the GAAP valuation for Technical Provisions and that used for Solvency II is included below:

Note	Item	Description
1	Change to discount curve	Liabilities are valued using a discount rate derived from the EIOPA swap curve less a credit risk adjustment of 10bps under Solvency II. A volatility adjustment is also applied to the curve for euro denominated business. Previously for IFRS reporting, liabilities were valued using a discount rate from the EIOPA swap curve plus an illiquidity premium of 10bps. Under GAAP, the same risk discount rates as Solvency II have been adopted.
2	Change in restriction for negative sterling reserves	The unit-linked portfolio as a whole is expected to generate future profits, the current value of which, is referred to as Present Value of In force Business ('PVIF') and, may be deducted from the Technical Provisions under Solvency II. Such deductions are disallowed in the calculation of the GAAP liability. Unit-linked contracts are also grouped at a more granular level (geographical territory) than the entire portfolio for analysis under GAAP. "Sterling reserves" may arise when future obligations on a group of unit-linked contracts are expected to exceed future profits earned on this group of contracts. This step effectively includes removing sterling reserves calculated under GAAP and adding PVIF.
3	Demographic margin	A margin for demographic risk is included within the GAAP reserves. This item is based on a percentage of undiversified demographic risk capital, relating to mortality, longevity, persistency and expenses. Solvency II does not require this margin to be held over and above best estimate.
4	Other	The 'other' line contains the profit margin which is an asset under Solvency II, and the counterparty default adjustment on the reinsurance arrangements the Company has with PLL, PRL and external reinsurers.
5	Risk Margin	Risk Margin is included in the Solvency II Technical Provisions to allow for market consistent valuation.

D.2.3 Bases, methodology and main assumptions used for best estimate liability

The Company's Solvency II Technical Provisions comprise the following three components, depending on the line of business:

- TP's as a whole
- BEL
- Risk Margin

The valuation approach for the BEL is summarised in subsequent sections.

D.2.3.1 Best Estimate Liability

The BEL is a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

BEL is calculated gross, without deduction for amounts recoverable on reinsurance contracts. Reinsurance recoverables are valued separately, recognised as a reinsurance asset, and calculated in the same manner as the BEL (see section D.2.8 for further details).

All assumptions are updated to reflect current economic conditions and demographic experience. Material changes in the relevant assumptions made in the calculation of Technical Provisions are covered in section D.2.5.

The following section details the methodology and key assumptions used to calculate the BEL.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.3 Bases, methodology and main assumptions used for best estimate liability continued

D.2.3.2 Overview of Methodology

A cash flow projection model is used to calculate BEL. This projects cash inflows and outflows required to meet the Company's obligations to policyholders over the lifetime of the policy, taking into account the undertaking's regulatory duty to treat its customers fairly.

The projection of future cash flows is performed using realistic assumptions regarding future experience. The relevant assumptions include expected future mortality and persistency rates. An allowance is also made for future expenses.

The model takes account of the time value of money through discounting at an appropriate risk-free rate (see section D.2.3.3 below).

In certain specific circumstances, the best estimate may be negative (where the value of future charges exceeds the value of future expenses). A negative BEL is permitted under the regulations.

D.2.3.3 Discount Rates

The valuation of future policyholder liabilities requires best estimate economic assumptions, and in particular a future interest rate assumption (i.e. yield curve). A risk free yield curve is the base curve used to value liabilities but with an allowance for credit risk. The risk free yield curves are based on swap rates, and specified by EIOPA. A different yield curve is used depending on the currency of the liabilities, which for the Company are Sterling and Euro. The Company has not used a matching adjustment to the risk free yield curves. The Company received approval from the CBI in 2021 to apply the Volatility Adjustment in the calculation of its Technical Provisions and this is applied to the risk-free yield curve for Euro denominated business.

An adjustment (also specified by EIOPA) is made to the swap curve for credit risk. At 31 December 2023, the Euro credit risk adjustment was minus 10bps, and 0bps for sterling at each duration. The Volatility Adjustment at 31 December 2023 was 20bps.

D.2.3.4 Tax Assumptions

The mainstream tax rate is 12.5% for profits arising in Ireland and 32% for profits arising in Germany.

D.2.3.5 Contract Boundaries

The boundary of an insurance contract (or reinsurance contract) defines the cash flows which must be taken into account when calculating the technical provision in respect of that contract. Only cash flows that relate to premiums payable up to and including the contract boundary should be taken into account. These cash flows include not only those premiums, but also benefit payouts, charges, expenses and other cash flows related to the premiums within the contract boundary. For the avoidance of doubt, all premiums which have been paid up to and including the reporting date are included in the boundary of the contract. That means that all the related cash flows in respect of premiums paid up to and including the reporting date are included in the calculation of Technical Provisions.

In general, future premiums on products with insurance cover and premiums invested into with-profits funds or into unit-linked funds with a contractual cap on annual management fees are included within the contract boundary. Future premiums into funds with no guarantees and no cap on charges are not included within the contract boundary, even where the policyholder has the right to invest future premiums into with-profits or a fund with a charge cap. In this case, the contract boundary is at the reporting date.

Contracts currently investing in a combination of with-profits funds, funds with a charge cap and funds with no guarantee or charge cap are unbundled to allow for different contract boundaries on the different parts of the contract.

D.2.3.6 Grouping of Liability Data

For deterministic and stochastic modelling of options and guarantees on with-profits business liabilities, policies are grouped into model points to improve computational efficiency. This is performed in an automated process in actuarial model and is known as clustering. Groups are selected so that the model points appropriately allow for the risk characteristics of the individual policies and do not distort the valuation of BEL. Judgement is required when determining how policies are split, the level to which seriatim policies are reduced model points and what the clustering algorithm targets e.g. BEL.

D.2.4 Calculation

The following sub-sections outline how each component of BEL is calculated.

D.2.4.1 Insurance with-profit participation

The Company has written a number of contract variations on a with-profits basis in Germany, Austria and Ireland. While these contracts may differ in certain aspects of the product features, they share the common feature in that they offer a form of investment guarantee:

- Ireland Conventional With Profits ('CWP') – generally, a guaranteed benefit is set at the time the policy is issued to be paid on a date or events specified. Regular bonuses may be added to the guaranteed benefit over the term of the policy. In addition, a final bonus may be paid.
- Ireland Unitised With Profits ('UWP') – under this type of with-profits policy contractual benefits are determined by reference to the number of units allocated under the relevant UWP policy. The number of units allocated increases on payment of premiums. Typically, for this type of policy, unit prices grow at a guaranteed minimum growth rate (either 0%, 3% or 4% a year) plus any (additional) bonus growth rate. The unit value of a policy is normally guaranteed as a minimum payout in specific circumstances. In addition, a final bonus may be payable when benefits are taken.
- German/Austrian UWP contracts – a nominal value of units, which can grow with declared bonuses, is guaranteed on death, maturity and in some cases surrender. There are also guaranteed amounts (based on specified growth rates applied to all past and future premiums; depending on the contract, the rate is 1.2%, 2.375%, 2.875% or 4.875% a year) payable at maturity and, in some cases, surrender and selected other dates; in some cases these guaranteed amounts may be payable as an annuity.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.4 Calculation continued

D.2.4.1 Insurance with-profit participation continued

There is also a small amount of German Conventional With Profits business written as part of a joint venture with Hannoversche Leben. This is similar to the Irish Conventional business described above. Some German and Austrian unit-linked contracts also offer guaranteed annuity factors applicable to the accrued fund at maturity.

The 'asset share' is a measure of the with-profits policy value at the valuation date. In addition to the asset share, BEL includes an allowance for the following cash flows:

- Future cost of guarantees: The cost of investment guarantees (which can apply on maturity, death or surrender depending on the contract) is assessed relative to the asset share.
- Guaranteed annuity rates and values: Costs can arise when the guaranteed annuity (available on some Ireland and Germany contracts) is greater than the expected future market annuity rate.
- Future guarantee deductions: Deductions are made from the asset share in respect of the expected future cost of guarantees and are charged for by a percentage deduction applied to asset shares. The deductions vary between policy groups and over time.
- Future profits: PVIF in respect of UWP and CWP contracts, calculated in a manner consistent with unit-linked contracts.

Additional liabilities arise in respect of the Company's treatment of smoothing on with-profits claims and with-profits payout practice in respect of unitised pension business ('vintage unit' approach).

In practice, these requirements are interpreted as being equivalent to a current value of the policy at the valuation date (asset share) plus a valuation of future guarantee (and other) costs calculated on a stochastic basis. Therefore, depending on the contract type, the BEL for with-profits contracts is made up of the following components:

- Asset share

Less present value of:

- Deduction for guarantees
- Future profits

Plus present value of:

- Cost of guarantees
- Guarantee annuity costs
- Smoothing cost
- Mortgage Endowment Promise
- Vintage unit cost, and other non-contractual commitments

Asset shares are derived from a policy by policy retrospective roll-up of premiums allowing for investment returns on with-profits assets backing this business, guarantee deductions, mortality charges, expenses and charges and tax. The Company adopts a range of methods to determine the asset share, as appropriate to the different types of contracts and the materiality, in a manner consistent with the approach used to determine asset shares for with-profits payout purposes. A projection of the future value of the asset share is used in the valuation of future modelled cash flows (for example in the valuation of future cost of guarantees and future profits). For this class of business, the policyholder payout is a function of investment performance and is subject to a financial guarantee.

The effect of the guarantee is to render the possible future outcomes 'asymmetrical', and so the approach adopted considers deviations of future events from their expected values. The stochastic method adopted is consistent with generally accepted actuarial practice and will most appropriately allow for the possibility of an asymmetrical outcome uncertainty of cash flows. The Company uses a simulation technique to place a value on cash flows that are subject to financial guarantees. This considers a wide range of investment performance scenarios (produced by an economic scenario generator or 'ESG') and calculates the cash flow amounts payable in each scenario, having regard to the guarantees.

The nature of the approach is summarised below:

- Takes into account all cash flows, notably any guarantees and options on the contracts and the likelihood that policyholders may exercise these options.
- Costs calculated stochastically are: investment guarantees offered on contracts; annuity conversion offered on guaranteed terms; inability to recycle smoothing cost due to guarantees biting; minimum payouts in respect of endowments backing house purchase. These costs are offset by the value of: future deductions taken to cover investment guarantee costs; future contributions to capital (profits) accruing to the with-profits funds.
- A large number of simulated future investment returns are generated by the ESG, cash flows projected, guarantee (and other) costs emerging on the contracts calculated and costs discounted to the balance sheet. The final cost is taken as the average value across these simulations.
- Provided the scenarios produced by the ESG satisfy certain conditions, the average across the scenarios of the discounted value of the cash flows gives the value of the liabilities allowing for the guarantee.
- Policy data applied in the cash flow projection is derived from core policy systems. Similar policies are grouped together for practical modelling reasons.

The key assumptions used in the projection are the simulated investment returns, charges, expenses, best estimate persistency and mortality rates. The approaches to determining the simulated future investment returns and the best estimate persistency and mortality/longevity rates are covered in sections D.2.6.1 and D.2.5.1 respectively.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.4 Calculation continued

D.2.4.2 Other life insurance – annuities

This category of business covers the following contract classes:

- Pensions Annuities – typically providing an income for life, with various policyholder options selected at the outset (single/joint life, guaranteed period, escalation rate).
- Purchased Life Annuities – tax efficient lump sum investment contracts providing an income for life or over a selected period, again with policyholder options (guaranteed period, escalation rate).
- Deferred Annuities – pension savings products where the premiums paid purchase an annuity at a specified retirement date in the future.

Valuation approach

The BEL is derived using a deterministic discounted cash flow approach. The valuation approach projects the cash flows for each annuity contract and their underlying features, and the BEL is equal to the annuity payments and expenses discounted using the relevant Solvency II yield curve. The projection is carried out using best estimate assumptions, allowing for the relevant survival probabilities. The best estimate assumptions and Solvency II yield curve are described within sections D.2.5 and D.2.3.3 respectively.

Annuity payments are calculated based on the specifics of each contract. The benefit payments projected reflect any guarantee period, whether the payment can step up or step down, the level of payment, payment frequency and dependant's benefits. Expenses include maintenance and investment expenses, allowing for expense inflation as appropriate.

BEL are calculated excluding any reinsurance cash flows, with a separate valuation of the reinsurance recoveries receivable performed on a consistent basis. In particular, under the new reinsurance arrangement with PRL, the majority of the annuity BEL is reinsured with expenses retained within SLIDAC.

D.2.4.3 Other life insurance – protection and other business (including health)

This category of business covers conventional non-participating savings, protection, and health contracts. The protection products include term assurance, critical illness, and protection riders on other policies such as pension policies. Savings products include endowment assurances, pension endowments and pure endowments. Health products include permanent health insurance and income protection.

The non-investment component of with-profits business is included within this line of business and is valued in the same way as unit-linked PVIF (covered in section D.2.4.4).

Valuation approach

A cash flow approach is used to determine the BEL as the expected present value of a contract, allowing for the following cash flows:

- Inflows (premiums, tax relief), less
- Outflows (claims, expenses, commission, investment expenses, tax payable)

BEL are calculated excluding any reinsurance cash flows, with a separate valuation of the reinsurance asset allowing for reinsurance recoveries receivable and reinsurance premiums payable. These cash flows are discounted using the relevant Solvency II yield curve.

D.2.4.4 Index-linked and unit-linked business

The unitised contracts include the following policy types: UK Offshore Bond, Ireland unitised life, Ireland unitised pensions and Germany unit-linked.

The UK and Ireland life product types include bonds and endowments, and pension product types including group pensions, individual pensions, and stakeholder pensions. Policies that have units in both unit-linked and UWP funds are referred to as 'hybrid' policies. The valuation of the UWP related cash flows are described in section D.2.4.1. The unit-linked product in Germany is a deferred annuity contract with an option to take the benefits in cash at retirement. A loyalty bonus may be payable.

Valuation approach

The non-profit unit-linked fund values meet the requirements to be a replicating portfolio. Under Solvency II, unit-linked contracts are unbundled and the unit liabilities are technically defined as "Technical Provisions calculated as a whole" as per the examples provided for Guideline 65 Reliable Replication (Calculation of Technical Provisions as a whole) in the "Guidelines on Valuation of Technical Provisions" as described below.

Insurance and reinsurance undertakings should not consider future cash-flows associated with insurance or reinsurance obligations to be reliably replicated if:

- One or several features of the future cash-flow, inter alia its expected value, its volatility, or any other feature, depend on risks whose specific pattern in the undertaking cannot be found in instruments actively traded in financial markets;
- Current trade and price information are not normally readily available to the public, since one or several features of the future cash-flow depend to any extent on the development of factors specific to the undertakings, such as expenses or acquisition costs; or,
- One or more features of the future cash-flow depend on the development of factors external to the undertaking for which there are no financial instruments for which reliable market values are observable.

Therefore, the gross unit fund value with no associated Risk Margin, is treated as 'Technical Provisions as a whole'. The overall Technical Provision for a unit-linked contract then comprises the following components:

- Technical Provisions as a whole (unit fund)
- BEL component (PVIF) plus Risk Margin on PVIF

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.4 Calculation continued

D.2.4.4 Index-linked and unit-linked business continued

The best estimate is required to be a probability weighted average of future cash flows. The PVIF is calculated deterministically. To calculate the PVIF, best estimate charges, income and expense cash flows are projected, with the unit fund rolled up at the same risk-free interest rate term structure that is used for discounting the net cash flows. The projection is carried out using best estimate assumptions. The Solvency II yield curve and other best estimate assumptions are described in Sections D.2.3.3 and D.2.5.

Depending on the nature of the contract, the unit-linked PVIF valuation allows for the following cash flows:

- Inflows: fund management charge (net of large fund discounts), unallocated premiums, surrender penalties, policy fees, tax relief (on expenses and commission)
- Outflows: commission, initial expenses, renewal expenses, termination expenses, investment expenses, adviser payments, member fees, external fund manager charges, loyalty bonus

D.2.5 Demographic and expense assumptions

Non-economic assumptions are determined from annual experience investigations, are subject to detailed internal review and approved by the Board. Best estimate assumptions are made in respect of future levels of longevity, mortality, morbidity, surrenders, withdrawals, premium indexation, annuity take up rates and expenses. The assumptions vary depending on whether the business is written in the UK, Germany or Ireland. These assumptions reflect the Company's best estimates of likely future experience, based on recent experience, relevant industry data and expert judgement as appropriate.

Mortality/longevity assumptions are a combination of base mortality rates, which are set by reference to recent experience and, expected future changes in mortality where appropriate. The latter for Irish annuities uses internal Group experience, along with data from external sources such as the Continuous Mortality Investigation Bureau ('CMI') in the UK, which produces standard mortality tables and projection bases for mortality improvements. This is an industry standard model and is a convenient 'currency' to allow direct comparison of assumptions to other companies through the use of benchmarking. Specific adjustments are made to the parameterisation of the CMI model to allow for socio-demographic differences between population and annuitant experience. German mortality and morbidity assumptions are supported by data from external reinsurers.

Assumptions regarding surrender and withdrawal reflect recent internal experience, with expert judgement applied to set long term rates where there is little experience.

Best estimate expense assumptions on a product basis are derived from an analysis of planned future management expenses. This allows for all expenses incurred in servicing policies, including overheads, assuming that the Company continues to write new business. The investment management expense assumptions are derived as the best estimate of the future charges expected to be paid to abrdn reflecting current investment management agreements ('IMA'), varying by the nature of assets backing Technical Provisions. The overall expense is the sum of a weighted average basis point fee (based on the IMA rate card and assets under management), plus additional fees in relation to such items as performance, ancillary services, real estate support etc. Custody fees paid to the custodian are also included.

The main non-economic assumptions for each of the material lines of business are described below, with an indication of the factors that affect the assumption adopted. Expert judgement is applied where there is limited data or to remove one-off events and allow for future known changes.

D.2.5.1 Mortality

Mortality

Insurance with-profit participation	Varies by: age, gender, product and territory
Unit-linked	Varies by: age, gender, product and territory
Health	Varies by: age, gender, product and territory
Other life insurance	Varies by: age, gender, product and territory

Longevity

Insurance with-profit participation	This assumption is used to value guaranteed annuity terms, and varies by: age, gender, territory.
Unit-linked	n/a
Health	n/a
Other life insurance	Varies by: age, gender, compulsory purchase or purchased life annuity, individual or group business, immediate or deferred annuity and territory.

Proportions Married

Insurance with-profit participation	n/a
Unit-linked	n/a
Health	n/a
Other life insurance	Varies by: individual or group business, immediate or deferred annuity, territory

D.2.5.2 Morbidity

Mortality

Insurance with-profit participation	Varies by: age, gender, product and territory
Unit-linked	Varies by: age, gender, product and territory
Health	Varies by: age, gender, product and territory
Other life insurance	Varies by: age, gender, product and territory

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.5 Demographic and expense assumptions continued

D.2.5.3 Persistency

Persistency

Insurance with-profit participation	These assumptions cover lapse, early retirement, withdrawal and paid-up rates. Depending on the assumption, they vary by: product type, duration of business, policyholder age and territory.
Unit-linked	These assumptions cover lapse, early retirement, withdrawal and paid-up rates. Depending on the assumption, they vary by: product type, duration of business, policyholder age and territory.
Health	n/a
Other life insurance	n/a

Premium Indexation

Insurance with-profit participation	With profits contracts in Germany give the policyholder the option of increasing their premium each year, subject to limits. Assumptions are required for both the future eligibility to premium increases, and the take-up rate. The assumption varies by: product, policy term, and maximum indexation level selected at policy outset.
Unit-linked	n/a
Health	n/a
Other life insurance	n/a

D.2.5.4 Option take-up rates

Option Take-Up Rates

Insurance with-profit participation	The valuation of guaranteed annuities requires assumptions about the future guaranteed annuity and tax free cash take-up rates. The assumption varies depending on territory, product and the age at which the guarantee applies.
Unit-linked	Take-up rates are also required for the valuation of guaranteed annuity factors applicable to the accrued fund at maturity.
Health	n/a
Other life insurance	n/a

D.2.5.5 Expense assumptions

Expense Assumptions

Insurance with-profit participation	<p>Maintenance Expenses Some with-profits contracts are written on an 'expense basis', where the asset share is determined with reference to incurred initial, renewal and termination expenses. Assumptions vary by: product, territory and premium paying status.</p> <p>Investment Expenses Varies by territory, long-term business fund and asset class.</p>
Unit-linked	<p>Maintenance Expenses These include an allowance for both renewal and termination expenses, and vary by: product and territory</p> <p>Investment Expenses Varies by: product grouping; territory, long-term business fund</p>
Health	These products are rolled up with other lines of business when setting expense assumptions.
Other life insurance	<p>Maintenance Expenses These include an allowance for both renewal and termination expenses.</p> <p>Investment Expenses Varies by territory and long-term business fund.</p>

The only additional provisions held are an expense overrun. This is to reflect diseconomies of scale with the run off of the closed with-profits books of business, along with timing lags in implementation of future projects aimed at reducing unit costs.

D.2.6 Stochastic model

D.2.6.1 Economic Scenario Generators

An ESG has been used to support the stochastic valuation of all material options and guarantees in the with-profit funds. A stochastic methodology is required for options and guarantees due to their potential volatility and asymmetric behaviour under different sets of future economic scenarios. The stochastic methodology involves valuing the options and guarantees under 2,000 different future economic scenarios and then averaging over all scenarios.

From Q3 2022 Phoenix has utilised the CHESS ESG, a platform supported by Milliman.

The ESG generates projected asset returns consistent with asset prices observed in financial markets and assumes no arbitrage opportunities exist. The calibration of the parameters and scenarios is consistent with the relevant risk-free interest rate term structure used to calculate the BEL provided by EIOPA. Where possible the ESG has been calibrated to assets from deep, liquid, and transparent markets which are appropriate to the nature of the funds' options and guarantees.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.6 Stochastic model continued

D.2.6.2 Management actions

For with-profits liabilities, the projections simulate the management actions that are applied in the respective with-profits funds. This includes the regular review of deductions for guarantees, the application of smoothing on payouts, management of with-profits assets and determination of regular bonus rates.

D.2.7 Solvency II long term guarantee and transitional measures

D.2.7.1 Matching Adjustment and Volatility Adjustment

The Company does not currently use a matching adjustment. The Company has approval from the CBI to apply the Volatility Adjustment in the calculation of its Technical Provisions. The impact of the Volatility adjustment is quantified in the following table.

Impact of Volatility Adjustment (VA)	With Volatility Adjustment €'000	Zero Volatility Adjustment €'000	Quantification of the impact of a change to zero VA €'000
Solvency II Best Estimate Liabilities – net	17,067,746	17,070,184	2,438
Risk Margin	170,927	170,927	0
Solvency II technical provisions – net	17,238,673	17,241,111	2,438
Solvency II reinsurance	13,530,100	13,601,501	71,402
Solvency II technical provisions – gross	30,768,772	30,842,612	73,840
Solvency Capital Requirement	323,259	386,794	3,535
Minimum Capital Requirement	120,911	120,932	21
Basic own funds	689,571	687,133	(2,438)
Own funds eligible to cover the Minimum Capital Requirement	710,979	708,541	(2,438)
Own funds eligible to cover the Solvency Capital Requirement	744,571	742,133	(2,438)

D.2.7.2 Transitional Measures for Technical Provisions

The Company does not apply the transitional measure on Technical Provisions as described in the Solvency II Directive.

D.2.8 Recoverables on reinsurance contracts

Under Solvency II, reinsurance is defined as business where there is a transfer of risk. SLIDAC have the following reinsurance arrangements:

- Intergroup treaty with counterparty PLL transferring 100% of the risk exposures on a number of lines of German and Irish business;
- External reinsurance arrangements with GenRe and PartnerRe predominantly covering German business; and
- Intergroup treaty with counterparty PRL covering in force and future new business annuities.

Reinsurance recoverables are calculated using the same models and assumptions as the corresponding BELs. The value of reinsurance recoverables is shown in QRT S.12.01.01 Life and Health SLT Technical Provisions, a copy of which is included in Appendix 1.

The Company does not have any insurance special purpose vehicles arrangements.

The amounts recoverable on the reinsurance contracts are recognised as a reinsurance asset on the Solvency II balance sheet.

D.2.8.1 Assessment of Reinsurers' Default Risk (Counterparty Default Adjustment)

The valuation of reinsurance recoverables allows for the possibility of counterparty default.

For each reinsurance counterparty, an adjustment is made to reinsurance recoverables for the best estimate of the expected losses due to default of the reinsurance counterparty over the lifetime of the liabilities. The adjustment is calculated using approved Partial Internal Model methodology and allows for losses given default and expected probability of default of each counterparty.

D.2.9 Simplifications

Where it is proportionate, the Company may adopt simplifications in the calculation of Technical Provisions. These simplifications may exist within the calculation methodology, or within the valuation models themselves.

Substantially all of the Company's BEL is calculated using probability weighted averages of future cash flows. However, simplified valuation techniques have been used in certain circumstances. These simplifications are typically used where material uncertainty exists around the size, incidence or timing of liability cash flows or, where further model development is required for a more robust assessment.

The Company uses the skills, knowledge and experience of actuaries, accountants and other subject matter experts to perform these assessments, which are carried out in accordance with the Company's internal framework on application of expert judgement.

Where modelling simplifications or limitations exist, judgement is applied as to whether these are accepted limitations or whether manual adjustments to the Technical Provisions are required, generally with reference to SLIDAC's materiality thresholds. These are reviewed regularly on an Approximations & Limitations log.

Section D – Valuation for solvency Purposes continued

D.2 Technical provisions continued

D.2.10 Uncertainty associated with the value of Technical Provisions

The valuation techniques adopted are in line with generally accepted actuarial principles and Solvency II requirements. The level of uncertainty associated with the amount of Technical Provisions primarily relates to assumed future experience.

The valuation of liabilities requires assumptions about the future (e.g. longevity/mortality, persistency, option take-up, expenses, economic conditions, management actions), which are inevitably the source of some uncertainty. While the approach adopted by the Company leads to its best estimate of future expected experience, there can be a number of alternative similarly justifiable assumptions. For example, a range of assumptions regarding the rate of future improvements in longevity could be considered reasonable.

Consideration is given to any potential uncertainty and Events not in Data ('ENID') when setting best estimate assumptions, with adjustments or expert judgement applied where appropriate. In addition, while the economic effects (risk free rates, inflation) are also uncertain, the assumptions used in the calculation of Technical Provisions are prescribed by regulation (for the risk free rates, also assumed to apply to investment returns on all asset classes) or are set relative to market indicators (for price inflation).

The modelling of management actions (notably guarantee deductions) requires that at future time steps the model assesses the present value of future costs and guarantee deductions. It is not practical to perform a full stochastic calculation at every time step for this purpose and instead mathematical formulae are used to estimate the required present values. A calibration process derives scaling factors to apply to the formulaic results to best match an equivalent stochastic approach.

Overall, the vast majority of the Company's business is explicitly modelled in the way summarised in previous sections.

D.2.11 Risk margin

The value of Technical Provisions is equal to the sum of a best estimate and a Risk Margin (plus Technical Provisions as a whole).

The Risk Margin is held in respect of non-hedgeable risks and is required to ensure that the value of the Technical Provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

When calculated separately, the Risk Margin is calculated by determining the cost of providing an amount of Eligible Own Funds equal to the SCR in respect of non-hedgeable risks necessary to support the insurance obligations over their lifetime. The cost of capital in this calculation is prescribed.

In theory, the calculation of the Risk Margin involves a projection of future SCRs. A simplified approach to determining these SCRs is permitted by the regulations and this has been implemented using a risk driver-based approach. For each risk and product group, a risk driver is chosen that approximates the expected run-off pattern of the capital relating to that risk. For example, the present value of future expenses at each future date will drive the expense risk capital at that date so this is selected as the risk driver for expense risk. The appropriate risk drivers are regularly reviewed. This ensures that they accurately reflect the size of the risk exposure and that the run-off of the risk driver is consistent with, and materially captures the run-off of the underlying risk.

The Risk Margin is currently calculated in an Excel based model outside of the actuarial model. However, the risk drivers used in the Excel based model are based on output from the actuarial model.

D.3 Other liabilities

The valuation of other liabilities on the Solvency II balance sheet is covered in section D.1. The valuation of Technical Provisions is covered in section D.2. Some of the Company's liabilities (mainly financial instruments) are determined using alternative valuation methods which use non-observable market inputs. Further details are included in section D.4.1.

Further details regarding deferred tax liabilities are set out in section D.1.3.

Section D – Valuation for solvency Purposes continued

D.4 Alternative methods for valuation

This section provides details on the methods and assumptions used to determine the fair values of assets and other liabilities (other than Technical Provisions). More information about the valuation methods used for accounting purposes, including a fair value hierarchy, is provided in Note 18 of the Company's Annual Financial Statements 2023.

Investments carried at fair value in the Solvency II balance sheet have been valued based upon a three-level hierarchy ("the fair value hierarchy") depending on the valuation techniques used and whether the inputs to those valuation techniques are observable in the market, as follows:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Fair values measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs).

D.4.1 Alternative valuation methods – assets

Some of the Company's financial instruments are valued using alternative valuation methods, which utilise a combination of observable and non-observable market inputs. All of the alternative valuation methods described below follow accepted market practice. The methods are consistent with the permitted alternative valuation methods under SII as set out in Article 10(5) – 10(7) of the Solvency II Delegated Regulation.

Asset	Solvency II Value €'000	Alternative Valuation Method
Property, plant and equipment held for own use	4,006	Property is valued using Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology. Equipment is stated at historical cost less depreciation. Cost includes the original purchase price of the assets and the costs attributable to bring the asset to its working condition for its intended use. Depreciation on equipment is charged to the income statement on a straight-line basis over their estimated useful. The residual values and useful lives of the assets are reviewed at each reporting date and adjusted if appropriate.
Loans and mortgages	191,752	Loans are initially measured at fair value plus directly attributable transaction costs. Subsequently, other than those loans designated at FVTPL, they are measured at amortised cost, using the effective interest rate method ('EIR'), less any impairment losses. Revenue from financial assets classified as loans is recognised in the income statement on an EIR basis. SII balance sheet includes two intercompany loans with the Company's ultimate parent, loans to individuals and loans on policies.

For index-linked and unit-linked contracts, any change in the valuation of assets is offset by a corresponding change in the value of policyholder liabilities, with no material impact on Own Funds. Changing unobservable inputs in the measurement of the fair value of assets and liabilities to reasonably possible alternative assumptions would not have a significant impact on total Own Funds.

D.4.2 Alternative valuation techniques – liabilities

The Company does not use alternative valuation techniques for any of its financial liabilities.

D.5 Any other information

There is no further material information to be disclosed regarding the valuation of assets and liabilities for solvency purposes.

Section E – Capital management

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Section E – Capital management

E.1 Own Funds

E.1.1 Introduction

This section provides information on the Company's Own Funds and SCR, including changes over the reporting period, together with an explanation of the material differences between net assets under GAAP and the Solvency II excess of assets over liabilities.

A Solvency II capital assessment involves valuation of Own Funds in line with Solvency II regulations and a risk-based assessment of the SCR. Solvency II surplus is the excess of Eligible Own Funds over the SCR. The Company holds an amount of Eligible Own Funds that is greater than the SCR to allow for adverse events in the future that may reduce Own Funds and might otherwise cause failure to maintain the minimum level of regulatory capital, the MCR.

Key Solvency Metrics

At 31 December 2023, the capital position for the Company is presented in the table below:

	31 December 2023 (€'000)	31 December 2022 (€'000)
Eligible Own Funds	744,571	765,979
SCR	383,259	328,959
Solvency II surplus	361,312	437,020
Ratio of Eligible Own Funds to SCR	194%	233%

At 31 December 2023, the Company's Solvency II surplus over the Company SCR is €361,312k, with a ratio of Eligible Own Funds to SCR of 194%. 93% of the Company's Eligible Own Funds are unrestricted Tier 1, and are principally comprised of ordinary share capital, share premium account related to ordinary share capital and the reconciliation reserve. The remaining 7% (€55,000k) are Tier 2 Ancillary Own Funds which will become Tier 1 if called upon. The Company has sufficient Tier 1 Own Funds to cover the SCR.

All the required SCR quantitative limits have been complied with by the Company, and result in no restrictions nor are any Own Funds required to be relegated to lower tiers. Further details regarding the capital position of the Company are set out in this section.

E.1.2 Management of Own Funds

SLIDAC continues to align its capital management framework with the Group framework. There remain some differences between the two, reflecting the different size and risk profile of SLIDAC relative to the other group entities. It also reflects differences arising from SLIDAC's Partial Internal Model capital calculation compared to the Group's Internal Model. Details of the Company's current liquidity and management policy are provided below.

The Company closely monitors its current and projected solvency position and risk exposures and has a series of triggers for further action. The Company's capital position is also tested under a series of stressed scenarios. The Company's capital needs are considered over a five-year planning horizon on a rolling basis.

In order to protect policyholders, customers and other key stakeholders, the Company actively seeks to ensure that its capital position can be maintained at a viable level to allow continued operation of the business under stress. Within this overriding framework, the Company seeks to optimise its use of capital to maximise returns for shareholders and policyholders at an appropriate level of rewarded risk, and to manage its operations effectively to minimise or eliminate unrewarded risk.

The Company primarily manages its capital position by reference to its Capital Targets Framework ('CTF'). A revised CTF was approved by the SLIDAC Board in May 2023. The framework involves an all-risk approach, whereby the Company holds capital against a scenario which encompasses all the material risks to which SLIDAC is exposed. The risks to which SLIDAC is most sensitive (based on univariate analysis) have higher weightings in the all-risk scenario. The All-Risk scenario is calibrated and fully modelled annually. Sensitivity analysis is performed regularly to ensure that the risk profile has not changed significantly, and that the All-Risk scenario remains valid. The Framework is used to inform key Board decisions which have capital implications, including dividend proposals, investment strategy, capital planning and other management actions.

In addition to this, the Company defines limits for those risks which it actively seeks to manage. The risk limits are set with the overriding aim of supporting an overall suitable capital position under stress, with individual limits then set subject to this constraint, to support the delivery of the business plan.

The solvency position, risk exposures versus limits, and CTF status are monitored on an ongoing basis with regular reports produced for the Board. The report sets out a number of triggers for further action which are monitored and reported upon, many of which relate to capital coverage.

E.1.3 Structure and quality of Own Funds

Own Funds are split into Tiers in line with the regulations. There are three 'Tiers' based on both 'permanence' and 'loss absorbency' (Tier 1 being the highest quality). Tier 1 is further divided into 'unrestricted' and 'restricted' Tier 1. Own Funds which are classified as 'unrestricted' Tier 1 include share capital, surplus funds and the reconciliation reserve. The Ancillary Own Funds included at 31 December 2023 are Tier 2 funds, which will become restricted Tier 1 if called upon.

The regulations impose limits on the amount of each Tier that can be held to cover capital requirements with the aim of ensuring that the items will be available if needed to absorb any losses that may arise. Own Funds items need to be sufficient in amount, quality and liquidity to be available when the liabilities they are to cover arise. Items with a fixed duration or a right to redeem early may not be available when needed. Similarly, obligations to pay distributions or interest will reduce the amount available.

The Company has ample Tier 1 funds to cover its capital requirements, with the Tier 2 Ancillary Own Funds providing an additional layer of security.

Section E – Capital management continued

E.1 Own Funds continued

E.1.4 Analysis of solvency position

The table below summarises the SLIDAC solvency position at 31 December 2023. The Own Funds QRT S.23.01.01 can also be found in Appendix 1.

Description	Section Reference				31 December 2023	31 December 2022
		Unrestricted Tier 1	Tier 2	Tier 3	Total	Total
		€'000	€'000	€'000	€'000	€'000
Ordinary Share Capital	E.1.4.1	50,020			50,020	50,020
Share Premium account related to Ordinary Share Capital	E.1.4.1	382,358			382,358	382,358
Reconciliation reserve (pre-availability restrictions)	E.1.4.1	257,193			257,193	278,601
Net Deferred Tax Assets	E.1.4.1				0	0
Excess of Assets over Liabilities		689,571			689,571	710,979
Total Basic and Available Own Funds		689,571			689,571	710,979
Ancillary Own Funds	E.1.4.1		55,000		55,000	55,000
Eligible Own Funds to meet SCR		689,571	55,000		744,571	765,979
SCR	E.2.1				(383,259)	(328,959)
Solvency II surplus					361,312	437,020
Ratio of Eligible own funds to SCR	E.1.1				194%	233%
Eligible Own Funds to meet MCR					689,571	710,979
MCR					(120,911)	(114,444)
Excess over MCR					568,660	596,535
Ratio of Eligible own funds to MCR					570%	621%

E.1.4.1 Eligible Own Funds

The Company's Eligible Own Funds total €744,571k (2022 €765,979k) and comprise of ordinary share capital, share premium account related to ordinary share capital, Ancillary Own Funds and a reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

Ordinary Share Capital

The Company's issued and fully paid ordinary share capital is €50,020k and is treated as Tier 1 unrestricted Own Funds. The Company's Articles of Association allow cancellation of the payment of dividends (or other distributions) on ordinary shares prior to payment in certain circumstances, where it may be necessary or appropriate to do so because of legal, regulatory, capital or solvency requirements.

Share Premium Account Related to Ordinary Share Capital

The share premium account of €382,358k relates to the ordinary share capital and is treated as Tier 1 unrestricted Own Funds.

Reconciliation Reserve

The reconciliation reserve is the amount of excess assets over liabilities (valued in accordance with the Solvency II regulations and guidance) that remain once all the other identified elements of basic own funds have been deducted. As such, it serves to ensure that the total of all the individual basic own funds items are equal to the total excess of assets over liabilities and subordinated liabilities. The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. Further details regarding the impact of various sensitivities on the excess of assets over liabilities which forms part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows:

Reconciliation Reserve	31 December 2023 (€'000)	31 December 2022 (€'000)
Excess of Assets over Liabilities	689,571	710,979
Deduct other Basic Own Fund Items		
Ordinary Share Capital	(50,020)	(50,020)
Share Premium Account related to ordinary share capital	(382,358)	(382,358)
Surplus Funds	0	0
Net deferred tax asset – Tier 3	0	0
Reconciliation Reserve pre-availability restrictions	257,193	278,601
Ring Fenced Fund Restriction	0	0
Reconciliation Reserve Total (as shown on Own Funds QRT)	257,193	278,601

Deferred Tax Assets

Under Solvency II regulations and guidance, the value of any net shareholder deferred tax assets must be deducted from Tier 1 Own Funds and recognised as Tier 3. Deferred tax assets and liabilities are netted where legal offset is permitted. At 31 December 2023, there was no recognition of net deferred tax asset as Tier 3 Capital.

Section E – Capital management continued

E.1 Own Funds continued

E.1.4 Analysis of solvency position continued

E.1.4.1 Eligible Own Funds continued

Ancillary Own Funds

In December 2020 €55,000k of Ancillary Own Funds were made available to the Company from PGH for a term of 5 years. These funds are classified as Tier 2 amounts until they are called upon, at which point they will become restricted Tier 1 funds.

E.1.4.2 Analysis of Movement in Capital Position

The table below provides an analysis of significant changes in the capital position during the year, including Own funds, SCR and Solvency II surplus.

Analysis of Movement in Solvency Position	Note	Own Funds €'000	SCR €'000	Solvency II Surplus €'000
Opening position at 1 January 2023		765,979	328,959	437,020
Management Actions	1	(3,800)	538	(4,338)
Expected Run-Off	2	–	(23,006)	23,006
New Business	3	21,936	43,539	(21,604)
Demographic Experience Variances (including changes to assumptions)	4	(44,963)	(22,463)	(22,500)
Economic Variances	5	64,474	48,201	16,272
Model and Methodology Changes	6	(39,066)	7,491	(46,557)
Movement in Risk Margin	7	(19,987)	–	(19,987)
Closing position at 31 December 2023		744,571	383,259	361,312

Note	Item	Information
1	Management Actions	This relates to the reinsurance of annuity portfolio to Phoenix Re and change of with-profits reinsurance counterparty from SLAL to PLL. (incl. risk margin impacts)
2	Expected Run-Off	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus.
3	New Business	Increase in the value of future charges less future expenses as a result of writing new business, offset by the acquisition costs and increase in capital requirements. Note the movement in the Risk Margin due to new business is not included in this item.
4	Demographic Experience Variances	This item covers variances in experience versus plan and also the impact of assumption changes to more accurately reflect recent and expected persistency, mortality and expense experience.
5	Economic Variances	The movement in Own Funds was a result of market movements throughout 2023. These movements had a corresponding impact on the SCR.
6	Model and Methodology Changes	This item covers mainly an update of the risk margin model for the correct discounting of risk drivers and refinements of out of model adjustments.
7	Movement in Risk Margin	Changes in Risk Margin as a result of SCR impacts, along with interest rate movements throughout the year, decreased the overall Solvency II surplus (this excludes impacts of the Management Actions and Model Changes highlighted in the previous lines).

E.1.4.3 Reconciliation of GAAP Equity to Excess of Assets over Liabilities

The table below provides an analysis of the key differences between the Company's net assets under GAAP and the excess of assets over liabilities under Solvency II.

Analysis of Movement in Solvency Position	Section	31 December 2023 €'000	31 December 2022 €'000
Total Equity per GAAP		622,514	598,999
Valuation differences:			
<i>Assets increase/(decrease):</i>			
Intangible Assets/Deferred Acquisition Costs	D.1.2	(219,755)	(219,368)
Reinsurance Recoverables	D.1.2	(1,684,501)	(1,420,294)
Deferred Tax Assets	D.1.2	(11,972)	(2,682)
Any other assets not elsewhere shown		(1,216)	(1,149)
<i>Liabilities increase/(decrease):</i>			
Technical Provisions	D.2.2	1,755,489	1,529,712
Deferred Tax Liabilities	D.1.2	1,010	(68)
Reinsurance Payables	D.1.2	175,945	172,284
Any other liabilities not elsewhere shown	D.1.2	52,056	53,547
Excess of assets over liabilities	D.1.2	689,571	710,979

Section E – Capital management continued

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement

The Company's capital position is governed by the Solvency II regulatory regime. Under Solvency II, every insurer is required to identify its key risks – for example, that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the SCR. The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200.

The Company continues to operate on the Partial Internal Model basis which was approved by the CBI in March 2022 and became effective from 30th June 2022. The PIM introduced an Internal Model approach for calculating the Counterparty Default Risk and Operational Risk capital requirements, with all other risk modules using the Standard Formula. Aggregation of the overall capital requirements is completed using the Standard Formula correlation matrix approach.

The Company's SCR at 31 December 2023 is presented below.

Analysis of SCR – 31 December 2023	Note	SLIDAC Partial Internal Model €'000
Risk Categories		
Underwriting Risk (i.e. insurance risk)	1	266,476
Market Risk	2	240,451
Credit Risk	3	64,601
Operational risk	4	46,170
Liquidity risk	5	0
Other risks	6	0
Total undiversified SCR		617,698
Diversification benefits	7	234,439
Total diversified SCR		383,259

The Company's SCR does not include a capital add-on, and does not include any impact from the use of undertaking-specific parameters. In addition, no simplified calculations have been used. The final SCR is not subject to supervisory assessment.

The definitions of each of the risks are included in the table below. The components and sources of each of the risks and, of the methods used to assess, measure and monitor each of the risks are included in section C.

Note	Item	Description
1	Underwriting risk	Underwriting risk (i.e. insurance risk) is the risk that the frequency and severity of insured events may be worse than expected. The main sources of insurance risk are lapse risk, expense risk and longevity risk. More details on these risks are included in section C.1.
2	Market Risk	Market risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market influences. More details on these risks are included in section C.2.
3	Credit Risk	Credit risk is the risk that a party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. These obligations can relate to both on and off balance sheet assets and liabilities. More details on these risks are provided in section C.3.
4	Operational risk	Operational risk is the risk of reduction in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events. Details of the sources of operational risk are provided in section C.4.
5	Liquidity risk	Liquidity risk is defined as the failure of the Company to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. More details on these risks are provided in section C.5.
6	Other risks	There are no other material risks to which SLIDAC is exposed.
7	Diversification benefits	Diversification arises when the adverse outcome from one risk can be offset by a more favourable outcome from another risk, where those risks are not perfectly correlated. Diversification benefits are determined using a full risk distribution approach.

E.2.2 Changes in SCR

The material changes in the SCR and reasons thereof are set out in section E.1.4.2.

Section E – Capital management continued

E.2 Solvency capital requirement and minimum capital requirement continued

E.2.3 Minimum capital requirement

The MCR applies to EEA-based insurance undertakings. The MCR represents an absolute floor to the level of eligible own funds that the insurance undertaking is required to hold under Solvency II. If the level of own funds were to fall below the MCR, the CBI would intervene. The MCR should correspond to the amount of capital needed to ensure that the insurance undertakings will be able to meet their obligations over the next 12 months with a probability of at least 85%. It is bound between 25% (or €4m, whichever is higher) and 45% of the insurance undertaking's SCR.

As set out in section E.1.4, SLIDAC's MCR at 31 December 2023 is €120,911k (2022: €114,444k). The components of the overall calculation of the MCR as at 31 December 2023 are:

Calculation of MCR – 31 December 2023	(€'000)
MCR before the application of floors of caps	120,911
MCR cap (45% of SCR)	172,467
MCR floor (higher of 25% of SCR or €4m)	95,815
MCR (post application of floors of caps)	120,911

The changes in MCR during the reporting period are set out below:

Analysis of change in MCR	31 December 2023 (€'000)	31 December 2022 (€'000)
Technical Provisions for Index-linked and unit-linked insurance business	17,071,803	15,281,821
Technical Provisions for Other business	18,849	305,577
Capital at Risk	1,446,975	1,505,855
Linear MCR	120,911	114,444
25% of SCR	95,815	82,240
Linear MCR	120,911	114,444
45% of SCR	172,467	148,031
Combined MCR	120,911	114,444

The increase in MCR is a result of the increase in Technical Provisions.

E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement

The Company is not using the duration-based equity risk sub-module for the calculation of its SCR.

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

This section outlines the purpose of the Internal Model, its scope, methodology and assumptions, key differences between Standard Formula and Internal Model, and the nature and appropriateness of data used.

E.4.1 Scope of the Internal Model

Coverage

The CBI approved SLIDAC's Partial Internal Model application on 11th March 2022, with the Partial Internal Model covering the operational risk and counterparty default risk modules of SLIDAC's Risk Universe.

Risk Categories

A key element of SLIDAC's risk strategy is to ensure that it has a robust understanding of the risks it faces. This is achieved through regular monitoring and reporting of risks. Further details are included in section B.3.

SLIDAC considers all risks in the Risk Universe when applying principles to identify the material and quantifiable risks that should be incorporated into the Partial Internal Model capital calculations.

Capital is held against all risks within the Risk Universe unless:

- the risk is one that would not be expected to impact Own Funds; or
- exposure to the risk is not significant; or
- there is a dedicated risk management process in place to ensure that the risk exposure remains immaterial or is unlikely to arise at all; or
- the risk is not quantifiable and is more appropriately managed using other techniques.

Applying these rules to SLIDAC's exposures within the Risk Universe results in the following:

- all material risk exposures except for counterparty default risk (section C.3) and operational risk (section C.4) are measured using the Standard Formula;
- counterparty default risk and operational risk are measured using an Internal Model approach;
- SLIDAC's exposures not captured by the Standard Formula or counterparty default risk and operational risk modules within the Partial Internal Model are managed using other techniques.

Justification for not holding capital for any risks within the Risk Universe is documented and approved by senior management. This position is re-assessed on a regular cycle or sooner if specified trigger events have occurred.

Section E – Capital management continued

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

E.4.2 Uses of the internal model

The Partial Internal Model is widely used and plays an important role in the system of governance (in particular, the risk management system), decision-making, solvency capital assessment and allocation of capital throughout the Company.

Internal Model outputs (principally the balance sheet and stress and scenario analysis) are used to inform decisions which impact the risk profile or capital requirements.

Setting risk appetite

As outlined in section B.3, SLIDAC sets its risk appetite to manage risks, and this is reviewed annually. Risk appetite establishes the boundaries within which the Company is willing to operate, and the amount of risk that it wishes to accept.

The risk appetite statement is regularly reviewed through scenario analysis which covers a range of material risks from the Risk Universe. Results are regularly presented to the Board.

Informing risk reporting

SLIDAC's risk reporting framework summarises the risk profile of the Company and is regularly presented to management committees and the Board. Each report is structured around the Risk Universe and summarises key risk management information, including the risk appetite dashboard and a breakdown of risk capital by individual risk categories.

Setting capital management policy

Capital management policies are set by the Company in order to provide an additional level of solvency protection over the SCR. Capital policies are set by reference to risk appetite scenarios and reviewed annually.

Decision-making in respect of Group funding

Outputs from the Internal Model are used as the basis for recommendations regarding the release of cash from SLIDAC to Group for payment of dividends to shareholders or to meet other obligations within the Group.

Informing decisions on significant projects and strategic activity

When determining the viability of a project (for example, a funds merger or acquisition) or a change in strategy, the impacts on financial metrics utilising outputs from the Internal Model will be a key consideration.

Establishing the Annual Operating Plan ('AOP')

The AOP is used to review the expected financial performance of the Company and to ensure it remains aligned with the overall strategy and risk appetite. This involves the production of financial projections using a central set of assumptions. Stress and scenario testing is completed in line with SLIDAC's Risk Appetite Framework. Further details on stress and scenario testing are included in section C.

Setting investment strategy

Outputs from the Internal Model are used for setting investment strategy. The investment of assets is a core activity that allows the Company to enhance value and meet policyholder expectations. SLIDAC generates value through investing in a range of asset classes. Policies are in place that set out the strategy to be followed to manage the various investment risks.

Setting assumptions

Assumptions are required to be set for SLIDAC's modelled risks. These assumptions are derived from a range of sources, which include Internal Model outputs, experience analysis, industry benchmarking and expert judgement. Setting of assumptions is subject to extensive governance review and sign-off.

Other uses

In addition to the above uses, Internal Model outputs are also used for external reporting, tax planning and setting the Company's remuneration policy.

E.4.3 Rationale for a Partial Internal Model

Since the UK was originally scheduled to leave the EU on 29 March 2019, SLIDAC set up a Brexit Contingency Plan that resulted in the transfer of all the Euro-denominated business written in Standard Life Assurance Limited ('SLAL') to SLIDAC on this date. Immediately thereafter some, but not all of the transferred liabilities were reinsured back to SLAL (now PLL). Some liabilities were subsequently reinsured from SLAL (now PLL) back to SLIDAC, known as the retrocession liabilities. Collectively the Part VII transfer and simultaneous reinsurance arrangements are referred to as the 'Brexit transaction'.

Detailed analyses were carried out in November 2018 and 2019 on the appropriateness of the Solvency II Standard Formula allowing for the expected changes caused by the Brexit transaction. Quantitative assessments indicated that the Standard Formula remained appropriate, although it may overstate the SCR for counterparty default risk and operational risk. The overstatement of counterparty default risk and operational risk is due to complexities arising from the unique designs of the reinsurance treaties between SLIDAC and SLAL (now PLL), and the associated security structures in place, which are not fully reflected in the Standard Formula.

Analysis of the security structures on the annuity reinsurance with PRL that came in force in Q4 2023 highlighted similar short comings with use of Standard Formula for this treaty.

The Partial Internal Model more specifically allows for the complexities arising from the reinsurance treaties, leading to a more accurate sensitivity to economic movements, in particular more realistic modelling of the expected costs of reinsurer downgrade and default in a stressed scenario and therefore better monitoring of risk and better business management. This is a benefit to both policyholders and shareholders.

The risk profile of SLIDAC's retained business is more conventional and does not show material deviation against the assumptions underpinning the Standard Formula. A Partial, rather than a Full Internal Model is adopted to capture SLIDAC's unique exposures to operational and counterparty default risks.

Section E – Capital management continued

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

E.4.4 Methodology and assumption differences between Standard Formula and Internal Model

This section includes an explanation of the main differences in methodologies and underlying assumptions used in the Standard Formula and Partial Internal Model SCR.

E.4.4.1 Structural model differences

The structure of the Standard Formula and Partial Internal Model methodology are similar in that for each univariate risk the stressed value of assets and liabilities is compared with the unstressed value of assets and liabilities to determine the univariate SCR. Univariate risk capital amounts are then aggregated to produce an overall SCR using the Standard Formula correlation matrix approach.

E.4.4.2 Differences in the nature of risks considered and application of the stress

The main difference between the assessment of risks under the Partial Internal Model and Standard Formula is that the Partial Internal Model assessment is based on risks relevant to SLIDAC rather than prescribed stresses under the Standard Formula. The key differences in the risks considered and the stresses applied in the Partial Internal Model are set out below. It should be noted that where the application (or “form”) of the Partial Internal Model and Standard Formula stresses are the same, the quantum of the stress calibration may still differ.

Counterparty default risk

Under the Partial Internal Model there are separate counterparty default stresses for each of SLIDAC’s exposure groups, namely: cash; derivatives; outsourcer; reinsurance and type 2 (as per the Standard Formula definition) counterparties. The fundamental principles of a counterparty default stress are visible across each stress and represent an approach that is somewhat similar to the Standard Formula, but with a calibration that is a better fit to the Company’s risk profile.

In particular, the reinsurance counterparty default stress allows for the specific features of the reinsurance arrangements that the Company has put in place with PLL for the with-profits business and PRL for the annuity business. This includes modelling that the Company would have recourse to more of the assets than can be included in the Standard Formula calculation, due to the security of the charges held (PLL) and Letters of Credit (PRL). This means that the value of funds that would be lost if PLL/PRL were to default on the reinsurance is smaller using the Partial Internal Model assessment. The resulting capital is much less sensitive to factors like the level of interest rates (due to guarantees in the with-profits liabilities) or the credit rating of the counterparties.

Outsourcer counterparty default risk is a bespoke calculation under the Partial Internal Model, which is not assessed under the Standard Formula.

Operational risk

Under the Partial Internal Model, a range of operational risks are assessed using a frequency-severity approach and combined using a Gaussian copula that uses a 2-tier correlation matrix as an input. The Standard Formula uses a formulaic approach principally based on the gross (of reinsurance) valuation of Technical Provisions.

All other modelled risk modules are retained on the Standard Formula and there are no differences in approach.

E.4.5 Risk measures and time periods used in the internal model

The risk measures and time periods used in the Internal Model are in line with those set out by the regulations, i.e. the SCR is assessed by considering the capital resources required to ensure that the Own Funds are sufficient to meet a stress event calibrated to a 99.5% confidence level over a one-year period. In practice, stress events are assumed to occur instantaneously rather than over a one-year period.

E.4.6 Nature and appropriateness of data

A range of information is used within the Internal Model; this includes the relevant market data (both current for the valuation date, and the historic data to calibrate stresses), and internal policyholder data used to calculate our liabilities. The sources used in each instance have been chosen considering the range of options available and the appropriateness of the data sets for the purpose for which they are used. Where external data is used, this is sourced from reputable suppliers (e.g. External Credit Assessment Institutes, Operational Risk Consortium).

SLIDAC also has an internal data governance framework, which sets the standard to which the data used must meet and is used as a means to escalate any issues appropriately.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

Throughout 2023 Own Funds have at all times exceeded both the MCR and the SCR and therefore the Company fully complied with capital requirements.

E.6 Any other information

There is no further material information to be disclosed regarding the Company’s Own Funds and SCR.

Appendices and additional information

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Appendix and additional information

Appendix 1 – Quantitative reporting templates (31 December 2023)

Appendix 1.1 – S.02.01.02 Balance sheet

Assets		Solvency II value	
			C0010 €'000
Intangible assets	R0030		–
Deferred tax assets	R0040		–
Pension benefit surplus	R0050		–
Property, plant & equipment held for own use	R0060		4,006
Investments (other than assets held for index-linked and unit-linked contracts)	R0070		488,501
Property (other than for own use)	R0080		–
Holdings in related undertakings, including participations	R0090		172,484
Equities	R0100		–
Equities – listed	R0110		–
Equities – unlisted	R0120		–
Bonds	R0130		270,883
Government Bonds	R0140		74,895
Corporate Bonds	R0150		195,988
Structured notes	R0160		–
Collateralised securities	R0170		–
Collective Investments Undertakings	R0180		44,758
Derivatives	R0190		375
Deposits other than cash equivalents	R0200		–
Other investments	R0210		–
Assets held for index-linked and unit-linked contracts	R0220		17,451,097
Loans and mortgages	R0230		191,752
Loans on policies	R0240		–
Loans and mortgages to individuals	R0250		142
Other loans and mortgages	R0260		191,610
Reinsurance recoverables from:	R0270		13,530,100
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		12,847,069
Health similar to life	R0320		151,319
Life excluding health and index-linked and unit-linked	R0330		12,695,750
Life index-linked and unit-linked	R0340		683,030
Deposits to cedants	R0350		–
Insurance and intermediaries receivables	R0360		5,292
Reinsurance receivables	R0370		113,022
Receivables (trade, not insurance)	R0380		84,914
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		27,755
Any other assets, not elsewhere shown	R0420		–
Total assets	R0500		31,896,438

Appendix 1 – Quantitative reporting templates (31 December 2023) continued
Appendix 1.1 – S.02.01.02 Balance sheet continued

Liabilities	Solvency II value	
	C0010	€'000
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	12,887,809
Technical provisions – health (similar to life)	R0610	153,119
TP calculated as a whole	R0620	–
Best Estimate	R0630	152,855
Risk margin	R0640	263
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	12,734,691
TP calculated as a whole	R0660	–
Best Estimate	R0670	12,690,157
Risk margin	R0680	44,534
Technical provisions – index-linked and unit-linked	R0690	17,880,963
TP calculated as a whole	R0700	18,143,430
Best Estimate	R0710	388,596
Risk margin	R0720	126,129
Contingent liabilities	R0740	–
Provisions other than technical provisions	R0750	723
Pension benefit obligations	R0760	15
Deposits from reinsurers	R0770	–
Deferred tax liabilities	R0780	3,476
Derivatives	R0790	429
Debts owed to credit institutions	R0800	1,750
Financial liabilities other than debts owed to credit institutions	R0810	1,750
Insurance & intermediaries payables	R0820	175,052
Reinsurance payables	R0830	553
Payables (trade, not insurance)	R0840	256,097
Subordinated liabilities	R0850	–
Subordinated liabilities not in BOF	R0860	–
Subordinated liabilities in BOF	R0870	–
Any other liabilities, not elsewhere shown	R0880	–
Total liabilities	R0900	31,206,867
Excess of assets over liabilities	R1000	689,571

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.2 – S.04.05.21 Activity by country – location of risks

		Home country Ireland (IE) C0030 €'000	Total by country Germany (DE) C0040 €'000	Total by country Austria (AT) C0040 €'000	Total by country United Kingdom (After Brexit) C0040 €'000
Insurance with profit participation					
Premiums written (gross)	R0020	12,589	668,514	60,103	
Premiums earned (gross)	R0030	12,589	668,514	60,103	
Claims incurred (gross)	R0040	92,839	816,048	155,198	
Expenses incurred (gross)	R0050	12,067	39,876	7,060	
Index-linked and unit-linked insurance					
Premiums written (gross)	R0020	1,028,900	154,257	40,306	789,134
Premiums earned (gross)	R0030	1,028,900	154,257	40,306	789,134
Claims incurred (gross)	R0040	876,883	70,398	10,048	615,716
Expenses incurred (gross)	R0050	84,814	51,800	18,365	30,287
Other life insurance					
Premiums written (gross)	R0020	11,253	62,892		
Premiums earned (gross)	R0030	11,253	62,892		
Claims incurred (gross)	R0040	32,606	12,452		
Expenses incurred (gross)	R0050	(134)	886		
Life reinsurance					
Premiums written (gross)	R0020	13,389			
Premiums earned (gross)	R0030	13,389			
Claims incurred (gross)	R0040	72,420			
Expenses incurred (gross)	R0050				
Health insurance					
Premiums written (gross)	R0020	4			
Premiums earned (gross)	R0030	4			
Claims incurred (gross)	R0040	2,384			
Expenses incurred (gross)	R0050	0			

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.3 – S.05.01.02 Premiums, claims and expenses by country

	Line of Business for: life insurance obligations					Life reinsurance obligations	Total C0300
	Health insurance C0210	Insurance with profit participation C0220	Index-linked and unit-linked insurance C0230	Other life insurance C0240	Life reinsurance C0280		
Premiums written							
Gross	R1410	4	741,205	2,012,597	74,145	13,389	2,841,341
Reinsurers' share	R1420	4	735,812	15,814	35,175	–	786,806
Net	R1500	–	5,393	1,996,783	38,970	13,389	2,054,535
Premiums earned							
Gross	R1510	4	741,205	2,012,597	74,145	13,389	2,841,341
Reinsurers' share	R1520	4	735,812	15,814	35,175	–	786,806
Net	R1600	–	5,393	1,996,783	38,970	13,389	2,054,535
Claims incurred							
Gross	R1610	2,384	1,064,086	1,573,045	45,059	72,420	2,756,993
Reinsurers' share	R1620	2,384	1,027,087	74,435	23,830	–	1,127,734
Net	R1700	–	36,999	1,498,610	21,229	72,420	1,629,258
Expenses incurred	R1900	0	59,003	185,265	752	–	245,021
Balance – other technical expenses/income	R2510	–	–	–	–	–	–
Total technical expenses	R2600	–	–	–	–	–	245,021
Total amount of surrenders	R2700	–	444,828	1,314,158	1,320	55,973	1,816,279

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.4 – S.12.01.02 Life and health SLT technical provisions

		Index-linked and unit-linked insurance				Other life insurance		Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health	Accepted reinsurance	Total (life other than health insurance, incl. unit-linked)	
		Insurance with profit participation	Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees				
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150
Technical provisions calculated as a whole	R0010	-	17,451,097	-	-	-	-	-	-	692,333	18,143,430
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	R0020	-	692,333	-	-	-	-	-	-	-	692,333
Technical provisions calculated as a sum of BE and RM											
Best Estimate											
Gross Best Estimate	R0030	12,083,721	-	-	(388,596)	-	-	606,435	-	-	12,301,560
Total Recoverables from reinsurance/ SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	12,106,627	-	-	(9,303)	-	-	589,123	-	-	12,686,447
Best estimate minus recoverables from reinsurance/ SPV and Finite Re – total	R0090	(22,906)	-	-	(379,294)	-	-	17,313	-	-	(384,887)
Risk Margin	R0100	33,797	126,129	-	-	10,737	-	-	-	-	170,663
Technical provisions – total	R0200	12,117,518	17,188,630	-	-	617,173	-	-	-	692,333	30,615,654

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.4 – S.12.01.02 Life and health SLT technical provisions continued

		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			
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 as a whole	R0020	–	–	–	–	–	
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Gross Best Estimate	R0030	–	–	152,855	–	–	152,855
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	–	–	151,319	–	–	151,319
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090		–	1,536	–	–	1,536
Risk Margin	R0100	263	–	–	–	–	263
Technical provisions – total	R0200	153,119	–	–	–	–	153,119

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.5– S.22.01.21 Impact of long-term guarantees and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	30,768,772			73,840	
Basic own funds	R0020	689,571			(2,438)	
Eligible own funds to meet Solvency Capital Requirement	R0050	744,571			(2,438)	
Solvency Capital Requirement	R0090	383,259			3,535	
Eligible own funds to meet Minimum Capital Requirement	R0100	689,571			(2,438)	
Minimum Capital Requirement	R0110	120,911			21	

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.6 – S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010 €000s	C0030 €000s	C0050 €000s	C0070 €000s	C0090 €000s
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35	R0010	50,020	50,020	–	–	–
Share premium account related to ordinary share capital	R0030	382,358	382,358	–	–	–
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	257,193	257,193	–	–	–
Subordinated liabilities	R0140	–	–	–	–	–
An amount equal to the value of net deferred tax assets	R0160	–	–	–	–	–
Other items approved by supervisory authority as basic own funds not specified above	R0180	–	–	–	–	–
Own funds not represented by the reconciliation reserve	R0220	–	–	–	–	–
Deductions		–	–	–	–	–
Deductions for participations in financial and credit institutions	R0230	–	–	–	–	–
Total basic own funds after adjustments	R0290	689,571	689,571	–	–	–
Ancillary own funds						
Unpaid and uncalled ordinary share capital	R0300	–	–	–	–	–
Unpaid and uncalled initial funds	R0310	–	–	–	–	–
Unpaid and uncalled preference share capital	R0320	–	–	–	–	–
Commitment to subscribe and pay for subordinated liabilities	R0330	55,000	–	–	55,000	–
Letters of credit and guarantees under Article 96(2)	R0340	–	–	–	–	–
Letters of credit and guarantees other than under Article 96(2)	R0350	–	–	–	–	–
Supplementary members calls under Article 96(3)	R0360	–	–	–	–	–
Supplementary members calls other than under Article 96(3)	R0370	–	–	–	–	–
Other ancillary own funds	R0390	–	–	–	–	–
Total ancillary own funds	R0400	55,000	–	–	55,000	–
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	744,571	689,571	–	55,000	–
Total available own funds to meet the MCR	R0510	689,571	689,571	–	–	–
Total eligible own funds to meet the SCR	R0540	744,571	689,571	–	55,000	–
Total eligible own funds to meet the MCR	R0550	689,571	689,571	–	–	–
SCR	R0580	383,259				
MCR	R0600	120,911				
Ratio of eligible own funds to SCR	R0620	194%				
Ratio of eligible own funds to MCR	R0640	570%				
						C0060
Reconciliation reserve						
Excess of assets over liabilities					R0700	689,571
Own shares (held directly and indirectly)					R0710	–
Foreseeable dividends, distributions and charges					R0720	–
Other basic own fund items					R0730	432,379
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds					R0740	–
Reconciliation reserve					R0760	257,193
Expected profits						
Expected profits included in future premiums (EPIFP) – Life business					R0770	375,162
Expected profits included in future premiums (EPIFP) – Non-life business					R0780	–
Total EPIFP					R0790	375,162

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.7– S.25.05.21 Solvency capital requirement – for undertakings using an internal model (partial or full)

		Solvency Capital Requirement	Amount modelled
		C0010	C0070
		€'000	€'000
1	Total diversification	(118,839)	–
2	Total diversified risk before tax	383,259	–
3	Total diversified risk after tax	383,259	–
4	Total market & credit risk	296,214	–
5	Market & Credit risk - diversified	168,523	–
6	Credit event risk not covered in market & credit risk	64,601	64,601
7	Credit event risk not covered in market & credit risk – diversified	64,601	64,601
8	Total Business risk	–	–
9	Total Business risk – diversified	–	–
10	Total Net Non-life underwriting risk	–	–
11	Total Net Non-life underwriting risk – diversified	–	–
12	Total Life & Health underwriting risk	266,476	–
13	Total Life & Health underwriting risk – diversified	222,805	–
14	Total Operational risk	46,170	46,170
15	Total Operational risk – diversified	46,170	46,170
16	Other risk	–	–
Calculation of Solvency Capital Requirement			C0100 €'000
Total undiversified components		R0110	502,099
Diversification		R0060	(118,839)
Adjustment due to RFF/MAP nSCR aggregation		R0120	–
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC		R0160	–
Solvency Capital Requirement excluding capital add-on		R0200	383,259
Capital add-ons already set		R0210	–
Solvency capital requirement		R0220	383,259
Other information on SCR		0	–
Amount/estimate of the overall loss-absorbing capacity of technical provisions		R0300	–
Amount/estimate of the overall loss-absorbing capacity of deferred taxes		R0310	–
Capital requirement for duration-based equity risk sub-module		R0400	–
Total amount of Notional Solvency Capital Requirements for remaining part		R0410	–
Total amount of Notional Solvency Capital Requirement for ring fenced funds		R0420	–
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios		R0430	–
Diversification effects due to RFF nSCR aggregation for article 304		R0440	–
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation		R0450	–
Net future discretionary benefits		R0460	–

Appendix and additional information continued

Appendix 1 – Quantitative reporting templates (31 December 2023) continued

Appendix 1.8 – S.28.01.01 – Minimum capital requirement only life or non-life insurance or reinsurance activity (life)

Linear formula component for life insurance and reinsurance obligations		C0040	
MCRL Result	R0200		120,911
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligation with profit participation – guaranteed benefits	R0210	–	–
Obligation with profit participation – future discretionary benefits	R0220	–	–
Index-linked and unit-linked insurance obligations	R0230	17,071,803	–
Other life (re)insurance and health (re)insurance obligations	R0240	18,849	–
Total capital at risk for all life (re)insurance obligation	R0250	–	1,446,975
Overall MCR calculation		C0070	
Linear MCR		R0300	120,911
SCR		R0310	383,259
MCR cap		R0320	172,467
MCR floor		R0330	95,815
Combined MCR		R0340	120,911
Absolute floor of the MCR		R0350	4,000
Minimum Capital Requirement		R0400	120,911

Note: The non-life fields are not shown as the Company does not have any non-life insurance.

Appendix and additional information continued

Appendix 2 – Glossary

Ancillary own funds

Ancillary own funds shall consist of items other than basic own funds which can be called up to absorb losses.

Ancillary own funds may comprise the following items to the extent that they are not basic own-fund items:

- a) unpaid share capital or initial fund that has not been called up;
- b) letters of credit and guarantees;
- c) any other legally binding commitments received by insurance and reinsurance undertakings.

Where an ancillary own-fund item has been paid in or called up, it shall be treated as an asset and cease to form part of ancillary own-fund items.

Assumptions

Variables, which can be economic or non-economic in nature, used in actuarial models to project expected policy cash flows.

Best estimate liability

The part of Technical Provisions representing a probability weighted average of future cash flows, taking account of the time value of money, using an appropriate risk-free interest rate term structure. The calculation is based upon realistic assumptions, using appropriate actuarial and statistical methods and taking account of all future cash inflows and outflows required to settle the insurance obligations.

Board

The board of Directors of Standard Life International Designated Activity Company.

Capital resources (CR)

Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

CBI

The Central Bank of Ireland.

Company

Standard Life International Designated Activity Company.

Contract boundary

The boundary of an insurance contract (or reinsurance contract) defines the cash flows which must be taken into account when calculating the technical provision in respect of that contract.

Delegated regulation

Commission Delegated Regulation supplementing the Solvency II Directive.

Director

A director of Standard Life International Designated Activity Company.

Discounting

This is the process of reducing a future cash flow back to present value terms, by way of an assumed future interest (discount) rate.

Economic assumptions

Assumptions in relation to future interest rates, investment returns, inflation and tax.

EIOPA

European Insurance and Occupational Pensions Authority.

External fund links (EFL)

These are unit linked fund options on Standard Life products, where the funds are not managed by Standard Life.

FCA

Financial Conduct Authority.

Large fund discounts

The practice of reducing the effective annual management charge applied to a policy depending on the size of the unit fund.

Maintenance expenses

Expenses relating to the ongoing maintenance of business. This would include customer service costs, for example.

Market consistency

A market consistent value is the market value if the instrument is readily traded. In the context of liabilities, a market consistent value is a valuation that is consistent with the prices of assets with similar characteristics to those liabilities. For liability cash flows with option-like features e.g. guarantees, these values should be consistent with market option prices.

Matching adjustment

An adjustment to the risk free yield used to calculate the best estimate to reflect where long-term liabilities are backed by assets which closely match the cash flows, where these assets have yields in excess of risk free and the extent that the assets are expected to be held long term.

Non-economic assumptions

Assumptions in relation to future expenses and future lapse, withdrawal, and mortality rates.

Own funds

Own funds are the regulatory capital resources of an insurance undertaking or group under Solvency II.

Option (insurance policy feature)

A benefit feature of an insurance contract that may be selected at the discretion of the policyholder e.g. right to convert a maturity value into an income for life at guaranteed terms.

Appendix and additional information continued

Appendix 2 – Glossary continued

PGH

Phoenix Group Holdings plc.

PLL

Phoenix Life Limited plc.

PRL

Phoenix Re Limited plc.

PIM

Partial Internal Model.

PRA

Prudential Regulation Authority.

Present value of in-force business (PVIF)

The expected future profits (usually excess of charges over expenses) on existing business.

Reinsurance

Process whereby one entity takes on all or part of the risk covered under a policy issued by an insurance company in return for a premium payment.

Risk margin

The part of Technical Provisions in addition to the best estimate liability required to ensure that the value of the Technical Provisions is equivalent to the amount that insurance undertakings would be expected to require in order to take over and meet the insurance obligations.

SLAL

Standard Life Assurance Limited.

SLIDAC

Standard Life International Designated Activity Company.

Solvency II Directive

Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

Solvency capital requirement (SCR)

The economic capital to be held by an insurer in order to ensure that it will still be in a position to meet its obligations to policyholders over the following 12 months, with a probability of at least 99.5% (i.e. limit probability of failure to less than 1 in 200 years).

Stochastic model

An actuarial projection model in which the input variables (e.g. future investment returns) are defined in terms of a range of values in the form of probability distributions, reflecting the volatility of those variables. This leads to a range of modelled outcomes. This approach is useful when a policy provides a guarantee e.g. a minimum rate of investment return. A deterministic model would not allow for the volatility of future investment returns and hence is a less appropriate way of estimating the cost of providing the guarantee.

Technical Provisions

The value attributed to future insurance obligations determined in line with Solvency II regulations, comprising a best estimate liability plus risk margin.

Technical provisions as a whole

The best estimate and the risk margin are typically calculated separately. Where the future cash flows can be replicated reliably using financial instruments for which a reliable market value is observable (such as unit linked fund values) then the value of technical provisions equals the market value of those financial instruments ('technical provisions as a whole').

Unit linked

Unit linked refers to a proposition or fund where the customer will buy 'units' of the fund. The value of a unit changes based on the performance of underlying assets, and the number of units in the fund will change depending on the size of the fund.

Unit linked policy

A policy where the benefits are determined by reference to the investment performance of a specified pool of assets.

Volatility adjustment

An adjustment made to the liquid part of the risk free interest rate in order to reduce the impact of short term market volatility on the balance sheet.

Registered address

Standard Life International
90 St. Stephen's Green
Dublin 2
D02 F653

Registered Number
408507

thephoenixgroup.com