PHOENIX GROUP

SOLVENCY AND FINANCIAL CONDITION REPORT 2020

Phoenix Group Holdings plc
For the year ended 31 December 2020

CONTENTS

SUMMARY

INTRODUCTION AND BACKGROUND

Phoenix Group is the UK's largest long-term savings and retirement business with c.14 million customers and £338 billion of assets under administration across both the Heritage and Open businesses.

The Heritage business comprises products that are no longer actively marketed to customers, and where Phoenix is now the custodian of these policies. The Open business comprises products that are actively marketed to new and existing customers and has five separate business units. The Workplace pensions and Customer Savings & Investments units operate under the Standard Life brand and manufacture long-term savings and retirement products to support people saving for their future.

The Retirement Solutions unit within Open includes both vesting annuities and the Bulk Purchase Annuity ('BPA') business, where Phoenix acquires annuities and delivers the financial stability required to secure pensions currently provided by corporates. The Open business also comprises our market leading SunLife brand, which sells a range of financial products specifically for the over 50s market, and the European business unit which spans Ireland and Germany, and operates under the Standard Life brand.

Unless otherwise specified, references to 'Phoenix', 'Phoenix Group' or 'PGH Group' mean Phoenix Group Holdings plc ('PGH plc') and all its subsidiary undertakings. A simplified Group structure chart is presented in section A.1.2.1.

As at 31 December 2020, the insurance subsidiaries (also referred to as 'the Life Companies') of the Group comprise the Phoenix Life insurance subsidiaries, being:

- Phoenix Life Limited ('PLL'); and
- Phoenix Life Assurance Limited ('PLAL');

together with the ReAssure insurance subsidiaries:

- ReAssure Limited ('RAL');
- ReAssure Life Limited ('RLL'); and
- Ark Life Assurance Company Designated Activity Company ('ARK').

and the Standard Life insurance subsidiaries:

- Standard Life Assurance Limited ('SLAL');
- Standard Life Pension Funds Limited ('SLPF'); and
- Standard Life International Designated Activity Company ('SLIDAC').

In addition, the Group includes PA(GI) Limited ('PA(GI)'), an entity that wrote general insurance business in the past.

In March 2021, the Group was granted approval under a waiver from the PRA to prepare a single Group-wide Solvency and Financial Condition Report ('SFCR') (hereafter referred to as 'the Group SFCR') that contains the required information for the overall Group, PLL, PLAL, RAL, RLL, SLAL, SLPF and PA(GI). At present, this waiver does not extend to SLIDAC and ARK and the entities have continued to produce solo SFCRs for the year ended 31 December 2020. Prior to the issuance of the most recent waiver, the Group prepared a single Group-wide SFCR covering the Group, PLL, PLAL, PA (GI), SLAL and SLPF.

The Group SFCR includes detailed Group information as well as information on the Phoenix Life, ReAssure and Standard Life insurance subsidiaries (excluding SLIDAC and ARK) to meet Solvency II requirements. It has been prepared in accordance with the PRA Rules and Solvency II regulations, hereafter referred to as 'the regulations'.

The Group SFCR and the accompanying QRTs included in Appendices 1–8 provide detailed information on the Group, Phoenix Life, ReAssure and Standard Life insurance subsidiaries (excluding SLIDAC and ARK) as well as PA(GI)'s business and performance, system of governance, risk profile, valuation for solvency purposes and capital position.

SUMMARY
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BUSINESS AND PERFORMANCE

2020 was another successful year for the Group, with Phoenix continuing its track record of meeting or exceeding its publicly stated financial targets. Further details are included within the Group's 2020 Annual Report and Accounts.

On 22 July 2020, the Group acquired 100% of the issued share capital of ReAssure Group plc from Swiss Re Finance Midco (Jersey) Limited, an indirect subsidiary of Swiss Re Limited, for total consideration of £3.1 billion. The consideration consisted of £1.3 billion of cash, funded through the issuance of debt and own resources, and the issue of 277,277,138 shares to Swiss Re Group on 23 July 2020, 144,877,304 shares of which were subsequently transferred to MS&AD Insurance Group Holdings ('MS&AD'). The equity stake in the Group held by Swiss Re Group and MS&AD was valued at £1,847 million, based on the share price at that date.

The Group generated an operating profit of £1,199 million in the year (2019: £810 million). The increase compared to the prior year is primarily driven by the contribution of the ReAssure businesses for a full five-month period post completion of the acquisition on 22 July, and increased new business profits from Bulk Purchase Annuity ('BPA') transaction activity following completion of seven transactions with contract liabilities of c.£2.5 billion, which included the buy-in transaction with the Pearl pension scheme.

The IFRS profit after tax attributable to owners is £834 million (2019: £116 million). The increase primarily reflects the increased operating profit described above together with a gain recognised on acquisition of the ReAssure businesses of £372 million and gains on hedging positions held in the shareholder funds. The aforementioned benefits were partially offset by adverse investment variances, recognition of additional amortisation charges on intangible assets for ReAssure, and financing costs on new debt issuances which supported the acquisition.

The performance of the Group and its insurance subsidiaries set out in section A is described using results as presented in the IFRS financial statements. The operating profit (which is a non-GAAP measure) is stated after adjustments to exclude the impact of short-term economic variances and items considered to occur outside the normal course of business. Further details of the components and the key drivers of the operating profit are included in section A.2.

Impacts of COVID-19

The COVID-19 pandemic continues to have an adverse and highly uncertain impact on the global economic environment and the markets in which the Group operates. Since March 2020, Phoenix Group has taken significant steps to support and protect its colleagues, customers and the communities in which it operates.

The Group is facing heightened operational, insurance and market risks in a number of areas, and its exposures are being actively managed through the Group's established business continuity and risk management frameworks, with continual involvement and input from the Group and Life Company Boards.

Numerical disclosures included in this SFCR and the associated Quantitative Reporting Templates have been prepared based on conditions and assumptions as at 31 December 2020. The figures do not reflect any adjustments for potential longer-term impacts of COVID-19 on the Group and its Life companies where it is impracticable to do so. Whilst these are uncertain times, the Group and Life companies hold strong and resilient capital positions, and are expected to continue to meet their capital requirements.

Sensitivity analysis is disclosed in Section C.7.2 and provides an indication of the impact of market movements and changes in insurance risk calibrations on the Group and Life company solvency surpluses. Whilst a useful guide, such simple univariate sensitivities may not fully capture the complexities of the market movements experienced within the COVID-19 pandemic scenario, and may not appropriately allow for impacts where the specifics of the stress experienced differ from that assumed in the sensitivity (for example, where the credit stress experience varies by rating or sector). In addition, certain sensitivities may not scale on a linear basis.

The Group and Life Companies continue to monitor their capital positions on an ongoing basis, with actions taken where appropriate to protect the position or reduce unwanted exposure to market or other risks. Despite the market volatility experienced in the year the Group has seen minimal strain from economics, reflecting the impact of the Group's hedging programme and active approach to credit portfolio management. Proactive management of the credit portfolio resulted in a prudent rotation out of UK BBB assets into USD A or better credit assets to enhance the Group's risk profile and deliver capital benefits.

In considering the 2020 final dividend, the PGH plc Board considered base case liquidity and solvency projections that incorporated an estimated view of the potential economic downturn that is anticipated to be experienced due to the impacts of COVID-19. In addition, a more onerous economic downturn was also modelled. The projections demonstrate that appropriate levels of capital would remain in the Life Companies under both the base and more onerous economic downturn scenarios. After careful consideration, the PGH plc Board has concluded that the proposed 2020 final dividend of 24.1 pence per share is prudent and consistent with Phoenix's risk appetite. The PGH plc Board therefore supports payment of the proposed 2020 final dividend which remains subject to approval by shareholders at the AGM on 14 May 2021. The cost of the 2020 final dividend is accrued in the Group Solvency position as at 31 December 2020 as a foreseeable dividend.

SUMMARY
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SYSTEM OF GOVERNANCE

The PGH plc Board is responsible for the strategic direction of the Group and is accountable for compliance with Solvency II requirements. The insurance subsidiaries' Boards are responsible for managing the overall direction and performance of the companies. They are also ultimately accountable for compliance with the Solvency II requirements that relate to them.

The PGH plc and insurance subsidiaries' Boards are committed to high standards of corporate governance and are supported by the appropriate Board committees and Management committees. Further details of the governance structure of the Boards and its committees are included in section B.1.

Phoenix Group's Risk Management Framework ('RMF') embeds proactive and effective risk management across the Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities. Following the acquisition of the ReAssure Group plc, the Group is working to complete integration of the Phoenix RMF into ReAssure in the second half of 2021.

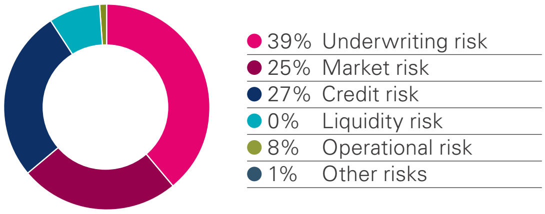
Risk appetite is used to define the amount of risk that the Group is willing to accept in the pursuit of enhancing customer and shareholder value and the attainment of strategic objectives. Risk appetite statements establish the risk boundaries within which the Group is prepared to operate, set the tolerance for delivery against objectives and are a key tool in balancing the interests of different stakeholders. The Group defines risk appetite in the areas of capital, liquidity, shareholder value, control, conduct and sustainability.

RISK PROFILE

Following the acquisition of the Standard Life Assurance businesses in 2018, the Group currently operates two PRA approved Internal Models: a Phoenix Internal Model covering all of the pre-Standard Life acquisition Phoenix entities and a Standard Life Internal Model covering SLAL and SLPF. The ReAssure UK insurance entities and Irish insurance entities, ARK and SLIDAC, determine their capital requirements in accordance with the Standard Formula. From a capital requirements perspective this is referred to in the risk profile section of the SFCR as the Group's partial Internal Model basis. Capital requirements calculated under the Phoenix Internal Model, Standard Life Internal Model and Standard Formula are aggregated in determining the Group position, with no further allowance for diversification.

The chart below shows a composition of the Group's undiversified Solvency Capital Requirement ('SCR') as at 31 December 2020. The largest component of the undiversified SCR is underwriting risk for the Group, which is the risk that the frequency or severity of insured events may be worse than expected and includes expenses risk.

Risk profile



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

A summary of the undiversified SCR of the Group and the insurance subsidiaries is also presented below.

The regulations set out three approaches for calculating Group solvency, 'Method 1' (this is the default accounting based consolidation method), 'Method 2' (the Deduction and Aggregation method); or a combination of Methods 1 and 2. Under Method 2, the solo Own Funds are aggregated, rather than consolidated on a line by line basis. The SCR is also aggregated with no allowance for diversification. The Group has PRA approval to use a combination of Methods 1 and 2 for consolidating its Group solvency results. Method 2 is used for all Standard Life entities and Method 1 is used for all other entities of the Group (including ReAssure).

To present an indicative overall PGH Group view, the risk profile of the Phoenix Life and ReAssure insurance subsidiaries (Method 1 entities) is shown alongside the risk profile of the Standard Life insurance subsidiaries (Method 2 entities) in the table below. However, the risk capital is calculated using two different Internal Models (together with a Standard Formula components), each with different stress calibration assumptions and methodologies. To give an indicative exposure of the overall risk profile for the PGH Group, the risk profiles for each entity have been aggregated across the different risk types using a simple pro rata approach.

RISK PROFILE continued

Risk profile of insurance subsidiaries and the Group	Section reference	PLL	PLAL	PA(GI)	RAL	RLL	ARK	PGH Group Method 1	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Underwriting risk	C.1	33%	44%	0%	44%	0%	48%	40%	38%	31%	2%	37%	39%
Market risk	C.2	25%	18%	0%	25%	2%	41%	22%	33%	24%	0%	32%	25%
Credit risk	C.3	33%	30%	0%	28%	33%	8%	30%	17%	31%	98%	19%	27%
Liquidity risk	C.4	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operational risk	C.5	7%	7%	100%	3%	65%	3%	6%	12%	14%	0%	12%	8%
Other risks	C.6	2%	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	1%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Significant business and other events during 2020 that impacted the risk profile of the Group and its insurance subsidiaries included:

- successful acquisition of ReAssure Group plc;
- successful acquisition of Bulk Purchase Annuity books; predominantly backed by a mixture of ERM, credit and government bonds;
- the update of longevity and mortality assumptions to reflect portfolio experience up to 31 December 2019 and the latest views on future trends, resulting in an overall release of longevity risk reserves and capital and an increase in mortality risk reserves and capital;
- COVID-19, in particular (i) the effect of excess mortality over 2020 due to COVID-19 has resulted in an overall release of reserves relative to expectations. No credit has been taken for this increased mortality in forward looking assumptions given the one off nature of this event. (ii) the Group actively reduced its credit risk exposure to 'BBB' rated GBP liquid credit by replacing existing positions that were deemed at-risk of downgrade with higher rated US liquid credit. The subsequent currency exposure was hedged by entering into cross-currency swaps in order to fix the GBP value of the coupon and principal payments on the bonds;
- the Group's equity hedge, which covered c.80% of the equity risk exposure in ReAssure ahead of the acquisition, was closed at Group level upon acquisition and then executed to sit within ReAssure; and
- increased investment in illiquid assets.

VALUATION FOR SOLVENCY PURPOSES

For the purposes of Solvency II reporting, the Group applies the Solvency II valuation rules to 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 Group and its insurance subsidiaries is set out in the table below:

31 December 2020	PLL £m	PLAL £m	RAL £m	RLL £m	ARK £m	SLAL £m	SLIDAC £m	PA(GI) £m	SLPF £m	Other Group entities £m	Consolidation and other adjustments £m	PGH Group
Excess of assets over liabilities	**5,113**	**2,206**	**5,863**	**237**	**230**	**5,363**	**479**	**4**	**9**	**27,338**	**(31,178)**	**15,664**

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 material differences between IFRS and Solvency II.

CAPITAL MANAGEMENT

At 31 December 2020, the capital position for PGH and its insurance subsidiaries is presented in the table below:

31 December 2020	PLL	PLAL	RAL	RLL	ARK	PA (GI)	SLAL	SLIDAC	SLPF	Other Group entities[1]	Consolidation and other adjustments[2]	PGH Group 31 December 2020	PGH Group 31 December 2019
Eligible Own Funds to cover SCR	4,942	1,907	5,184	237	230	4	4,409	528	9	31,643	(32,261)	16,832	10,792
SCR	(3,405)	(1,372)	(2,807)	(20)	(103)	(2)	(2,989)	(400)	(2)	(754)	263	(11,591)	(7,689)
Solvency II surplus	**1,537**	**535**	**2,377**	**217**	**127**	**2**	**1,420**	**128**	**7**	**30,889**	**(31,998)**	**5,241[3]**	3,103
Ratio of Eligible Own Funds to SCR	**145%**	**139%**	**185%**	**1,191%**	**223%**	**276%**	**148%**	**132%**	**548%**			**145%**	140%
Shareholder capital coverage ratio	**165%**	**171%**	**199%**	**1,191%**	**223%**	**276%**	**174%**	**132%**	**548%**			**164%**	161%

1 Other Group entities includes the Eligible Own Funds of the Group's holding companies and non-insurance subsidiaries including unrestricted pension schemes, subordinated liabilities treated as capital for solvency purposes and other assets and liabilities.
2 Group consolidation adjustments include the elimination of intercompany balances and participations.
3 Assuming a dynamic recalculation of TMTP as at 31 December 2020, the Group's Solvency II surplus would have been £113 million higher. The regulatory position as at 31 December 2019 incorporated a mandatory recalculation of TMTP as at that date.

The PGH Group and its insurance subsidiaries held Own Funds in excess of both the SCR and 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.

As at 31 December 2020, the Group's Solvency II surplus over the Group SCR is £5,241 million (2019: £3,103 million), with a ratio of Eligible Own Funds to SCR of 145% (2019: 140%) The surplus has increased during the period as a result of the delivery of management actions, subordinated debt issuance, the acquisition of ReAssure and the emergence of surplus from policy run-off in the period. However, this was partly offset by the impacts of financing costs, pension contributions, dividend payments (including accrual for the 2020 final dividend), corporate expenses and the capital strain of writing new business.

69% (2019: 77%) of the Group's Eligible Own Funds 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. This includes Transitional Measure on Technical Provisions ('TMTP') which are included in the calculation of Basic Own Funds as Tier 1 capital. The TMTP allows firms to apply a transitional deduction to their technical provisions. Transitional measures are aimed at providing a smooth transition between the technical provisions under the previous Solvency I regulatory regime and the technical provisions under the Solvency II regulatory regime in order to enhance stability in the insurance sector.

A recalculation of the TMTP was undertaken by PLL, PLAL and RAL as at 30 June 2020.

PLL, PLAL, RAL and SLAL have regulatory approval from the PRA for the application of Matching Adjustment to liabilities in their Matching Adjustment portfolios. The application of the Matching Adjustment allows insurers to use a (typically) higher discount rate when valuing liabilities that meet strict eligibility criteria, with the effect of increasing Own Funds and reducing the SCR. RLL does not apply a matching adjustment.

In addition, RAL and SLAL has regulatory approval for the application of the Volatility Adjustment.

The impact of the TMTP, Matching Adjustment and Volatility Adjustment being set to zero is set out in section D.2.7.

Further details regarding the Group and each insurance subsidiaries' capital positions are set out in section E.1.

SCR by risk category

The SCR is the amount of capital an insurer is required to hold under the regulations. Further details are set out in section E.2.

CAPITAL MANAGEMENT continued

Shareholder capital coverage ratio

In the calculation of the Solvency II surplus, the SCR of unsupported with-profit funds and the Group's pension schemes is included, but the related Eligible Own Funds are recognised only to a maximum of their respective SCR amounts. Surpluses that arise in unsupported with-profit funds and the pension schemes are therefore not recognised in the Solvency II surplus, as there is uncertainty as to the extent (if any) to which such surpluses will accrue to shareholders. However such surpluses are available to absorb economic shocks, thereby increasing resilience to economic stresses.

The Group focuses on the metric of shareholder capital coverage ratio, as a more appropriate measure of the extent to which shareholders' Eligible Own Funds cover the associated risk capital. It is defined as the ratio of Eligible Own Funds to SCR, after adjustment to exclude Own Funds and SCR amounts relating to unsupported with-profit funds and unsupported Group Pension Schemes.

As at 31 December 2020, the shareholder capital coverage ratio for the Group is 164% (2019: 161%).

Sensitivities and scenario analysis

As part of the Group'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 Group's and each of its main insurance subsidiaries' Solvency II surplus are provided below and demonstrate the resilience of the Solvency II surplus.

Solvency II Surplus £m	PLL	PLAL	RAL	RLL	SLAL	PGH Group
Base: 1 January 2021[1]	**1,537**	**535**	**2,377**	**217**	**1,420**	**5,241**
Following a 20% fall in equity markets	1,541	533	2,487	257	1,389	5,288
Following a 12% fall in property values[2]	1,344	531	2,361	217	1,407	5,021
Following a 73bps interest rates rise[3]	1,495	557	2,339	224	1,411	5,298
Following a 88bps interest rates fall[3]	1,598	546	2,441	209	1,376	5,125
Following credit spread widening[4]	1,495	488	2,451	224	1,494	5,268
Following credit downgrade: immediate full letter downgrade on 20% of portfolio[5]	1,358	512	2,077	217	1,331	4,653
Following 6% decrease in annuitant mortality rates[6]	1,293	413	1,979	217	1,172	4,199
Following a 10% change in lapse rates[7]	1,448	462	2,336	217	1,396	4,991

1 Assumes stress occurs on 1 January 2021 and that there is no market recovery.
2 Represents an average fall in property prices of 12%.
3 Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interactions of rates with other correlated risks including longevity.
4 Credit stress varies by rating and term and is equivalent to an average 120bps spread widening (full range of spread widening is 49bps to 204bps). It makes no allowance for the cost of defaults/downgrades.
5 Impact of an immediate full letter downgrade across 20% of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A etc.). This sensitivity assumes no management actions are taken to rebalance the annuity portfolio back to the original average credit rating and makes no allowance for the spread widening which would be associated with a downgrade.
6 Equivalent of six-month increase in longevity applied to the annuity portfolio.
7 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.

SUMMARY
CONTINUED

FUTURE DEVELOPMENTS

During 2021, the main priorities of the Group include:

- submitting the harmonised Group Internal Model application to the PRA;
- continuing integration activities for SLAL and ReAssure;
- redeeming the remaining outstanding 7 year senior unsecured bonds;
- growing the Group's Open operations;
- seeking further bulk purchase annuity and acquisition opportunities; and
- looking for further ways to enhance the customer experience and ensuring a positive customer journey.

The Group will continue to identify and implement new management actions to enhance and maintain a robust capital position.

The risk remains that the Group will be impacted by macroeconomic uncertainty or the evolving regulatory environment and as a result, the Group continues to closely monitor developments to understand any potential financial or operational implications.

EVENTS AFTER THE REPORTING PERIOD

On 23 February 2021, the Group announced that it had entered into a new agreement with SLA which simplifies the arrangements of their Strategic Partnership, enabling the Group to control its own distribution, marketing and brands, and focusing the Strategic Partnership on using SLA's asset management services in support of Phoenix's growth strategy. Under the terms of the transaction, the Group will sell its UK investment and platform-related products, comprising Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to SLA, and acquire ownership of the Standard Life brand. As part of the acquisition of the brand, the relevant marketing, distribution and data team members will transfer to the Group. As a result, the Client Service and Proposition Agreement ('CSPA') entered into between the two groups following the acquisition of the Standard Life businesses in 2018, will be dissolved. In addition, Phoenix and SLA resolved all legacy issues in relation to the Transitional Service Agreement ('TSA') entered into at the time of the acquisition of the Standard Life businesses and the CSPA.

The sale of the Wrap SIPP, Onshore Bond and TIP business currently within SLAL, will be effected through a Part VII transfer targeted for completion in late 2022. The economic risk and rewards for this business will transfer to SLA effective from 1 January 2021 via a profit transfer arrangement.

The Group will receive cash consideration for the overall transaction of £115 million, the majority of which has already been received. When taking into account all aspects of the transaction there is not expected to be a material impact on either the Solvency II surplus or on IFRS profit or loss and net assets.

On 3 March 2021, an increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget. As a result of the rate increase, there will be a net increase in Solvency II deferred tax liabilities of £0.3 billion but this impact will be largely offset by an increase in the loss absorbing capacity of deferred tax in the SCR.

On 25 March 2021, PLL redeemed its £200 million 7.25% undated subordinated notes in full. The notes were redeemed at their principal amount, together with interest accrued to 25 March 2021.

DIRECTORS' RESPONSIBILITY STATEMENT

PHOENIX GROUP HOLDINGS PLC
Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2020.

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

We are satisfied that:

a) throughout the financial year to 31 December 2020, the Group has complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to the Group; and

b) it is reasonable to believe that in respect of the period from 31 December 2020 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the acquired Standard Life International Designated Activity Company and Ark Life Assurance Designated Activity Company subsidiaries), the Group has continued so to comply and will continue so to comply in the future.

Andy Briggs Group Chief Executive Officer	**Rakesh Thakrar** Group Chief Financial Officer

For and on behalf of the Group Board of Directors
Date: 7 April 2021

PHOENIX LIFE LIMITED ('PLL'), PHOENIX LIFE ASSURANCE LIMITED ('PLAL') AND STANDARD LIFE ASSURANCE LIMITED ('SLAL')
Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2020.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report for PLL, PLAL and SLAL in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2020, PLL, PLAL and SLAL have complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to the Life Companies; and

b) it is reasonable to believe that in respect of the period from 31 December 2020 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the acquired Standard Life International Designated Activity Company and Ark Life Assurance Designated Activity Company subsidiaries), PLL, PLAL and SLAL have continued so to comply and will continue so to comply in the future.

Andrew Moss Chief Executive Officer and Group Director, Heritage Business	**Stephen Percival** Finance Director

For and on behalf of the Board of Directors of the PLL, PLAL and SLAL
Date: 8 April 2021

DIRECTORS' RESPONSIBILITY STATEMENT
CONTINUED

STANDARD LIFE PENSION FUNDS LIMITED ('SLPF')
Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2020.

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

We are satisfied that:

a) throughout the financial year to 31 December 2020, SLPF have complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to SLPF; and

b) it is reasonable to believe that in respect of the period from 31 December 2020 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the Standard Life International Designated Activity Company and Ark Life Assurance Designated Activity Company subsidiaries), SLPF has continued so to comply and will continue so to comply in the future.

Stephen Percival
Director

Sam Lever
Director

For and on behalf of the Board of Directors of SLPF
Date: 7 April 2021

PA(GI) LIMITED ('PA(GI)')
Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2020.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report for PA(GI) in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2020, PA(GI) has complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to PA(GI); and

b) it is reasonable to believe that in respect of the period from 31 December 2020 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the Standard Life International Designated Activity Company and Ark Life Assurance Designated Activity Company subsidiaries), PA(GI) has continued so to comply and will continue so to comply in the future..

Rakesh Thakrar
PA(GI) Director

Andrew Moss
PA(GI) Director

For and on behalf of the Board of Directors of PA(GI)
Date: 7 April 2021

DIRECTORS' RESPONSIBILITY STATEMENT
CONTINUED

REASSURE LIMITED ('RAL') AND REASSURE LIFE LIMITED ('RLL')
Approval by the Board of Directors of the Solvency and Financial Condition Report.

Financial year ended 31 December 2020.

We acknowledge our responsibility for preparing the Solvency and Financial Condition Report for RAL and RLL in all material respects in accordance with the PRA Rules and the Solvency II regulations.

We are satisfied that:

a) throughout the financial year to 31 December 2020, RAL and RLL have complied in all material respects with the requirements of the PRA Rules and Solvency II regulations as applicable to RAL and RLL; and

b) it is reasonable to believe that in respect of the period from 31 December 2020 to the date of the publication of the Group Solvency and Financial Condition Report (which excludes the Standard Life International Designated Activity Company and Ark Life Assurance Designated Activity Company subsidiaries), RAL and RLL have continued so to comply and will continue so to comply in the future.

Matt Cuhls
Director

Michael Woodcock
Director

For and on behalf of the Board of Directors of RAL and RLL
Date: 7 April 2021

AUDITOR'S REPORT

REPORT OF THE INDEPENDENT EXTERNAL AUDITOR TO THE DIRECTORS OF PHOENIX GROUP HOLDINGS PLC ('THE GROUP') PURSUANT TO RULE 4.1(2) OF THE EXTERNAL AUDIT PART OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

Report on the Audit of the relevant elements of the Group Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by **Phoenix Group Holdings plc** ('the Group'), comprising of Phoenix Group Holdings plc and the authorised insurance entities **Phoenix Life Limited ('PLL'), Phoenix Life Assurance Limited ('PLAL'), Standard Life Assurance Limited ('SLAL'), Standard Life Pension Funds Limited ('SLPF'), PA(GI) Limited ('PA(GI)'), ReAssure Limited ('RAL') and ReAssure Life Limited ('RLL')** ('the Companies') as at 31 December 2020:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Group Solvency and Financial Condition Report of the Group as at 31 December 2020, **('the Narrative Disclosures subject to audit')**; and
- Group templates S02.01.02, S22.01.22, S23.01.22, S32.01.22 **('the Group Templates subject to audit')**; and
- Company templates **('the Company Templates subject to audit')** of:
  - PLL, PLAL and SLAL S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S.28.01.01
  - SLPF S.02.01.02, S.12.01.02, S.23.01.01, S.28.01.01
  - PA(GI) S.02.01.02, S.23.01.01, S.28.01.01
  - RAL S.02.01.02, S.12.01.02, S.22.01.21, S.23.01.01, S25.01.21, S.28.01.01
  - RLL S.02.01.02, S.12.01.02, S.23.01.01, S25.01.21, S.28.01.01

The Narrative Disclosures subject to audit and the Group and Company Templates subject to audit are collectively referred to as the **'relevant elements of the Group Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information for Phoenix Group Holdings plc, PLL, PLAL, SLAL, SLPF and PA(GI) which comprises:

- Information contained within the relevant elements of the Group Solvency and Financial Condition Report set out about above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group Solvency and Financial Condition Report;
- Group templates S05.01.02, S05.02.01, S.25.02.22;
- Company templates of **PLL, PLAL, SLAL, SLPF, PA(GI)** S05.01.02, S.25.03.21;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report;
- Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with an EU instrument other than the Solvency II regulations. **('the sectoral information')**; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group Solvency and Financial Condition Report **('the Responsibility Statement')**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information for RAL and RLL which comprises:

- The 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;
- Company template S05.01.02;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measure on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report; and
- the written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report **('the Responsibility Statement')**.

To the extent the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Group Solvency and Financial Condition Report of Phoenix Group Holdings plc as at 31 December 2020 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks' and 'ISA (UK) 805 (Revised) Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement', and applicable law. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report' section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the relevant elements of the Group Solvency and Financial Condition Report, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the Group Solvency and Financial Condition Report is appropriate. Our evaluation of the Directors' assessment of the Group and Companies' ability to continue to adopt the going concern basis of accounting included:

- confirmed our understanding of management's going concern assessment process and obtained management's assessment which covers the period to 8 April 2022;
- with support from our actuarial team, challenged the key actuarial assumptions used in management's five-year Annual Operating Plan ('AOP') and determined that the models are appropriate to enable management to make an assessment on the going concern of the Group and Companies. We have observed that assumptions used in the five-year AOP form the basis for management's going concern projections;
- assessed the accuracy of management's analysis by testing the inputs and the clerical accuracy of the models used;
- evaluated the liquidity and solvency position of the Group and Companies by reviewing base case liquidity and solvency projections that incorporate an estimated view of the potential future economic downturn that is anticipated to be experienced due to the impacts of COVID-19;
- challenged the key assumptions, such as expense assumptions underlying mandatory obligations of the Group and Companies, and property market forecasts up to 31 March 2022, used in management's stress scenarios based on our understanding of the Group and the available external data, respectively;
- evaluated management's forecast analysis to understand how severe the downside scenarios would have to be to result in the elimination of solvency headroom and concluded it to be remote;
- assessed management's considerations of operational risks, including those related to Outsourced Service Providers ('OSPs') and its impact on the going concern assessment;
- assessed the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Group and Companies;
- checked that all mandatory debt and interest payments are forecast to be met under the base case and adverse stress scenarios and that, the Group and Companies are able to maintain target debt repayments throughout the going concern period; and
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group and Company's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees, and made enquiries as to the impact of COVID-19 on the business.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Companies' ability to continue as a going concern for a period of 12 months from when the relevant elements of the Group Solvency and Financial Condition Report are authorised for issue.

AUDITOR'S REPORT
CONTINUED

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or Companies' ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting & Restriction on Use

We draw attention to the 'Valuation for solvency purposes', 'Capital Management' and 'Basis of Preparation' sections of the Group Solvency and Financial Condition Report, which describe the basis of accounting. The Group Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Group Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Solvency and Financial Condition Report may not be suitable for another purpose.

This report is made solely to the Directors of the Company in accordance with Rule 2.1 of the External Audit Part of the PRA Rulebook for Solvency II firms. Our work has been undertaken so that we might report to the Directors those matters that we have agreed to state to them in this report and for no other purpose.

Our opinion is not modified in respect of these matters.

Other Information

The Directors are responsible for the Other Information contained within the Group Solvency and Financial Condition Report.

Our opinion on the relevant elements of the Group Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Group Solvency and Financial Condition Report, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Group Solvency and Financial Condition Report themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Group Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Group Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of the Financial Services and Markets Act 2000, the PRA Rules and the Solvency II Regulations 2015.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Group Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

In preparing the Group Solvency and Financial Condition Report, the Directors are responsible for assessing the Company's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the Directors either intend to cease to operate the Company, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the relevant elements of the Group Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group Solvency and Financial Condition Report are prepared, in all material respects, with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Group Solvency and Financial Condition Report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Companies and determined that the relevant laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the Group Solvency and Financial Condition Report included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA') and the UK Listing Authority ('UKLA).
- We understood how the Group and Companies are complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and Companies and UK regulatory bodies; reviewed minutes of the Group and Companies' Board and Executive Committees; and gained an understanding of the Group and Companies approach to governance, demonstrated by the Board's approval of the Group and Companies' governance framework.
- We assessed the susceptibility of the Group Solvency and Financial Condition Report to material misstatement, including how fraud might occur by considering the controls that they have established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered the impact of COVID-19 on the Group and Companies' control environment. Our procedures over the Group and Companies' control environment included assessment of the consistency of operations and controls in place within the Group and Companies' and the OSPs as they transitioned to operating remotely for a significant proportion of 2020.
- The fraud risk was considered to be higher within the valuation of insurance contract liabilities. We considered management override risk to be higher in this area due to the significant judgments and estimates involved.

Our procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our actuarial team and valuation specialists, we assessed if there were any indicators of management bias in the valuation of insurance contract liabilities.
- Testing the appropriateness of journal entries recorded in the general ledger, with a focus on manual journals and evaluating the business rationale for significant and/or unusual transactions.
- We designed our audit procedures to identify non-compliance with both direct and other laws and regulations including those at the components impacting the Group and Companies. Our procedures involved: making enquiries of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the company's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- The Group and Companies operate in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the Group Solvency and Financial Condition Report is located on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities.This description forms part of our Auditor's Report on the Group Solvency and Financial Condition Report.

Other Matter

The Group has authority to calculate its Group Solvency Capital Requirement using a partial internal model and PLL, PLAL, SLAL, SLPF and PA(GI) have the authority to calculate their Solvency Capital Requirements using internal models ('the Models') approved by the Prudential Regulation Authority in accordance with the Solvency II Regulations. In forming our opinion and in accordance with PRA Rules, we are not required to audit the inputs to, design of, operating effectiveness of and outputs from the Models, or whether the Models are being applied in accordance with the Group's application or approval order.

AUDITOR'S REPORT
CONTINUED

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Part of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and EU instruments relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

Other Information

In accordance with Rule 4.1(3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Phoenix Group Holdings plc, PLL, PLAL, SLAL, SLPF, PA(GI), RLL and RAL statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Ernst & Young LLP

Ernst & Young LLP
London
8 April 2021

APPENDIX – RELEVANT ELEMENTS OF THE GROUP SOLVENCY AND FINANCIAL CONDITION REPORT THAT ARE NOT SUBJECT TO AUDIT

Phoenix Group Holdings plc

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

The following elements of Group template S.02.01.02:
- Row R0640: Technical provisions – health (similar to life) – risk margin
- Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
- Row R0720: Technical provisions – Index-linked and unit-linked – risk margin

The following elements of Group template S.22.01.22:
- Column C0030 – Impact of transitional on technical provisions
- Row R0010 – Technical provisions
- Row R0090 – Solvency Capital Requirement

The following elements of Group template S.23.01.22:
- Row R0020: Non-available called but not paid in ordinary share capital at group level
- Row R0080: Non-available surplus at group level
- Row R0100: Non-available preference shares at group level
- Row R0120: Non-available share premium account related to preference shares at group level
- Row R0150: Non-available subordinated liabilities at group level
- Row R0170: The amount equal to the value of net deferred tax assets not available at the group level
- Row R0190: Non-available own funds related to other own funds items approved by supervisory authority
- Row R0210: Non-available minority interests at group level
- Row R0380: Non-available ancillary own funds at group level
- Rows R0410 to R0440 – Own funds of other financial sectors
- Row R0680: Group SCR
- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds
- Row R0750: Other non available own funds

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

The following elements of template S.02.01.02:
- Row R0640: Technical provisions – health (similar to life) – risk margin
- Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
- Row R0720: Technical provisions – Index-linked and unit-linked – risk margin

The following elements of template S.12.01.02:
- Row R0100: Technical provisions calculated as a sum of BE and RM – Risk margin
- Rows R0110 to R0130 – Amount of transitional measure on technical provisions

The following elements of template S.22.01.21:
- Column C0030 – Impact of transitional measure on technical provisions
- Row R0010 – Technical provisions
- Row R0090 – Solvency Capital Requirement

The following elements of template S.23.01.01:
- Row R0580: SCR
- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

The following elements of template S.28.01.01 / S.28.02.01:
- Row R0310: SCR

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

Standard Life Pension Funds Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

The following elements of template S.02.01.02:
- Row R0640: Technical provisions – health (similar to life) – risk margin
- Row R0680: Technical provisions – life (excluding health and index-linked and unit-linked) – risk margin
- Row R0720: Technical provisions – Index-linked and unit-linked – risk margin

The following elements of template S.12.01.02:
- Row R0100: Technical provisions calculated as a sum of BE and RM – Risk margin
- Rows R0110 to R0130 – Amount of transitional measure on technical provisions

The following elements of template S.23.01.01:
- Row R0580: SCR
- Row R0740: Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds

The following elements of template S.28.01.01 / S.28.02.01:
- Row R0310: SCR

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

PA(GI) Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

The following elements of template S.23.01.01:
- Row R0580: SCR

The following elements of template S.28.01.01:
- Row R0310: SCR

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

ReAssure Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

The following elements of template S.12.01.02:
- Rows R0110 to R0130 – Amount of transitional measure on technical provisions

The following elements of template S.22.01.21:
- Column C0030 – Impact of transitional measure on technical provisions

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

ReAssure Life Limited

The relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit comprise:

The following elements of template S.12.01.02:
- Rows R0110 to R0130 – Amount of transitional measure on technical provisions

Elements of the Narrative Disclosures subject to audit identified as 'unaudited'.

BASIS OF PREPARATION

Overview
The disclosures in the Group SFCR and the QRTs have been prepared in accordance with all applicable PRA Rules and Solvency II regulations, hereafter referred to as 'the regulations'.

Some sections of the SFCR (including parts of sections A and D) require information based on the recognition and measurement principles applicable under the relevant Generally Accepted Accounting Principles ('GAAP') as presented in the financial statements. The Phoenix Group consolidated financial statements and the financial statements of the insurance subsidiaries are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in relation to the consolidated financial statements also in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Treatment of insurance subsidiaries
The Group SFCR contains information relating to the overall Group and PLL, PLAL, SLAL, SLPF, RAL, RLL and PA(GI) insurance subsidiaries. Detailed information regarding SLIDAC and ARK can be found within their solo SFCRs.

Section A: This section covers business and performance information for the Group including the acquired ReAssure insurance subsidiaries for the period from 22 July 2020 to 31 December 2020. Solo information for RAL and RLL from 1 January 2020 to 31 December 2020 is also included.

Section B: The system of governance in section B presents the state of the Group's governance framework as at 31 December 2020.

Section C: This section covers the risks associated with the Group and Life insurance subsidiaries as at 31 December 2020.

Sections D and E: These sections include details of the Phoenix Internal Model as well as the Standard Life Internal Model. They also comprise measurement values and quality of own funds, along with solvency capital requirements under the regulation.

Following the acquisition of the Standard Life Assurance businesses in 2018, the Group operates two PRA approved Internal Models, a Phoenix Internal Model covering all the pre-Standard Life acquisition Phoenix entities and a Standard Life Internal Model covering SLAL and SLPF. The ReAssure UK insurance entities and Irish insurance entities, ARK and SLIDAC, determine their capital requirements in accordance with the Standard Formula. From a capital requirements perspective this is referred to as the Group's partial Internal Model basis. Capital requirements calculated under the Phoenix Internal Model, Standard Life Internal Model and Standard Formula are aggregated in determining the Group position, with no further allowance for diversification.

The Group has approval to use a combination of Methods 1 (the default accounting based consolidation method) and 2 'Deduction and Aggregation' for consolidating its Group solvency results. Method 2 is used for the Standard Life entities and Method 1 is used for all other entities of the Group including ReAssure. As the Standard Life entities are included in the Group Solvency calculation under Method 2, they are presented as a single line on the Group's balance sheet being 'holdings in related undertakings, including participations' rather than being consolidated on a line by line basis, with any double count of capital removed. Further details regarding this approach are included in sections D and E. The SCR of the Standard Life insurance subsidiaries is presented as a single line on the S.25.02.22 QRT as 'SCR included via Deduction and Aggregation ('D and A') and also presented in total in the table in Section E.2.

BASIS OF PREPARATION
CONTINUED

Presentation
The Group SFCR is presented in pound sterling (£) rounded to the nearest million, which is consistent with the presentation in the IFRS consolidated financial statements of PGH plc. The QRTs included within the Appendices are presented in pound sterling (£) rounded to the nearest thousand.

Certain financial information in the SFCR has been rounded. As a result of the rounding, the totals in the tables presented in this SFCR may vary slightly from the data presented in the QRTs in Appendices 1–8.

Comparatives are only included in sections A and E, as required by the regulations. Where comparatives are included for the Group this excludes RAL and RLL, however such comparatives are presented on a solo basis for each of those entities.

The Group SFCR excludes disclosures required by the regulations which are not applicable to the PGH Group and its insurance subsidiaries, which include, but are not limited to:

- information on non-life business as the Group only has life business;
- information on Solvency II Insurance Special Purpose Vehicles ('SPVs');
- information on the transitional measures on risk-free interest rates as none of the insurance subsidiaries in the Group have applied these measures; and
- Standard Formula and full Internal Model QRTs and related disclosures as the PGH Group SCR at 31 December 2020 were calculated partially on a Standard Formula (for ReAssure insurance subsidiaries and SLIDAC) and partially on two Internal Model bases (covering the pre-Standard Life acquisition Phoenix entities and the Standard Life Internal Model covering SLAL and SLPF).

SECTION A
BUSINESS AND PERFORMANCE

BUSINESS AND PERFORMANCE

SECTION A
BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Information regarding the Group and its insurance subsidiaries

PGH plc has a Premium Listing on the London Stock Exchange and as at year end 31 December 2020, was a member of the FTSE 100 Index.

All of the Group's insurance subsidiaries are private companies limited by shares incorporated, registered and domiciled in the UK, with the exception of SLIDAC and ARK which are registered and domiciled in Ireland.

The UK domiciled entities are all regulated by the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA'). Some of PGH's non-insurance subsidiaries are also regulated by the FCA.

SLIDAC and ARK are regulated by the Central Bank of Ireland ('CBI') and also the FCA for its conduct of business rules.

Contact details for the PRA, FCA and CBI are provided below:

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

Financial Conduct Authority
25 The North Colonnade
London
E14 5HS

Central Bank of Ireland
North Wall Quay
Spencer Dock
Dublin, Ireland

The name and contact details of the external auditors for PGH plc and its insurance subsidiaries are provided below:

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Ernst & Young LLP
Harcourt Centre
2 Harcourt Street
Saint Kevin's
Dublin
Ireland

A.1 BUSINESS continued

A.1.2 Legal and organisational structure of the Group

A.1.2.1 Legal structure of the Group

As at 31 December 2020, MS&AD Insurance Group Holdings Inc., Standard Life Aberdeen plc and Swiss Re Finance Midco (Jersey) Limited are the only shareholders of PGH which held a direct qualifying holding representing 10% or more of the capital or voting rights.

The following notifications as at 31 December 2020 have been disclosed under the FCA's Disclosure Guidance and Transparency Rules in respect of notifiable interests exceeding 3% of the voting rights of the issued share capital.

As at 31 December 2020	% of total voting rights
MS&AD Insurance Group Holdings, Inc.	14.49%
Standard Life Aberdeen plc	14.42%
Standard Life Aberdeen plc affiliated entities	2.43%
Swiss Re Finance Midco (Jersey) Limited	13.25%
BlackRock Inc.	5.12%

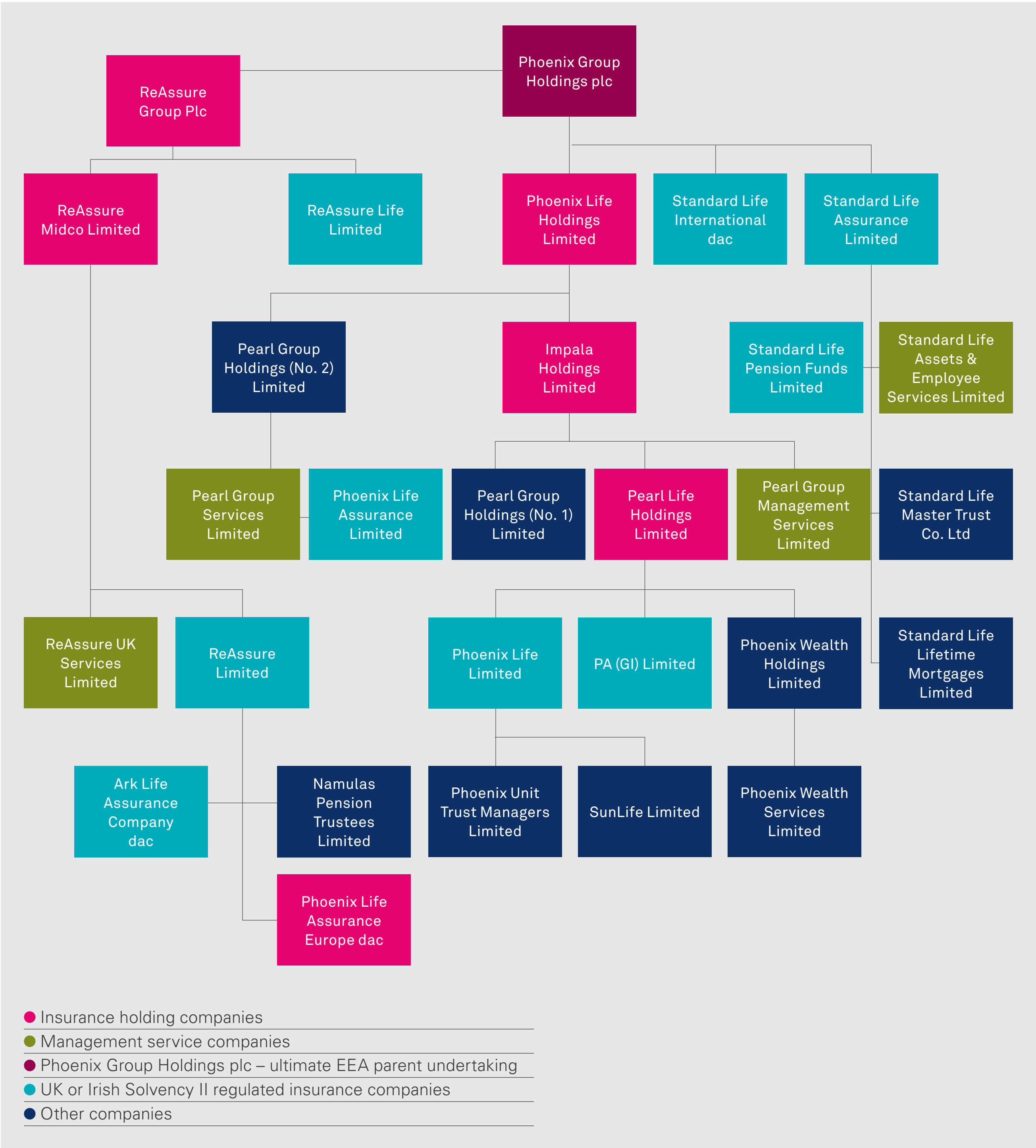
SECTION A BUSINESS AND PERFORMANCE CONTINUED

A.1 BUSINESS continued

A.1.2 Legal and organisational structure of the Group continued

A.1.2.1 Legal structure of the Group continued

A simplified Group structure chart as at 31 December 2020 is provided below, and shows PGH plc's position within the legal structure of the Phoenix Group. All shareholdings are 100% unless shown otherwise. A complete listing of all the entities in the Group is included in Appendix 1.7.



A.1 BUSINESS continued

A.1.2 Legal and organisational structure of the Group continued

A.1.2.2 Legal structure of the insurance subsidiaries

The position of the Phoenix Life and Standard Life and ReAssure insurance subsidiaries as well as PA(GI) is shown in the Group structure chart above. The entities who were direct or indirect holders of qualifying holdings (i.e. where a shareholder has 10% of more of voting rights) in each insurance subsidiary as at 31 December 2020 are set out in the structure chart.

A.1.2.3 Material undertakings of the Group

A list of the material related undertakings and their immediate parent undertakings within the PGH Group are provided below. All undertakings are 100% owned by their immediate parent undertakings. The table below also shows the subsidiaries of the Group's regulated insurance companies.

Entity name	Legal form	Type of undertaking[1]	Immediate parent undertaking	Country of incorporation[1]
Phoenix Group Holdings plc	Company limited by shares	Insurance holding company	n/a	GB
Phoenix Life Holdings Limited	Company limited by shares	Insurance holding company	Phoenix Group Holdings plc	GB
Pearl Group Holdings (No.2) Limited	Company limited by shares	Insurance holding company	Phoenix Life Holdings Limited	GB
Impala Holdings Limited	Company limited by shares	Insurance holding company	Phoenix Life Holdings Limited	GB
Pearl Group Services Limited	Company limited by shares	Ancillary services undertaking	Pearl Group Holdings (No.2) Limited	GB
Phoenix Life Assurance Limited	Company limited by shares	Life insurance undertaking	Pearl Group Holdings (No.2) Limited	GB
Pearl Life Holdings Limited	Company limited by shares	Insurance holding company	Impala Holdings Limited	GB
Pearl Group Management Services Limited	Company limited by shares	Ancillary services undertaking	Impala Holdings Limited	GB
Pearl Group Holdings (No.1) Limited	Company limited by shares	Other related undertaking	Impala Holdings Limited	GB
Phoenix Life Limited	Company limited by shares	Life insurance undertaking	Pearl Life Holdings Limited	GB
PA (GI) Limited	Company limited by shares	Non-life insurance undertaking	Pearl Life Holdings Limited	GB
Phoenix Wealth Holdings Limited	Company limited by shares	Other related undertaking	Pearl Life Holdings Limited	GB
Phoenix Unit Trust Managers Limited	Company limited by shares	UCITS management company	Phoenix Life Limited	GB
Phoenix ER1 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER3 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER4 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER5 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
Phoenix ER6 Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Phoenix Life Limited	GB
SunLife Limited	Company limited by shares	Other related undertaking	Phoenix Life Limited	GB
Phoenix Wealth Services Limited	Company limited by shares	Other related undertaking	Phoenix Wealth Holdings Limited	GB

A.1 BUSINESS continued

A.1.2 Legal and organisational structure of the Group continued

A.1.2.3 Material undertakings of the Group continued

Entity name	Legal form	Type of undertaking[1]	Immediate parent undertaking	Country of incorporation[1]
Standard Life Assurance Limited	Company limited by shares	Life insurance undertaking	Phoenix Group Holdings plc	GB
Standard Life Lifetime Mortgages Limited	Company limited by shares	Non-regulated undertaking carrying out financial activities	Standard Life Assurance Limited	GB
Standard Life Pension Funds Limited	Company limited by shares	Life insurance undertaking	Standard Life Assurance Limited	GB
Standard Life International Designated Activity Company	Company limited by shares	Life insurance undertaking	Phoenix Group Holdings plc	Ireland
Standard Life Assets and Employee Services Limited	Company limited by shares	Ancillary services undertaking	Standard Life Assurance Limited	GB
Vebnet Limited	Company limited by shares	Other related undertaking	Standard Life Assurance Limited	GB
Standard Life Master Trust Co. Ltd	Company limited by shares	Other related undertaking	Standard Life Assurance Limited	GB
ReAssure Group plc	Company limited by shares	Mixed-activity insurance holding company	Phoenix Group Holdings plc	GB
ReAssure MidCo Limited	Company limited by shares	Mixed-activity insurance holding company	ReAssure Group plc	GB
ReAssure Life Limited	Company limited by shares	Life insurance undertaking	ReAssure Group plc	GB
ReAssure UK Services Limited	Company limited by shares	Ancillary services undertaking	ReAssure MidCo Limited	GB
ReAssure Limited	Company limited by shares	Life insurance undertaking	ReAssure MidCo Limited	GB
Phoenix Life Assurance Europe Designated Activity Company[2]	Company limited by shares	Insurance holding company	ReAssure Limited	Ireland
Namulas Pension Trustees Limited	Company limited by shares	Other related undertaking	ReAssure Limited	GB
Ark Life Assurance Company Designated Activity Company	Company limited by shares	Life insurance undertaking	ReAssure Limited	Ireland

1 Type of undertaking and country of incorporation as defined for purposes of the QRT S.32.01, Undertakings in the scope of the Group (see Appendix 1.7).
2 The Company is in the process of seeking authorisation through the CBI.

A complete listing of the Group's related undertakings is provided in template S.32.01.22 in Appendix 1.7. The entities within the scope of the Group for Solvency II purposes is consistent with the preparation of the Group's IFRS financial statements. However there are differences in the consolidation approach. These are described further in Section D.1.2.

A.1.2.4 Governance and organisation

A clear organisational structure, with documented delegated authorities and responsibilities from the PGH Board and onwards to the Life Companies' Boards is in place.

The PGH Board is responsible for managing the overall direction and performance of the PGH Group, including the performance of the subsidiary companies. It is also ultimately accountable for compliance with the Solvency II regulations. Certain matters must be referred to the PGH Board in accordance with the PGH Board's 'Matters Reserved'.

The responsibility for managing the subsidiary companies rests with the respective companies' Boards, subject to the restrictions which are set by the PGH Board, as established within the 'Matters Reserved'.

Further information on the governance structure is provided in section B.

A.1 BUSINESS continued

A.1.3 Material lines of business

The Group operates four material lines of insurance business based on the characteristics of the different products administered. The table below shows the relevant Lines of Business ('LoB') for each insurance subsidiary.

	PLL	PLAL	RAL	RLL	SLAL	SLPF
Insurance with-profit participation	✓	✓	✓	–	✓	–
Index-linked and unit-linked insurance	✓	✓	✓	✓	✓	–
Health insurance	✓	–	✓	✓	✓	–
Other life insurance	✓	✓	✓	✓	✓	✓
Health reinsurance	–	–	–	–	✓	–
Life reinsurance	✓	✓	✓	–	✓	–

PA(GI) no longer writes general insurance business or has any material LoB.

Reinsurance arrangements are in place with reinsurers external to the Phoenix Group to cover blocks of immediate annuities, some permanent health, critical illness, term assurance and unitised with-profit contracts. In addition reinsurance arrangements exist between Group companies as explained further in this document.

A.1.3.1 Insurance with-profit participation

The insurance with-profit participation LoB comprises 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. With-profit products are primarily either endowments or deferred annuities. Endowments may be single or regular premium policies with minimum guaranteed sums on death or maturity, while deferred annuities are accumulation vehicles for pensions with beneficial tax treatment at retirement age.

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. Any available surplus held in a with-profit fund may only be used to meet the requirements of the fund itself or be distributed in line with defined proportions or mechanisms to the fund's policyholders and the Life Companies' shareholders. For example, the traditional with-profit fund with a 90:10 policyholder/shareholder split, entitles policyholders to a 90% share and its shareholders to a 10% share of the profits in any bonus declared. For certain of the Group's funds, the shareholders are not entitled to any share of such bonuses.

In certain 'supported' with-profit funds, the shareholders provide capital support to the fund. The capital is exposed to all economic movements until the estate is rebuilt to cover the required capital, at which point the fund becomes 'unsupported'.

A.1.3.2 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. The policyholder elects which units to purchase within a diversified open-ended fund. Unit-linked funds include personal and group pension plans and feature regular and single premium savings. They operate on a similar basis to mutual funds, with a fee often charged based on the value of the funds.

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 Group's unit-linked business comprises contracts with and without options and guarantees.

A.1 BUSINESS continued

A.1.3 Material lines of business continued

A.1.3.3 Health insurance

The Group's health insurance business comprises individual and group income protection products, income protection riders, standalone critical illness products and includes contracts with and without options and guarantees.

A.1.3.4 Other life insurance

This LoB includes all remaining underwritten business and comprises of conventional non-profit products, protection policies such as life and disability policies which pay out lump sum on death or disability, group life, level and fixed escalation annuities in payment, deferred annuities and index-linked annuities.

The majority of the business included in this LoB is annuity business. Annuities generally provide a fixed specified income stream over the life of the policyholder. Annuities are mainly written within non-profit funds. For these annuities, the Life Companies are exposed to all investment and demographic risks and are generally entitled to retain 100% of the incremental investment returns from the assets backing this business.

Also included in this LoB is the SunLife branded whole of life protection products underwritten by PLL. SunLife offers whole of life cover direct to customers aged 50 and over through an in-house distribution company and through other distribution partners. The main SunLife products are the Guaranteed Over 50 plan which provides a cash lump sum upon death and is typically used to cover funeral costs; and regular premium Funeral Plans, which are whole of life insurance policies that back the financial liability that third party funeral providers incur when they sell funeral packages to individuals.

A.1.4 Material geographical areas

The Group's business is underwritten in the United Kingdom ('UK'), in Ireland (through SLIDAC, ARK and PLL Irish branch) and in Germany (through the SLIDAC German branch).

A.1.5 Significant business and other events

The following significant events took place during 2020 and up to the date of this report. Further details of significant business and other events in relation to SLIDAC and ARK are included within the solo SFCRs for the year ended 31 December 2020.

A.1.5.1 Acquisition of the ReAssure Group

On 22 July 2020, the Group acquired 100% of the issued share capital of ReAssure Group plc from Swiss Re Finance Midco (Jersey) Limited, an indirect subsidiary of Swiss Re Limited, for total consideration of £3.1 billion. The consideration consisted of £1.3 billion of cash, funded through the issuance of debt and own resources, and the issue of 277,277,138 shares to Swiss Re Group on 23 July 2020, 144,877,304 shares of which were subsequently transferred to MS&AD Insurance Group Holdings ('MS&AD'). The equity stake in the Group held by Swiss Re Group and MS&AD was valued at £1,847 million, based on the share price at that date.

A.1.5.2 L&G Part VII portfolio transfer

On 7 September 2020, RAL completed the Part VII transfer of the mature savings liabilities and associated assets of Legal and General Assurance Society, which resulted in the cancellation of the Risk Transfer Agreement that had been in place at the time of the acquisition of ReAssure Group plc in July 2020. No further consideration was payable in respect of the Part VII transfer.

A.1.5.3 Pearl pension scheme buy-in

On 17 November 2020, the Group entered into a Commitment Agreement with the Pearl Pension Scheme ('the Scheme') to complete a series of four 'Buy-ins' that are scheduled to be executed each year up to 31 December 2023. On the same date, PLL and the Scheme completed the first buy-in of 25% of the Scheme's pensioner in-payment and deferred member liabilities, and PLL executed a longevity swap with RGA, covering 100% of the longevity risk. Plan assets of £735 million were transferred to PLL in payment of the premium.

A.1.5.4 Issuance of subordinated debt

During 2020, the Group issued a US$750 million Restricted Tier 1 bond (£566 million, net of issue costs) and a US$500 million Tier 2 bond (£396 million) issued as part of the funding for the acquisition of ReAssure, and a further £500 million Tier 2 bond (£483 million) raised to complete the ReAssure funding and pre-finance the repayment of borrowings due in 2021.

A.1 BUSINESS continued

A.1.5 Significant business and other events continued

A.1.5.5 Bulk purchase annuity ('BPA') transactions

During 2020, the Group completed seven BPA transactions (including the internal buy-in transaction noted in A1.5.3 above) with total contract liabilities of c.£2.5 billion.

A.1.5.6 Impacts of COVID-19

The COVID-19 pandemic continues to have an adverse and highly uncertain impact on the global economic environment and the markets in which the Group operates. Since March 2020, Phoenix Group has taken significant steps to support and protect its colleagues, customers and the communities in which it operates.

The Group is facing heightened operational, insurance and market risks in a number of areas, and its exposures are being actively managed through the Group's established business continuity and risk management frameworks, with continual involvement and input from the Group and Life Company Boards.

Capital position

Numerical disclosures included in this SFCR and the associated Quantitative Reporting Templates have been prepared based on conditions and assumptions as at 31 December 2020. The figures do not reflect any adjustments for potential longer-term impacts of COVID-19 on the Group and its Life companies. Whilst these are uncertain times, the Group and Life companies hold strong and resilient capital positions, and are expected to continue to meet their capital requirements.

Sensitivity analysis is disclosed in Section C.7.2 and provides an indication of the impact of market movements and changes in insurance risk calibrations on the Group and Life company solvency surpluses. Whilst a useful guide, such simple univariate sensitivities may not fully capture the complexities of the market movements experienced within the COVID-19 pandemic scenario, and may not appropriately allow for impacts where the specifics of the stress experienced differ from that assumed in the sensitivity (for example, where the credit stress experience varies by rating or sector). In addition, certain sensitivities may not scale on a linear basis.

The Group and Life Companies continue to monitor their capital positions on an ongoing basis, with actions taken where appropriate to protect the position or reduce unwanted exposure to market or other risks. Despite the market volatility experienced in the year the Group has seen minimal strain from economics, reflecting the impact of the Group's hedging programme and active approach to credit portfolio management. Proactive management of the credit portfolio resulted in a prudent rotation out of UK BBB assets into USD A or better credit assets to enhance the Group's risk profile and deliver capital benefits.

In considering the 2020 final dividend, the PGH plc Board considered base case liquidity and solvency projections that incorporated an estimated view of the potential economic downturn that is anticipated to be experienced due to the impacts of COVID-19. In addition, a more onerous economic downturn was also modelled. The projections demonstrate that appropriate levels of capital would remain in the Life Companies under both the base and more onerous economic downturn scenarios. After careful consideration, the PGH plc Board has concluded that the proposed 2020 final dividend of 24.1 pence per share is prudent and consistent with Phoenix's risk appetite. The PGH plc Board therefore supports payment of the proposed 2020 final dividend which remains subject to approval by shareholders at the AGM on 14 May 2021. The cost of the 2020 final dividend is accrued in the Group Solvency position as at 31 December 2020 as a foreseeable dividend.

A.1 BUSINESS continued

A.1.6 Events after the reporting period

A.1.6.1 New agreement with Standard Life Aberdeen plc ('SLA')

On 23 February 2021, the Group announced that it had entered into a new agreement with SLA which simplifies the arrangements of their Strategic Partnership, enabling the Group to control its own distribution, marketing and brands, and focusing the Strategic Partnership on using SLA's asset management services in support of Phoenix's growth strategy. Under the terms of the transaction, the Group will sell its UK investment and platform-related products, comprising Wrap Self Invested Personal Pension ('Wrap SIPP'), Onshore Bond and UK Trustee Investment Plan ('TIP') to SLA, and acquire ownership of the Standard Life brand. As part of the acquisition of the brand, the relevant marketing, distribution and data team members will transfer to the Group. As a result, the Client Service and Proposition Agreement ('CSPA') entered into between the two groups following the acquisition of the Standard Life businesses in 2018, will be dissolved. In addition, Phoenix and SLA resolved all legacy issues in relation to the Transitional Service Agreement ('TSA') entered into at the time of the acquisition of the Standard Life businesses and the CSPA.

The sale of the Wrap SIPP, Onshore Bond and TIP business currently within SLAL, will be effected through a Part VII transfer targeted for completion in late 2022. The economic risk and rewards for this business will transfer to SLA effective from 1 January 2021 via a profit transfer arrangement.

The Group will receive cash consideration for the overall transaction of £115 million, the majority of which has already been received. When taking into account all aspects of the transaction there is not expected to be a material impact on either the Solvency II surplus or on IFRS profit or loss and net assets.

A.1.6.2 Change to UK corporation tax rate

On 3 March 2021, an increase from the current 19% UK corporation tax rate to 25%, effective from 1 April 2023, was announced in the Budget. As a result of the rate increase, there will be a net increase in Solvency II deferred tax liabilities of £0.3 billion but this impact will be largely offset by an increase in the loss absorbing capacity of deferred tax in the SCR.

A.1.6.3 Redemption of subordinated notes

On 25 March 2021, PLL redeemed its £200 million 7.25% undated subordinated notes in full. The notes were redeemed at their principal amount, together with interest accrued to 25 March 2021.

A.2 UNDERWRITING PERFORMANCE

A summary of the Group's and each insurance subsidiary's performance during the year is presented below and in sections A.3 and A.4. The information is presented on an operating profit basis and reconciled to the IFRS result in line with the financial statements.

The PGH Group information for the year ended 31 December 2020 in section A incorporates the results of the ReAssure businesses for the five month period post acquisition on 22 July 2020. Full year financial information has also been presented separately in this section for the acquired ReAssure insurance subsidiaries, RAL and RLL.

Further details of the Group's operating profit metric is included below.

Year ended 31 December 2020	Section reference	PLL £m	PLAL £m	RAL £m	RLL £m	ARK £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Operating profit/(loss)	**A.2.1**	**401**	**48**	**425**	**4**	**6**	**–**	**297**	**(10)**	**28**	**1,199**
Investment return variances and economic assumption changes on long-term business	A.3.1	31	57	(283)	–	5	–	(63)	(18)	224	(47)
Variance on owners' funds	A.3.1	13	4	–	–	–	–	–	8	123	148
Total investment return variances and economic assumption changes	**A.3.1**	**44**	**61**	**(283)**	**–**	**5**	**–**	**(63)**	**(10)**	**347**	**101**
Other income and expense items:											
Amortisation of acquired-in-force business and other intangibles	A.4.1	(10)	–	(34)	(1)	(1)	–	–	–	(436)	(482)
Other non-operating items	A.4.1	(5)	(2)	19	(13)	–	1	(8)	(1)	290	281
Finance costs attributable to owners	A.4.1	(15)	–	–	–	–	–	–	–	(176)	(191)
Total other income and expenses	**A.4.1**	**(30)**	**(2)**	**(15)**	**(14)**	**(1)**	**1**	**(8)**	**(1)**	**(322)**	**(392)**
IFRS profit/(loss) before tax attributable to owners		**415**	**107**	**127**	**(10)**	**10**	**1**	**226**	**(21)**	**53**	**908**

1 Other items comprise performance of other entities in the PGH Group including the impacts of consolidation adjustments at the PGH Group level. Operating profit and IFRS profit before tax attributable to owners for SLPF for the year ended 31 December 2020 was £nil.

A.2 UNDERWRITING PERFORMANCE continued

Year ended 31 December 2019	Section reference	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Operating profit	**A.2.1**	**320**	**101**	**–**	**314**	**5**	**70**	**810**
Investment return variances and economic assumption changes on long-term business	A.3.1	(39)	24	–	(226)	(1)	65	(177)
Variance on owners' funds	A.3.1	16	(3)	–	–	(8)	8	13
Total investment return variances and economic assumption changes	**A.3.1**	**(23)**	**21**	**–**	**(226)**	**(9)**	**73**	**(164)**
Other income and expense items:								
Amortisation of acquired-in-force business and other intangibles	A.4.1	(12)	–	–	–	–	(383)	(395)
Other non-operating items	A.4.1	188	172	(3)	(65)	(3)	(458)	(169)
Finance costs attributable to owners	A.4.1	(15)	–	–	–	–	(112)	(127)
Total other income and expenses	**A.4.1**	**161**	**172**	**(3)**	**(65)**	**(3)**	**(953)**	**(691)**
IFRS profit/(loss) before tax attributable to owners		**458**	**294**	**(3)**	**23**	**(7)**	**(810)**	**(45)**

1 Other items comprise performance of other entities in the PGH Group including the impacts of consolidation adjustments at the PGH Group level. Operating profit and IFRS profit before tax attributable to owners for SLPF for the year ended 31 December 2019 was £nil.

The following table summarises the performance of RAL and RLL for the year ended 31 December 2020.

Year ended 31 December 2020	RAL £m	RLL £m
Insurance with profit participation	29	–
Index-linked and unit-linked insurance	134	11
Health insurance	–	–
Other life insurance (predominantly annuities and protection business)	426	–
Total operating profit by Line of Business	**589**	**11**
Long-term return on owners' funds and NP surplus assets	84	6
Operating profit	**673**	**17**
Investment return variances and economic assumption changes on long-term business	60	5
Variance on owners' funds	–	
Total investment return variances and economic assumption changes	**733**	**22**
Other income and expense items:		
Amortisation of acquired-in-force business and other intangibles	(89)	(3)
Other non-operating items	160	(24)
Finance costs attributable to owners	(5)	–
Total other income and expenses	**66**	**(27)**
IFRS profit/(loss) before tax attributable to owners	**799**	**(5)**

In RAL, the operating profit generated on insurance with profit participation business relates to the shareholders' share of bonuses in the with-profit funds. Operating profit on index-linked and unit-linked insurance is primarily attributable margins earned on unit-linked business. The other life insurance result of £426 million includes the favourable impact of demographic assumption changes in the period, primarily relating to longevity to reflect recent experience and a move to the most recent CMI_2019 tables, along with the spread/risk margin and the unwind of demographic prudence margin on annuity business. The return on owners' funds of £84 million is principally driven by the emergence of profits on risk transfer arrangements.

Net favourable investment return variances and economic assumption changes on long-term business of £60 million primarily reflects gains on equity hedges as a result of the decline in UK equities during the year. RAL's exposure to equity movements arising from future with-profit bonuses and future unit-linked charges is hedged to benefit the regulatory capital position. The impact of equity market movements on the value of hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not.

Other items of income and expense include the favourable impact of reversals of impairments of investments in subsidiaries.

Operating profit in RLL of £17 million is primarily driven by margins earned on unit-linked business. Other non-operating items principally comprise costs associated with the integration of RLL, acquired by ReAssure Group plc in December 2019, into the ReAssure business.

A.2 UNDERWRITING PERFORMANCE continued

The Group's operating profit split by material geographical area is as follows with the majority of operating profit generated in the UK.

Year ended 31 December 2020	UK £m	Germany £m	Ireland £m	PGH Group £m
Operating profit	**1,174**	**10**	**15**	**1,199**

Operating profit

The PGH Group reports a non-GAAP measure of performance being operating profit. Operating profit is used as a performance measure of the underwriting activities of the Group as well as a key metric to manage the business. Operating profit is considered an appropriate measure of the underlying performance of the Group's business as it excludes the impact of short-term economic volatility and other one-off items.

This measure incorporates an expected return, including a longer-term return on financial investments backing shareholder and policyholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. It also includes the shareholder share of bonus of the with-profit funds.

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 with the Group's core operating activities (for example, actuarial modelling enhancements and data reviews). The operating profit excludes investment return variances and economic assumption changes, non-operating items considered to fall outside of the course of the Group's normal operations and shareholder tax.

The Group generated an operating profit of £1,199 million (2019: £810 million). The increase compared to the prior year is primarily driven by the contribution of the ReAssure businesses for a full five month period post completion of the acquisition on 22 July and increased Bulk Purchase Annuity transaction activity in the period.

Further details regarding operating profit are set out in the IFRS results section of the Business Review (page 55) and note B1 (page 190) of the PGH Group Annual Report and Accounts for the year ended 31 December 2020.

Investment return variances and economic assumption changes

Variances between actual and expected investment returns and the impact of changes in economic assumptions on the valuation of liabilities are accounted for outside of the operating profit and presented in profit before tax attributable to owners.

Other income and expenses

Other income and expense items which are excluded from operating profit comprise:

- amortisation and impairments of intangible assets (net of policyholder tax);
- finance costs attributable to owners;
- gains or losses on the acquisition or disposal of subsidiaries (net of related costs);
- the financial impacts of mandatory regulatory change;
- the profit or loss attributable to non-controlling interests;
- integration, restructuring or other significant one-off projects; and
- any other items which, in the Directors' view, should be disclosed separately by virtue of their nature or incidence to enable a full understanding of the company's financial performance. This is typically the case where the nature of the item is not reflective of the underlying performance of the operating companies.

Information on premiums, claims and expenses is not used as a primary measure of underwriting performance by the Group, however the relevant information split by LoB is presented in the S.05.01.02 QRT included in Appendix 1.2 for PGH Group, Appendix 2.2 for PLL, Appendix 3.2 for PLAL, Appendix 4.2 for RAL, Appendix 5.2 for RLL, Appendix 7.2 for SLAL, Appendix 8.2 for SLPF and in the appendices of the respective solo SFCRs for SLIDAC and ARK.

A.2 UNDERWRITING PERFORMANCE continued

A.2.1 Analysis of operating profit

Operating profit incorporates an expected return. The expected return on investments is based on opening economic assumptions applied to the funds under management at the beginning of the reporting period. Expected investment return assumptions are derived actively, based on risk-free yields at the start of each financial year.

The long-term risk-free rate used as a basis for deriving the long-term investment return is set by reference to the swap curve at the 15-year duration plus 10bps at the start of the year. A risk premium of 349bps is added to the risk-free yield for equities (2019: 350bps), 249bps for properties (2019: 250bps), 55bps for corporate bonds (2019: 120bps) and 15bps for gilts (2019: 50bps).

The principal assumptions underlying the calculation of the long-term investment return are:

	2020 %	2019 %
Equities	4.7	5.2
Properties	3.7	4.2
Gilts	1.4	2.2
Corporate bonds	1.8	2.9

An analysis of the overall operating profit split by material LoB is presented in the table below. Further detail regarding each entity and comparatives are provided in sections A.2.1.1 to A.2.1.10.

Year ended 31 December 2020	PLL £m	PLAL £m	RAL £m	RLL £m	ARK £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Insurance with profit participation	46	26	20	–	–	73	–	7	**172**
Index-linked and unit-linked insurance	64	(7)	61	7	–	96	(12)	61	**270**
Other life insurance (predominantly annuities and protection business)	260	23	317	–	6	119	5	6	**736**
Other entities operating profit	–	–	–	–	–	–	–	(24)	**(24)**
Total operating profit/(loss) by Line of Business	**370**	**42**	**398**	**7**	**6**	**288**	**(7)**	**50**	**1,154**
Long-term return on owners' funds and NP surplus assets	31	6	27	(3)	–	9	(3)	(22)	**45**
Total operating profit/(loss)	**401**	**48**	**425**	**4**	**6**	**297**	**(10)**	**28**	**1,199**

1 Other items comprise performance of other entities in the PGH Group and the impacts of consolidation adjustments at the PGH Group level. Total operating profit in PA(GI) and SLPF for the year ended 31 December 2020 was £nil.

A.2.1.1 Operating profit – PLL

An analysis of the operating profit for PLL split by material LoB is presented below. All of the operating profit arises in the UK, Ireland and Germany.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Insurance with profit participation	46	43
Index-linked and unit-linked insurance	64	93
Health insurance	–	–
Other life insurance (predominantly annuities and protection business)	260	179
Total operating profit by Line of Business	**370**	**315**
Long-term return on owners' funds and NP surplus assets	31	5
Total operating profit	**401**	**320**

The operating profit of £46 million (2019: £43 million) on insurance with-profit participation business represents the shareholders' one-ninth share of the total bonuses of the 90:10 with-profit funds. The increase compared to the prior period is due to certain policies with higher bonus rates maturing during the period, resulting in an increase in the shareholders' share of total bonuses, partially offset by run-off of the book.

The operating profit on index-linked and unit-linked insurance of £64 million (2019: £93 million) is generated from margins earned on unit-linked business of £89 million (2019: £88 million) and a £(25) million loss (2019: £5 million gain) from experience variances, assumption changes and other operating variances during the period.

A.2 UNDERWRITING PERFORMANCE continued

A.2.1 Analysis of operating profit continued

A.2.1.1 Operating profit – PLL continued

The operating profit on other life insurance of £260 million (2019: £179 million) is generated from expected return of £56 million (2019: £55 million), £185 million (2019: £51 million) from new business and £19 million (2019: £73 million) from experience variances, assumption changes and other operating variances during the period. The increase in new business profits is attributable to additional bulk purchase annuity transactions in the year.

The long-term return on owners' funds of £20 million (2019: £5 million) reflects the asset mix, which is primarily cash-based assets, fixed interest securities and interest receivable on loans to Group companies.

A.2.1.2 Operating profit – PLAL

An analysis of the operating profit for PLAL split by material LoB is presented below. All of the operating profit arises in the UK.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Insurance with profit participation	26	51
Index-linked and unit-linked insurance	(7)	1
Health insurance	–	–
Other life insurance (predominantly annuities and protection business)	23	47
Total operating profit by Line of Business	**42**	**99**
Long-term return on owners' funds and NP surplus assets	6	2
Total operating profit	**48**	**101**

The insurance with profit participation result includes operating profit arising in the unsupported with profit fund of £27 million (2019: £33 million) which represents the shareholders' one-ninth share of the policyholder bonuses, and is broadly in line with the comparative period.

Additionally, the with-profit funds where internal capital support has been provided generated an operating loss of £(1) million (2019: £18 million profit). The small loss is driven by the impact of a strengthening of assumptions in relation to late retirements that has been largely offset by a weakening of actuarial assumptions in respect of longevity.

The operating profit of £23 million (2019: £47 million) on other life insurance is generated from spreads earned on annuities, investment return, release of margins, non-economic experience variances and assumption changes, including £11 million (2019: £28 million) from a weakening of longevity assumptions to reflect the most recent CMI_2019 core projection tables.

The long-term return on owners' funds of £6 million (2019: £2 million) reflects the asset mix, which is primarily cash-based assets and fixed interest securities.

A.2.1.3 Operating profit – RAL

An analysis of the operating profit for RAL split by material LoB is presented below. All of the operating profit arises in the UK.

	Period from 22 July to 31 December 2020 £m
Insurance with-profit participation	20
Index-linked and unit-linked insurance	61
Other life insurance (predominantly annuities and protection business)	317
Total operating profit by Line of Business	**398**
Long-term return on owners' funds and NP surplus assets	27
Total operating profit	**425**

A.2 UNDERWRITING PERFORMANCE continued

A.2.1 Analysis of operating profit continued

A.2.1.3 Operating profit – RAL continued

The operating profit on insurance with profit participation business of £20 million relates to the shareholders' share of with-profit bonuses paid from the with-profit funds.

The result attributable to the index-linked and unit-linked insurance business of £61 million relates to margins earned on unit-linked business.

Operating profit arising on other life insurance of £317 million is driven by the expected investment return on assets backing annuity contracts, the release of prudential margins and the favourable impact of updates to demographic assumptions on annuity business, principally with respect to longevity to reflect recent experience and a move to the latest CMI 2019 core projection tables.

The long-term return on owners' funds of £27 million is driven by the return on other shareholder assets and risk transfer arrangements.

A.2.1.4 Operating profit – RLL

An analysis of the operating profit for RLL split by material LoB is presented below. All of the operating profit arises in the UK.

	Period from 22 July to 31 December 2020 £m
Insurance with-profit participation	–
Index-linked and unit-linked insurance	7
Other life insurance (predominantly annuities and protection business)	–
Total operating profit by Line of Business	**7**
Long-term return on owners' funds and NP surplus assets	(3)
Total operating profit	**4**

The operating profit generated in RLL of £7 million principally relates to margins earned on unit-linked business.

The negative return on owners' funds of £(3) million includes a tax credit passed through to RAL under an intra-group reinsurance arrangement, the net impact of which is £nil in RLL within profit after tax.

A.2.1.5 Operating profit – ARK

Details of the operating profit of ARK is included within the solo ARK SFCR.

A.2 UNDERWRITING PERFORMANCE continued

A.2.1 Analysis of operating profit continued

A.2.1.6 Operating profit – SLAL

An analysis of the operating profit for SLAL split by material LoB is presented below. All of the operating profit arises in the UK.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Insurance with-profit participation	73	88
Index-linked and unit-linked insurance	96	105
Other life insurance (predominantly annuities and protection business)	119	107
Total operating profit by Line of Business	**288**	**300**
Long-term return on owners' funds and NP surplus assets	9	14
Total operating profit	**297**	**314**

The operating profit on insurance with-profit participation business of £73 million (2019: £88 million) and index-linked and unit-linked insurance business of £96 million (2019: £105 million) are driven by the revenue and expenses of the fee based business in the UK, Ireland and Germany. The insurance with-profit participation result reduced by £15 million as this business reduces in size as the business runs-off. The index-linked and unit-linked insurance business reduced by £9 million with reductions arising from lower assets under administration linked to net outflows.

Operating profit generated on other life insurance of £119 million (2019: £107 million) mainly relates to the spread/risk margin result less related expenses earned on the SLAL annuity business. The result increased by £12 million, largely due to a reduction in the benefit from non-economic assumption changes, which primarily related to longevity assumption changes and totalled £62 million in 2020 (2019: £50 million).

The long-term return on owners' funds of £9 million (2019: £14 million) reflects the asset mix, which is primarily cash-based assets, fixed interest securities, interest receivable on loans to Group companies or dividends from subsidiaries.

A.2.1.7 Operating profit – SLIDAC

Details of the operating profit of SLIDAC is included within the solo SLIDAC SFCR.

A.2.1.8 Operating profit – Other Group entities and consolidation adjustments

An analysis of the operating profit for other Group entities and Group consolidation adjustments is presented below.

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Service Companies' operating profit	6	26
Holding Companies' costs	(45)	(35)
Other ReAssure entities	(13)	–
Consolidation adjustments	80	78
Total operating profit	**28**	**69**

The operating profit for the Service Companies of £6 million (2019: £26 million) comprises income from the life and holding companies in accordance with the respective Management Services Agreements less any fees related to the outsourcing of services and other operating costs. The decrease compared to the prior period reflects a re-phasing of income from the life companies under revised management services agreements and the impacts of run-off.

Holding companies' costs were £(45) million (2019: £(35) million). They mainly comprise project recharges from the service companies and the returns on the scheme surpluses/deficits of the Group staff pension schemes. The increase in costs compared to the prior period principally reflects the inclusion of corporate costs associated with the acquired ReAssure businesses.

The costs of other ReAssure entities of £(13) million primarily relate to operating expenses and project costs associated with the ReAssure businesses that are not recharged to the Life Companies.

Consolidation adjustments of £80 million (2019: £78 million) largely relate to the elimination of intra-group transactions.

A.3 INVESTMENT PERFORMANCE

A.3.1 Analysis of investment return variances and economic assumption changes

Investment return variances and economic assumption changes includes the impact of short-term volatility and comprise:

Year ended 31 December 2020	PLL £m	PLAL £m	RAL £m	ARK £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Investment return variances and economic assumption changes on long-term business	31	57	(283)	5	(63)	(18)	224	(47)
Variance on owners' funds	13	4	–	–	–	8	123	148
Total investment return variances and economic assumption changes	**44**	**61**	**(283)**	**5**	**(63)**	**(10)**	**347**	**101**

1 Other items comprise performance of other entities in the PGH Group including impacts of consolidation at the PGH Group level. Total investment return variances and economic assumption changes in RLL, PA(GI) and SLPF were £nil for the year ended 31 December 2020.

Year ended 31 December 2019	PLL £m	PLAL £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Investment return variances and economic assumption changes on long-term business	(39)	24	(226)	(1)	65	(177)
Variance on owners' funds	16	(3)	–	(8)	8	13
Total investment return variances and economic assumption changes	**(23)**	**21**	**(226)**	**(9)**	**73**	**(164)**

1 Other items comprise performance of other entities in the PGH Group including impacts of consolidation at the PGH Group level. Total investment return variances and economic assumption changes in PA(GI) and SLPF were £nil for the year ended 31 December 2019.

The investment performance measure used by the Group and each insurance subsidiary is investment return variances and economic assumption changes. These represent the impact of short-term volatility recognised outside of operating profit in the Group or entity's IFRS result. Further details for the Group and each insurance subsidiary are set out below.

A.3.1.1 Analysis of investment return variances and economic assumptions changes – PLL

The net favourable investment return variances and economic assumption changes on long-term business of £31 million (2019: £(39) million adverse) have primarily been driven by other economic gains of £58 million (2019: £118 million), which include the positive impacts associated with PLL's move towards its strategic asset allocation, a change in the matching adjustment methodology and the completion of a securitisation of a further tranche of equity release mortgages, partially offset by the strain associated with seven bulk purchase annuity transactions completed during the year, where the pricing basis assumes a significant exposure to illiquid assets, which were not in place at the date of execution. This was partially offset by losses of £25 million (2019: £144 million) on hedging positions held by the company following equity market gains in respect of certain overseas markets during the period. PLL's exposure to equity movements arising from future with-profit bonuses and future unit-linked charges is hedged to benefit the regulatory capital position. The impact of equity market movements on the value of hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not.

The positive variance on owners' funds of £13 million (2019: £16 million) is principally driven by gains on interest rate swaption positions held in the shareholder fund. Such positions are held to hedge the impact of adverse movements in interest rates on the regulatory capital position.

A.3.1.2 Analysis of investment return variances and economic assumptions changes – PLAL

The net favourable investment return variances and economic assumption changes on long-term business of £57 million (2019: £24 million) are primarily driven by a decline in yields during the year.

The positive variance on owners' funds of £4 million (2019: £3 million adverse) is driven by gains on yield changes of £10 million offset by other movements.

A.3.1.3 Analysis of investment return variances and economic assumptions changes – RAL

The net adverse investment return variances and economic assumption changes on long-term business in the post-acquisition period from 22 July 2020 of £(283) million are primarily attributable to losses on equity hedging positions following a rise in equity markets, along with an adverse movement in credit spreads. The company's exposure to equity movements arising from future with-profit bonuses and future unit-linked charges is hedged to benefit the regulatory capital position. The impact of equity market movements on the value of hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not.

A.3 INVESTMENT PERFORMANCE continued

A.3.1 Analysis of investment return variances and economic assumption changes continued

A.3.1.4 Analysis of investment return variances and economic assumptions changes – ARK

The analysis of investment return variances and economic assumptions changes for ARK is included within its solo SFCR.

A.3.1.5 Analysis of investment return variances and economic assumptions changes – SLAL

The net adverse investment return variances and economic assumption changes on long-term business of £(63) million (2019: £(226) million) are primarily driven by movements in credit spreads and the impact of credit downgrade experience in the year. These adverse impacts were partially offset by gains on equity hedges in respect of the decline in UK equities over the period. The company's exposure to equity movements arising from future with-profit bonuses and future unit-linked charges is hedged to benefit the regulatory capital position. The impact of equity market movements on the value of the hedging instruments is reflected in the IFRS results, but the corresponding change in the value of future profits is not.

A.3.1.6 Analysis of investment return variances and economic assumptions changes – SLIDAC

The analysis of investment return variances and economic assumptions changes for SLIDAC is included within its solo SFCR.

A.3.1.7 Analysis of investment return variances and economic assumptions changes – Other entities and consolidation adjustments

The net positive investment return variances and economic assumptions changes on long term business of £224 million (2019: £65 million) are primarily driven by Group consolidation adjustments relating to the elimination of transactions between the PGL Pension Scheme and PLL.

The positive variance on owners' funds of £123 million (2019: £8 million) is principally driven by gains on the close out of foreign currency swaps held by the holding companies to hedge exposure of future life company profits and non-sterling denominated shareholder borrowings to foreign currency movements. The net positive variance also includes gains on the hedge entered into on announcement of the ReAssure acquisition to protect the Group's exposure to equity risk in the period prior to completion.

A.3 INVESTMENT PERFORMANCE continued

A.3.2 Investment income and expenses

The tables below present the actual investment income split by asset class and the component of such income for the PGH Group and each insurance subsidiary. Expenses are shown in total as they all relate to investment management fees.

The actual investment return includes investment returns for the benefit of both policyholders and shareholders.

A.3.2.1 Investment income and expenses – PGH Group

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total £m	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Investment income by asset category												
Fixed and variable rate income securities	1,562	1,455	–	–	–	–	2,964	2,563	–	–	4,526	4,018
Equities	–	–	1,916	420	–	–	1,143	5,036	–	–	3,059	5,456
Loans and receivables	17	75	–	–	–	–	47	98	–	–	64	173
Derivatives	(2)	–	–	–	–	–	2,671	1,154	–	–	2,669	1,154
Collective investment schemes	2	4	451	1,229	–	–	1,888	4,862	51	56	2,392	6,151
Participations	–	–	405	1,261	–	–	2,856	5,794	–	–	3,261	7,054
Investment property	–	–	–	–	301	247	(25)	(65)	–	–	276	182
Cash and deposits	30	60	–	–	–	–	(4)	84	–	–	26	144
Other assets	153	1	–	–	–	–	(35)	4	30	(24)	148	(19)
Investment return	**1,762**	**1,595**	**2,772**	**2,910**	**301**	**247**	**11,505**	**19,530**	**81**	**32**	**16,421**	**24,313**
Investment expenses											(266)	(257)
Net investment return after deduction of investment expenses											**16,155**	**24,056**

The net investment return of £16,155 million (2019: £24,056 million) for PGH Group reported above differs from the amount reported in the PGH Annual Report and Accounts for the year ended 31 December 2020 of £16,935 million (2019: £24,876 million) as the amount disclosed above excludes the investment return attributable to minority interests in the consolidated investment funds.

The main driver for the decrease in net investment return compared to the prior period was a decline in fair value gains arising in the year, principally on equities and collective investment schemes held in policyholder funds. This reflects the stronger global equity market performance in 2019 compared to 2020. Additional gains also arose on derivative contracts, driven by the impact of a decline in yields on the Group's interest rate hedging positions.

Amounts included as participations comprise collective investment undertakings where the Group holds a greater than 20% interest.

All investment gains and losses are recognised in the income statement. There are no amounts recognised directly in equity.

A.3 INVESTMENT PERFORMANCE continued

A.3.2 Investment income and expenses continued

A.3.2.2 Investment income and expenses – PLL

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total PLL £m	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Investment income by asset category												
Fixed and variable rate income securities	354	357	–	–	–	–	834	585	–	–	1,188	942
Equities	–	–	10	65	–	–	(22)	361	–	–	(12)	426
Loans and receivables	97	73	–	–	–	–	230	191	–	–	327	264
Derivatives	–	–	–	–	–	–	739	358	–	–	739	358
Collective investment schemes	–	–	274	109	–	–	126	976	59	66	459	1,151
Participations	–	–	341	434	–	–	349	2,021	–	–	690	2,455
Investment property	–	–	–	–	24	26	1	2	–	–	25	28
Cash and deposits	4	8	–	–	–	–	–	–	–	–	4	8
Other assets	–	–	–	–	–	–	2	3	4	3	6	6
Investment return	**455**	**438**	**625**	**608**	**24**	**26**	**2,259**	**4,497**	**63**	**69**	**3,426**	**5,638**
Investment expenses											(138)	(139)
Net investment return after deduction of investment expenses											**3,288**	**5,499**

The net investment return of £3,288 million (2019: £5,499 million) includes investment returns attributable to policyholders and shareholders. The main driver for the decrease in net investment return compared to the prior period is the impact of movements in equity markets on net fair value gains and losses on collective investment schemes.

Amounts included as participations comprise collective investment undertakings where PLL holds a greater than 20% interest.

A.3.2.3 Investment income and expenses – PLAL

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total PLAL £m	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Investment income by asset category:												
Fixed and variable rate income securities	113	121	–	–	–	–	225	213	–	–	338	334
Equities	–	–	3	5	–	–	(31)	18	–	–	(28)	23
Loans and receivables	2	2	–	–	–	–	–	–	–	–	2	2
Derivatives	–	–	–	–	–	–	419	306	3	–	422	306
Collective investment schemes	–	–	27	36	–	–	(16)	153	–	3	11	192
Participations	–	–	75	83	–	–	213	262	–	–	288	345
Investment property	–	–	–	–	–	–	2	1	–	–	2	1
Cash and deposits	–	5	–	–	–	–	–	–	–	–	–	5
Other assets	–	–	–	–	–	–	–	–	1	1	1	1
Investment return	**115**	**128**	**105**	**124**	**–**	**–**	**812**	**953**	**4**	**4**	**1,036**	**1,209**
Investment expenses											(32)	(31)
Net investment return after deduction of investment expenses											**1,004**	**1,178**

The net investment return of £1,004 million (2019: £1,178 million includes investment returns attributable to policyholders and shareholders. The main driver for the decrease in investment return compared to the prior period is the impact of movements in equity markets on net fair value gains and losses on collective investment schemes.

Amounts included as participations comprise collective investment undertakings where PLAL holds a greater than 20% interest.

A.3 INVESTMENT PERFORMANCE continued

A.3.2 Investment income and expenses continued

A.3.2.4 Investment income and expenses – RAL

	Investment income/(expenses) components					
Period from 22 July to 31 December 2020	**Interest £m**	**Dividend £m**	**Rent £m**	**Fair value gains and (losses) £m**	**Other £m**	**Total RAL £m**
Investment income by asset category:						
Fixed and variable rate income securities	313	–	–	176	–	489
Equities	–	185	–	1,522	–	1,707
Derivatives	–	–	–	168	–	168
Collective investment schemes	–	118	–	716	–	834
Participations	–	–	35	–	–	35
Investment property	–	–	–	34	–	34
Cash and deposits	1	–	–	(4)	–	(3)
Other assets	–	–	–	20	19	39
Investment return	**314**	**303**	**35**	**2,632**	**19**	**3,303**
Investment expenses						(24)
Net investment return after deduction of investment expenses						**3,279**

The net investment return of £3,279 million includes investment returns attributable to policyholders and shareholders. The main driver for the investment return is the impact of falling yields and positive equity market performance in respect of certain overseas markets on net fair value gains and losses on equities and collective investment schemes.

Amounts included as participations comprise collective investment undertakings where RAL holds a greater than 20% interest.

A.3.2.5 Investment income and expenses – RLL

	Investment income/(expenses) components					
Period from 22 July to 31 December 2020	**Interest £m**	**Dividend £m**	**Rent £m**	**Fair value gains and (losses) £m**	**Other £m**	**Total RLL £m**
Investment income by asset category:						
Fixed and variable rate income securities	1	–	–	(3)	–	(2)
Collective investment schemes	–	30	–	487	–	517
Investment return	**1**	**30**	**–**	**484**	**–**	**515**
Investment expenses						(8)
Net investment return after deduction of investment expenses						**507**

The net positive investment return of £507 million includes investment returns attributable to policyholders and shareholders. The main driver for the favourable investment return is the impact of falling yields and positive equity market performance in respect of certain overseas markets on net fair value gains and losses on collective investment schemes.

A.3.2.6 Investment income and expenses – ARK

A full year analysis of investment income split by asset class and the component of such income for ARK is available in the solo SFCR for the year ended 31 December 2020.

A.3.2.7 Investment income and expenses – PA(GI)

There was a small element (less than £1 million) of investment income arising from PA(GI)'s investment in collective investment schemes.

A.3 INVESTMENT PERFORMANCE continued

A.3.2 Investment income and expenses continued

A.3.2.8 Investment income and expenses – SLAL

The table below presents the Company's actual investment income split by asset class. Expenses are shown in total as they all relate to investment management fees.

	Investment income/(expenses) components											
	Interest £m		Dividend £m		Rent £m		Fair value gains and (losses) £m		Other £m		Total SLAL £m	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Investment income by asset category												
Fixed and variable rate income securities	646	859	–	–	–	–	1,525	1,616	–	–	2,171	2,475
Equities	–	–	1,664	346	–	–	(438)	4,533	–	–	1,226	4,879
Loans and receivables	7	55	–	–	–	–	–	36	–	–	7	91
Derivatives	(2)	–	–	–	–	–	1,241	486	–	–	1,239	486
Collective investment schemes	–	–	–	1,038	–	–	184	2,826	–	–	184	3,864
Participations	–	–	–	747	–	–	2,286	3,458	–	–	2,286	4,205
Investment property	–	–	–	–	240	246	(60)	(47)	–	–	180	199
Cash and deposits	21	42	–	–	–	–	–	–	–	–	21	42
Other assets	142	1	–	–	–	–	(55)	84	–	–	87	85
Investment return	**814**	**957**	**1,664**	**2,131**	**240**	**246**	**4,683**	**12,992**	**–**	**–**	**7,401**	**16,326**
Investment expenses											(76)	(80)
Net investment return after deduction of investment expenses											**7,325**	**16,246**

The net investment return of £7,325 million (2019: £16,246 million) includes investment returns attributable to policyholders and shareholders.

The main driver for the decrease in investment return compared to the prior period is fair value losses arising in the period, mostly on equities and collective investment schemes held in the policyholder funds reflecting a decline in UK equity markets during 2020. This compares to equity market gains seen in 2019.

Amounts included as participations comprise collective investment undertakings where SLAL holds a greater than 20% interest.

A.3.2.9 Investment income and expenses – SLPF

There was a small element (less than £1 million) of investment income arising from SLPF's investment in collective investment schemes.

A.3.2.10 Investment income and expenses – SLIDAC

A full year analysis of investment income split by asset class and the component of such income for SLIDAC is available in the solo SFCR for the year ended 31 December 2020.

A.3 INVESTMENT PERFORMANCE continued

A.3.3 Information on securitisation

The Group has limited direct investments in securitisation vehicles within its shareholder and non-profit funds (excluding unit-linked funds) of £265 million as at 31 December 2020 (2019: £236 million). The total investment return on these investments is £14 million (2019: £16 million). In addition, the Group carries out internal securitisations of ERM loans to facilitate inclusion in matching adjustment portfolios.

A further breakdown is shown in the table below. The Group adjustments relate to eliminations on consolidation of underlying ERM loans and the loans from SPVs within PLL.

RLL, ARK, PA(GI), SLPF and SLIDAC have no investments in securitisations.

	PLL £m		PLAL £m		RAL £m		SLAL £m		Group adjustments £m		PGH Group £m	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Investments in securitisation	3,176	2,613	34	35	35	–	128	131	(3,108)	(2,543)	265	236
Investment return	244	207	2	3	–	–	8	8	(240)	(202)	14	16

Any indirect exposures via investments held within collective investment schemes falls within the unit-linked and with-profit funds where such investments are held primarily for the benefit of the policyholders and are not deemed significant to the Group.

The main risks that the securitised assets are exposed to are market and credit risk. The risk management procedures in respect of these risks are set out in section B.3.1.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 Other material income and expenses

Other material income and expense items for the year ended 31 December 2020 and 31 December 2019 are outlined below.

Year ended 31 December 2020	PLL £m	PLAL £m	RAL £m	RLL £m	ARK £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Other income and expense items:										
Amortisation of acquired-in-force business and other intangibles	(10)	–	(34)	(1)	(1)	–	–	–	(436)	(482)
Other non-operating items	(5)	(2)	19	(13)	–	1	(8)	(1)	290	281
Finance costs attributable to owners	(15)	–	–	–	–	–	–	–	(176)	(191)
Total other income and expenses	**(30)**	**(2)**	**(15)**	**(14)**	**(1)**	**1**	**(8)**	**(1)**	**(322)**	**(392)**

1 Other items comprise performance of non life entities in the Group and the impacts of consolidation adjustments at the PGH Group level. There were no items of other income and expenses in SLPF for the year ended 31 December 2020.

Year ended 31 December 2019	PLL £m	PLAL £m	PA(GI) £m	SLAL £m	SLIDAC £m	Other[1] £m	PGH Group £m
Other income and expense items:							
Amortisation of acquired-in-force business and other intangibles	(12)	–	–	–	–	(383)	(395)
Other non-operating items	188	172	(3)	(65)	(3)	(458)	(169)
Finance costs attributable to owners	(15)	–	–	–	–	(112)	(127)
Total other income and expenses	**161**	**172**	**(3)**	**(65)**	**(3)**	**(953)**	**(691)**

1 Other items comprise performance of non life entities in the Group and the impacts of consolidation adjustments at the PGH Group level. There were no items of other income and expenses in SLPF for the year ended 31 December 2019.

A.4 PERFORMANCE OF OTHER ACTIVITIES continued

A.4.1 Other material income and expenses continued

A.4.1.1 Other income and expenses – PLL

Acquired in-force business of £388 million has been recognised on the IFRS balance sheet following various Part VII transfers into the company from 2006 to 2012. This is amortised over the estimated life of the contracts in line with the emergence of the economic benefits. The remaining estimated life of the contracts is approximately 20 years. The amortisation charge for the period was £10 million (2019: £12 million).

Other non-operating items in 2020 include costs of £5 million in respect of ongoing work to move to a single outsourcer platform. 2019 included a £138 million gain recognised in respect of the 'buy-in' arrangement with PGL Pension Scheme (eliminated on consolidation at the PGH Group level); £46 million in respect of a reduction in future expense assumptions resulting from the revised MSA with the Service Companies; and £4 million in respect of the ALAC Part VII transfer.

Finance costs attributable to owners of £15 million (2019: £15 million) relate to the £200 million 7.25% unsecured subordinated loan, for which further details are included in section D.1.2.

A.4.1.2 Other income and expenses – PLAL

There were no material other non-operating items in 2020. 2019 included £178 million in respect of a reduction in future expense assumptions, resulting from the revised MSA with the Service Companies.

A.4.1.3 Other income and expenses – RAL

Business combinations undertaken by RAL prior to the Group's acquisition of the ReAssure businesses have resulted in acquired in-force business recognised on the entity IFRS balance sheet. This is amortised over the estimate life of the related contracts in line with the emergence of the economic benefits. The amortisation charge was £34 million for the post-acquisition period from 22 July 2020.

Positive other non-operating items of £19 million in the post-acquisition period related to the net reversal of impairments to investment in subsidiary balance.

A.4.1.4 Other income and expenses – RLL

Other income and expenses in RLL for the post acquisition period relate to costs in respect of the on-going integration of the RLL business, acquired by ReAssure Group plc in December 2019.

A.4.1.5 Other income and expenses – ARK

Full year details of other income and expenses for ARK is included within the solo SFCR within section A.4.

A.4.1.6 Other income and expenses – PA(GI)

Other non-operating items of £1 million (2019: £(3) million) reflect the net movement on balances related to redress exposures arising from creditor insurance policies underwritten by the company prior to 2006.

A.4.1.7 Other income and expenses – SLAL

There were no material other non-operating items in 2020. 2019 included a £77 million one-off impact of expense assumption changes recognised upon entering into a MSA for the provision of services by the service company; a £24 million one-off impact on IFRS insurance contracts of establishing a reserve for expected future costs arising in relation to the reinsurance agreement with SLIDAC, a £48 million benefit from a reduction in the annuity sales provision and restructuring and corporate transaction expenses amounting to £12 million.

A.4.1.8 Other income and expenses – SLIDAC

Full year details of other income and expenses for SLIDAC is included within the solo SFCR within section A.4.

A.4 PERFORMANCE OF OTHER ACTIVITIES continued

A.4.1 Other material income and expenses continued

A.4.1.9 Other income and expenses – Other entities and consolidation adjustments

Year ended 31 December	Service Companies £m		Holding Companies £m		Other ReAssure entities £m		Consolidation Adjustments £m		Total other £m	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Amortisation of acquired in-force business and other intangibles	–	–	–	–	–	–	(436)	(383)	(436)	(383)
Other non-operating items	3	13	(139)	(239)	(44)	–	470	(232)	290	(458)
Finance costs attributable to owners	–	–	(171)	(104)	(1)	–	(4)	(8)	(176)	(112)
Total other income and expenses	**3**	**13**	**(310)**	**(343)**	**(45)**	**–**	**30**	**(623)**	**(322)**	**(953)**

Amortisation of acquired in-force business and other intangibles of £436 million (2019: £383 million) increased in the year reflecting the additional charge arising on the acquired-in-force business recognised on acquisition of the ReAssure businesses. The acquired in-force business is being amortised in line with the expected run-off profile of the profits to which it relates.

Other non-operating items of £290 million (2019: £(458) million) includes a gain recognised on acquisition of the ReAssure businesses of £372 million along with an £85 million gain arising on completion of the Part VII transfer of the mature savings liabilities and associated assets from the L&G Group. These positive non-operating items are partially offset by a net cost of £43 million associated with the delivery of the Group Target Operating Model for IT and Operations, costs of £37 million associated with the acquisition of the ReAssure businesses along with £19 million incurred under the subsequent integration programme, with the remainder primarily being attributable to other corporate project costs. The prior period result related to Group consolidation adjustments in addition to external costs incurred or provided for with regard to transition activity and the transformation of the Group's operating model and extended relationship with Tata Consultancy Services. It also includes costs associated with preparations to ready the business for Brexit and costs related to other corporate related projects, including the Group's Internal Model harmonisation project and the acquisition of ReAssure Group.

Finance costs attributable to owners of £176 million (2019: £112 million) have increased by £64 million, reflecting the interest charges on new debt issuances in the year including the three debt agreements which were substituted to the Group as part of the acquisition of the ReAssure businesses.

A.4.2 Leasing arrangements

The Group and the Life Companies are lessors in relation to the investment property portfolios. The related rental income is recognised as income in the income statement on a straight-line basis over the period of the lease.

As lessee, the Group primarily leases office buildings and other premises. In accordance with IFRS 16 Leases, a right of use asset and corresponding lease liability is recognised in respect of these arrangements, none of which are material.

The Group has elected not to apply the measurement requirements of IFRS 16 to its low value leases and therefore the costs of these leases are recognised on a straight-line basis within administrative expenses.

The table below presents the rental income and expense for the period, which is included in total investment return and within administrative expenses respectively. PLAL, RLL, ARK, PA(GI), SLPF and SLIDAC have no leasing arrangements.

Year ended 31 December £m	PLL		RAL[1]	SLAL		Other Group entities		PGH Group	
	2020	2019	2020	2020	2019	2020	2019	2020	2019
Rental income	24	26	35	240	246	26	26	325	298
Rental expense	–	–	–	–	–	1	1	1	1

1 Amounts presented for RAL reflect rental income and expense in the post-acquisition period from 22 July 2020. For the full year ended 31 December 2020, rental income in RAL was £52 million (2019: £37 million) and there was no rental expense in both 2020 and 2019.

A.5 ANY OTHER INFORMATION

There is no further material information to be disclosed regarding business and performance.

SECTION B
SYSTEM OF GOVERNANCE

SYSTEM OF GOVERNANCE

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 Phoenix Group Holdings plc (the 'Group', 'PGH plc') and the 'Life Company' insurance subsidiaries (namely Phoenix Life Limited, Phoenix Life Assurance Limited, ReAssure Limited, ReAssure Life Limited and Standard Life Assurance Limited).

Further details of the system of governance for the PA(GI) and Standard Life Pension Fund Limited subsidiaries are included within section B.1.7 and B.1.8 respectively. Any material changes that have taken place over the reporting period are also included. Details of the structure of the Boards are provided, with a description of their main roles and responsibilities and those of the relevant committees, as well as a description of the main accountabilities and responsibilities of all key functions.

The system of governance in place for Ark Life Assurance Company DAC ('Ark Life') and Standard Life International DAC ('SLIDAC') can be found in section B.1 of the Ark Life and SLIDAC SFCRs for the year ended 31 December 2020.

B.1.1 System of governance

The objective of the Group's Governance Model is to ensure that management is empowered to run the business on a day-to-day basis in accordance with the delegated authority received from the respective Boards, whilst ensuring that Directors are able to discharge their statutory and regulatory responsibilities, and that the Boards have appropriate oversight and supervision of the Group's business.

Accordingly, there is a clear organisational structure, with documented delegated authorities and responsibilities, from the PGH plc Board to the insurance subsidiary Boards and onwards to the Executive Committee ('ExCo') and divisional senior management.

There is a uniform model across the Group which sets the responsibilities of each Board and which also stipulates the matters reserved for each Board. Each Board has the power to manage the relevant subsidiary company in accordance with legislation (Companies Act), regulations (including the Listing, Prospectus and Disclosure Transparency Rules and the regulations of the FCA and the PRA), constitution (Memorandum and Articles of Association), and, where relevant, governance code (for example, the UK Corporate Governance Code). This also involves referral of certain matters to shareholders for approval. Therefore each Board:

- where relevant has the power to manage the insurance subsidiaries in accordance with laws and regulations;
- sets 'Matters Reserved' which is a schedule of items which must go to that Board for approval. This operates as an escalation route to ensure that relevant matters are referred up through the appropriate Board structures;
- delegates powers to Board committees through terms of reference; and
- delegates powers to Executive Directors and management through Delegations of Authority.

Management oversight committees support management in making decisions under the Delegations of Authority (and are also used to review proposals before they go to the Boards where appropriate).

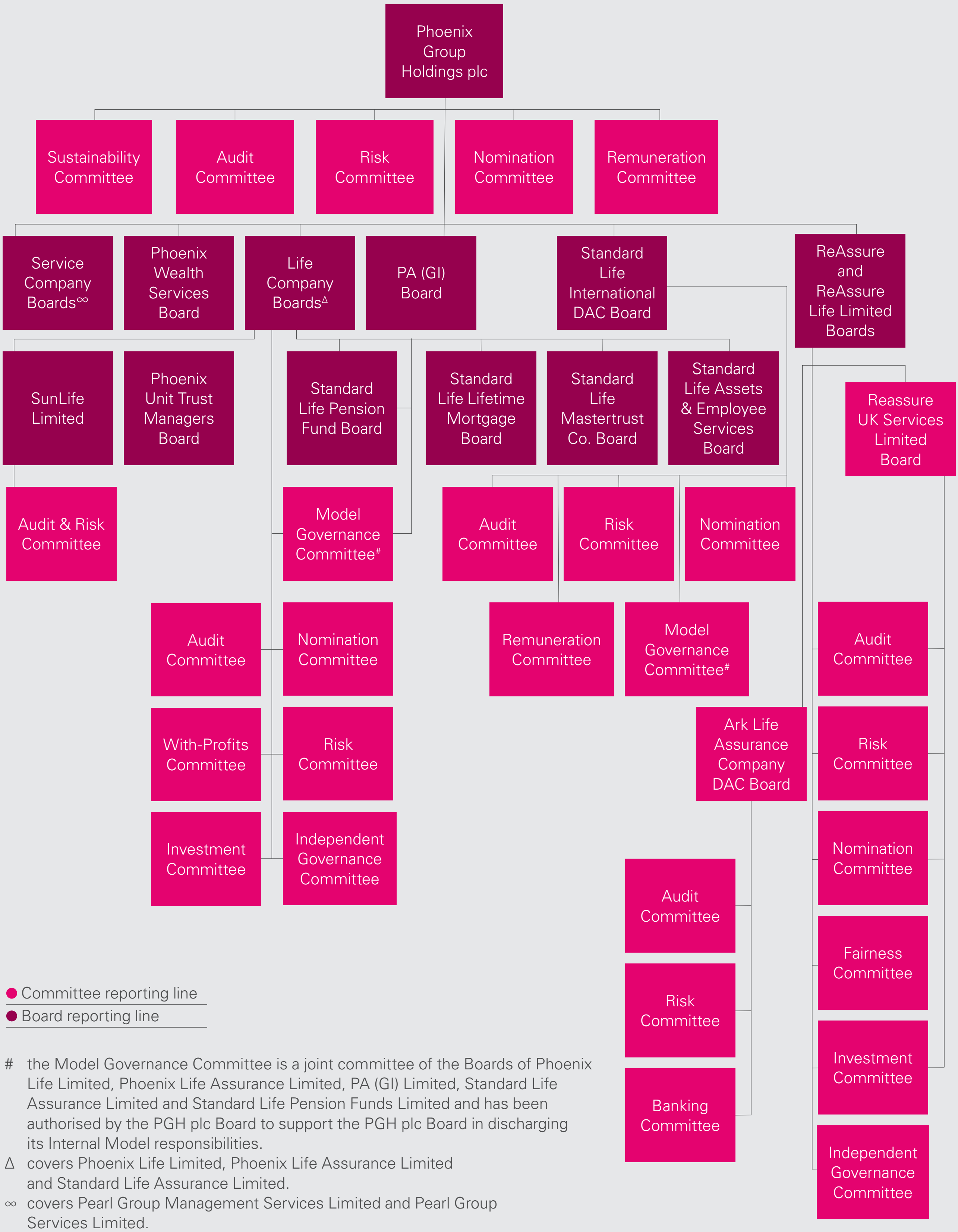
A system of Solvency II key functions (Actuarial, Internal Audit, Risk and Compliance) operates within the Group, reporting to both management oversight committees and Board committees accordingly. Representatives from Actuarial and Risk and Compliance functions are members of the ExCo (further information can be found in section B.1.4). In addition, the Internal Audit function reports directly to the Board Audit Committees. There are also a number of other key functions in the Group including Group Finance, Human Resources ('HR'), Corporate Affairs and Investor Relations, Asset Management, Operations and General Counsel.

SECTION B SYSTEM OF GOVERNANCE CONTINUED

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.2 Board and committee structure

The chart below shows the operating Boards and Board Committee structure within the Group as at 31 December 2020. The second chart shows their high level responsibilities.



\# the Model Governance Committee is a joint committee of the Boards of Phoenix Life Limited, Phoenix Life Assurance Limited, PA (GI) Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited and has been authorised by the PGH plc Board to support the PGH plc Board in discharging its Internal Model responsibilities.

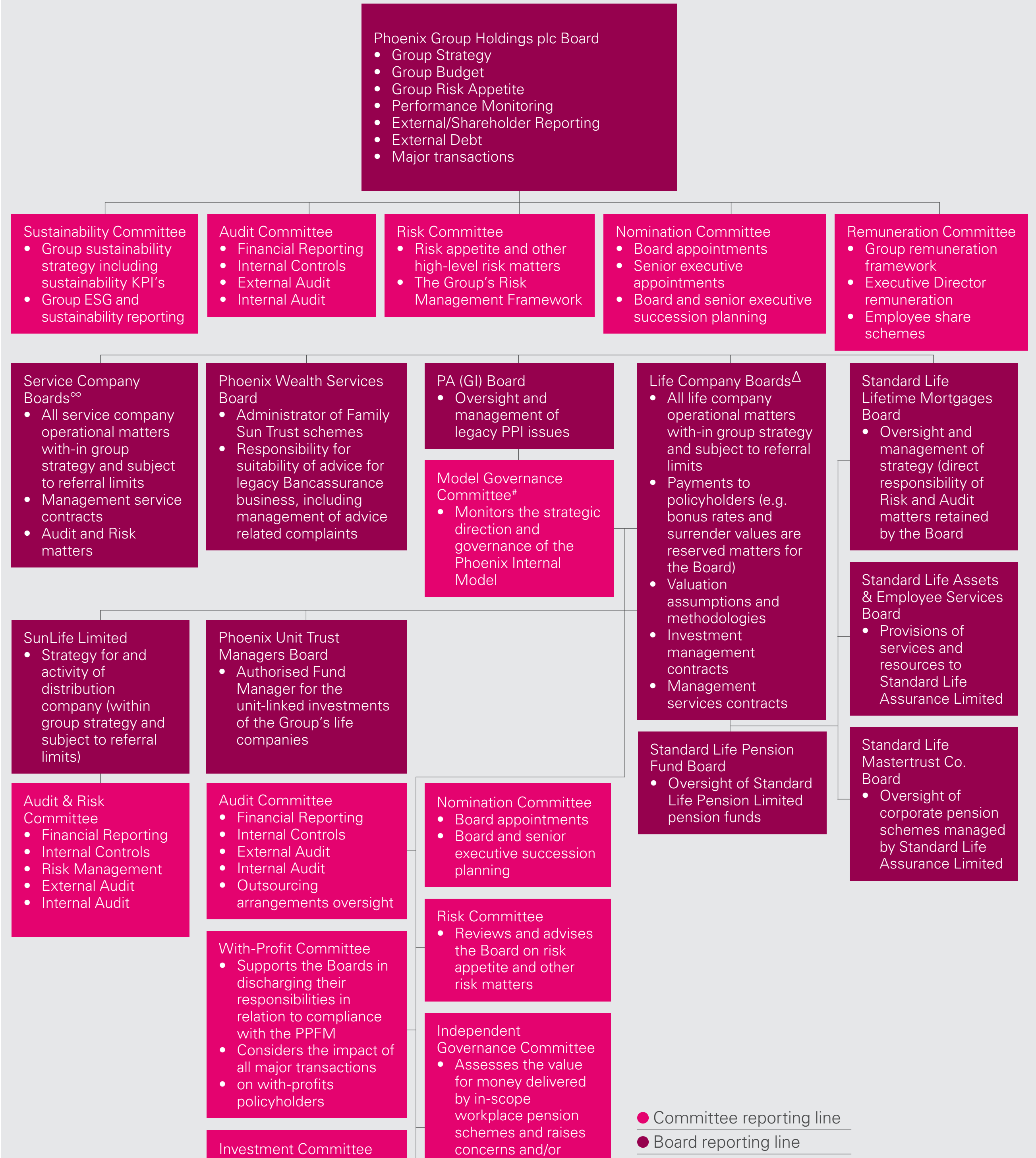
∆ covers Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.

∞ covers Pearl Group Management Services Limited and Pearl Group Services Limited.

SECTION B SYSTEM OF GOVERNANCE CONTINUED

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.2 Board and committee structure continued



the Model Governance Committee is a joint committee of the Boards of Phoenix Life Limited, Phoenix Life Assurance Limited, PA(GI) Limited, Standard Life Assurance Limited and Standard Life Pension Funds Limited and has been authorised by the PGH plc Board to support the PGH plc Board in discharging its Internal Model responsibilities.

∆ covers Phoenix Life Limited, Phoenix Life Assurance Limited and Standard Life Assurance Limited.

∞ covers Pearl Group Management Services Limited and Pearl Group Services Limited.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.2 Board and committee structure continued

Phoenix Group Holdings plc Board

Standard Life International DAC Board
- All life company operational matters with-in the group strategy and subject to referal limits
- Payments to policyholders
- Valuation assumptions and methodologies
- Investment management contracts
- Management services contracts

Audit Committee
- Review, challenge and recommend to the Board for approval draft financial statements and significant financial returns to regulators;
- Receive and review reports from the Head of Actuarial Function and actuarial advisors;
- Monitor and review the effectiveness of the Group Internal Audit function;
- Review and assess the annual internal audit plan for the Company.

Risk Committee
- Review and advises the Board on risk appetite and other risk matters

Remuneration Committee
- Ensure compliance with the Group remuneration policy
- Review the remuneration of the Companies executive directors and members of senior management.
- Establish the selection criteria, select, appoint and set the terms of engagement for any remuneration consultants advising the Commitee.

Model Govenance Committee
- Monitor the strategic direction and overall governance of the Partial Internal Model

Nomination Committee
- Preparing for and considering Board and committee appointments
- Board and senior executive succession planning
- Considering the appointment and removal of PCF holders
- Monitoring effectiveness and training needs of the Board and Committees

ReAssure Limited and ReAssure Life Limited Boards
- All life company operational matters within group strategy and a subject to referal limits
- Payments to policyholders (e.g. bonus rates and surrender values and reserved matters for the Board)
- Valulation assumptions and methodologies
- Investment management contracts
- Management services contracts

Audit Committee
- Financial Reporting
- Internal Controls
- External Audit
- Internal Audit

Risk Committee
- Reviews and advises the Board on risk appetite and other risk matters

Nomination Committee
- Board appointments
- Board and senior executive succession planning

Investment Committee
- Investment Strategy
- Policy and Asset Allocation
- Investment Mandates
- Managing Investment Risks
- Consulting with Fairness Committee

- Fairness Committee
- Fair treatment of policyholders
- Act as With-Profits for ReAssure
- Assessing compliance with the With-Profits funds of ReAssure
- Fulfil any obligations by Schemes of transfer under Part VII

Independent Governance Committee
- Assesses the value for money delivered by in-scope workplace pension schemes and raises concerns and/or proposes actions to the Board where it identifies value for money issues

ReAssure UK Services Limited Boards
- Payments to policyholders servicing and employing company for the ReAssure book of business and employee and Aviva outsource arrangements

Audit Committee
- Financial Reporting
- Internal Controls
- External Audit
- Internal Audit

Risk Committee
- Review and advises the Board on risk appetite and other risk matters

Nomination Committee
- Board appointments
- Board and senior executive succession planning

Ark Life Assurance Company dac Board
- All life assurance and pension management and opperational matters within group strategy and subject to referral limits
- Payment to policyolders
- Valuation assumptions and methodologies
- Investment management contracts

Audit Committee
- Financial Reporting
- Internal Controls
- External Audit
- Internal Audit
- Outsourcing arrangements oversight

Risk Committee
- Review and advises the Board on risk appetite and other risk matters

Banking Committee
- Open and close company bank accounts

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.3 PGH system of governance

B.1.3.1 Board responsibilities

PGH plc is listed on the London Stock Exchange. The Board is committed to high standards of corporate governance and complies with the UK Corporate Governance Code which sets standards in good practice for UK listed companies. The PGH plc Board sets the strategy and risk appetite for the Group and is responsible for elements of external and shareholder reporting.

B.1.3.2 Composition and running of the PGH plc Board

The PGH plc Board comprises 13 Directors including a Non-Executive Chairman, two Executive Directors and seven independent Non-Executive Directors ('NEDs'). Following the strategic partnership entered into with Standard Life Aberdeen plc ('SLA plc') in 2018, two senior SLA plc employees were appointed to the PGH plc Board at the time, Campbell Fleming and Barry O'Dwyer. Mr O'Dwyer was replaced by Mike Tumilty during 2019 following Mr O'Dwyer's departure from SLA plc. During 2020, as a result of the acquisition of the ReAssure Group and its subsidiaries from Swiss Re, two further shareholder-nominated directors were appointed to the PGH plc Board, Christopher Minter (representing Swiss Re) and Hiroyuki Iioka (representing MS&AD Holdings). At this time, Mr Fleming stepped down from the PGH plc Board due to a diminution in SLA plc's shareholding in PGH plc and Mr Tumilty remains as a shareholder-nominated director of SLA plc. These NED positions are in addition to their current roles within SLA plc, Swiss Re and MS&AD Holdings respectively.

Those performing roles which require approval pursuant to the Senior Managers and Certification Regime ('SMCR') have been duly approved.

The terms of appointment for the Directors state that they are expected to attend in person regular (at least six per year) and additional Board meetings and to devote appropriate preparation time ahead of each meeting. The PGH plc Board met formally 10 times during 2020, including for a two-day strategy setting meeting. The Board met additionally for regular briefing meetings (over 15) to monitor the evolving pandemic situation. The Board considered it necessary to meet weekly and then fortnightly to ensure appropriate oversight of operations during the COVID-19 pandemic, to achieve the Group's strategic objectives and protect policyholders. The Non-Executives met with the Chairman three times without the Executive Directors present.

B.1.3.3 PGH plc Board Committee Framework

The PGH plc Board has delegated specific responsibilities to five standing committees of the Board. The terms of reference of the committees can be found on the Group's website (http://www.thephoenixgroup.com/about-us/corporate-governance/ board-committees/terms-of-reference.aspx) and further details are also available in the PGH plc Annual Report and Accounts for the year ended 31 December 2020. The five committees which support the PGH plc Board are:

- Audit Committee;
- Risk Committee;
- Nomination Committee;
- Remuneration Committee; and
- Sustainability Committee.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.4 Role of executive management team

The Executive Management team is led by the Group CEO, who is supported by the ExCo. Their roles at 31 December 2020 are summarised in the table below.

Name	Position	Roles and responsibilities
Andy Briggs	Group Chief Executive Officer	• Leads the development of the Group's strategy for agreement by the Board, to create a purpose-led organisation with sustainability at the heart and a brand that reflects a leading industry voice for savers and pensioners; • Leads and directs the Group's businesses in delivery of the Group strategy and business plan, to create a customer-obsessed organisation that can profitably grow organically and through M&A; • Creates a diverse team connected by common values, with market-leading capability and talent that is engaged and empowered to deliver, and performance manages the senior executive team; • Manages the Group's risk profile and sets clear standards and policies by making informed decisions and controlling risks in line with with appetites, supported by an effective risk culture and strong regulatory relationships; • Leads the Group to deliver strong, dependable cash generation, underpinned by a resilient balance sheet, which delivers a safe and sustainable dividend with the potential for progression; • Oversees the evolution of the operating model through effective delivery of transformation and change, delivering target benefits and underpinned by operational excellence; and • Manages the Group's key external stakeholders.
Rakesh Thakrar	Group Chief Financial Officer	• Supports the Group Chief Executive Officer in formulating the Group strategy and managing the Group's key external stakeholders; • Develops and delivers the Group's financial business plan in line with strategy;. • Ensures resilience, effective management and control of the Group's balance sheet and solvency • Develops and delivers the Group's debt capital strategy and other treasury matters; • Ensures effectiveness of processes to meet the Group's external reporting obligations; and • Enhances shareholder value through clear, rigorous assessment of growth opportunities and M&A in line with the Group's capital allocation framework.
Andy Moss	Phoenix Life CEO and Group Director, Heritage Business	• Strategy including the integration of acquired life businesses; • Focuses on optimising outcomes for customers in terms of service, value and security; and • Drives entity-wide financial performance, solvency and capital efficiency with due regard to regulatory requirements, risk appetite and risk strategy.
Andy Curran	Chief Executive, Savings & Retirement, UK & Europe	• Leads the development and delivery of the Open business strategy; • Enables better outcomes for customers; and redeploys excess capital at attractive rates to generate future predictable cash flows and offset the Heritage business run-off • Leads the development and delivery of the Open business strategy;
Sara Thompson	Group HR Director	• Leads the implementation of the Group's employee strategy in order to recruit, retain, motivate and develop high quality employees. • Provides guidance and support on all HR matters to the Group Chief Executive Officer, the Executive Committee, the Board and Remuneration Committee. • Delivers HR services to the Group.
Tony Kassimiotis	Group Chief Operating Officer	• Leads development and delivery of the Group's operating platforms in line with regulatory requirements, the risk universe and strategy. • Ensures the delivery of the Group's information technology strategy. • Leads the management of the Group's long-term outsourcing arrangements. • Ensures that the Group's procurement activities and shared services are efficient and effective.
John McGuigan	Group Customer Director	• Leads the Group's Customer Function to drive operational and experience delivery for the Group's customer base. • Sets standards and policies for customer management and interaction. • Provides customer oversight, complaint handling and remediation activity.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.4 Role of executive management team continued

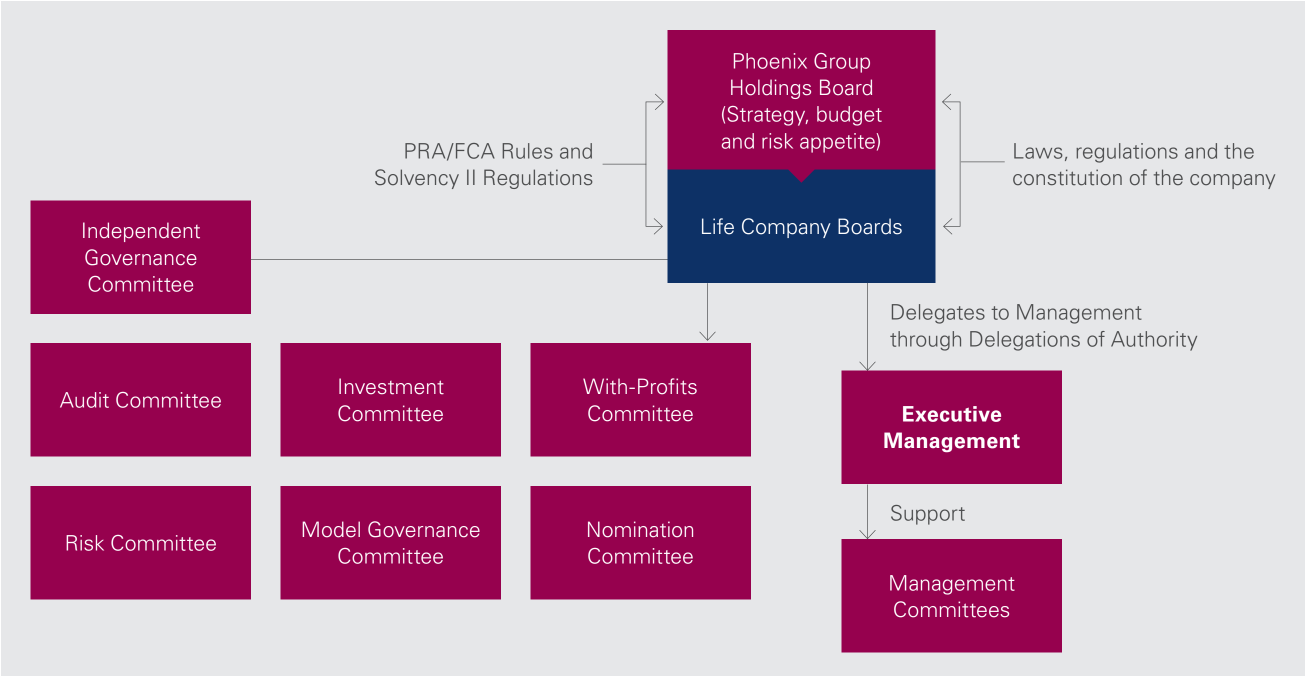
Name	Position	Roles and responsibilities
Jonathan Pears	Chief Risk Officer	• Leads the Group's risk management function, embracing changes in best practice and regulation including Solvency II. • Oversees and manages the Group's relationship with the FCA and PRA. • Supports the Board Risk Committee in the oversight of the Group's risk framework, in line with risk strategy and appetite. • Leads on the Group's ORSA.
Claire Hawkins	Corporate Affairs and Investor Relations Director	• Oversees the development of the Group's social purpose and strategy • Develops an appropriate Investor Relations strategy that raises the profile of the Group and • Ensure engagement with investors and analysts; • Develops a market-leading sustainability strategy with plans to drive delivery across the Group
Matt Cuhls	CEO, ReAssure	• Leads the delivery of Group strategy within the ReAssure businesses; • Safeguards policyholder outcomes and grows shareholder value within the ReAssure businesses, including by leading integrations into ReAssure businesses; and • Embeds a risk-conscious Group which recognises policyholder obligations in terms of service and security within the ReAssure businesses.
Quentin Zentner	General Counsel	• Leads provision of legal advice to the Board, other Group company boards, the Executive Committee and senior management. • Oversees and coordinates maintenance of, and adherence to, appropriate corporate governance procedures across the Group. • Designs and implements a framework to manage legal risk within the Group, including compliance by Group companies and staff with relevant legal obligations. • Designs and implements a whistleblowing framework within the Group.
Mike Eakins	Group Chief Investment Officer	• Leads the development and delivery of Group asset management and investment strategy • Responsible for managing the Group asset risk to within the stated risk appetite; • Leads on the Sustainable Investing agenda for the Group, including net-zero carbon for assets by 2050; • Ensures strategic asset allocation and delivering ongoing performance of the portfolio; and • Supports the Group's requirements with investors, rating agencies, regulators, external directors on the asset management platform.

SECTION B SYSTEM OF GOVERNANCE CONTINUED

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.5 Board and committee structure – PLL, PLAL AND SLAL

The chart below summarises the governance and delegation structure of PLL, PLAL and SLAL as at 31 December 2020.



B.1.5.1 Roles and responsibilities of the PLL, PLAL and SLAL Boards

The PLL, PLAL and SLAL Boards are responsible and accountable for strategic matters (within the strategy set by the PGH plc Board), oversight of management and the performance of the PLL, PLAL and SLAL business.

- The role of the PLL, PLAL and SLAL Boards are to:
- provide entrepreneurial leadership of PLL, PLAL and SLAL within a framework of prudent and effective controls which enable risks to be assessed and managed;
- set PLL, PLAL and SLAL's strategic aims, ensure that the necessary financial and human resources are in place for the Companies to meet their objectives, and review management performance; and
- uphold PLL, PLAL and SLAL's values and standards and ensure that obligations to its shareholders, policyholders and other stakeholders are understood and met.

B.1.5.2 Composition of the PLL, PLAL and SLAL Boards

At the start of 2020, the PLL, PLAL and SLAL Boards comprised of ten Board members, five Executive Directors and five independent NEDs. Following the acquisition of ReAssure in July 2020, the number of NEDs increased to seven and the PLL, PLAL and SLAL Boards currently comprise twelve Board members as a result.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.5 Board and committee structure – PLL, PLAL AND SLAL continued

B.1.5.3 PLL, PLAL and SLAL Committee Framework

The PLL, PLAL and SLAL Boards have established and delegated specific responsibilities to the following standing committees of the Boards:

- Audit Committee;
- Investment Committee;
- Independent Governance Committee;
- Model Governance Committee ('MGC');
- Nomination Committee;
- Risk Committee; and
- With-Profits Committee.

The Independent Governance Committee and With-Profits Committee are each chaired by an independent member of the committee who is not a Director. Both of these committees have a number of independent members who are not Directors.

The other standing committees of the PLL, PLAL and SLAL Boards are chaired by NEDs. Further details regarding each of these committees are set out in section B.1.9.

B.1.6 Board and committee structure – RAL and RLL

B.1.6.1 Roles and responsibilities of the RAL and RLL Boards

The role of the RAL and RLL Boards are to:

- provide entrepreneurial leadership of RAL and RLL within a framework of prudent and effective controls which enable risks to be assessed and managed;
- set RAL and RLL's strategic aims, ensure that the necessary financial and human resources are in place for the Companies to meet their objectives, and review management performance; and
- uphold RAL and RLL's values and standards and ensure that obligations to its shareholders, policyholders and other stakeholders are understood and met.

B.1.6.2 Composition of the RAL and RLL Boards

The RAL and RLL Boards comprise of 12 Board members, five of whom are Executive Directors and seven of whom are independent Non-Executive Directors (NEDs).

B.1.6.3 RAL and RLL Board Committee Framework

The RAL and RLL Boards have established and delegated specific responsibilities to the following standing committees of the Boards:

- Audit Committee;
- Investment Committee;
- Independent Governance Committee;
- Nomination Committee;
- Risk Committee; and
- Fairness Committee.

The Independent Governance Committee and Fairness Committee are each chaired by an independent member of the committee who is not a Director. Both of these committees have a number of independent members who are not Directors.

The other standing committees of the RAL and RLL Boards are chaired by NEDs. Further details regarding each of these committees are set out in section B.1.9.

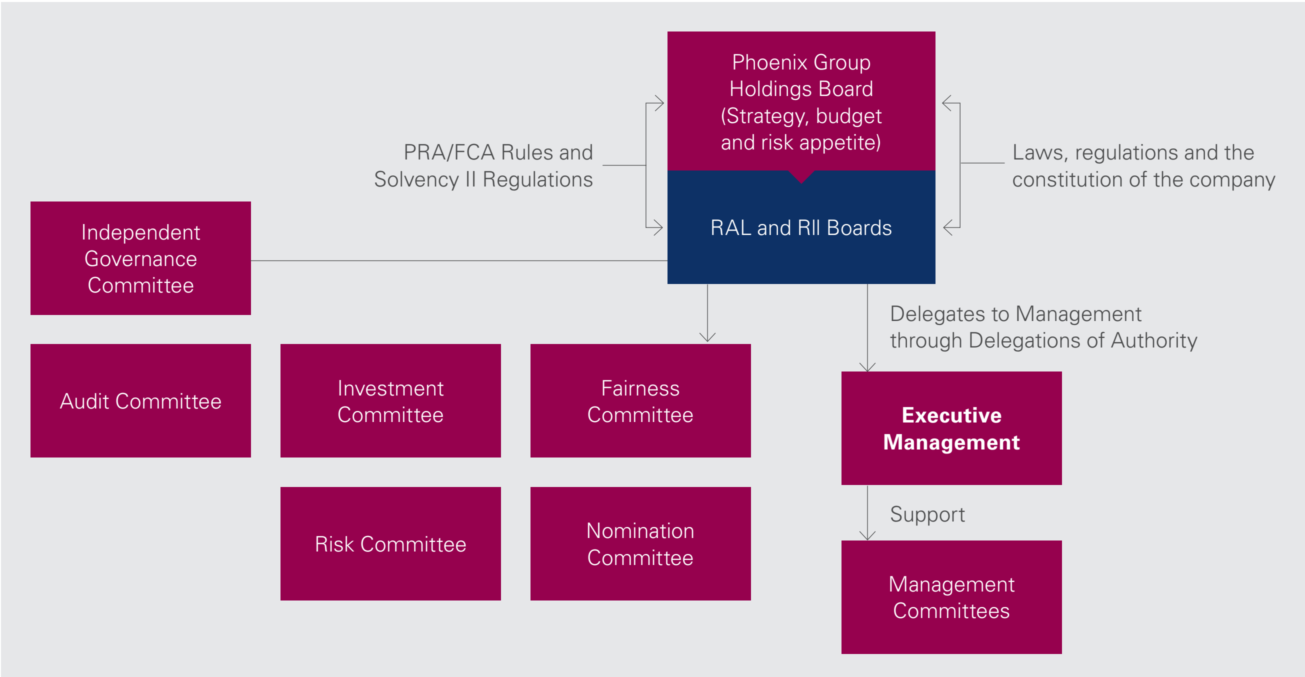
From the start of 2021, the activities of these Committees has started to converge with those for PLL, PLAL and SLAL with the intention for a fully harmonised Board and Board Committee structure to exist for PLL, PLAL, RAL, RLL and SLAL from Q3 2021.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.6 Board and committee structure – RAL AND RLL continued

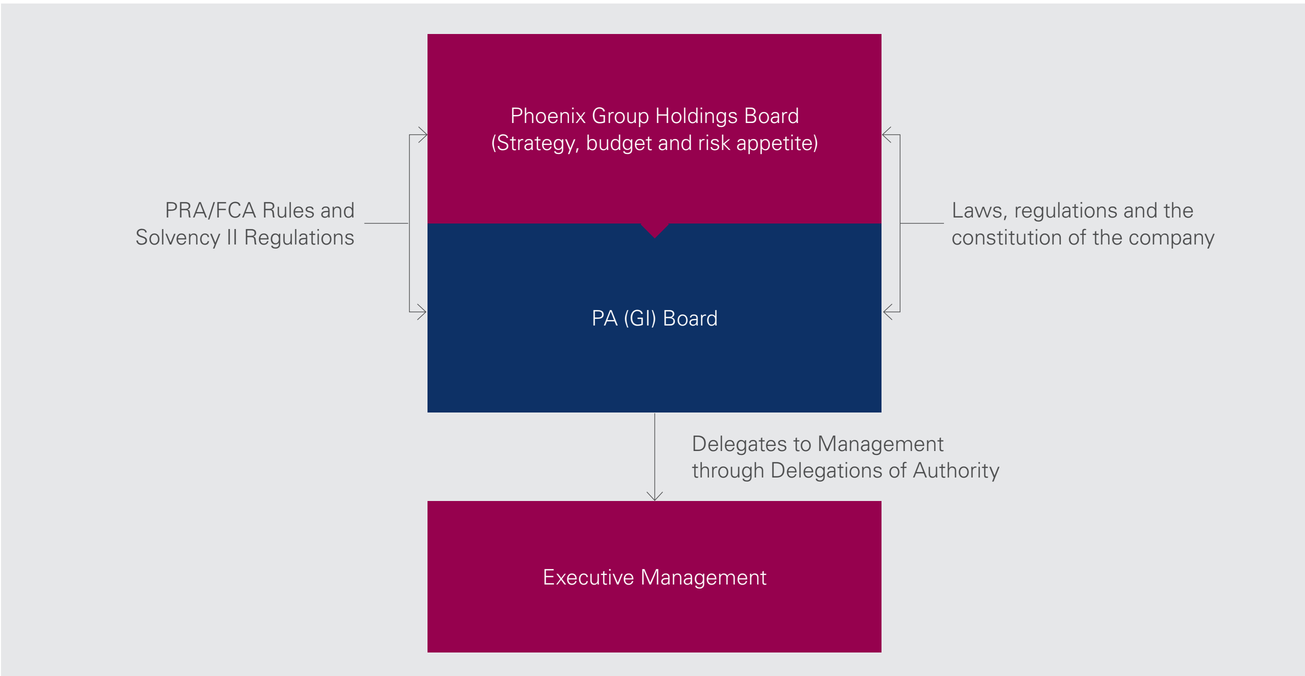
Board and committee structure – RAL AND RLL

The diagram below shows the new RAL and RLL Board and delegated Committee structure following the acquisition by PGH plc on 23 July 2020.



B.1.7 Board and committee structure – PA(GI)

The chart below shows the PA(GI) Board structure as at 31 December 2020.



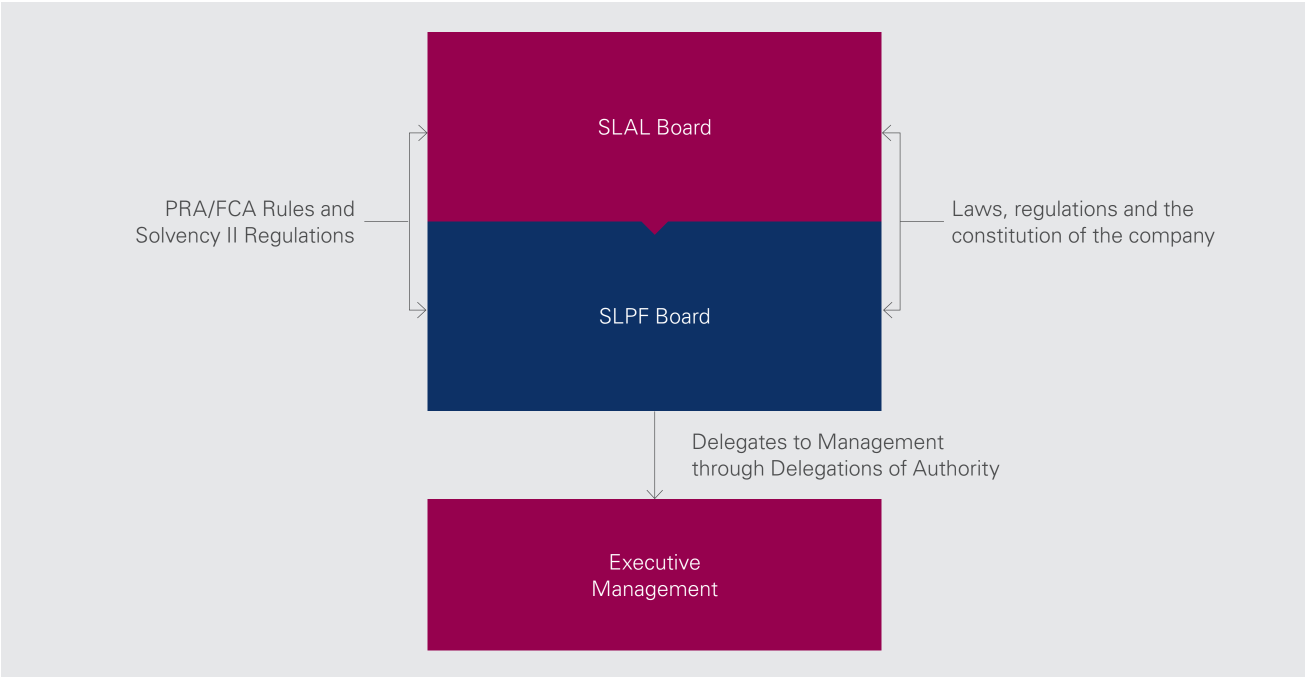
The PA(GI) Board comprises of four Executive Directors. The PA(GI) Board has one formal committee, the MGC, which is also a committee of the Boards of the Group's Life Companies. Further details are included in section B.1.9 and B.1.10.

SECTION B SYSTEM OF GOVERNANCE CONTINUED

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.8 Board and committee structure – Standard Life Pension Funds ('SLPF')

The chart below shows the SLPF Board structure as at 31 December 2020.



The SLPF Board comprises of two Executive Directors and a non-executive Chairman. The SLPF Board has one formal committee, the MGC, which is also a committee of the Boards of the Group's Life Companies. Further details are included in section B.1.9 and B.1.10.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.9 Committees of the Boards

Details of the composition and role/duties of each standing committee of the Boards are outlined below:

Committee	Role, duties and responsibilities
Audit Committee	• Monitor the overall integrity of financial reporting. • Review the overall effectiveness of the relevant Company's internal control and risk management system and the Internal Audit function. • Agree the nature and scope of external audits and to oversee the relationship with the external auditors. • Monitor and review the effectiveness of the Finance function and the integrity of financial reporting. • Approve the remit of the Group Internal Audit ('GIA') function.
Investment Committee	• Establish and implement investment strategy and to regularly review investment and Asset Liability Management ('ALM') strategy whilst ensuring customers are treated fairly. • Initiate or review proposals for material changes in investment direction, and to approve such changes. • Review relative investment performance and oversee the governance of the relationships between the relevant Company and all investment managers, including oversight and review of fees, fee structures and Service Level Agreements. • Oversight and review the appropriateness of investment mandates. • Liaise with management committees which have responsibility for the shareholder impact of investment matters and also with the With-Profit Committee which has responsibility for the policyholder impact of investment matters.
Independent Governance Committee	• Act in the interest of members of the contract-based workplace pension schemes operated by the relevant Company and assess the ongoing value for money delivered by them.
Model Governance Committee (excluding RAL and RLL)	• Monitor the strategic direction and overall governance of the Internal Model used by the relevant Company. • Provide assurance to the relevant Board on the ongoing appropriateness, performance and effectiveness of the Internal Model.
Nomination Committee	• Lead the process for appointments and ensure that the Board retains an appropriate balance of skills, knowledge, experience and diversity to support the strategic objectives of the relevant Company. • Ensure there is a formal, rigorous and transparent approach to the appointment of Directors including maintaining an effective framework for succession planning. • Approve proposals for the appointment or removal of Directors to/from the Board. • Regularly review the structure, size and composition of the Board and make recommendations with regard to any changes that are deemed necessary. • Identify and nominate candidates to fill Board vacancies as and when they arise, and give consideration to succession planning. • Review annually the time required from NEDs and recommend the re-appointment to the Board of any NED at the end of their specified term of office.
Risk Committee	• Advise the relevant Board on all risk matters including risk appetite and tolerance in setting the future strategy. • Maintain the RMF, reviewing the risk appetite framework and limits. • Approve the overall risk management strategy and principal risk policies including monitoring compliance. • Oversight of the design and execution of the stress and scenario testing framework, and also ensuring that risks to the business plan are adequately identified and assessed through stress testing and scenario analysis.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.9 Committees of the Boards continued

Committee	Role, duties and responsibilities
With-Profits Committee (PLL, PLAL and SLAL only	• Support the relevant Board in discharging its governance responsibilities in relation to compliance with the Principles and Practices of Financial Management ('PPFM'). • Assess, report on, and provide clear advice and, where appropriate, recommendations to the Board on the way in which each with-profits fund is managed and whether this is properly reflected in the PPFM and on any other issue which the Board or Committee considers that with-profits policyholders might reasonably expect the Committee to be involved. • Provide independent judgement in the assessment of PPFM compliance and how any competing or conflicting rights and interests of policyholders and, if applicable, shareholders have been addressed. • Consider all major transactions involving the Company (for example Part VII transfers, reinsurances, outsourcing) to the extent to which they impact upon with-profit policyholders. • Consider at the request of the Board all proposals for the exercise of discretion in respect of non-profit policies and the conduct and overall approach to treating customers fairly.
Fairness Committee (RAL only)	• Oversee the fair treatment of policyholders • Monitor compliance with the Board approved Conduct strategy to ensure customers' interests remain at the heart of how the business is run (i.e. our products and services meet customers' needs) • Take account of both our internal culture/behaviours and customers' actual behaviours, in assessing appropriateness of process and outcomes. • Act as the with-profits committee for ReAssure; • Provide independent judgement in assessing compliance with the principles and practices of the with-profits funds of ReAssure; • To consider significant transactions and issues arising in the Long Term Business Funds of ReAssure which affect policyholders' and shareholder's interests (or conflicting interests of different groups of policyholders) so as to ensure that each party is treated fairly; • Advise the Board on matters which affect policyholders' and shareholder's interests (or conflicting interests of different groups of policyholders), so as to ensure that each party is treated fairly; and • Fulfil any obligations assigned to the Committee by Schemes of transfer under Part VII of the Financial Services and Markets Act 2000 (or any replacement or successor legislation), and in particular the Schemes under which the business of NM Pensions Limited, ReAssure Life Limited (previously known as NM Life Limited) and Guardian Assurance Limited (previously known as ReAssure Life Limited) transferred to ReAssure.

B.1.10 Model Governance Committee

B.1.10.1 Roles and responsibilities of the MGC

The role of MGC is to monitor the strategic direction and overall governance of the Group's Internal Models. The Committee provides assurance to the relevant Boards on the ongoing appropriateness, performance and effectiveness of the Internal Models.

B.1.10.2 Composition and running of the MGC

The MGC is a committee of the Life Company, PA(GI) and SLPF Boards and also supports the PGH plc Board in discharging its Internal Model related responsibilities. MGC membership comprises a Non-Executive Chairman and eleven other members of whom four are independent NEDs.

The MGC meets at least four times a year at appropriate times in the reporting cycle or more frequently as circumstances require.

The Committee Chairman reports in writing to the respective Boards on proceedings after each meeting, on all matters within its duties and responsibilities. This ensures the Boards receive appropriate information to ensure the Internal Model is operating properly on a continuous basis. The Committee makes whatever recommendations to the Boards it deems appropriate on any area within its remit where action or improvement is needed.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.10 Model Governance Committee continued

B.1.10.3 Assignment of responsibilities

The MGC has delegated the tasks required under the regulations to the Actuarial, Finance and Risk departments in accordance with their current responsibilities under a 'Three Lines of Defence' model (further details are included in the governance section of section B.3.2). The RMF is underpinned by the operation of the Governance model with clearly defined roles and responsibilities of Boards and their committees, management oversight committees, Group Risk and Group Internal Audit.

In their role as first line of defence (where risk is delegated from the Board to the Group CEO, ExCo members and through to business managers), the Finance and Actuarial departments have delegated responsibility for:

- design, implementation, operation and use of the Internal Model set by the Group Risk function;
- operation of the validation framework in line with the requirements set by the Risk Management function;
- documenting the Internal Model process and any subsequent changes; and
- informing the Board about the performance of the Internal Model, its limitations, areas needing improvement, and the status of activity to address previously identified weaknesses.

In its role as second line of defence (where risk oversight is provided by the Group Risk function, the PGH plc Board Risk Committee and the relevant Life Company Risk committees), the Risk function has delegated responsibility for governance and oversight of the Internal Model, including but not limited to:

- sponsorship of the model governance policy;
- ownership of the Internal Model validation framework;
- independent validation of the design, implementation and operation of the Internal Model, including compliance with the model governance policy; and
- in relation to independent validation activity performed and summary reports produced, informing the administrative or management body about the performance of the Internal Model, suggesting areas needing improvement, and providing a review of the Finance and Actuarial departments' reporting in relation to weaknesses and limitations of the Internal Model, and the activity to improve previously identified weaknesses.

B.1.11 Key functions

Solvency II defines 'function' within a system of governance as an internal capacity to undertake practical tasks and to operate a system of governance which includes the Risk Management function, the Compliance function, the Internal Audit function and the Actuarial function.

The functions which operate within the Group are as follows:

- Risk Management function (see section B.3 for further details);
- Compliance function (see section B.4 for further details);
- Internal Audit function (see section B.5 for further details); and
- Actuarial function (see section B.6 for further details).

Their duties and responsibilities are allocated, segregated and coordinated in line with Phoenix Group policies. This ensures that all the important duties are covered and that unnecessary overlaps are avoided.

Further details on how the key functions have the necessary authority, resources and operational independence to carry out their tasks together with how those functions report to and advise the Boards of the Group are provided in the sections which cover each function (see sections B.3. B.4, B.5 and B.6).

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.12 Remuneration policy

This section details the remuneration policy in place for the Group for the year ended 31 December 2020.

The Group has one consistent remuneration policy for all levels of employees which is made available to all staff. Therefore, the same remuneration policy principles guide reward decisions for all Group employees, including Executive Directors, although remuneration packages differ to take into account appropriate factors for different areas of the business.

The Group-wide remuneration policy is overseen by the Remuneration Committee of PGH plc ('RemCo'). Further details on this Committee can be found in the PGH plc Annual Report and Accounts for the year ended 31 December 2020 and on the governance pages of the PGH plc website (http://www.thephoenixgroup.com/about-us/corporate-governance).

The policy focuses on ensuring sound and effective risk management and supports management in the operation of their business through the identification of minimum standards and key controls.

The key principles of the remuneration policy which applies across the Group are set out below.

a) Attract, retain and motivate quality staff – management keep remuneration practices under review to ensure that these support promotion of the long-term interests of the Group and its stakeholders and adequately and fairly reward staff.

b) Remuneration is positioned appropriately against external benchmarks – remuneration is benchmarked against independent third party data at appropriate intervals.

c) Remuneration is aligned to the long-term success of the Company – performance-related components of remuneration are aligned to measures which reflect achievement of the Group's long-term success and strategy.

d) Proportion of variable pay is appropriate and balanced and has due regard to any impact of risk – the ratio of fixed to variable remuneration will differ depending on the specific incentive schemes in operation across the business. However, the Group seeks to ensure that an appropriate balance between fixed and variable remuneration is maintained for all employees, with the fixed proportion being sufficient to allow variable pay to operate on a fully-flexible basis, including the possibility of no payments of variable remuneration in a year. For Solvency II Identified Staff (further details are included in section B.2) there is also an appropriate balance between annual and long-term incentives, with the deferral of annual incentives into shares and all incentives including provision for the application of malus and clawback where appropriate.

e) Independence and strong governance in decision-making processes – as the policy is overseen by RemCo this ensures an appropriate level of independent challenge given RemCo exclusively comprises independent NEDs. Certain roles within control functions (Risk, Compliance, Internal Audit and Actuarial) are also subject to different variable pay arrangements which exclude any linkage to financial performance for annual incentives.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.12 Remuneration policy continued

B.1.12.1 Variable remuneration plans

Annual Incentive Plan

All permanent members of staff and Fixed term Contractors who are not in receipt of a 'completion payment' participate in an Annual Incentive Plan ('AIP').

For all staff this is subject to a mixture of Corporate (financial and strategic) and Personal (individual objectives) performance measures. This represents a balanced scorecard which includes customer metrics in addition to financial and personal measures. The same AIP framework applied to all employees except ReAssure staff, although metrics for SunLife employees and European employees have corporate metrics linked to their operating businesses; all other staff (excluding ReAssure) are subject to the Group corporate metrics detailed below.

The quantum of and the balance between Corporate and Personal performance measures varies between different levels of staff. All staff below Exco+1 level have an equal split between corporate and personal elements. The Corporate performance measures apply on a Group-wide basis to produce a 'corporate factor' in calculating AIP outcomes.

For 2020, the selected performance measures for the corporate element of the AIP were as follows:

Performance metric	Weighting of corporate measure
Corporate measures for AIP in 2020	
Cash generation	30%
Shareholder value	30%
Net flows	15%
Customer experience	25%

One-third of AIP outcomes for all senior management subject to the regulatory requirements was deferred for a period of three years under the Deferred Bonus Share Scheme; for ExCo this deferral was 50%.

AIP for Solvency II Identified Staff in Control functions (Audit, Risk, Compliance and Actuarial) is based on personal performance only so that their remuneration is not subject to the performance of any part of the business of which they have oversight.

ReAssure colleagues continued to participate in their existing annual bonus arrangements for the remainder of 2020. This Plan also had a mix of financial and non-financial metrics together with an assessment of individual performance. Financial and strategic metrics were weighted as follows:

- cash generation – 23%
- Solvency II Funds – 23%
- Customer Satisfaction – 15.5%
- Employee engagement – 15.5%
- Management Actions – 23%

From 2021 all ReAssure employees will participate in the Phoenix group AIP as described above.

B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE continued

B.1.12 Remuneration policy continued

B.1.12.1 Variable remuneration plans continued

Long-term Incentive Plan

The Group operates a Long-term Incentive Plan ('LTIP') for selected senior members of staff.

RemCo sets performance measures for each LTIP grant. Performance measures include an appropriate mix of measures based on growth in suitable performance conditions set at the time of grant. Performance measures are subject to additional 'underpin' requirements which permit RemCo to reduce or prevent vesting in appropriate circumstances.

The weightings of the LTIP performance measures for 2020 are summarised below. Each performance measure is assessed over the period of three financial years from 2020 to 2022.

Performance metric	Weighting of corporate measure
Net Operating Cash Receipts	35%
Return on Shareholder Value	25%
Persistency	20%
Total Shareholder Return ('TSR')	20%
Total	100%

All 2020 LTIP awards are subject to a further underpin measure relating to risk management within the Group. This 'underpin' also includes consideration of customer satisfaction and, in exceptional cases, personal performance.

The relative Total Shareholder Return ('TSR') measure is calculated against the constituents of the FTSE 350 (excluding Investment Trusts) with vesting commencing at median (25% of this part of the award) and full vesting at upper quartile levels, subject to an underpin regarding underlying financial performance.

B.1.12.2 Description of pension arrangements

All members of staff are invited to participate in the Group Personal Pension plan or other defined contribution pension arrangement that are open at that time. Where an individual is impacted by annual or lifetime limits on contribution levels to qualifying pension plans, the balance could be taken as a cash supplement (reduced for the impact of employers' National Insurance Contributions).

The Group does not operate any discretionary pension benefits. Death in Service benefits are provided to all staff.

B.1.12.3 Material transactions with shareholders and members of the Boards

There were no transactions with members of the PGH plc Board and insurance subsidiary Boards other than remuneration provided under the principles set out above.

Details of the actual remuneration of the members of the PGH plc Board are set out in the Directors' remuneration report of PGH plc in the PGH plc Annual Report and Accounts for the year ended 31 December 2020 (see pages 124 to 158).

Material transactions with shareholders reflect the payment of dividends, of which further details can be found in the Directors' Report included in the PGH plc Annual Report and Accounts for the year ended 31 December 2020 (see page 159).

B.2 FIT AND PROPER REQUIREMENTS

This section outlines the Senior Managers and Certification Regime ('SMCR'). It provides information on the specific requirements concerning 'fitness and propriety' which considers the skills, knowledge and expertise applicable to the persons who effectively run the undertaking or hold other key functions.

B2.1 Senior Managers and Certification Regime ('SMCR')

The aim of the SMCR is to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their assigned responsibilities, conduct and competence.

The SMCR aims to:

- encourage a culture of employees at all levels taking personal responsibility for their actions; and
- make sure companies and employees clearly understand and can demonstrate where responsibility lies. The SMCR contains three separate elements:
- the Senior Managers Regime;
- the Certification Regime; and
- Conduct Rules.

Senior managers who perform key roles (referred to as 'SMF' roles) will need PRA and FCA approval before starting their roles. The regime makes these individuals accountable for the sound and prudent management of their firm and requires them to behave with appropriate integrity, honesty and skill.

The table below provides a summary of SMCR impacted individuals and SMF Roles in insurance companies within Phoenix Group.

SMF1 – Chief Executive	SMF13 – Chair of Nominations Committee
SMF2 – Chief Finance Function	SMF14 – Senior Independent Director
SMF3 – Executive Director	SMF15 – Chair of With-Profit Committee
SMF4 – Chief Risk Function	SMF16 – Compliance Oversight
SMF5 – Head of Internal Audit	SMF17 – Money Laundering Reporting Officer
SMF7 – Group Entity Senior Manager	SMF18 – Other Overall Responsibility
SMF9 – Chair of Governing Body	SMF20 – Chief Actuarial Function
SMF10 – Chair of Risk Committee	SMF20a – With-Profits Actuary
SMF11 – Chair of Audit Committee	SMF24 – Chief
Operations Function SMF12 – Chair of Remuneration Committee	

The certification regime has a broader application and impacts a greater number of individuals. The company and its senior managers are responsible for the design, management and oversight of the Certification Regime.

All other staff, with a few exceptions of staff not dealing with customers, must comply with the FCA conduct regime.

B.2 FIT AND PROPER REQUIREMENTS continued

B2.1 Senior Managers and Certification Regime ('SMCR') – Compliance continued

The key components of the SMCR regime comprise:

- a management responsibilities map – detailing senior manager roles and responsibilities, governance structures, matters reserved for the Board and the remit and function of committees;
- statements of responsibility – a summary of individual responsibilities for each senior management function holder;
- handover procedures – to ensure a senior manager taking up a new role has the information and materials needed to perform their new role;
- prescribed responsibilities – 17 responsibilities specified by the regulators that must be allocated to a senior management function holder;
- conduct requirements – rules and standards to be adhered to by all individuals within the scope of the regime;
- fitness and propriety – the requirement to assess the fitness and propriety of certification function holders and individuals holding senior management functions; and
- reasonable steps – the requirement that senior management function holders take reasonable steps to discharge their responsibilities and make records to evidence their actions.

B.2.2 Process For Assessing Fitness and Propriety

The Group has a number of policies and processes established which apply to all regulated entities and provide appropriate guidance and governance to ensure that those effectively running the Group have and maintain appropriate fit and proper status during their appointment. These policies and processes include the requirements to:

- identify and maintain accurate records of all Approved Persons, which includes Senior Management Function holders and Certified Individuals, sufficient to meet the requirements of the FCA and PRA;
- ensure new appointments are appropriately authorised, including skills analysis, competence assessment and relevant development plan documentation and monitoring;
- maintain a Group Approved Persons Framework to provide direction and guidance to the Group's Approved Persons ensuring they understand and can evidence how they meet their regulatory requirements;
- complete periodic assessments of Approved Persons to determine their ongoing competence, including consideration of performance development rating, Disclosure and Barring Service ('DBS') check, periodic financial check and interim self-certification;
- maintain an effective performance management framework, ensuring that the performance of employees is effectively managed;
- motivate and retain the right employees through appropriate reward structures;
- deliver an appropriate organisational culture through embedding appropriate values and behaviours;
- identify, plan and implement effective learning and development activities; and
- provide guidance, information and advice regarding the requirements, expectations and obligations of an Approved Person role.

Evidence of adherence to these standards is monitored on a quarterly basis and recorded within the Group centralised risk management system.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

This section provides a description of the Group's Risk Management Framework ('RMF') including information on how the risk management functions are implemented and integrated into the organisational structure and decision-making processes of the Group.

B.3.1 Risk Management Function

The Group Risk function is led by the Phoenix Group Chief Risk Officer ('CRO'). The Phoenix Life Company CRO and ReAssure Group plc CRO report into the Group CRO, and each of the CROs are supported by the following Group Risk areas which operate on a shared services basis:

- Financial Risk
- Risk Strategy and Reporting
- Regulatory Relationships
- Conduct and Compliance
- Operational Risk
- Information Security & Cyber Assurance
- Data Protection
- Financial Crime Prevention

Each of the above teams have Group-wide remits. In addition, the Standard Life International Risk team comprises the Risk function for the Standard Life International business.

B.3.2 Risk Management Framework

The RMF embeds proactive and effective risk management across the Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored, managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities.

Following the acquisition of the ReAssure Group plc, the Group is working to complete integration of the Phoenix RMF into ReAssure in the second half of 2021.

Group Risk conducts an annual assessment of the effectiveness of each function in the business in adhering to the requirements of the RMF. This provides assurance to management and the Boards that the RMF has been implemented consistently and is operating effectively across the Group.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT continued

B.3.2 Risk Management Framework continued

Risk Strategy and Culture

Risk Strategy – Our risk strategy is our overall approach to taking rewarded risks that are understood, managed effectively and are consistent with our overall social purpose and enterprise strategy. Our risk strategy supports a more stable, well-managed business with improved customer, shareholder, colleague and societal outcomes. We achieve our social purpose and enterprise strategy not by avoiding risks, but through the identification and management of an acceptable level of risk (our 'risk appetite') which ensures the Group is appropriately rewarded for the risks that are taken.

Risk Culture – Risk culture is the sum of the Group's shared values, behaviours and attitudes towards risks faced by our customers, shareholders, colleagues and society. Our risk culture reflects the way we think and act, both individually and collectively. Our risk culture vision is to promote: "An environment that supports informed decision-making and controlled risk-taking". The creation of this environment is enabled through the Group's values of passion, responsibility, growth, courage and difference. Underpinning each of these are the individual and collective attitudes and behaviours that support the realisation of this environment. We regularly assess ourselves against our risk culture vision, doing this through a comprehensive dashboard with a suite of measures on people, governance, customers and leadership.

Risk Appetite – Risk appetite is used to define the amount of risk that the Group is willing to accept in the pursuit of enhancing customer and shareholder value and the attainment our strategic objectives.

The Group's risk appetite statements establish the risk boundaries within which we are prepared to operate, sets the tolerance for delivery against objectives and are a key tool in balancing the interests of different stakeholders. The following Risk Appetite statements are adopted by the Group:

Capital – The Group and each Life Company will hold sufficient capital to meet business requirements including those of key stakeholders in a number of Board-approved asset and liability stress scenarios.

Liquidity – The Group and each Life Company will seek to ensure that it has sufficient liquidity to meet its financial obligations under a range of Board-approved scenarios.

Shareholder Value – The Group only has appetite for risks that are rewarded, adequately understood and controlled; and consistent with the Group's strategy. The Group will take action to grow and protect shareholder value.

Control – The Group and each Life Company will, at all times, operate a strong control environment to ensure compliance with all internal policies, applicable laws and regulations, in a commercially effective manner.

Conduct – The Group maintains the highest conduct standards in line with regulatory, customer and market expectations. Any deliberate or negligent actions leading to unfair customer outcomes, poor market conduct, reputational damage or regulatory censures are not acceptable. If an unfair outcome should arise, the Group will put it right in a fair and prompt manner.

Sustainability – The Group will deliver on its sustainability commitments to foster responsible investment, reduce our environmental impact, follow our corporate purpose and be a good corporate citizen.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT continued

B.3.2 Risk Management Framework continued

Risk Universe

A key element of effective risk management is ensuring that the business understands the risks it faces. These risks are defined in the Risk Universe. The Risk Universe allows the Group to deploy a common language, allowing for meaningful comparisons to be made across the business. There are three levels of Risk Universe categories. The highest Risk Universe category is Level 1 and includes:

- Strategic Risk
- Customer Risk
- Financial Soundness Risk
- Market Risk
- Credit Risk
- Insurance Risk
- Operational Risk

The Group treats climate change risk and conduct risk as cross-cutting risks that impact all aspects of the Risk Universe.

Risk Policies

The Group Risk Policy Framework supports the delivery of the Group's social purpose and enterprise strategy by establishing the operating principles and expectations for managing the key risks to the Group's business. The policies define:

- The individual risks the policy is intended to manage;
- The degree of risk the Group is willing to accept, which is set out in the policy risk appetite statements;
- The minimum control standards required in order to manage the risk to an acceptable level; and
- The frequency of the control's operation.

The Group Risk Policies are mapped to each of the Level 2 risk universe categories to ensure complete coverage of all material risks. The Group Risk Policy Framework further supports the Group in operating within the boundaries of its Risk Appetite statements by seeking to limit volatility under a range of adverse scenarios agreed with the Board. Quantitative and qualitative appetite limits are chosen which specify the acceptable likelihood for breaching the agreed appetite statements (e.g. less than x% chance of a breach in regulatory capital) and assessment against the appetite targets is undertaken through scenario testing. Breaches of appetite are corrected through management actions where appropriate.

The effective use of risk mitigation techniques such as reinsurance, hedging and outsourcing are key to ensuring the Group remains within risk appetite and are described in the relevant Group Risk Policies. Key performance indicators for risk categories are considered in each corresponding Group Risk Policy.

A Group Conduct Risk Framework overarches all risk policies to provide a holistic view of conduct risk. This provides a consistent and comprehensive approach to the management of conduct risks and achievement of customer outcomes across the Group.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT continued

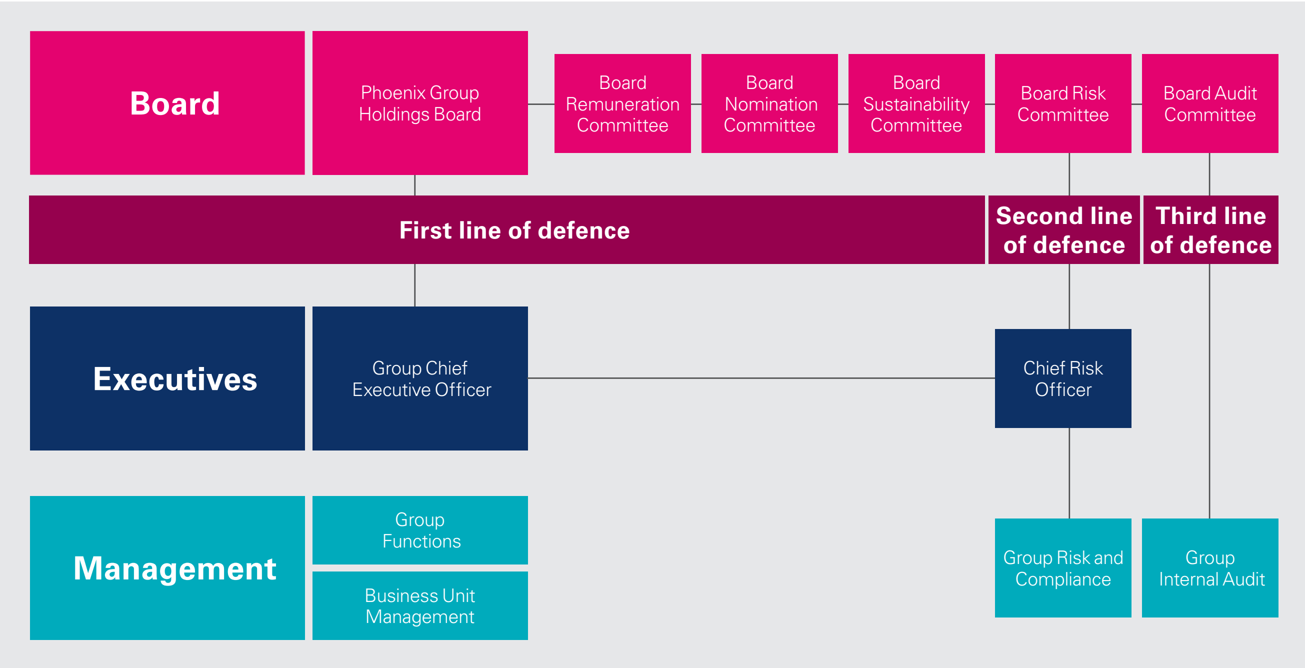
B.3.2 Risk Management Framework continued

Governance and Organisation

The RMF sets out a consistent three lines of defence model with clearly defined roles and responsibilities for all components. Risk accountability and ownership is embedded in the First Line with First Line assurance teams established to support the business by providing substantiated evidence that controls are fit for purpose.

Overall responsibility for approving the RMF rests with the Board, with maintenance and review of the effective operation of the RMF delegated to the Group Board Risk Committee. This delegation also includes approval of the overall risk management strategy and the review and recommendation to the Board of the relevant risk policies, risk appetite statements, risk profile and any relevant emerging risks.

The governance framework in operation throughout the Group can be found in the chart below.



First Line: Risk Management

Management of risk is delegated from the Board to the Group Chief Executive Officer, Executive Committee members and through to business managers. The First Line is responsible for implementation of the RMF, ensuring that risks to the Group and its customers, shareholders, colleagues and society are identified, assessed, controlled, monitored, managed and reported.

Second Line: Risk Oversight

Independent oversight of risk management is provided by the Group Risk Function through advice, guidance, review, challenge, opinion and assurance; their views are reported to the Board Risk Committee. The Group Risk function's purpose and responsibilities are set out in the Risk mission, mandate and plan, which is presented to the Board Risk Committee for approval annually.

Third Line: Independent Assurance

Independent verification of the adequacy and effectiveness of internal controls and risk management is provided by the Group Internal Audit function, reporting their output to the Group Board Audit Committee.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT continued

B.3.2 Risk Management Framework continued

Governance and Organisation continued

Emerging Risk

The Group defines an emerging risk (or opportunity) as an event that is perceived to be potentially significant but is not yet fully understood. Mitigating action may not be necessary until further information is known about the possible impact. Emerging risks could either be completely new risks or connected with existing risks in unfamiliar conditions.

The distinction between a current risk and an emerging risk predominantly relates to the amount of available information, with fewer details available for emerging risks meaning that likelihood and severity impacts must be estimated. Emerging risks or opportunities can typically take longer to crystallise, but in many cases immediate actions are needed so that risks can be pre-emptively mitigated or opportunities can be fully maximised.

Whilst any estimates have an element of subjectivity, they are validated during Management Board and Board Risk Committee discussions. These conversations help drive out potential new risks and opportunities, drawing on the collective expertise and experiences of senior individuals.

Strategic Risk Management

Strategic risks threaten the achievement of the Group's social purpose and enterprise strategy. The Group recognises that core strategic activity brings with it exposure to strategic risk. A Strategic Risk Policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Life Companies' and Group's strategic ambitions.

Risk and Capital Models

A continuous process is followed for the identification and assessment of risk types and the corresponding resilience of the Group's capital position. The Group continually strives to enhance its internal risk and capital models and the related modelling must be sufficiently accurate to enable appropriate ranking and management of risks.

Under Solvency II, the development and production of any Internal Model output contributing to regulatory capital requirements must comply with validation standards. This is supported by a Model Governance Policy, which sets out the standards that must be satisfied to demonstrate meeting Solvency II requirements. The Internal Model output is used within the ORSA process to provide insight into risks associated with Group objectives. Our Stress and Scenario Testing Programme uses the Internal Model to assess the capital impact of a range of plausible and extreme stresses.

Risk Control Processes and Reporting

Identification, assessment, management and reporting of risks, including learning lessons from incidents, is undertaken across the three lines of defence, and reported through business and management governance to the relevant Boards and Committees.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT continued

B.3.3 Own Risk and Solvency Assessment Process ('ORSA')

The Group's ORSA cycle brings together inter-linked risk management, capital and strategic processes.

The ORSA provides:

- processes to identify, assess, control and monitor risks that the Group faces;
- an understanding of current and potential risks to the business; including financial and non-financial risks under base and stressed scenarios;
- our appetite to accept these risks and how the Group manages them;
- a forward looking, internal assessment of the Group's solvency position in respect of its risk profile and how it is likely to change given business plans and strategy.

The ORSA plays an important role in supporting strategic decision-making and strategy development at our Boards and committees.

The Group's ORSA Report is reviewed and approved at least annually by the Boards of the Group and the insurance entities in scope of the Group's ORSA Policy.

B.3 RISK MANAGEMENT SYSTEM, INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT continued

B.3.4. Risk Management and Internal Model Governance

The Group currently uses a Partial Internal Model to calculate Group SCR, aggregating outputs from the existing Phoenix Internal Model, the Standard Life Internal Model, Standard Life International's Standard Formula and ReAssure's Standard Formula, without further diversification. The Group has two PRA approved Internal Models covering each of Phoenix and Standard Life, which means that the capital the Group holds is directly related to the risks the Phoenix and Standard Life entities respectively are exposed to and takes account of the benefit from the risk management tools in place.

The governance in place for the Internal Models ensures that they remain up to date and appropriate for use, for example via regular assessments of the risk environment as reported in the Group's ORSA processes. The Model Governance Committee has specific roles and responsibilities in relation to the governance of the 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 on the ongoing appropriateness, performance and effectiveness of the Internal Model. Full details of the Committee's responsibilities are set out in its terms of reference.

A harmonisation programme to combine the two Internal Models into a single Internal Model is ongoing; upon regulatory approval this will allow the Group to adopt a harmonised view on risk across the Phoenix Life and Standard Life entities.

The validation process which is used to monitor the performance and ongoing appropriateness of the internal model is carried out by the Group Financial Risk team. The output of this activity is presented to the Model Governance Committee through a quarterly validation report. The process is as follows:

- All proposed 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 Model Governance Committee alongside the first line proposal for approval.
- All methodology underlying the 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 alongside a review of the control.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Internal Control Framework

The Group's Internal Control Framework places reliance on the effective operation of a 'Three Lines of Defence Model', which is outlined in section B.3.2.

The following five key elements are required in order to ensure the effective operation of the Internal Control Framework thereby enabling Lines 1, 2 and 3 to fully discharge their responsibilities:

- Key Controls: The identification of the key controls within the business to effectively manage risks within risk appetite. This is undertaken as part of the Group Policy refresh process as outlined in the Group Policy Framework, which the process for developing and embedding and monitoring compliance against a Risk Policy that covers each Level 2 risk category within the Risk Universe. Each of the Risk Policies contains a description of:
  - the individual risks the policy is intended to manage;
  - the degree of risk the Group is willing to accept, which is set out in the policy risk appetite statements; and
  - the Minimum Control Standards ('MCS') required to operate effectively in order to manage the risk within appetite.
- Expected evidence: For each of the MCSs defined, ensuring that there is a clear articulation of the expected evidence to support an assertion that the MCS is operating effectively.
- Self-assessment: The assessment of the operating effectiveness and design of each MCS is performed quarterly by designated control owners in accordance with the Risk & Control Self-Assessment ('RCSA') process.
- Controls assurance program: Implementation of a proportionate program of independent controls assurance activity by Line 1 supported by further risk review and assurance activity in Lines 2 and 3:
  - Line 2 – risk reviews that provide independent assurance regarding Line 1 adherence to the RMF and other local controls, and sample testing of integrity of completed MCS assessments;
  - Line 3 – independent assessments to provide assurance that all significant risks have been identified and appropriately reported and opining as to whether they are adequately controlled.

- Risk and Control Management Information ('MI') reporting: Reporting on inherent risk profiles and MCS performance to provide assurance and MI to all stakeholders confirming that the controls are operating as expected or highlighting exceptions as required. This in turn enables the data to be incorporated and referenced with Line 1 and Line 2 risk reporting to appropriate management committees and boards.

Each of these elements is an integral part of the Group's RMF (see section B), in particular Risk Appetite; Governance and Organisation; Risk Policies; and Risk & Control Processes and Reporting.

B.4.2 The Compliance Function

The Compliance Oversight requirements of the Compliance function are delivered by the Conduct and Compliance team which sits within Group Risk. This is an independent function in the second line and provides assurance to the Boards that the Group is operating within a compliant framework. Whilst compliance with regulation remains the responsibility of senior management assigned to specific roles, the Conduct and Compliance function ensures that the appropriate mechanisms exist to support management in discharging their responsibilities to this end. The Conduct and Compliance function provides assurance through its annual Compliance Monitoring plan, which is developed through a risk-based approach and approved by the relevant Board Risk Committee.

The Policy, Advice and Guidance team monitors regulatory and industry developments which may impact the Group and its policyholders and ensures that these developments are identified in a timely manner, interpreted, cascaded appropriately, and that relevant actions are agreed and effectively implemented. The team, which supports both Group and the Life Companies, monitors the delivery of actions, providing challenge, oversight and senior management assurance around the effective management of regulatory risk in this regard.

B.5 INTERNAL AUDIT FUNCTION

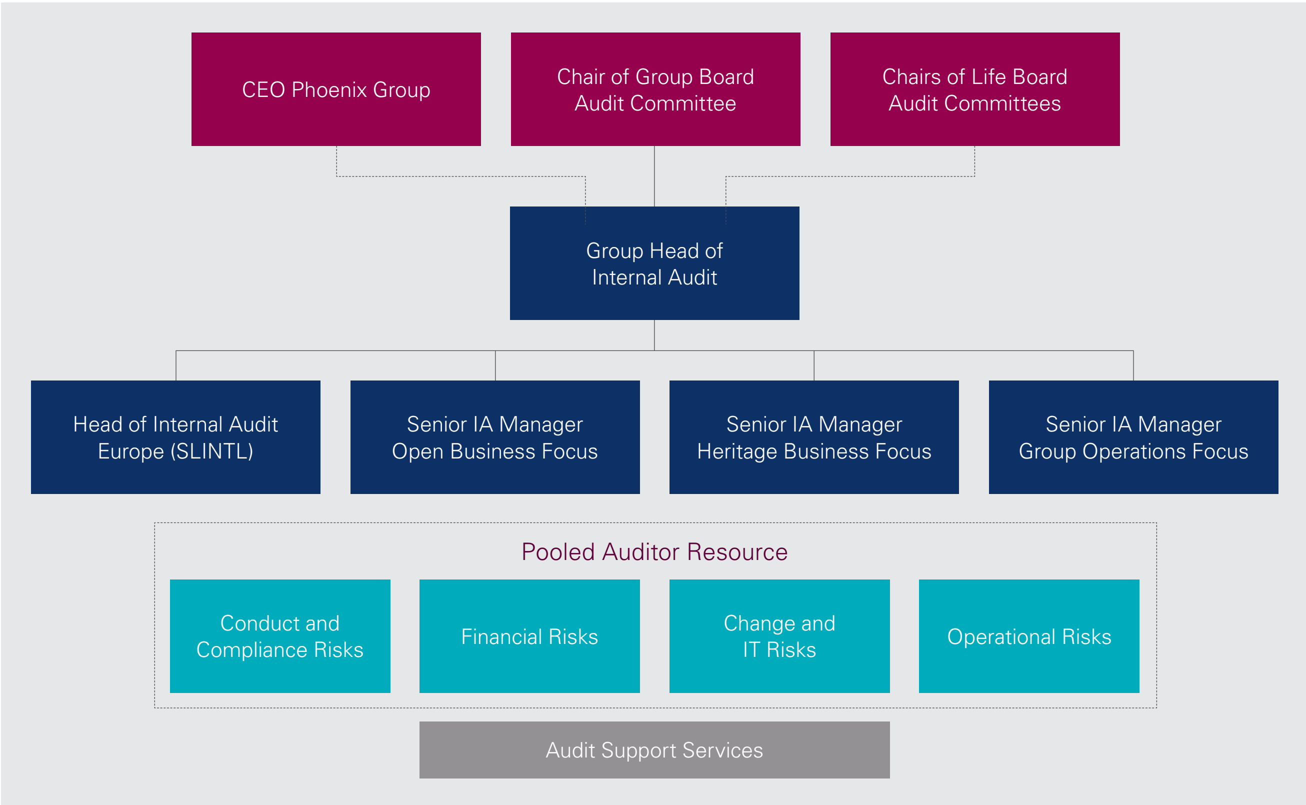
The primary role of the Phoenix Group Internal Audit ('PGIA') function is to support the Board and Executive Management in protecting the assets, reputation and sustainability of the organisation. This is achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

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

The full Internal Audit Charter can be found on the governance pages of the Group's website (http://www.thephoenixgroup. com/about-us/corporate-governance/board-committees/audit-committee/group-internal-audit-charter).

B.5.1 Structure of Internal Audit

A summarised structure chart for the Phoenix Group Internal Audit function (as at 31 December 2020) is shown below:



B.5 INTERNAL AUDIT FUNCTION continued

B.5.2 Roles and Responsibilities of Internal Audit

The Internal Audit scope is unrestricted and there are no aspects of the organisation which PGIA 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 the following:

- Production of Internal Audit plans: PGIA plans, and material changes to plans, are approved by the Group Board Audit Committee BAC ('BAC') (further details on the Committee are included in Section B.1). They have the flexibility to deal with unplanned events to allow PGIA to prioritise emerging risks. Changes to the audit plan are considered through PGIA's ongoing assessment of risk. In setting its plans, PGIA takes into account business strategy, risk and control culture. PGIA forms an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assesses how effectively these risks are being managed. PGIA's independent view is informed, but not determined, by the views of Management or the Risk function. In deciding the audit plan, PGIA focuses on areas where it considers risk to be higher and will not necessarily cover all risk universe scope areas every year.
- Oversight of Outsourced Internal Audit functions: For material OSPs, PGIA operates a risk-based oversight model to ensure the activities of the outsourced Internal Audit functions meet PGIA standards (which are aligned to Chartered Institute of Internal Audit standards).

B.5.3 Reporting

PGIA attend, and issue reports to the PGH BAC and Phoenix Life BACs (see section B.1.5) and any other governing bodies and Board committees as appropriate.

PGIA's reporting to the PGH BAC includes significant control weaknesses, root-cause analysis, themes and a view on management's remediation plans. Bi-annually, PGIA provides 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.5.4 Independence and Objectivity of the Internal Audit Function

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

- The Group Head of Internal Audit ('GHIA') reports to the Group BAC (through the Chair) and administratively to the CEO on a day-to-day basis. The GHIA is supported by a Head of Internal Audit for SL International (SLIHIA), whose primary focus is Phoenix's European business.
- Where the GHIA's tenure exceeds seven years, the Group BAC will explicitly assess independence and objectivity annually. The Group BAC Chair is the final approval point for recommendations made by the CEO regarding the performance objectives, appraisal, appointment or removal of the GHIA, as well as the overall compensation package of the GHIA which is further ratified by the RemCo.
- The remuneration of the GHIA, the SLIHIA and audit staff 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 GHIA ensures that PGIA remains free from anything that impacts its ability to carry out its responsibilities in an unbiased manner.
- PGIA 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 of the organisation's records, necessary to discharge its responsibilities.
- Effective Risk Management, Compliance and other assurance functions are an essential part of the Group's corporate governance structure. PGIA 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 PGIA rely exclusively on the work of these other assurance providers. PGIA exercises informed judgement as to when to leverage the work of other assurance providers and always examines 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.

It is acknowledged that PGIA may also be asked, by the Board or Executive Management, to provide consultancy, advisory and/or undertake investigative assignments on a range of focused or holistic matters such as ethics, risk culture or tone within the organisation. In these circumstances, the results of any such activities would always be shared with the Chair of the Group BAC, regardless of the origin of such request.

PGIA co-operates with the Group's nominated External Auditors, generally through the sharing of planning information and audit results.

The GHIA, and other senior managers within PGIA, have an open, constructive and co-operative relationship with regulators, which supports the sharing of relevant information.

B.6 ACTUARIAL FUNCTION

B.6.1 Organisational Structure

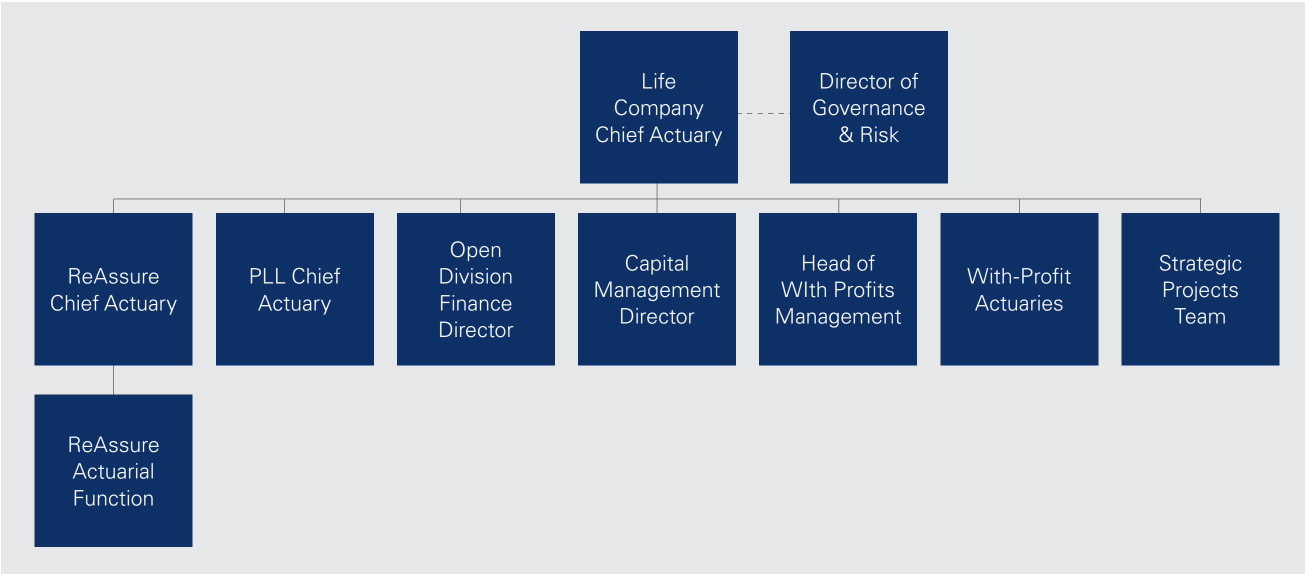
The Actuarial Function within the Group comprises:

- The Life Actuarial department, headed by the Life Company Chief Actuary;
- The Group Actuarial department, headed by the Group Chief Actuary.

The Actuarial Function provides a range of actuarial services and advice to the Boards and management teams of the insurance subsidiaries and PGH.

B.6.2 Life Actuarial Department

A structure chart for the Life Actuarial department is provided below.



1 The Life Company Chief Actuary holds the SMF20 function for PLAL.
2 The PLL Chief Actuary and Open Division Finance Director hold the SMF20 function for PLL and SLAL respectively.
3 The Reassure Chief Actuary holds the SMF20 function for ReAssure.
4 In July 2020, Phoenix acquired ReAssure Group plc. The ReAssure Actuarial Function is yet to be fully integrated with the Life Actuarial Function and is therefore currently operating as a stand-alone function under the ReAssure Chief Actuary. The function is structured consistently with the Life Actuarial Function.
5 Following an internal restructure, the Investment Risk team responsibilities, which were previously part of the Actuarial Function, moved from the Life Companies to Phoenix Asset Management in July 2020. The team is now known as the ALM, SAA, and Structuring team. Life Actuarial continues to have oversight of the investment risks and ALM strategy on behalf of the life company.

B.6 ACTUARIAL FUNCTION continued

B.6.2 Life Actuarial Department continued

B.6.2.1 Key team roles within Life Actuarial department

A summary of the role of each team within the Life Actuarial department is outlined below.

Capital Management

Solvency Risk and Optimisation

The Solvency Risk and Optimisation team's role is to ensure that an appropriate amount of capital is held in each of the Group's insurance subsidiaries. The team oversees a capital policy which is designed to achieve the following objectives:

- to provide appropriate security for policyholders and meet all regulatory capital requirements while not retaining unnecessary excess capital; and
- to ensure sufficient tangible assets to meet obligations to policyholders and other creditors.

The capital policy framework comprises a suite of capital management policies that govern the allocation of capital throughout the Group to achieve these objectives under a range of stress conditions. The policy suite is defined with reference to policyholder security, creditor obligations, dividend policy and regulatory capital requirements.

This team also review the results of the solvency monitoring process which estimates how the solvency of the companies has changed since the last full valuation. These results are reported weekly to senior management and monthly to management committees and Boards. The team also ensures processes are in place to escalate any breaches of the SCR and identify remedial actions.

Internal Model team

The Internal Model team works with other teams within the business to ensure that the Phoenix Partial Internal Model remains in line with the PRA-approved model. This includes managing the regulatory approval process for any changes required to models, methodology and reporting processes in line with the latest regulatory and industry requirements.

In particular, the team recommends the methodology for calculating Solvency II regulatory capital and co-ordinates an opinion on the adequacy and reliability of the Technical Provisions.

This team is also responsible for the Internal Model market and credit risk stress calibrations.

Insurance Risk and Reinsurance Oversight team

The Insurance Risk team is involved in all areas of managing longevity, mortality, persistency and morbidity risk, which also includes calibrating the Internal Model stresses for these risks. Longevity and persistency risk are key risks to which the Group is exposed and effective management of these is critical to meeting Phoenix's objectives.

The team ensures appropriate management of insurance risk by developing a risk management strategy, conducting experience investigations, setting best estimate and Solvency II stress assumptions and reporting and oversight of activities in other functions relating to insurance risk.

The Reinsurance Risk team maintains oversight of key reinsurance risks to which the Group is exposed. The team ensures the in-force treaties are operated in line with the contracts and internal standards and supports the due diligence and onboarding of new treaties. The team is accountable for the Reinsurance Strategy on behalf of the life companies.

New reinsurance treaties primarily emanate from new Bulk Purchase Annuity (BPA) business. The BPA team were previously part of the Life Actuarial Function. However, following an internal restructure, this team now sits outside the function but continues to work closely with the Reinsurance Risk team in respect of new and existing BPA reinsurance arrangements.

Open Business Division

The Open Division Partnering Team is led by the Open Division Finance Director and supports the commercial management of the Group's Open Division. It is aligned to the Group's product lines which are open to new business, supporting new strategic initiatives, proposition development, pricing of new business and commercial performance management.

B.6 ACTUARIAL FUNCTION continued

B.6.2 Life Actuarial Department continued

B.6.2.1 Key team roles within Life Actuarial department continued

Strategic Projects team

The Strategic Projects team lead and provide technical support for the planning and execution of a wide range of strategic projects to meet fund, entity and Group objectives. Projects include intra group and external Part VII transfers (a court-sanctioned legal transfer of some or all of the policies of one company to another) and a variety of other projects (for example, developing new reassurance arrangements, and with-profit initiatives).

The Life Actuarial department provides project support to all parts of the Group.

With-Profits Actuary

The role of the With Profits Actuary is to act as With-Profits Actuary for designated funds. This involves proactively monitoring all aspects of the financial management of the With-Profits funds to ensure that policyholders are treated fairly and developing the future strategy for the financial management of these funds.

With-Profits Management team

The With Profits Management team is involved in all areas of managing with profits business. This includes PPFM management and compliance, setting reversionary and final bonus rates, setting surrender value factors, policyholder communications relating to bonuses and fund performance and managing with-profit fund estate run off.

B.6.2.2 Key responsibilities of the Life Actuarial function under Solvency II

The key responsibilities of the Life Actuarial function under Solvency II are to:

- inform stakeholders about the reliability and adequacy of the calculation of technical provisions;
- express an opinion on the adequacy of reinsurance arrangements;
- express an opinion on the overall underwriting policy;
- ensure processes are in place to escalate any breaches of the SCR capital policy and identify remedial actions; and
- contribute to the implementation of key parts of Phoenix's RMF (see section B.6.2.5).

Reliability and adequacy of technical provisions

The Life Actuarial department plays a critical role in determining the technical provisions across the following key areas:

- methodology;
- data;
- assumptions;
- calculations; and
- validation.

B.6 ACTUARIAL FUNCTION continued

B.6.2 Life Actuarial Department continued

B.6.2.2 Key responsibilities of the Life Actuarial function under Solvency II continued

Reliability and adequacy of technical provisions continued

Ultimately, the Life Actuarial department is responsible for presenting the final technical provisions results to the Boards for approval.

The Life Actuarial department is responsible for overseeing the calculation of technical provisions which are performed by the Life Finance department. The role of the Life Finance department and the interaction with Life Actuarial is summarised briefly below.

The Life Finance department are responsible for ensuring the technical provisions have been calculated in accordance with methodology specified by the Life Actuarial department. As part of this work the Life Finance department are responsible for:

- deriving best estimate demographic and expense assumptions from experience investigations;
- running the models and processes used to calculate the technical provisions;
- the accuracy and reliability of liability data and asset data required to calculate the technical provisions;
- initial review of the technical provision results, and understanding key drivers for changes since the previous valuation; and
- operation of validation controls, such as profit and loss attribution, and comparison of actual results with projected results from the solvency monitoring process.

The Life Actuarial department reviews and challenges the technical provisions produced by the Life Finance department and reports on the reliability and adequacy of these to the Boards. The appropriateness of the technical provisions for use in the balance sheet is assessed by carrying out a detailed review of the technical provisions, which may include studying the control reports and analysing the profit and loss attribution.

B.6.2.3 Reinsurance arrangements

The Life Actuarial department is responsible for forming an overall opinion on the adequacy of reinsurance arrangements. This is to ensure that existing arrangements operate effectively and provide the intended risk mitigation. It also includes the monitoring of the credit quality of reinsurance counterparties.

This opinion is largely guided by the oversight responsibilities and activities performed by the Group's Reinsurance Management Committee ('RMC'). The RMC conducts annual reviews of the reinsurance strategy with consideration given to risk limits, risk profile and effectiveness of risk transfer. The RMC may propose changes to reinsurance arrangements consistent with the risk appetite developed and adopted by the Group.

B.6.2.4 Underwriting policy

The Life Actuarial department is also responsible for forming an overall opinion on the underwriting policy. This is to ensure that the underwriting policy and practices in place are appropriate to the risk appetite of the Group and that the technical provisions are determined in a consistent manner.

This opinion is largely guided by the oversight responsibilities and activities performed by the New Business and Pricing Committee and the Minimum Control Standards imposed by the Group's insurance risk policy.

B.6 ACTUARIAL FUNCTION continued

B.6.2 Life Actuarial Department continued

B.6.2.5 Contribution to the risk-management system

The Life Actuarial department contributes to the implementation of key parts of Phoenix's RMF, including:

- methodology to calculate the Internal Model SCR;
- on-going development of the Internal Model;
- review and challenge of the calculated SCR results, which are calculated by the Life Finance department;
- on-going management of risks faced by the insurance subsidiaries and Group by considering capital policy, asset/ liability matching and investment strategy;
- managing and monitoring the insurance subsidiaries balance sheets; and
- developing, reviewing, and implementing management actions that may be called upon to improve the financial soundness of the Life Companies and the Group.

The Chief Actuary and other senior members of the Actuarial department also sit on or chair a number of key internal governance committees.

This role within the governance process ensures the function is well placed to contribute to the development, monitoring and improvement of the Group's risk management system.

B.6.2.6 Governance & Risk team

The Governance & Risk team provide support to the Life Company Chief Actuary and his management team through provision of assurance over the effectiveness of the Risk Management Framework, Governance and Internal Controls operated within the Life Actuarial Function. This is achieved through delivery of Line 1a assurance reviews and other activities which include:

- Developing and implementing a Line 1a Assurance Methodology with the objective of identifying key areas of control weakness and / or operational inefficiencies and rectifying recommendations. These reviews can be relied upon by Lines 2 & 3 thus avoiding duplication;
- Supporting refresh of Policies owned by the Chief Actuary;
- Assessing, tracking and reporting on rectification actions for risks reported outside of appetite/controls ;
- Assisting in the development and monitoring of appropriate Key Risk Indicators; and
- Tracking and reporting on key assurance actions that are owned by or impact Life Actuarial.

B.6.2.7 Reporting of Actuarial department activities to the Boards

The key tasks undertaken by the Life Actuarial department are reported to the Boards and other key stakeholders annually in the 'Actuarial Function Report'.

This report describes the results and outcomes of the key tasks performed by the Actuarial department, along with any material deficiencies arising from them, and highlights where further details can be found regarding recommendations made to address any material deficiencies.

B.6.3 GROUP ACTUARIAL DEPARTMENT

The Group Actuarial department supports the PGH and PA(GI) Boards in ensuring capital is managed efficiently, managing the Group's solvency position, contributing to the development of the Group's investment strategy and identifying and delivering opportunities to enhance shareholder value across the Group.

Group Actuarial relies on the controls, governance and oversight provided by the Phoenix Life Actuarial department in respect of actuarial activities that relate to the insurance subsidiaries, while maintaining oversight through membership on Governance committees.

Group Actuarial key activities are:

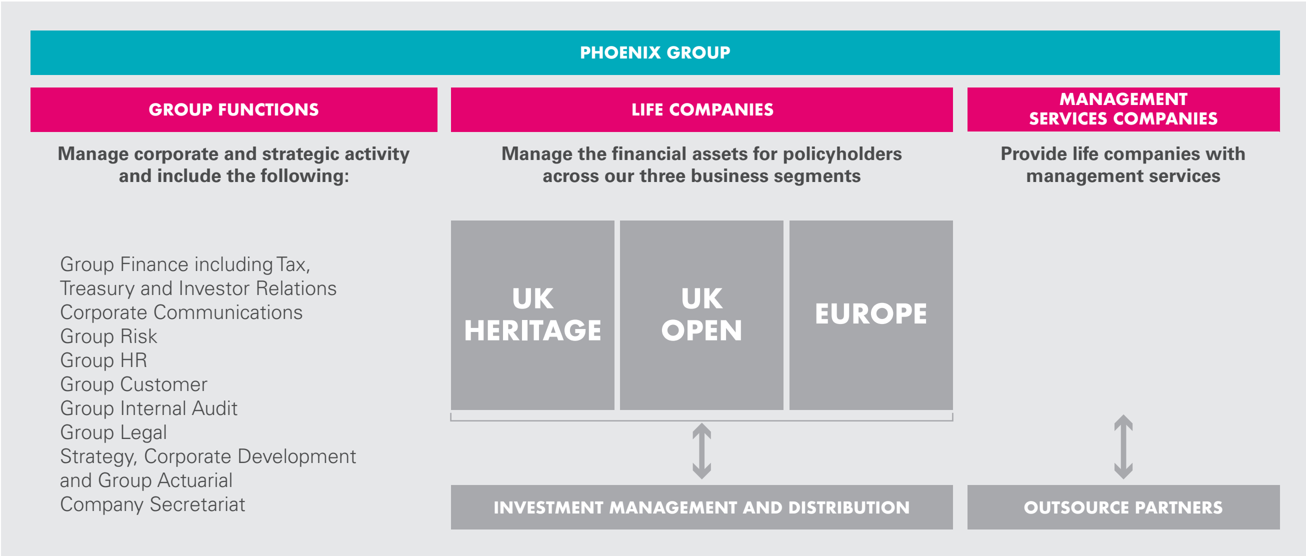
- managing and monitoring the Group balance sheet and capital management policies;
- management of the Group's pension schemes;
- maintaining and developing the Group partial Internal Model, particularly in relation to the staff pension schemes and SCR aggregation;
- supporting the development of a single Group-wide Harmonised Internal Model;
- support on projects;
- pricing and assessment of potential acquisitions; and
- contributing to the development of the Group's investment strategy.

B.7 OUTSOURCING

This section provides information on the material outsourcing arrangements undertaken by the Group and details of its relating policy.

Further details regarding the outsourcing relationships in place for the Standard Life International insurance subsidiary can be found in section B.7 of the SLIDAC SFCR.

The diagram below presents the operating structure of the Group and the interaction with the outsource partners.



B.7.1 Service Provider Relationships

One of the Group's key strategic decisions is to outsource to providers who deliver a range of key services. All service providers are carefully selected following appropriate due diligence.

The Group operates a supplier oversight model, which is a defined MCS within the Sourcing and Procurement Policy detailed in section B.7.2 below. The sourcing model allows for all providers of service to be categorised based upon their risk and materiality to the business. The policy details the minimum standards which the Group are required to employ in establishing and overseeing suppliers, with particular focus on those suppliers who are deemed to be critical and strategically important. All critical and strategically important suppliers have been identified within a Supplier Management Model which defines the manner in which each supplier is overseen. The contracts for strategically important and critical suppliers fully define the requirements of them as a provider of services to the Group. These contracts make clear the obligations which are placed on each supplier.

A Contingency Framework is also in place and recognises that there are risks associated with OSP failure/default which the Group may be accountable for. This framework is reviewed on an annual basis and outputs of any reviews are shared with the FCA, upon request.

The outsource partners have scale and common processes, often across multiple clients, which provide several benefits for the Group, including reducing investment requirements, improving the technology used within our administrative capability, and reducing our operational risk.

Specialist roles such as Finance, Actuarial, Risk and Compliance and oversight of the outsource partners are retained in-house, ensuring the Services Companies and Life Companies retain full control over the core capabilities necessary to manage and integrate closed life funds.

B.7 OUTSOURCING continued

B.7.1 Service Provider Relationships continued

The services provided across the Group's outsourcers are as follows:

B.7.1.1 Management Services Agreements ('MSAs') with Service Companies

The Service Companies are responsible for providing the Phoenix Group with all required management services.

The Service Companies manage relationships with the outsource partners. Without further acquisitions, the number of Phoenix Group policies declines over time and the cost of our operations as a proportion of policies will increase. This risk is managed by paying a fixed price per policy to our outsource partners for policy administration services, which reduces this fixed cost element of our operations and converts it to a variable cost structure.

B.7.1.2 Policy administration

Full policy administration for policyholders of our Phoenix Group companies, including:

- call centre handling;
- policy servicing; and
- claims handling.

Policy administration services are principally UK based, and all fall under FCA jurisdiction with the exception of a small book of policies administered by SS&C (formerly DST) who are based in Dublin and are regulated by the CBI. The Group's key OSPs for policy administration are listed below. There are also a number of suppliers who service a small number of policies operating under the Phoenix Supplier management model.

Policy administration OSPs	PLL	PLAL
Diligenta Established in 2005, Diligenta are a UK-based subsidiary of Tata Consultancy Services ('TCS'), and a leading provider of business process services for the life and pensions industry. Specifically, Diligenta provide life and pensions business process services to our policyholders delivering contact centre, policy servicing and claims administration. In managing the Phoenix account, Diligenta operate out of three principal UK locations, Peterborough, Liverpool and Basingstoke, and are supported by overseas locations in India. During November 2020 the customer servicing and other customer related activity for over 1 million customers moved to Diligenta from Capita Glasgow under Project Scott.	✓	✓
Capita Life and Pensions A major supplier of business process services to the UK life and pensions industry. Specifically, Capita Life and Pensions provide life and pension's business process services to our policyholders delivering contact centre, policy servicing and claims administration. In managing the Phoenix account, Capita operate out of two principal UK locations, Glasgow and Bournemouth, and are supported by overseas locations in India.	✓	–
HCL (formerly Liberata) A smaller, but critical, UK regulated business process service relationship exists with HCL who operate out of Romford, supported by overseas locations in India.	✓	–
SS&C (formerly DST) A smaller, but critical, UK regulated business process service relationships who operate out of Dublin.	✓	–
FNZ A smaller, but critical, UK regulated business process service relationship who operate out of Basingstoke and Edinburgh.	✓	–

B.7.1.3 Fund accounting and investment management

Service providers are used which provide the Phoenix Group Companies with:

Fund accounting and custody services; and Investment management of assets owned by the Life Companies under agreed Investment Management Agreements and associated mandates.

Investment, fund accounting and custody services are all operated by service providers who are principally UK based. The Group's key providers of these services are listed below.

B.7 OUTSOURCING CONTINUED

B.7.1 Service Provider Relationships continued

B.7.1.3 Fund accounting and Investment Management continued

Fund accounting and investment management OSP	PLL	PLAL
HSBC Provide end-to-end securities services incorporating fund accounting and custody services, TA services and trustee and depository services.	✓	✓
Aberdeen Standard Investments A leading investment management group and strategic partner to Phoenix.	✓	✓

There are also a number of investment managers who service a small number of investments operating under the Phoenix Supplier management model

B.7.1.4 Other relationships

A number of outsourcing partners are used to operate and deliver core systems, capabilities and processes. Key relationships include BT, Pulsant, Cognizant, TCS, Accenture, IBM, Milliman, Deloitte, Tagetik and Oracle.

Following the Phoenix acquisition of ReAssure Group work is underway to bring in the ReAssure suppliers into a harmonized Supplier Management Model.

B.7.2 Sourcing and Procurement Policy

Sourcing is the structuring of the supply base, including the evaluation, selection and appointment of suppliers to support the operating model of the organisation and key functions, Procurement is the acquisition of goods or services to meet specific business needs and the creation of commercial and legal agreements to fulfil specific requirements.

The Group has a sourcing and procurement policy in place which seeks to manage sourcing and procurement risk (the risk of reductions in earnings and/or value through financial or reputational loss associated with procuring services and managing service providers).

The policy covers the Group's MCSs (Minimum Control Standards) which are to be adhered to when evaluating, selecting, implementing and managing suppliers in order to ensure risk is managed appropriately. The policy also contains the key risks associated with sourcing and procurement and the MCS in place to mitigate those risks to within an acceptable risk appetite.

This aligns with the Risk and Control Framework operated across the Group to manage risk. Further details on the Risk and Control Framework can be found in section B.3.

B.7.3 Board oversight

Management oversight committees are in place to oversee OSPs. A material outsourcer report is produced monthly, and presented to the Operational Risk Committee on a quarterly basis.

Risk and control reporting, including the outsourcer view is maintained through the completion of a Line 1 risk report (an outcome report, aligned to the Phoenix risk universe and RMF). This report is reviewed and approved by the relevant Management Board on a monthly basis and is submitted to the relevant Life Risk Committee on a quarterly basis.

B.8 ANY OTHER INFORMATION

B.8.1 System of governance – assessment of adequacy

Overall, it has been deemed that the system of governance in place within the Group is adequate to meet the requirements of the Solvency II Directive, demonstrated by the framework described herein.

There is no further material information to be disclosed regarding the system of governance.

SECTION C
RISK PROFILE

SECTION C
RISK PROFILE

RISK PROFILE

Section B.3 sets out the risk management system including information on how the Risk Management Framework is implemented and integrated into the organisational structure, and the decision-making processes of the Group and its Life insurance subsidiaries.

This section provides information on the risk profile of the Group and its Life insurance subsidiaries, 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.

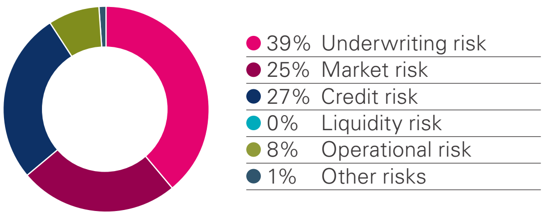
Sensitivity analysis for each category of risk is also provided for the Group and its main insurance subsidiaries.

To show an indicative PGH Group view, (where relevant) the underlying tables within this section present the risk profile of the Phoenix Life insurance subsidiaries (Method 1 entities) alongside the risk profile of the Standard Life insurance subsidiaries (Method 2 entities). However, the risk capitals are calculated on two different Internal Models (together with Standard Formula components for SLIDAC, ReAssure and Ark), each with different stress calibration assumptions and methodologies. PA(GI) is within the scope of the legacy Phoenix Internal Model.

The PGH Group SCR is a straight sum of the Method 1 and Method 2 entities without any allowance for differences in underlying Internal Models. To give an indicative exposure of the overall risk profile for the PGH Group, the risk profiles for each entity have been aggregated across the different risk types using a simple pro rata approach.

The chart below shows a high-level view of the composition of the PGH Group undiversified SCR, aggregated across Method 1 and Method 2 entities, based on the different Internal Models and Standard Formula component.

Risk profile



The undiversified SCR of the underlying insurance subsidiaries is presented below.

Risk profile of insurance subsidiaries and the Group	Section reference	PLL	PLAL	PA(GI)	RAL	RLL	ARK	PGH Group Method 1	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Underwriting risk	C.1	33%	44%	0%	44%	0%	48%	40%	38%	31%	2%	37%	39%
Market risk	C.2	25%	18%	0%	25%	2%	41%	22%	33%	24%	0%	32%	25%
Credit risk	C.3	33%	30%	0%	28%	33%	8%	30%	17%	31%	98%	19%	27%
Liquidity risk	C.4	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Operational risk	C.5	7%	7%	100%	3%	65%	3%	6%	12%	14%	0%	12%	8%
Other risks	C.6	2%	1%	0%	0%	0%	0%	2%	0%	0%	0%	0%	1%
Total		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

The Group and its Life insurance subsidiaries are generally exposed to similar risks although the extent of exposures varies depending on the LoB underwritten by the insurance undertaking and the asset portfolios held.

Sections C.1 to C.6 set out, for each of the risks, a description of the material risks that the Group and the Life insurance subsidiaries are exposed to, the risk measurement techniques used to assess these risks, risk concentrations, and a description of risk mitigation techniques used for mitigating these risks. Section C.7 sets out the results of stress testing and sensitivity analysis for material risks.

The Group and its Life insurance subsidiaries do not hold SCR for liquidity risk, as explained further in Section C.4.1. More details regarding the SCR are set out in section E.

A Group-wide project is underway to enhance our approach to managing the financial risks of climate change, including embedding climate risk considerations within the Group's Risk Management Framework, which will meet the requirements of Supervisory Statement 3/19. The Group's disclosures in line with the Task Force on Climate-related Financial Disclosures ('TCFD') are outlined on pages 67–73 of the Group's 2020 Annual Report and Accounts; this includes details of planned future activity across each of the TCFD focus areas.

C.1 UNDERWRITING RISK

C.1.1 Risk exposure

This section describes the underwriting risk exposures of the Phoenix Group for the year ended 31 December 2020. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2020.

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 within the Group include the following sources of underwriting risk:

Risk source	Description
Mortality risk (including catastrophe risk)	Higher than expected number of death claims on assurance products, greater than expected improvement in annuitant mortality or occurrence of one or more significant claims.
Longevity risk	Lower than expected number of deaths experienced on annuity products or greater than expected improvements in annuitant mortality.
Morbidity risk	Higher than expected number of inceptions on critical illness or income protection policies and lower than expected termination rates on income protection policies.
Expense risk	Unexpected timing or value of expenses incurred.
Persistency risk	Adverse movements in either surrender rates, guaranteed annuity options, guaranteed annuity option take-up rates, policyholder retirement dates or the occurrence of a mass lapse event.
New Business pricing risk	Inadequate or inappropriate pricing of new business.

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

Components of underwriting risk	PLL	PLAL	RAL	RLL	ARK	PGH Group Method 1	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Longevity risk	56%	57%	54%	n/a	0%	53%	38%	13%	0%	36%	48%
Lapse risk (including persistency risk)	32%	38%	34%	n/a	56%	33%	45%	64%	0%	46%	37%
Other life underwriting risk	12%	5%	12%	n/a	44%	14%	17%	23%	100%	18%	15%
Total underwriting risk	100%	100%	100%	n/a	100%	100%	100%	100%	100%	100%	100%

In addition to exposure arising from contracts underwritten by the insurance subsidiaries, the Group is also exposed to longevity risk arising from the Pearl Group Staff Pension Scheme ('Pearl Scheme'), the Abbey Life Assurance Company Limited Staff Pension Scheme ('Abbey Life Scheme') and the ReAssure Staff Pension Scheme ('ReAssure Scheme').

During the year ended 31 December 2020, the key changes to underwriting risk exposure include:

- the update of longevity and mortality assumptions to reflect portfolio experience up to 31 December 2019 and the latest views on future trends, resulting in an overall release of longevity risk reserves and capital and an increase in mortality risk reserves and capital;
- the effect of excess mortality over 2020 due to COVID-19 has resulted in an overall release of reserves relative to expectations. No credit has been taken for this increased mortality in forward looking assumptions given the one off nature of this event; and
- the successful acquisition of Bulk Purchase Annuity books, however most resulting longevity exposure is reinsured externally.

C.1 UNDERWRITING RISK continued

C.1.2 Risk measurement

The Group use several methods to assess and monitor underwriting risk exposures both for individual types of risks insured and the overall risks. These methods include the two PRA approved Internal Models (a Phoenix Internal Model covering all the Phoenix Life entities and a Standard Life Internal Model covering SLAL and SLPF), experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. The Irish entity, SLIDAC, and ReAssure entities determine their capital requirements in accordance with the Standard Formula.

The risk capital requirement for underwriting risk is assessed using the Group's partial Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2020, underwriting risk represented 39% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.1.3 Risk concentration

The Group is not exposed to any material concentration of underwriting risk. For all underwriting risks described above, the Group's exposure is spread across a diversified portfolio of products with approximately 14 million individual policyholders. No individual policyholder contract size is large enough to represent a material concentration as a proportion of the Group's total risk exposure.

C.1.4 Risk mitigation

The Group seeks to manage exposure to underwriting risk by establishing Minimum Control Standards ('MCS') and supporting practices that align with its agreed principles. Risk appetite statements have been established for underwriting risks and the risk exposures are monitored against agreed limits.

The ongoing effectiveness of insurance risk mitigation is monitored on a regular basis by the Financial Risk Committee ('FRC') and the Group Finance and Capital Committee ('GFCC').

The mitigation of underwriting risk through reinsurance and other forms of risk transfer is used to manage the overall level of exposure to underwriting risk.

As at 31 December 2020, the Life Companies and the Group held the following reinsurance recoverable balances.

Method 1	Reinsurance recoverables £m	Largest counterparty
PLL	7,367	Legal & General Assurance (Pensions Management) Limited
PLAL	2,474	PLL
ARK	640	Munich Reinsurance Company
RLL	548	Swiss Re Europe S.A.
RAL	1,042	Scottish Equitable PLC
Other[1]	(1,395)	–
PGH Group	10,676	Legal & General Assurance (Pensions Management) Limited

1 Other includes consolidation items in respect of intra-group reinsurance arrangements.

Method 2	Reinsurance recoverables £m	Largest counterparty
SLAL	7,146	Canada Life Re Ireland Designated Activity Company
SLPF	10	SLAL

The majority of the underwriting risk that has been ceded relates to annuitant longevity risk, which has been transferred by a mixture of conventional reinsurance treaties and longevity swaps.

The ongoing effectiveness of the reinsurance ceded externally by the Phoenix Life Companies is monitored on an ongoing basis by the Reinsurance Management Committee ('RMC').

C.1 UNDERWRITING RISK continued

C.1.5 Sensitivity analysis

As part of the Group's internal risk management processes, the impact of a number of underwriting risk scenarios on the SCR is monitored. The results of such stress testing on the Group's SCR and each main insurance subsidiary's SCR are provided below.

	PLL		PLAL		SLAL		SL Intl		RAL		RLL		PGH Group[4]	
SCR £m (or %)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)
Base: 1 January 2021[1]	**(3,405)**	**145%**	**(1,372)**	**139%**	**(2,989)**	**147%**	**(400)**	**132%**	**(2,807)**	**185%**	**(20)**	**1186%**	**(11,591)**	**145%**
Following 6% decrease in annuitant mortality rates[2]	(3,393)	138%	(1,387)	130%	(2,989)	139%	(403)	128%	(2,867)	169%	(20)	1186%	(11,653)	136%
Following 10% increase in assurance mortality rates	(3,400)	142%	(1,373)	139%	(2,989)	147%	(399)	135%	(2,808)	183%	(20)	1186%	(11,587)	144%
Following a 10% change in lapse rates[3]	(3,385)	143%	(1,375)	134%	(2,925)	148%	(390)	132%	(2,801)	183%	(20)	1186%	(11,497)	143%

1 Assumes stress occurs on 1 January 2021.
2 Equivalent of six month increase in longevity applied to the annuity portfolio.
3 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.
4 The impact of the sensitivity on the overall Group including the acquired ReAssure subsidiaries.

As can be seen from the results, the Group and its insurance subsidiaries are resilient to such scenarios, with the largest exposure being to a decrease in annuitant mortality rates.

C.2 MARKET RISK

C.2.1 Risk exposure

This section describes the market risk exposures of the Phoenix Group for the year ended 31 December 2020. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2020.

Market risk is the risk of reductions in earnings and/or value, through financial or reputational loss, from unfavourable market movements. The Group and its Life insurance subsidiaries are exposed to the following sources of market risk:

Risk source	Description
Interest rate risk	The risk of a reduction in earnings and/or value arising from changes in fixed interest yields or changes in the spread between the swap curve and the gilt yield curve that affect bond asset values and/or their volatility. In this context bond assets should be taken to include gilts, supranational, corporates and collectives that invest primarily in these assets.
Equity risk	The risk of reduction in earnings and/or value, from unfavourable movements in equity asset values and/ or equity volatility. 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 reduction in earnings and/or value, from unfavourable movements in property asset values and/ or property volatility. In this context, property assets should be taken to include direct property investment, shares in property companies, property collectives (OEICs, unit trusts, investment trusts), and structured property assets.
Gilt swap spread risk	The risk of reduction in earnings and/or value, from unfavourable movements in the spread between government bond yields and swap rates used to discount insurance liabilities.
Inflation risk	The risk of reduction in earnings and/or asset and liability values, due to inflation, e.g. price inflation or wage inflation. This could lead to an unanticipated change in insurance cost, or change in asset values relative to the respective liabilities.
Currency risk	The risk of reduction in earnings and/or asset and liability values, arising 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.
Alternative assets risk	The risk of reduction in earnings and/or value, from unfavourable movements in the value and/or volatility of investments in alternative asset classes. In this context, alternative asset classes should be taken to include hedge funds and private equity vehicles.

Phoenix seeks to hedge out the majority of shareholder exposure to declines in the equity markets through the use of derivatives.

During the year ended 31 December 2020, the key changes to market risk exposure included:

- Sale of credit assets outside of the Matching Adjustment portfolio in SLAL;
- Successful acquisition of Bulk Purchase Annuity books; predominantly backed by a mixture of ERM, liquid and illiquid credit and government bonds;
- Increased investment in illiquid assets;
- The Group's equity hedge, which covered c80% of the equity risk exposure in ReAssure ahead of the acquisition, was closed at Group level upon acquisition and then executed to sit within ReAssure;
- Increased hedging of ReAssure market risks, including equity, currency and interest rate risks; and
- Increased hedging of market risks associated with the Legal & General Mature Savings Business (including the risks connected to the LGWPF), following completion of the Part VII transfer of this business.

C.2 MARKET RISK continued

C.2.1 Risk exposure continued

The table below shows the split of the undiversified SCR in respect of market risk for each of the insurance subsidiaries and the Group.

Components of market risk	PLL	PLAL	RAL	RLL	ARK	PGH Group (Method 1)	SLAL	SLIDAC	SLPF	PGH Group Method 2	PGH Group Methods 1 & 2 Total
Interest rate risk	30%	38%	48%	100%	19%	34%	43%	5%	0%	41%	37%
Gilt swap spread risk	22%	35%	0%	0%	0%	17%	0%	0%	0%	0%	10%
Other market risks	48%	27%	52%	0%	81%	49%	57%	95%	0%	59%	53%
Total market risk	100%	100%	100%	100%	100%	100%	100%	100%	0%	100%	100%

C.2.2 Risk measurement

The Group and its insurance subsidiaries use 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 risk metrics, strategic asset allocation, and hedge effectiveness.

In addition, these methods include the two PRA approved Internal Models (a Phoenix Internal Model covering all the Phoenix Life entities and a Standard Life Internal Model covering SLAL and SLPF), experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. The Irish entity, SLIDAC and the ReAssure entities determine their capital requirements in accordance with the Standard Formula.

The risk capital requirement for market risk is assessed using the Group's partial Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2020, market risk represented 25% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.2.3 Risk concentration

The asset concentrations are managed through the Group's strategic asset allocation process, with the allocation to each asset class being agreed by the insurance subsidiaries' Boards.

The operation of agreed market risk concentration limits at fund level ensures that the Group and its insurance subsidiaries are not overly exposed to any single country, sector or individual counterparty.

C.2 MARKET RISK continued

C.2.4 Risk mitigation

Interest rate risk

With-profit business and non-participating business within the with-profit funds are exposed to interest rate risk as guaranteed liabilities are valued relative to market interest rates and investments include fixed interest securities and derivatives. For with-profit business, the profit or loss arising from mismatches between such assets and liabilities is largely offset by increased or reduced discretionary policyholder benefits dependent on the existence of policyholder guarantees. The contribution of these funds to the Group result is determined primarily through the impact on the value of future shareholder transfers and/or by the change in value of the current or assumed future level of shareholder support within the relevant insurance subsidiaries' with-profit funds. The shareholder capital is exposed to all economic movements until the estate is rebuilt to cover the required capital, at which point the fund becomes 'unsupported'.

Interest rate risk is managed by matching assets and liabilities where practicable and by entering into derivative arrangements for hedging purposes where appropriate. This is particularly the case for the health and other life insurance funds including Matching Adjustment annuity funds. For participating business, increased exposure to interest rate risk is permitted where it is consistent with the principles of treating customers fairly. The with-profit funds of the Group provide capital to allow such mismatching to be effected. In practice, the Life insurance subsidiaries within the Group maintain an appropriate mix of fixed and variable rate instruments (including cash and derivatives) according to the underlying policyholder liabilities and a review is performed at regular intervals to ensure that overall exposure is kept within the risk profile agreed for each particular fund. This also requires the maturity profile of these assets to be managed in line with the liabilities to policyholders.

In the non-profit fund and particularly the Matching Adjustment annuity funds, policy liabilities' sensitivity to interest rates are matched primarily with fixed and variable rate income securities and derivatives, with the result that sensitivity to changes in interest rates is low.

The Matching Adjustment portfolios in PLL include exposure to ERM. The interest rate risk in respect of these illiquid assets is matched to liabilities in order to leave a low residual interest rate risk exposure. The potential adverse loss in respect of these illiquid assets is modelled using bespoke in-house models reflecting the specificities of these asset classes.

The Group's pension schemes exposure to interest rates is largely hedged through the use of long dated gilts and interest rate swaps, within the schemes.

Equity and property risk

The Group's objective in holding equity and property assets is to earn higher long-term returns by investing in a diverse portfolio of equities and properties. Portfolio characteristics are analysed regularly and price risks are actively managed in line with investment mandates. The Group's equity holdings are diversified across industries, and concentrations in any one company or industry are limited.

The Group's exposure to property risk has increased due to increased investment in illiquid credit assets such as ERM and Commercial Real Estate ('CRE'). This is in addition to maintaining the current exposure from: existing ERM & CRE investments; collectives in the UL funds and WPFs; and some direct property holdings in the SLAL WPFs.

Equity and property price risk is managed through the agreement and monitoring of financial risk profiles that are appropriate for each of the Group's life funds in respect of maintaining adequate regulatory capital and treating customers fairly. This is largely achieved through asset class diversification and within the Group's ALM framework through the holding of derivatives or physical positions in relevant assets to hedge equity risk where appropriate. Any residual equity exposure emanating at Group is hedged, if necessary, to keep the Group exposure within risk appetite. The Group's pension schemes also retain a material exposure to property risk and, in the case of the ReAssure Scheme, to equity risk exposure. Risk exposures are managed via each scheme's investment strategy, as agreed with the trustees.

Inflation risk

The Group is exposed to inflation risk through annuity policies and the Group's pension schemes, which may provide for future benefits to be paid taking account of changes in the level of experienced and implied inflation, and also through the Group's cost base. The Group seeks to manage inflation risk through the holding of derivatives, such as inflation swaps, or physical positions in relevant assets, such as index-linked gilts, where appropriate.

C.2 MARKET RISK continued

C.2.4 Risk mitigation continued

Gilt swap spread risk

The Life insurance subsidiaries accept some residual exposure to gilt-swap spread risk. This exposure arises where UK Gilts are held as assets but policyholder liabilities are discounted using the PRA risk-free reference rate, which is based on the swap curve. For the Group's pension schemes, where liabilities are valued using a gilts-based curve, gilt-swap spread exposure exists where swaps are held to hedge the liabilities. The exposure to gilt-swap spread risk is managed to stay within the overall risk appetite of the Group.

Currency risk

The Group and its insurance subsidiaries' financial assets are primarily denominated in the same currencies as its policyholder liabilities. Thus, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which policyholder liabilities are expected to be settled and, indirectly, from the earnings of UK companies arising abroad.

The Group and its life insurance subsidiaries have some exposure to overseas assets which is not driven by liability considerations. The purpose of this exposure is to reduce overall risk whilst maximising returns by diversification. This exposure is limited and managed through investment mandates which are subject to the oversight of the investment committees of the Boards of each insurance subsidiary. Fluctuations in exchange rates from certain holdings in overseas assets are hedged against currency risks.

Alternative assets risk

PLL, PLAL, SLAL and RAL hold alternative assets as part of their wider diversified portfolios. The risks are managed in accordance with the ALM framework, taking into account the ALM targets and risk appetite of the funds in question.

The Group's pension schemes also retain a material exposure to alternative assets risk. Risk exposures are managed via each Scheme's investment strategy, as agreed with the trustees.

The ongoing effectiveness of market risk mitigation is monitored on a regular basis by the Investment Management Committee ('IMC').

C.2.5 Sensitivity analysis

As part of the Group's internal risk management processes, the impact of a number of market risk scenarios on the SCR is monitored. The results of that stress testing on the Group's and each main insurance subsidiary's SCR are provided below.

	PLL		PLAL		SLAL		SL Intl		RAL		RLL		PGH Group[3]	
SCR £m (or %)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)
Base: 1 January 2021[1]	**(3,405)**	**145%**	**(1,372)**	**139%**	**(2,989)**	**147%**	**(400)**	**132%**	**(2,807)**	**185%**	**(20)**	**1186%**	**(11,591)**	**145%**
Following a 20% fall in equity markets	(3,408)	145%	(1,374)	139%	(2,937)	147%	(369)	131%	(2,736)	191%	(20)	1385%	(11,439)	146%
Following a 12% fall in property values	(3,538)	138%	(1,372)	139%	(2,996)	147%	(399)	133%	(2,806)	184%	(20)	1186%	(11,720)	143%
Following a currency appreciation	(3,406)	145%	(1,372)	139%	(2,898)	146%	(353)	136%	(2,798)	184%	(20)	1186%	(11,446)	145%
Following a currency depreciation	(3,404)	145%	(1,372)	139%	(3,103)	149%	(451)	129%	(2,817)	185%	(20)	1186%	(11,763)	146%
Following a 73bps interest rates rise[2]	(3,177)	147%	(1,256)	144%	(2,692)	152%	(372)	154%	(2,648)	188%	(20)	1220%	(10,722)	149%
Following a 88bps interest rates fall[2]	(3,822)	142%	(1,584)	134%	(3,288)	142%	(456)	94%	(3,045)	180%	(20)	1146%	(12,881)	140%

1 Assumes stress occurs on 1 January 2021.
2 Assumes recalculation of transitionals (subject to PRA approval).
3 The impact of the sensitivity on the overall Group including the acquired ReAssure subsidiaries.

As can be seen from the results, the Group and its main insurance subsidiaries are resilient to such scenarios.

C.3 CREDIT RISK

C.3.1 Risk exposure

This section describes the credit risk exposures of Phoenix Group for the year ended 31 December 2020. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2020.

Credit risk is the risk of a reduction in earnings and/or value, through financial or reputational loss, as a result of the default of a counterparty or an associate of such a counterparty to a financial transaction (i.e. failure to honour their financial obligations, or failing to perform them in a timely manner). These obligations can relate to both on and off balance sheet assets and liabilities. The Group and the Life insurance subsidiaries are exposed to the following sources of credit risk:

Risk source	Description
Spread risk	The risk of reduction in earnings and/or value, arising from changes in the spread between corporate bond yields and gilt yields or corporate bond yields and the swap curve. In this context, spread risk also includes changes in the spreads on ERM, infrastructure loans, commercial mortgage loans, local authority loans and infrastructure investments.
Illiquid credit risk	The risk of reduction in earnings and/or value, from unfavourable movements in the value and/or volatility of investments in illiquid credit asset classes. In this content, illiquid credit assets include ERM, commercial real estate debt, infrastructure debt, local authority loans, private placements and fund finance.
Investment counterparty risk	The risk of reduction in earnings and/or value, arising from counterparty defaults on investments such as bonds, derivatives and cash deposits. This also includes the residual risk of credit risk mitigation techniques being less effective than expected. For example 'gap risk' where derivative or reinsurance collateral fails to move in line with liabilities following a default event.
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.
Outsourcer default risk	The risk of reduction in earnings and/or value, arising from default by firms providing outsourced services such as administration and investment management.
Stock-lending risk	The risk of reduction in earnings and/or value, arising as a result of borrowers defaulting on their obligation to return the original stock and the risk arising from the investment of the collateral received in lieu of the borrowed stock.

During the year ended 31 December 2020, the key change to credit risk exposure is the increased investment in illiquid credit assets, including ERM (by acquisition of further back books and ongoing funding of new loans), CRE loans, infrastructure and private placements.

As a result of the economic impact of COVID-19 the Group actively reduced its exposure to 'BBB' rated GBP liquid credit by replacing existing positions that were deemed at-risk of downgrade with higher rated US liquid credit. The subsequent currency exposure was hedged by entering into cross-currency swaps in order to fix the GBP value of the coupon and principal payments on the bonds.

C.3.2 Risk measurement

Several methods are used to assess and monitor credit exposures. These methods include monitoring of asset portfolio composition, single name counterparty monitoring, Value-at-Risk ('VaR') and Potential Future Value Exposure modelling.

In addition, these methods include the two PRA approved Internal Models (a Phoenix Internal Model covering all the Phoenix Life entities and a Standard Life Internal Model covering SLAL and SLPF), experience analyses, external data comparisons, sensitivity analyses, scenario analyses and stress testing. The Irish entity, SLIDAC and the ReAssure entities determine their capital requirements in accordance with the Standard Formula.

The risk capital requirement for credit risk is assessed using the Group's partial Internal Model, which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period.

As at 31 December 2020, credit risk represented 27% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.3 CREDIT RISK continued

C.3.3 Risk concentration

Concentration of credit risk exists where the Group or its insurance subsidiaries 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. Counterparty risk in respect of over-the-counter ('OTC') derivative counterparties is monitored using a Potential Future Value Exposure metric.

An indication of the exposure to credit risk is the quality of assets. The table below provides information regarding the aggregate credit exposure split by credit rating, for direct holdings in government and corporate bonds included in investments (other than assets held for index-linked and unit-linked contracts).

	PLL	PLAL	RAL	RLL	SLAL	Other	PGH Group	
Rating	Market value £m	Market value £m	Market value £m	Market value £m	Market value £m	Market value £m	Market value £m	Percentage of total %
AAA	1,408	315	1,403	–	3,464	102	6,692	12%
AA	8,873	2,654	5,296	111	7,221	274	24,429	43%
A	3,481	810	6,498	–	4,440	196	15,425	27%
BBB	1,457	421	4,455	–	2,360	74	8,767	15%
BB	61	3	108	–	213	–	385	1%
B and below	–	–	3	–	65	–	68	0%
Non-rated	242	117	570	–	223	–	1,152	2%
Total	**15,522**	**4,320**	**18,333**	**111**	**17,986**	**646**	**56,918**	**100%**

As at 31 December 2020, the largest credit counterparty exposures to a single name counterparty in the Group's asset portfolio were:

Top 10 single name credit exposures (£m)	PGH Group
HER MAJESTY'S TREASURY	15,128
DIRECTION GENERALE DU TRESOR	2,486
BUNDESREPUBLIK DEUTSCHLAND	2,471
EUROPEAN INVESTMENT BANK	1,106
NETWORK RAIL INFRASTRUCTURE FINANCE PLC	660
HSBC HOLDINGS PLC	610
LLOYDS BANKING GROUP PLC	569
WALMART INC.	519
KINGDOM OF BELGIUM	510
DE STAAT DER NEDERLANDEN	473

The insurance subsidiaries and the Group are exposed to concentration risk in respect of reinsurance ceded to external counterparties, although this is largely mitigated by collateral arrangements with the reinsurers and concentration limits in respect of individual reinsurance counterparties.

C.3 CREDIT RISK continued

C.3.4 Risk mitigation

The insurance subsidiaries and the Group are also exposed to concentration risk with outsource partners. This is due to the nature of the outsourced services market. The Group operates a policy to manage outsourcer service counterparty exposures and the impact from default is reviewed regularly by executive committees and measured though the PRA approved partial Internal Model, including the use of stress and scenario testing. Further details on the Group's outsourcing arrangements can be found in section B.7.

Credit risk is managed by monitoring aggregate Group exposures to individual counterparties, through appropriate credit risk diversification and via the investment mandates. The Group manages the level of credit risk it accepts through credit risk tolerances. In certain cases, protection against exposure to particular credit risk types may be achieved through the use of derivatives. The credit risk borne by the shareholder on with-profit policies is dependent on the extent to which the underlying insurance fund is reliant on shareholder support.

The ongoing effectiveness of credit risk mitigation described above is monitored on an ongoing basis by the IMC and the RMC.

Further specific mitigation techniques are set out below.

Matching Adjustment portfolio
PLL, PLAL, SLAL and RAL have Matching Adjustment approval in respect of blocks of non-participating annuity business. Credit risk and Matching Adjustment is managed via the investment mandates and with investment in Matching Adjustment eligible assets.

Reinsurers
The Group cedes insurance risk in the normal course of business. The Group has policies and procedures in place for the management of reinsurance counterparty default risk, including the design of new treaties and the regular monitoring of reinsurance counterparties by the RMC.

Collateral
The Group receives and pledges collateral in the form of cash or non-cash assets in respect of derivative contracts, reinsurance arrangements and securities lending in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Group receives collateral depends on the terms agreed with the counterparty, which are subject to an assessment of credit risk.

Outsourcers
The Group receives services from different suppliers in relation to policy administration, asset management and fund accounting services. As a result of receiving services from suppliers, the Group is exposed to the risk of default. Risk capital is assessed under a 'Multiple Policy Administration Outsourcer failure and default' scenario.

The selected scenario considers a situation where a number of policy administration suppliers default on contractual obligations and become insolvent. Risk capital is assessed based on an established methodology and is reviewed and agreed by management oversight committees and the MGC.

The risk capital assessment takes account of the supplier's operating model, control factors and other forms of protection (such as parental letters of credit used to mitigate the risk for certain outsourcers).

C.3 CREDIT RISK continued

C.3.5 Sensitivity analysis

As part of the Group's internal risk management processes, the impact of a credit risk scenario on the SCR is monitored. The results of that stress testing on the Group's and each main insurance subsidiary's SCR are provided below and demonstrate the resilience of the Group.

	PLL		PLAL		SLAL		SL Intl		RAL		RLL		PGH[3]	
SCR £m (or %)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)	SCR (£m)	Regulatory Ratio (%)
Base: 1 January 2021[1]	**(3,405)**	**145%**	**(1,372)**	**139%**	**(2,989)**	**147%**	**(400)**	**132%**	**(2,807)**	**185%**	**(20)**	**1186%**	**(11,591)**	**145%**
Following credit spread widening[2]	(3,277)	146%	(1,328)	137%	(2,905)	151%	(398)	122%	(2,532)	197%	(20)	1220%	(11,011)	148%
Following credit defaults & downgrades	(3,521)	139%	(1,386)	137%	(3,024)	144%	(400)	132%	(2,997)	169%	(20)	1186%	(11,945)	139%

1 Assumes stress occurs on 1 January 2021.
2 Credit stress equivalent to an average 120bps spread widening across ratings.
3 The impact of the sensitivity on the overall Group including the acquired ReAssure subsidiaries.

C.4 LIQUIDITY RISK

C.4.1 Risk exposure

Liquidity risk is defined as the failure of the Group to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and from the operating requirements of the Life insurance subsidiaries. The Group's Life insurance subsidiaries have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet medium and short-term cash flow requirements.

The Group has a very low risk appetite in respect of liquidity risk, with liquidity buffers being calibrated on the basis of meeting financial obligations in a 1 in 200 stress.

C.4.2 Risk measurement

A liquidity risk Quantitative Risk Metric (QRM) has been developed that builds on the granular liquidity buffers to provide the Board with a clear line of sight from their stated risk appetites to the measurement of risk. The liquidity QRM has been defined as the headroom of available liquid assets above demand and required buffers. The QRM is set at a combined Life Company level and at a combined Life Company /Group level and considers each liquidity time horizon (overnight, 2 weeks, 90 days and 1 year) for the current period and for the next forecast 12 months. These metrics are provided to relevant Management Oversight Committees on a monthly basis.

A triggers framework that applies a Red, Amber and Green (RAG) status approach is used to facilitate the monitoring of liquidity QRMs. Escalation will be dictated by the liquidity RAG status.

Early Warning Indicators have been established for liquidity risks that identify potential upcoming liquidity stress, and thereby prompt potential mitigating action before the crystallization of the liquidity stress.

The Group has established a Contingency Funding Committee ('CFC') that meets regularly in order to assess the Contingency Funding Plan. The Committee is responsible for maintaining the Contingency Liquidity Plan (CLP), and developing actions to deal with liquidity shortfalls on a Life Entity and Group Entity basis. The CLP outlines procedures to be performed in the event of a liquidity stress and the invocation of the CLP itself. It also sets out the available list of viable contingency actions that can be enacted by the CFC to address the liquidity shortfall.

The Group Finance and Capital Committee meets also on a regular basis to monitor the capital and liquidity positions of the Group and its subsidiaries.

C.4 LIQUIDITY RISK continued

C.4.3 Risk concentration

The liquidity risk register provides an overview of the sources of liquidity risk across Phoenix Group and how these are managed. The entities within the Group assess these liquidity risk drivers to determine whether appropriate liquidity buffers should be held within specific entities and funds in respect of different liquidity time periods.

Liquidity risk for the life insurance subsidiaries arises primarily from the following key sources:

- Mass Lapse events;
- Collateral calls for derivative assets held;
- Short-term pre-funding of large investments or switches;
- Operational risk events;
- Injection of assets into Matching Adjustment funds; and
- Support for with profit funds.

Collateral is mainly obtained in respect of certain reinsurance arrangements, to provide security against the daily mark to market value of derivative financial instruments and as part of securities lending activity. Management monitors the market value of the collateral received, requests additional collateral when needed and performs an impairment valuation when impairment indicators exist and the asset is not fully secured.

C.4.4 Risk mitigation

The Group does not consider holding capital to be an appropriate mitigant for liquidity risk. The liquidity monitoring processes in place across the Group are considered to be sufficient to ensure that liquidity risk exposures remain non-material, or will not arise at all.

The liquidity risk framework is designed to ensure that:

- liquidity risk is managed in a manner consistent with the Board's strategic objectives, risk appetite and PPFM;
- cash flows are appropriately managed and the reputation of the Group is safeguarded; and
- appropriate information on liquidity risk is available to those making decisions.

The Group seeks to take business risks that are understood, managed effectively and consistent with the Group's strategy. Achieving this requires strong liquidity and funding risk management and a positive risk culture to support informed decision-making and controlled risk-taking. The Group Risk Management Framework enables the business to analyse its risk exposures and use this analysis to reduce exposure to unwanted risks, optimise asset allocation, and ensure the efficient release of capital to enable the Group's cash generation targets to be met. Consequently, the accurate identification, modelling and mitigation of material sources of liquidity risk is critical to achieving the Group's business strategy.

The Group's liquidity risk management strategy is based on a risk appetite of less than a 1 in 200 chance of having insufficient liquid or tangible assets to meet financial obligations as they fall due and is supported by:

- Holding appropriate assets to meet liquidity buffers;
- Holding high quality liquid assets to support day to day operations;
- An effective stress testing framework to ensure survival horizons are met under different plausible scenarios;
- Effective liquidity portfolio management including early warning indicators; and
- Liquidity risk contingency planning.

For with-profits contracts, a portfolio of assets is maintained in the relevant funds appropriate to the nature and term of the expected pattern of payments of liabilities. Within that portfolio, liquidity is provided by substantial holdings of cash and highly liquid assets. Where it is necessary to sell less liquid assets within the relevant portfolios, then any incurred losses are generally passed onto with-profits policyholders in accordance with policyholders' reasonable expectations.

C.4 LIQUIDITY RISK continued

C.4.4 Risk mitigation continued

For unit-linked contracts, assets are 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 value and value of any associated contracts would reflect the proceeds of any sales of assets. In stressed conditions, the insurance subsidiaries could be exposed to liquidity risk in its unit-linked funds. This could occur where a high volume of surrenders coincides with a tightening of liquidity in a unit-linked fund to the point where assets of that fund have to be sold to meet those withdrawals. Where the fund affected consists of property, it can take several months to complete a sale and this would impede the proper operation of the fund. In these situations, both to ensure the fair treatment of all investors in those funds and to protect the Company's own risk exposure, deferral terms within the policy conditions applying to the majority of the Company's unit-linked contracts can be invoked. A number of unit-linked property funds were suspended starting from 18 March 2020, due to Material Valuation Uncertainty clauses being applied by independent property valuers immediately prior to the COVID-19 lockdown. In line with contractual terms, certain transactions, including transfers-out, surrenders and switches were not permitted while funds were in deferral. However, claims in respect of retirement transactions, policy maturities, deaths and regular maturities are deemed 'non-discretionary' and were paid based on available daily prices. The majority of funds have since had suspensions lifted.

The vast majority of the Life insurance subsidiaries' derivative contracts are traded OTC and have a two-day collateral settlement period. As the existing swaps expire, they will be replaced with centrally cleared contracts. The Life insurance subsidiaries' derivative contracts are monitored daily, via an end-of-day valuation process, to assess the need for additional funds to cover margin or collateral calls. Liquid assets are held in appropriate accounts to cover internally set buffers to meet collateral calls on derivative assets. This is monitored on a monthly basis.

For annuity contracts, assets are held which are specifically chosen with the intention of matching the expected timing of annuity payments. Liquidity risk is minimised through the process of asset and liability cash flow matching. In addition, appropriate buffers are held within the relevant funds in respect of the longevity and credit risk within the annuity funds.

The risks associated with pre-funding are carefully managed through credit checks on counterparties and use of appropriate legal arrangements. Large switches are managed through liquidity impact assessments and holding an appropriate liquidity buffer, based on historic experience, in the relevant fund.

Some of the Life insurance subsidiaries' commercial property investments and cash and cash equivalents are held through collective investment schemes. The collective investment schemes have the power to restrict and/or suspend withdrawals, which would, in turn, affect liquidity.

A significant proportion of the Life insurance subsidiaries' financial assets are held in gilts, cash, supranationals and investment grade securities which the Companies consider sufficient to meet the liabilities as they fall due. The vast majority of these investments are readily realisable since most of them are quoted in an active market.

When deemed necessary the Group uses derivative instruments to hedge its exposure to foreign exchange risk.

Early Warning Indicators (EWIs) ensure that assigned risk owners monitor and report the liquidity status for each risk to the liquidity management teams. The EWIs are integral to the Group's liquidity risk management framework and in particular liquidity contingency management. It aims to provide senior management with:

- Indicators of potential liquidity risk, thereby prompting potential mitigating action before liquidity stress arises
- Clear reporting against the Group's liquidity risk tolerance
- A robust escalation process to ensure mitigating action is taken in the event of a liquidity stress.

The ongoing effectiveness of liquidity risk mitigation is monitored on a regular basis by the Contingency Funding Committee ('CFC'), as well as the Financial Risk Committee ('FRC') and the Group Finance and Capital Committee ('GFCC').

C.4 LIQUIDITY RISK continued

C.4.5 Stress testing

Liquidity stress testing is carried out regularly. The purpose of stress and scenario testing to inform and validate buffers, manage risks to the plan/strategy and test the adequacy/resilience of contingency actions.

- liquidity buffers: provide a margin for liquidity demand under stress over different time periods in line with the risk drivers and calibrated to ensure a less than 1 in 200 chance of having insufficient liquidity to meet financial obligations.
- manage risks: stress and scenario testing is a forward-looking exercise that provides insight into the risks to and risks arising from the business plan and strategy, including the implications on the defined buffers and hence, what could prevent Phoenix from meeting its liabilities as they fall due and the Board's appetite for liquidity risk.
- adequacy of contingency actions: stress and scenario testing of the liquidity risk exposures validates the mitigating actions in place, tests the availability of contingency actions and the benefit/impact of implementing additional measures, given the Board's appetite to retain the residual exposure.

As at 31 December 2020, the stress testing demonstrated that the Group held sufficient liquid assets to cover internally agreed liquidity buffers under stress scenarios.

C.4.6 Expected profits in future premiums ('EPIFP')

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.

The contribution of EPIFP to Own Funds is important from a liquidity perspective as the extent of future premiums assumed in the liability valuation may not emerge in practice (for example due to higher than assumed policyholder lapse rates), thus potentially lowering the available Own Funds to cover the SCR.

As at 31 December 2020, the insurance subsidiaries and the Group's EPIFP included as a component of the reconciliation reserve are shown below. This comprised mainly of future profits arising on protection and unit-linked business. The EPIFP shown below is net of policyholder tax. The EPIFP for SLPF is nil.

	PLL £m	PLAL £m	RAL £m	RLL £m	SLAL £m	PGH Group £m
EPIFP	93	15	695	112	719	1,498

C.5 OPERATIONAL RISK

C.5.1 Risk exposure

This section describes the operational risk exposures of the Phoenix Group (excluding SLIDAC) for the year ended 31 December 2020. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2020.

Operational risk is defined as 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.

From a capital perspective, the main sources of operational risk are product and proposition risk (related to the Group's 'Customer' Risk Universe category), regulatory & legal risks and model risk.

Outside of the operational risks for which we hold capital, the key operational risk exposures anticipated over the reporting period relate to the operational capacity of the business to continue to deliver against its key strategic objectives to both its customers and other key stakeholders. This exposure is driven by both the uncertain ongoing effects of the COVID-19 pandemic, and the significant change agenda that needs to be delivered by both the Phoenix business and specific third party outsourcers to support delivery against those strategic objectives.

Where these exposures have the potential to materially influence the level of operational capital held in respect of any current or new scenario, the Group operates a trigger process where this is reconsidered 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.

C.5 OPERATIONAL RISK continued

C.5.2 Risk measurement

The Operational Risk capital assessment process remains a structured, scenario-led approach in which the quantification for each of the top risks faced by the organisation is parameterised directly through workshops, led by expert opinion and informed by internal and external data. Actuarial models are used to determine an appropriate amount of capital to hold in respect of 'low probability, high impact' events.

The model considers the frequency of potential loss events and the severity of potential loss should an event occur. The resulting operational risk capital requirements at the '1-in-200' level are modelled by simulating 1 million events from the distributions and selecting the 99.5th percentile. A similar approach is used to determine operational risk capital requirements at the aggregate level, taking into account the level of correlation between potential risk events.

From a qualitative perspective, the operational risks are regularly reported to management oversight committees.

As at 31 December 2020, operational risk represented 8% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

Operational risk capital for RAL, RLL and ARK is included in the Group SCR under a Standard Formula basis.

C.5.3 Risk concentration

Across the Group's Risk Universe, the largest operational risk capital concentrations are in relation to product and proposition risk, regulatory & legal risk and model risk.

From an operational perspective, the strategic change activity underway is increasing the dependency on a single supplier (TCS/ Diligenta) for the provision of customer administration services, although it should be noted that these services are and will be delivered from a range of onshore and offshore locations that provides some geographic diversification.

Concentration risk in this respect is managed in line with the Group's Sourcing Strategy which is refreshed on an annual basis and includes development and maintenance of an Exit Strategy for TCS/ Diligenta as well as capital requirements considered under Credit Risk in the event of default by any of our material suppliers.

C.5.4 Risk mitigation

The Group and its insurance subsidiaries seek 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 PGH Group risk policies covering each of the risk categories and are designed to ensure that the Group 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, taking into account the extent to which the MCS are being effectively applied.

Considering the key areas of risk highlighted within sections C.5.1 and C.5.3, the key mitigants in respect of operational capacity, including the ongoing effects of the COVID-19 pandemic are:

- Production, review and maintenance of an operational capacity dashboard which takes account of planned change activity and "business as usual" resource capacity across the Group and its key outsource service providers;
- The use of this dashboard and the processes underpinning it to inform decision-making on the prioritisation and timing of our project portfolio;
- Monitoring and maintaining the ongoing effectiveness of the work from home operating models of both the Phoenix business and its outsourcers during the pandemic, in parallel with the already established mechanisms monitor report and track performance against service level standards.

From a concentration risk perspective, the delivery of strategic change programmes is key in reducing the operational risk profile of the business, where the current legacy systems are not considered to be sustainable in the long term. Whilst this will lead to an increase in supplier concentration risk for PLL, PLAL and SLAL, this will be delivered on a phased basis over the course of the next two years or so and will be mitigated principally by:

- Ongoing maintenance of an Exit Strategy for TCS / Diligenta (the Diligenta Contingency Framework);
- The embedding of our operational resilience requirements as part of the relevant change programmes, which are not fully met under the current operating models within the scope of transformation by the respective projects.

C.5 OPERATIONAL RISK continued

C.5.4 Risk mitigation continued

The effectiveness of these mitigants and the broader range of MCS which are relied upon to manage operational risk exposure within the business operational risk mitigation described above is monitored on an ongoing basis via reporting and oversight by Lines 1, 2 and 3 into the Operations Committee; other management oversight committees, relevant Steering Groups; management boards and Life Company Boards.

In addition, the Group also places reliance upon:

- the transfer of operational risk to our OSPs as part of the outsourcing of non-core activities, with the obligations/ liabilities for each outsource arrangement outlined in the relevant contract; and
- the Group's corporate insurance policies which provide cover in respect of a variety of operational risks including product mis-selling, financial crime, cyber risk and premises.

All the key elements of operational risk mitigation are taken account of on a prudent basis against those operational risk capital scenarios in which subject matter experts assess that a valid claim could be made. The approach to insurance in the capital model is conservative, with haircuts made for mismatches, willingness of insurer to pay out and residual term of policy from date of a risk event occurring.

C.6 OTHER MATERIAL RISKS

This section describes the other risk exposures of the Phoenix Group (excluding SLIDAC) for the year ended 31 December 2020. The equivalent information for SLIDAC is available in the solo SLIDAC SFCR for the year ended 31 December 2020.

Other material risks which should be highlighted are summarised below. As at 31 December 2020, other material risks represented 1% of the Group's total undiversified SCR as shown in the chart at the beginning of section C.

C.6.1 Tax risk

C.6.1.1 Risk exposure

Tax risk is defined as the risk of: financial failure, reputational damage, loss of earnings/value arising from a lack of liquidity, funding or capital, due to an unforeseen tax cost; inappropriate recording, reporting or understanding of tax legislation; and inappropriate disclosure of financial and regulatory information in relation to taxation.

Tax risk can arise from:

- the Group making a material error in its tax reporting;
- incorrect calculation of tax provisions;
- failure to implement the optimum financial arrangements to underpin a commercial transaction; and
- incorrect operation of policyholder tax requirements.

C.6.1.2 Risk measurement

The risk capital requirement for tax risk is assessed using the Group's PRA approved partial Internal Model which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period. The methodology also considers operational tax risk scenarios assessed by experts within the business.

From a qualitative perspective, the tax risks for the Group and its subsidiaries are regularly reported to management oversight committees.

C.6 OTHER MATERIAL RISKS continued

C.6.1 Tax risk continued

C.6.1.3 Risk concentration

Sources of tax risk that could give rise to concentrations are:

- political: a drive by UK Government to increase tax revenues and to create a social environment in which tax 'avoidance' is considered contrary to the spirit of the law;
- regulatory: changes to tax law that impact the Group's tax position;
- structuring: opportunities to maximise financial or economic value and protect the value of tax assets;
- operational: tax legislation is complex and the potential for operational errors to occur is significant, both by the Group and the OSP in calculating and accounting for direct and indirect taxes; and
- tax penalties: the Tax Authorities have strengthened the penalty regime to levy penalties for non-compliance.

C.6.1.4 Risk mitigation

Tax risk is managed by maintaining an appropriately-staffed tax team who have the qualifications and experience to make judgements on tax issues, augmented by advice from external specialists where required. The Group has a formal tax risk policy, which sets out its risk appetite in relation to specific aspects of tax risk, and which details the controls the Group has in place to manage those risks. These controls are subject to a regular review process.

C.6.2 Strategic risk

C.6.2.1 Risk exposure

Strategic risk in its broadest sense can be defined as a possible source of loss that might arise from the pursuit of an unsuccessful business plan; this source of loss can be to the shareholders and / or to the policyholder, and may drive reputational damage which could further impact the Group's ability to meet its strategic objectives. For example, strategic risk might arise from making poor business decisions, from the substandard execution of decisions, from inadequate resource allocation, or from a failure to respond well to changes in the business environment.

C.6.2.2 Risk measurement

Strategic risk within the Group's SCR covers risks arising in the Group holding companies or interactions between the Group holding companies and the Life Companies which are not captured by other risk drivers in the Group's Risk Universe. The risk capital requirement for strategic risk is assessed using the Group's PRA approved partial Internal Model which is calibrated to withstand a stress event to a 99.5% confidence level over a one-year period. The methodology is based on scenarios assessed by experts within the business.

C.6.2.3 Risk concentration

Strategic risk-related principal risks and uncertainties noted in the Group's 2020 Annual Report and Accounts include those related to: our strategic partnerships; the acquisition and transition of acquired businesses; Open business growth; climate change and wider ESG factors; and delivery of change.

C.6.2.4 Risk mitigation

A strategic risk policy is maintained and reported against regularly, with a particular focus on risk management, stakeholder management, corporate activity and overall reporting against the Life Company and Group's strategic ambitions.

C.7 ANY OTHER INFORMATION

C.7.1 Prudent person principle requirements

The Prudent Person Principle in the Solvency II regulations sets out the principles that should apply in making investment decisions. In particular, this requires that the Group and its insurance subsidiaries should only invest in assets and instruments whose risks they can properly identify measure, monitor, manage, control and report, and appropriately take into account when assessing Solvency needs.

The Prudent Person Principle is implemented through the RMF as part of the Group policy framework of which MCS have been designed to ensure compliance. Compliance with the relevant policies is monitored on an ongoing basis. Examples of the MCS in place include:

- responsibility for agreeing the strategic asset allocation rests with the Life Companies' Boards, as advised by the Board Investment Committee, Investment Management Committee ('IMC') and Phoenix Asset Management;
- investments for unit-linked and index-linked contracts are governed by the relevant investment mandates which meet the overarching requirements of Group policies, as well as close-matching rules and policy-specific requirements;
- derivatives are used in many of the Life Companies' funds, within policy guidelines agreed by the relevant Boards. Derivatives are primarily used for risk hedging purposes or for efficient portfolio management;
- equities are invested in by our asset managers to align to the liabilities created from customer investments in Unit Linked and With-Profit funds to achieve the desired investment objective as described in the customer literature. For each fund we set the strategy, risk and return profiles and duration which influences the nature and level of equity investment as set out for customers in the relevant factsheet or annual statement. Diversification across asset classes, duration and risk appetite are key drivers of the asset mix within any fund and assessed against the customer objective;
- arrangements with asset managers are set out in the relevant contract between the Life Company and the Asset Manager and the term varies by Manager. The arrangements are long term in nature and are assessed against medium and long term performance of the manager and criteria are defined within the contract. Fees paid to the asset vary by strategy and asset class and investment performance is monitored regularly;
- the capability of managers to perform active stewardship and discharge our voting rights is taken into account as part of the manager selection and delegated formally in the contract between Phoenix Asset Management and the asset manager; and
- transaction costs and turnover are monitored, assessed and reported on each quarter, alongside investment performance of each strategy or fund. Portfolio turnover is a function of the investment strategy employed, the volatility of the market and the opportunities available to deliver the performance.

More details on how the Group achieves compliance with the requirements (in particular, having the appropriate risk management capability for the invested assets, investments appropriate for the nature and term of the liabilities, use of derivatives for risk mitigation, diversification and concentration risk) are described in sections C.2 and C.3.

C.7.2 Sensitivity analysis

As part of the Group's RMF, stress and scenario tests are used extensively to support the assessment of risks and provide an analysis of their financial impact.

The most significant market risk sensitivities arise from interest rate risk, equity and property risks. Sensitivity to credit risk arises from spread risk.

The most significant underwriting risk sensitivities arise from longevity, mortality and lapse risk as insurance and pension scheme liabilities are sensitive to the assumptions which have been applied in their calculation. Sometimes allowance must also be made for the effect on future assumptions of management or policyholder actions in certain economic scenarios. This could lead to changes in the assumed asset mix or future bonus rates.

C.7 ANY OTHER INFORMATION continued

C.7.2 Sensitivity analysis continued

The table below shows the effect of a change on key assumptions, with all other variables held constant, on PLL, PLAL, RAL, RLL, SLAL and the Group's Solvency II surplus:

Solvency II Surplus £m	PLL	PLAL	RAL	RLL	SLAL	PGH Group
Base: 1 January 2021[1]	**1,537**	**535**	**2,377**	**217**	**1,420**	**5,241**
Following a 20% fall in equity markets	1,541	533	2,487	257	1,389	5,288
Following a 12% fall in property values[2]	1,344	531	2,361	217	1,407	5,021
Following a 73bps interest rates rise[3]	1,495	557	2,339	224	1,411	5,298
Following a 88bps interest rates fall[3]	1,598	546	2,441	209	1,376	5,125
Following credit spread widening[4]	1,495	488	2,451	224	1,494	5,268
Following credit downgrade: immediate full letter downgrade on 20% of portfolio[5]	1,358	512	2,077	217	1,331	4,653
Following 6% decrease in annuitant mortality rates[6]	1,293	413	1,979	217	1,172	4,199
Following a 10% change in lapse rates[7]	1,448	462	2,336	217	1,396	4,991

1 Assumes stress occurs on 1 January 2021 and that there is no market recovery.
2 Represents an average fall in property prices of 12%.
3 Assumes the impact of a dynamic recalculation of transitionals and an element of dynamic hedging which is performed on a continuous basis to minimise exposure to the interactions of rates with other correlated risks including longevity.
4 Credit stress varies by rating and term and is equivalent to an average 120bps spread widening (full range of spread widening is 49bps to 204bps). It makes no allowance for the cost of defaults/downgrades.
5 Impact of an immediate full letter downgrade across 20% of the shareholder exposure to the bond portfolio (e.g. from AAA to AA, AA to A etc.). This sensitivity assumes no management actions are taken to rebalance the annuity portfolio back to the original average credit rating and makes no allowance for the spread widening which would be associated with a downgrade.
6 Equivalent of six-month increase in longevity applied to the annuity portfolio.
7 Assumes most onerous impact of a 10% increase/decrease in lapse rates across different product groups.

For operational risk, stress testing at the 99.5th percentile confidence level is used to determine the operational risk capital requirements, using the PRA approved partial Internal Model.

In addition, as part of the Group's monitoring of the risk appetite position, the impact on the surplus capital position of a 1-in-10 event is stress tested. As of 31 December 2020, the Group and the insurance subsidiaries were able to cover their capital requirements following a 1-in-10 event.

SECTION D
VALUATION FOR SOLVENCY PURPOSES

SECTION D
VALUATION FOR SOLVENCY PURPOSES

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) on the Solvency II balance sheet for the PGH Group and its insurance subsidiaries. Their valuation is determined in line with the regulations and is consistent across the Group. There are no material differences between the bases, methods and main assumptions used at the Group level for the valuation for solvency purposes of the subsidiaries' assets, technical provisions and other liabilities.

The Balance Sheet QRT S.02.01.02 is included in Appendix 1.1 for the PGH Group, Appendix 2.1 for PLL, Appendix 3.1 for PLAL, Appendix 4.1 for RAL, Appendix 5.1 for RLL, Appendix 6.1 for PA(GI), Appendix 7.1 for SLAL and Appendix 8.1 for SLPF.

The Standard Life insurance subsidiaries, SLAL and SLPF, are included in the PGH Group Solvency calculation using Method 2 'Deduction and Aggregation'. In accordance with Solvency II rules such entities are included in the Group balance sheet in the line 'Holdings in related undertakings, including participations' as a single amount representing the Group's interest in those entities' Own Funds, rather than on a consolidated line by line basis.

ARK and SLIDAC are also included in the PGH Group Solvency calculation on a Method 1 and Method 2 basis respectively. Further breakdown of the underlying assets and liabilities of ARK and SLIDAC can be found in section D of the ARK and SLIDAC solo SFCR respectively for the year ended 31 December 2020.

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

The recognition and valuation methods used in the preparation of the 'statutory accounts value' column are those used by the Group in its statutory financial statements in accordance with IFRS. 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 will not directly agree to line items on the financial statements of the PGH Group and each insurance subsidiary.

A few of the Group's assets (mainly financial instruments) 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

D.1.1 Introduction

The tables below set out the Solvency II balance sheets and the 'Statutory accounts value' columns for the Group, PLL, PLAL, PA(GI), RAL, RLL, SLAL and SLPF.

Method 1 entities

D.1.1.1 Balance sheet – PGH Group

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Goodwill	1	–	57	(57)
Deferred acquisition costs	2	–	27	(27)
Intangible assets	2	–	2,892	(2,892)
Deferred tax assets	3	179	179	–
Pension benefit surplus	4	11	11	–
Property, plant and equipment held for own use	5	36	39	(3)
Investments (other than assets held for index–linked and unit–linked contracts)	**6**	**79,251**	**76,383**	**2,868**
Property (other than for own use)		731	731	–
Holdings in related undertakings, including participations		28,381	25,513	2,868
Equities		2,659	2,659	–
Bonds		38,885	38,885	–
Collective Investment Undertakings		5,839	5,839	–
Derivatives		2,665	2,665	–
Deposits other than cash equivalents		91	91	–
Assets held for index–linked and unit–linked contracts	7	67,000	67,000	–
Loans and mortgages	8	5,942	5,942	–
Reinsurance recoverables	9	10,676	12,608	(1,932)
Insurance and intermediaries receivables	10	82	82	–
Reinsurance receivables	10	120	120	–
Receivables (trade, not insurance)	11	948	954	(6)
Cash and cash equivalents	12	961	961	–
Total assets		**165,206**	**167,255**	**(2,049)**
Technical provisions (BEL plus risk margin)	13	137,782	147,114	(9,332)
Other technical provisions	14	–	1,324	(1,324)
Provisions other than technical provisions	15	166	166	–
Pension benefit obligations	4	317	317	–
Deposits from reinsurers	16	427	427	–
Deferred tax liabilities	3	1,047	809	238
Derivatives	6	219	219	–
Debts owed to credit institutions	17	2,459	2,458	1
Financial liabilities other than debts owed to credit institutions	18	296	296	–
Insurance and intermediaries payables	19	1,311	1,338	(27)
Reinsurance payables	19	46	46	–
Payables (trade, not insurance)	20	966	849	117
Subordinated liabilities (in Basic Own Funds)	21	4,506	4,361	145
Total liabilities		**149,542**	**159,724**	**(10,182)**
Excess of assets over liabilities[1]		**15,664**	**7,531**	**8,133**

1 The statutory accounts value for the excess of assets over liabilities corresponds to total equity of £7,872m less £341m non–controlling interests in the Group's IFRS statement of consolidated financial position for the year ended 31 December 2020.

D.1 ASSETS continued
D.1.1 Introduction continued
Method 1 entities continued
D.1.1.2 Balance sheet – PLL

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Deferred acquisition costs	2	–	33	(33)
Intangible assets	2	–	111	(111)
Investments (other than assets held for index–linked and unit–linked contracts)	**6**	**33,918**	**33,891**	**27**
Property (other than for own use)		312	312	–
Holdings in related undertakings, including participations		12,830	12,803	27
Equities		111	111	–
Bonds		18,824	18,824	–
Collective Investment Undertakings		359	359	–
Derivatives		1,416	1,416	–
Deposits other than cash equivalents		66	66	–
Assets held for index–linked and unit–linked contracts	7	21,301	21,301	–
Loans and mortgages	8	3,795	3,795	–
Reinsurance recoverables	9	7,367	8,545	(1,178)
Insurance and intermediaries receivables	10	8	8	–
Reinsurance receivables	10	49	49	–
Receivables (trade, not insurance)	11	420	482	(62)
Cash and cash equivalents	12	332	332	–
Total assets		**67,190**	**68,547**	**(1,357)**
Technical provisions (BEL plus risk margin)	13	55,834	60,214	(4,380)
Other technical provisions	14	–	577	(577)
Provisions other than technical provisions	15	27	27	–
Deposits from reinsurers	16	331	331	–
Deferred tax liabilities	3	428	110	318
Derivatives	6	136	136	–
Debts owed to credit institutions	17	1,288	1,288	–
Financial liabilities other than debts owed to credit institutions	18	3,042	3,042	–
Insurance and intermediaries payables	19	504	527	(23)
Reinsurance payables	19	10	10	–
Payables (trade, not insurance)	20	275	275	–
Subordinated liabilities (in Basic Own Funds)	21	202	200	2
Any other liabilities not elsewhere shown	22	–	8	(8)
Total liabilities		**62,077**	**66,745**	**(4,668)**
Excess of assets over liabilities		**5,113**	**1,802**	**3,311**

D.1 ASSETS continued
D.1.1 Introduction continued
Method 1 entities continued
D.1.1.3 Balance sheet – PLAL

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Investments (other than assets held for index–linked and unit–linked contracts)	**6**	**13,976**	**13,976**	**–**
Property (other than for own use)		25	25	–
Holdings in related undertakings, including participations		7,331	7,331	–
Equities		88	88	–
Bonds		4,356	4,356	–
Collective Investment Undertakings		1,385	1,385	–
Derivatives		766	766	–
Deposits other than cash equivalents		25	25	–
Assets held for index–linked and unit–linked contracts	7	315	315	–
Loans and mortgages	8	18	18	–
Reinsurance recoverables	9	2,474	2,512	(38)
Receivables (trade, not insurance)	11	272	308	(36)
Cash and cash equivalents	12	39	39	–
Total assets		**17,094**	**17,168**	**(74)**
Technical provisions (BEL plus risk margin)	13	13,938	15,010	(1,072)
Other technical provisions	14	–	323	(323)
Provisions other than technical provisions	15	7	7	–
Deferred tax liabilities	3	82	11	71
Derivatives	6	20	20	–
Debts owed to credit institutions	17	684	684	–
Insurance and intermediaries payables	19	106	108	(2)
Reinsurance payables	19	8	8	–
Payables (trade, not insurance)	20	43	43	–
Total liabilities		**14,888**	**16,214**	**(1,326)**
Excess of assets over liabilities		**2,206**	**954**	**1,252**

D.1 ASSETS continued
D.1.1 Introduction continued
Method 1 entities continued

D.1.1.4 Balance sheet – RAL

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Intangible assets	2	–	723	(723)
Deferred tax assets	3	–	8	(8)
Property, plant and equipment held for own use	5	4	4	–
Investments (other than assets held for index-linked and unit-linked contracts)	**6**	**28,883**	**28,883**	**–**
Property (other than for own use)		394	394	–
Holdings in related undertakings, including participations		3,337	3,337	–
Equities		2,554	2,554	–
Bonds		18,446	18,446	–
Collective Investment Undertakings		3,668	3,668	–
Derivatives		484	484	–
Assets held for index-linked and unit-linked contracts	7	36,450	36,450	–
Loans and mortgages	8	2,331	2,331	–
Reinsurance recoverables	9	1,042	1,660	(618)
Insurance and intermediaries receivables	10	167	167	–
Reinsurance receivables	10	17	17	–
Receivables (trade, not insurance)	11	233	233	–
Cash and cash equivalents	12	274	274	–
Total assets		**69,401**	**70,750**	**(1,349)**
Technical provisions (BEL plus risk margin)	13	61,648	65,464	(3,816)
Other technical provisions	14	–	424	(424)
Provisions other than technical provisions	15	22	22	–
Deposits from reinsurers	16	97	97	–
Deferred tax liabilities	3	373	97	276
Derivatives	6	62	62	–
Debts owed to credit institutions	17	355	355	–
Financial liabilities other than debts owed to credit institutions	18	243	243	–
Insurance and intermediaries payables	19	524	524	–
Reinsurance payables	19	17	17	–
Payables (trade, not insurance)	20	197	197	–
Total liabilities		**63,538**	**67,502**	**(3,964)**
Excess of assets over liabilities		**5,863**	**3,248**	**2,615**

D.1 ASSETS continued
D.1.1 Introduction continued
Method 1 entities continued
D.1.5 Balance sheet – RLL

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Deferred acquisition costs	2	–	34	(34)
Property, plant and equipment held for own use	5	1	1	–
Investments (other than assets held for index-linked and unit-linked contracts)	**6**	**422**	**422**	**–**
Bonds		111	111	–
Collective Investment Undertakings		311	311	–
Assets held for index-linked and unit-linked contracts	7	7,293	7,293	–
Loans and mortgages	8	69	69	–
Reinsurance recoverables	9	548	1,077	(529)
Insurance and intermediaries receivables	10	26	26	–
Reinsurance receivables	10	28	28	–
Receivables (trade, not insurance)	11	25	25	–
Cash and cash equivalents	12	18	18	–
Total assets		**8,430**	**8,993**	**(563)**
Technical provisions (BEL plus risk margin)	13	7,843	8,348	(505)
Deferred tax liabilities	3	64	60	4
Financial liabilities other than debts owed to credit institutions	18	1	1	–
Insurance and intermediaries payables	19	140	140	–
Reinsurance payables	19	125	125	–
Payables (trade, not insurance)	20	20	20	–
Any other liabilities not elsewhere shown	22	–	214	(214)
Total liabilities		**8,193**	**8,908**	**(715)**
Excess of assets over liabilities		**237**	**85**	**152**

D.1.1.6 Balance sheet – PA(GI)

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Investments (other than assets held for index-linked and unit-linked contracts)	**6**	**13**	**13**	**–**
Collective Investment Undertakings		13	13	–
Total assets		**13**	**13**	**–**
Provisions other than technical provisions	15	1	1	–
Payables (trade, not insurance)	20	8	8	–
Total liabilities		**9**	**9**	**–**
Excess of assets over liabilities		**4**	**4**	**–**

D.1 ASSETS continued

D.1.1 Introduction continued

Method 2 entities

D.1.1.7 Balance sheet – SLAL

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Deferred acquisition costs	2	–	286	(286)
Intangible assets	2	–	14	(14)
Property, plant and equipment held for own use	5	7	7	–
Investments (other than assets held for index-linked and unit-linked contracts)	**6**	**48,290**	**48,281**	**9**
Property (other than for own use)		387	387	–
Holdings in related undertakings, including participations		25,019	25,010	9
Equities		86	86	–
Bonds		18,151	18,151	–
Collective Investment Undertakings		914	914	–
Derivatives		3,620	3,620	–
Deposits other than cash equivalents		113	113	–
Assets held for index-linked and unit-linked contracts	7	90,565	90,565	–
Loans and mortgages	8	1,091	1,091	–
Reinsurance recoverables	9	7,146	7,097	49
Insurance and intermediaries receivables	10	32	32	–
Reinsurance receivables	10	1	1	–
Receivables (trade, not insurance)	11	332	347	(15)
Cash and cash equivalents	12	53	53	–
Total assets		**147,517**	**147,774**	**(257)**
Technical provisions (BEL plus risk margin)	13	133,994	138,788	(4,794)
Other technical provisions	14	–	414	(414)
Provisions other than technical provisions	15	21	21	–
Deposits from reinsurers	16	3,653	3,653	–
Deferred tax liabilities	3	487	18	469
Derivatives	6	356	356	–
Debts owed to credit institutions	17	4	4	–
Financial liabilities other than debts owed to credit institutions	18	236	236	–
Insurance and intermediaries payables	19	246	254	(8)
Reinsurance payables	19	50	50	–
Payables (trade, not insurance)	20	3,107	3,107	–
Any other liabilities not elsewhere shown	22	–	44	(44)
Total liabilities		**142,154**	**146,945**	**(4,791)**
Excess of assets over liabilities		**5,363**	**829**	**4,534**

D.1.1.8 Balance sheet – SLPF

Balance sheet as at 31 December 2020	Note	Solvency II value £m	Statutory accounts value £m	Difference £m
Investments (other than assets held for index-linked and unit-linked contracts)	**6**	**11**	**11**	**–**
Collective Investment Undertakings		11	11	–
Reinsurance recoverables	9	9	9	–
Total assets		**20**	**20**	**–**
Technical provisions (BEL plus risk margin)	13	11	9	2
Total liabilities		**11**	**9**	**2**
Excess of assets over liabilities		**9**	**11**	**(2)**

D.1 ASSETS continued

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

The Group'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 IFRS are consistent with the valuation methods of the regulations. Further details on the IFRS valuation principles are set out in the notes to the IFRS consolidated financial statements on pages 184 to 289 of the PGH plc Annual Report and Accounts for the year ended 31 December 2020. There have been no significant changes to the valuation principles set out below during the year.

Note	Balance sheet item	Valuation principles
1	**Goodwill**	Under Solvency II, goodwill is valued at £nil. Under IFRS, goodwill is carried on the balance sheet at initially recognised amounts less accumulated impairment.
2	**Deferred acquisition costs and intangible assets (other than goodwill)**	Under Solvency II, deferred acquisition costs and intangible assets are valued at £nil 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 and intangible assets in the Group have been assessed as meeting this criteria. The cash flows associated with the deferred acquisition costs and acquired value of in-force business intangibles recognised under IFRS are included in the measurement of technical provisions under Solvency II. Under IFRS, intangible assets (other than goodwill) are measured on the balance sheet at cost less accumulated amortisation and any impairment loss recognised to date.
3	**Deferred tax assets / liabilities**	Deferred tax is determined on temporary differences between the economic 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 IFRS balance sheets arise as a consequence of differences in the carrying values of the underlying assets and liabilities. The deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further details on the origin of the deferred tax assets are provided in section D.1.3.
4	**Pension benefit surplus/ obligations**	PGH has four material defined benefit staff pension schemes, being the Pearl Group Staff Pension Scheme ('Pearl Group Scheme'), the PGL Pension Scheme ('PGL Scheme'), the Abbey Life Staff Pension Scheme ('Abbey Life Scheme') and the ReAssure Staff Pension Scheme ('ReAssure Scheme'). All are valued, in accordance with the regulations, consistently with IFRS (i.e. an IAS19 valuation basis). Further details of the IAS19 valuation basis can be found on pages 238 to 252 of the PGH plc Annual Report and Accounts for the year ended 2020. It should be noted that because PGH1 (the principal employer of the PGL Scheme) is not classified as an insurance holding company under the regulations, it is not subject to a full line by line consolidation in the PGH Group balance sheet. Instead it (and therefore the PGL Scheme IAS 19 valuation amount) is presented as a single line item in 'holdings in related undertakings including participations' at the value of the Group's share of the excess of assets over liabilities. The value included in the 'pension benefit surplus' line for PGH Group reflects surplus arising from the ReAssure Scheme only. The value of the Pearl Group Scheme and the Abbey Life Scheme are included in 'pension benefit obligations'. Further details on all pension schemes can also be found in section D.3.3.
5	**Property, plant andequipment (held for own use)**	Owner-occupied properties are valued at fair value under Solvency II, using valuations provided by an accredited independent valuer, as a suitable proxy for fair value. Under IFRS, 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. Leased assets, which principally comprise rented offices, are recognised in the Solvency II balance sheet in the form of a right of use asset under Property, plant and equipment (held for own use) with a corresponding lease liability within Payables (trade, not insurance). These right of use assets and lease liabilities are valued consistently with IFRS on grounds of materiality.

D.1 ASSETS continued

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

Note	Balance sheet item	Valuation principles
6	**Investments (other than assets held for index-linked and unit-linked contracts)**	In line with IFRS, the value of investments (other than assets held for index-linked and unit-linked contracts) is determined using a fair value methodology as follows: • 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. Further details on each item within investments are outlined below. **Property (other than for own use)** Commercial investment properties are measured at fair value by independent property valuers having appropriate recognised professional qualifications and recent experiences in the location and category of the property being valued. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors ('RICS') guidelines with expected income and capitalisation rate. Further details are included in section D.4.1. The residential property reversions, an interest in customers' properties that the Group will realise upon their death, are valued using a DCF model based on the Company's proportion of the current open market value of the property, and discounted for the expected lifetime of the policyholder. Further details are included in section D.4.1. **Holdings in related undertakings, including participations** Holdings in related undertakings, including participations of PGH Group comprise of the Standard Life Assurance Method 2 entities, collective investment undertakings in which the Group holds greater than 20% interest (where the interest is less than 20% it is included within 'Collective Investment Undertakings' line) and entities in the Group or owned by the insurance subsidiaries which are valued using the adjusted equity method, each of which are further explained below. For the Life companies, holdings in related undertakings, including participations, comprises collective investment undertakings in which the company holds an interest greater than 20% together with subsidiaries of the life company which are valued using the adjusted equity method. Any investments in collective Investment undertakings related to unit-linked contracts are included as assets held for index-linked and unit-linked contracts. Within the PGH Group there are a number of non insurance entities (including PGH1 the principal employer of the PGL Scheme) which are treated as other residual related undertakings ('ORRUs'). Quoted market prices are not available for these entities and therefore the option to value using the adjusted equity method is applied. The adjusted equity method requires participations to be valued based on the Group's share of the excess of assets over liabilities of the related undertaking. The excess of assets over liabilities for such participations are valued in accordance with the Solvency II valuation principles applied by the Group. No alternative valuation methods are used for valuing the ORRUs. The Group's UCITS management company and non-regulated undertakings carrying out financial activities are valued on a local sectoral basis or notional sectoral basis respectively. The Standard Life Assurance subsidiaries are included in the Group Solvency calculation under Method 2 'Deduction and Aggregation'. In accordance with Solvency II rules such entities are included in the Group balance sheet in the line 'Holdings in related undertakings, including participations', rather than on a line by line basis. The presentation in the statutory accounts column is also amended consistently with the above.

D.1 ASSETS continued

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

Note	Balance sheet item	Valuation principles
6	**Investments (other than assets held for index-linked and unit-linked contracts)** continued	The table below summarises the valuation differences for each participation.

Name	Valuation differences between Solvency II and IFRS £m	Explanation
Standard Life Assurance Limited	4,534	Further details regarding the valuation differences are set out in section D.1 (assets), D.2 (technical provisions) and D.3 (other liabilities).
Standard Life International Designated Activity Company	(32)	Further details regarding the valuation differences are set out in section D.1 (assets), D.2 (technical provisions) and D.3 (other liabilities) of the SLIDAC SFCR for the year ended 31 December 2020.
Standard Life Pension Funds Limited	(2)	Further details regarding the valuation differences are set out in section D.1 (assets), D.2 (technical provisions) and D.3 (other liabilities).
Standard Life Assets and Employee Services Limited	(16)	This valuation difference largely relates to removal of intangibles which are valued at £nil for Solvency II. See note 2.
Group consolidation adjustments applied to the Standard Life Assurance businesses	(1,622)	This difference relates to valuation adjustments in respect of amounts arising on consolidation of the Standard Life Assurance businesses in the Group IFRS financial statements. Principally this relates to the elimination of intangible assets including the Acquired Value In-Force business and any related deferred tax on such items which are valued at £nil under Solvency II.
EBT Own Shares	6	Further details are set out in note 23.
Total	**2,868**	

Equities

Equity instruments listed on a recognised stock exchange are valued using quoted market prices. In relation to hedge fund and private equity investments, non-observable third party evidence in the form of net asset valuation statements are usually used as the basis for the valuation. Adjustments may be made to the net asset valuation where other evidence, for example recent sales of underlying investments in the fund, indicates this is required. Further details on mark to model techniques are included in section D.4.1.

Bonds

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.

For collateralised securities listed on a recognised stock exchange, quoted market prices are used. For other collateralised securities, these instruments are valued using pricing data received from external pricing providers or in some cases broker quotes where observable market data is unavailable. The majority of the investments are valued using alternative valuation methods and further details are included in section D.4.1.

D.1 ASSETS continued

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

Note	Balance sheet item	Valuation principles
6	**Investments (other than assets held for index-linked and unit-linked contracts)** continued	**Collective Investment Undertakings** The Group and insurance subsidiaries receive valuations from investment managers of the underlying funds, based on quoted market prices. Where quoted prices are not available they are estimated using net asset value ('NAV') statements as the basis for the valuation. In respect of a few property collectives, NAV discounts are applied based on recent experience given the illiquid nature of such investments. Where the Group or its insurance subsidiaries holds greater than 20% interest in an investment fund this interest is recognised within 'holdings in related undertakings, including participations'. Where the interest is less than 20% it is included within 'Collective Investment Undertakings'. Any investments in collective investment undertakings related to unit-linked contracts are included as 'assets held for index-linked and unit-linked contracts'. **Derivatives** The fair value of OTC derivatives 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. **Deposits other than cash and cash equivalents** Deposits other than cash and cash equivalents are valued at par and comprise short-term deposits that cannot be used to make payments before a specific maturity date or without any penalty or restriction.
7	**Assets held for index-linked and unit-linked contracts**	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. In the IFRS financial statements, assets and liabilities under unit-linked contracts are presented on a line-by-line basis. Under Solvency II, all assets and liabilities backing unit-linked contracts are reported in a single line in 'assets held for index-linked and unit-linked contracts'.
8	**Loan and mortgages**	Loans and mortgages are valued at fair value. For the majority of the loans, including ERM loans and CRE loans, fair value is determined using alternative valuation methods. Further details are included in section D.4.1. The carrying value of loans and mortgages includes accrued interest in both the IFRS and Solvency II balance sheets.
9	**Reinsurance recoverables**	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 IFRS, 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.
10	**Insurance and intermediaries receivables Reinsurance receivables**	Given their short-term nature, the carrying amount per the IFRS financial statements is considered to represent the fair value for these assets under Solvency II. The balances only include amounts past due as amounts not yet due are included in the cashflow projections of technical provisions and reinsurance recoverables.
11	**Receivables (trade, not insurance)**	Receivables (trade, not insurance) are valued consistently under IFRS and Solvency II, with the exception of prepayments. Under IFRS, a prepayment asset is recognised in respect of payments for expenses that relate to future periods. No value is ascribed to prepayments under Solvency II as they cannot be sold separately to a third party.
12	**Cash and cash equivalents**	Cash and cash equivalents are valued at par and comprise of cash balances that are usable for all forms of payments without penalty or restriction.
13	**Technical provisions**	Details regarding the valuation of technical provisions are provided in section D.2.
14	**Other technical provisions**	The unallocated surplus under IFRS, which comprises the excess of assets over the policyholder liabilities of the with-profit funds, is presented here. This represents amounts which have yet to be allocated to shareholders since the unallocated surplus attributable to policyholders has been included within technical provisions. Unallocated surplus is classed as an accounting liability on the balance sheet. Under Solvency II, no liability is held for this, and the shareholder share of future bonuses forms part of Own Funds (which may be subject to Ring Fenced Fund restriction).

D.1 ASSETS continued

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

Note	Balance sheet item	Valuation principles
15	**Provisions (other than technical provisions)**	Consistent with IFRS, a provision is recognised when the Group 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.
16	**Deposits from reinsurers**	It is the Group's practice to obtain collateral to cover certain reinsurance transactions, usually in the form of cash or marketable securities. Where such cash collateral is available to the Group for investment purposes, it is recognised as a 'financial asset' and the collateral repayable is recognised as 'deposits received from reinsurers'. These are valued in line with IFRS, using a discounted cash flow methodology.
17	**Debts owed to credit institutions**	Debts owed to credit institutions include obligations for repayment of collateral received and refinancing loans. **Obligations for repayment of collateral received** are valued at fair value. It is the Group's practice to obtain collateral to mitigate the counterparty risk related to Exchange Traded and OTC derivatives and certain reinsurance transactions, usually in the form of cash or marketable financial instruments. Where the Group or insurance subsidiaries receive collateral in the form of marketable financial instruments which it is not permitted to sell or re-pledge except in the case of default, it is not recognised on the balance sheet. **Limited recourse bonds** are securitised on the future surplus emerging from an explicit block of policies. The Solvency II valuation is calculated using a discounted cash flow methodology, using cash flows derived from a model projecting this future surplus, then applying a suitable discount rate to adjust for Own Credit Standing ('OCS'). When valuing liabilities, for Solvency II no adjustment is made to take account of any changes in the OCS since inception. Financial liabilities are therefore valued at initial recognition in accordance with IFRS, but a subsequent adjustment for changes in OCS is not applicable under Solvency II. This creates a difference between subsequent measurements of financial liabilities for Solvency II compared to the measurement according to IFRS. **Refinancing loans,** related to property reversions held in 'property other than own use' are held at fair value for both Solvency II and IFRS on the basis that they incorporate an embedded
18	**Financial liabilities other than debts owed to credit institutions**	Financial liabilities other than debts owed to credit institutions are valued consistently with IFRS, at fair value. No adjustment to remove change in OCS is required as it is immaterial.
19	**Insurance and intermediaries payables**	Insurance and intermediaries payables include liabilities for outstanding claims on both insurance and investment contracts. The balances only include amounts past due as amounts not yet due are included in the cashflow projections of technical provisions and reinsurance recoverables. Unlike IFRS, Solvency II does not distinguish between insurance and investment contracts, requiring a "market consistent approach" for the measurement of all assets and liabilities. As such, these liabilities are valued using a best estimate of liabilities approach. Under IFRS, investment contracts have a demand feature and accordingly the associated outstanding claims are measured at full settlement value under IAS 39 - Financial Instruments: Recognition and Measurement. Outstanding claims on insurance contracts are measured consistently with Solvency II. Other Insurance and intermediaries payables are short term in nature and are valued at fair value, i.e. amounts payable on the balance sheet date.
20	**Payables (trade, not insurance)**	The valuation difference arising on the consolidated Group balance sheet reflects a deferred income liability recognised by the Service Companies in respect of payments received from the Life Companies to transfer risks associated with the costs of future regulatory change. Under IFRS this liability is eliminated against a corresponding prepayment in the Life Companies, however a related technical provision is recognised by the Life Companies and the Group in respect of these risks. As detailed in section D.2.2, the prepayment and technical provision are derecognised under Solvency II. To ensure the risks are appropriately recognised on the consolidated Group Solvency II balance sheet, the deferred income liability is recognised at its economic value of £nil.

D.1 ASSETS continued

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

Note	Balance sheet item	Valuation principles
21	**Subordinated liabilities (in Basic Own Funds)**	Under IFRS, subordinated debt is valued on an amortised cost basis, taking into account movements in Own Credit Sharing ('OCS'). Under Solvency II, subordinated debt is valued at fair value, excluding changes in OCS. Further details can be found in section E.1.
22	**Any other liabilities not elsewhere shown**	This balance sheet caption relates to deferred income balances. In the company's IFRS financial statements, 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.
23	**Own shares (held directly)**	Own shares reflect shares held by Phoenix Group Employee Benefit Trust ('EBT'), the net assets of which are reported in 'Holdings in related undertakings, including participations' in the Group balance sheet. The own shares are valued at fair value which is based on the quoted price of PGH shares at each reporting date. Further details on the treatment of own shares within Own Funds are included in section E.1. In contrast, under IFRS where the EBT has acquired shares in the Company, the consideration paid is shown as a deduction from owners' equity.

D.1.3 Analysis of deferred tax

Deferred tax assets on the Solvency II balance sheet are recognised by reference to expected future taxable profits and valued based on the difference between the carrying value of the asset on the balance sheet and its tax base. Deferred tax assets and liabilities are recognised separately to the extent that the deferred tax asset cannot be offset against corresponding deferred tax liabilities. Deferred tax assets and deferred tax liabilities are only offset if there is a legally enforceable right to do so and they relate to taxes levied by the same tax authority on the same taxable undertaking. They are comprised as shown in the table below. Deferred tax assets are treated as Tier 3 capital in Basic Own Funds for the PGH Group and its insurance subsidiaries. Further details are set out in section E.1.

The standard rate of UK corporation tax for the accounting period is 19% (2019: 19%).

Following the cancellation of the planned tax rate reduction from 19% to 17% announced in the March 2020 Budget, deferred tax assets and liabilities, where provided, are reflected at the rate of 19%.

It was announced in the 2021 UK Budget on 3 March that the UK corporation tax rate will be 25% with effect from 1 April 2023. This corporation tax rate change will lead to a net increase in Solvency II deferred tax liabilities of £0.3 billion. This will be largely offset by an increase in the loss absorbing capacity of deferred tax in the SCR.

The table on the next page summarises the Solvency II deferred tax assets and liabilities compared to the statutory accounts column for the Method 1 entities, for the year ended 31 December 2020. PA(GI) has no deferred tax assets and liabilities.

Deferred tax assets **Item**	**PLL £m**	**PLAL £m**	**RAL £m**	**RLL £m**	**Other Group entities £m**	**PGH Group £m**
Trade losses carried forward	–	–	23	6	11	40
Expense and deferred acquisition costs carried forward	3	–	10	11	–	24
Accelerated capital allowances	1	1	–	–	5	7
Pension scheme deficit	–	–	–	–	12	12
Other temporary differences	8	–	25	–	165	198
Offset of deferred tax asset and liabilities in Solvency II	(12)	(1)	(58)	(17)	(14)	(102)
Total Solvency II deferred tax assets	**–**	**–**	**–**	**–**	**179**	**179**
Reversal of offset of deferred tax asset and liabilities in Solvency II	12	1	58	17	14	102
Valuation adjustments	(7)	–	(9)	1	(20)	(35)
Offset of deferred tax asset and liabilities in IFRS	(5)	(1)	(41)	(18)	(2)	(67)
Total statutory accounts column deferred tax assets	**–**	**–**	**8**	**–**	**171**	**179**

D.1 ASSETS continued

D.1.3 Analysis of deferred tax continued

Deferred tax assets

Item	PLL £m	PLAL £m	RAL £m	RLL £m	Other Group entities £m	PGH Group £m
Technical provisions	(290)	(39)	(256)	(10)	–	(595)
Shareholder future bonus transfers	(55)	(32)	(38)	–	–	(125)
IFRS transitional adjustments	(8)	(9)	–	–	–	(17)
Unrealised gains on investments	(56)	(3)	(137)	(71)	–	(267)
Pension scheme surplus	–	–	–	–	(112)	(112)
Other temporary differences	(31)	–	–	–	(2)	(33)
Offset of deferred tax asset and liabilities in Solvency II	**12**	1	58	17	14	102
Total Solvency II deferred tax liabilities	**(428)**	**(82)**	**(373)**	**(64)**	**(100)**	**(1,047)**
Reversal of offset of deferred tax asset and liabilities in Solvency II	(12)	(1)	(58)	(17)	(14)	(102)
Technical provisions	290	39	256	10	–	595
Shareholder future bonus transfers	55	32	38	–	–	125
Pension scheme surplus	–	–	–	–	(10)	(10)
Acquired on in-force business	(21)	–	–	–	(381)	(402)
Other temporary differences	1	–	(1)	(7)	(28)	(35)
Offset of deferred tax asset and liabilities in IFRS	5	1	41	18	2	67
Total statutory accounts column deferred tax liabilities	**(110)**	**(11)**	**(97)**	**(60)**	**(531)**	**(809)**

The PGH Group had excess tax losses of £630 million (2019: £229 million) on which a deferred tax asset of £40 million (2019: £9 million) is recognised in both IFRS and Solvency II.

Deferred tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

PGH Group deferred tax assets have not been recognised in respect of:	PLL £m	PLAL £m	RAL £m	RLL £m	Other Group entities £m	PGH Group £m
Tax losses carried forward	–	–	–	2	37	39
Deferred tax assets not recognised on capital losses	–	–	36	4	1	41

There are no unrecognised deferred tax liabilities at 31 December 2020 (31 December 2019: no unrecognised deferred tax liabilities) within the PGH Group and its insurance subsidiaries.

D.1 ASSETS continued

D.1.3 Analysis of deferred tax continued

The following analysis relates to the valuation of deferred tax assets and liabilities in the Method 2 insurance subsidiaries, the net assets of which are presented in the PGH Group balance sheet within 'holdings in related undertakings including participations'.

An analysis of the Solvency II deferred tax assets and liabilities for the SLAL legal entity is shown in the table below.

Deferred tax assets

Item	SLAL £m
Trade losses carried forward	–
Expense and deferred acquisition costs carried forward	6
Committed future pension contributions	–
Accelerated capital allowances	1
Other temporary differences	(2)
Offset of deferred tax asset and liabilities in Solvency II	(5)
Total Solvency II deferred tax assets	**–**
Valuation adjustments	–
Other timing differences	–
Total statutory accounts column deferred tax assets	**–**

Deferred tax liabilities

Item	SLAL £m
Technical provisions	(522)
IFRS transitional adjustments	–
Unrealised gains on investments	(68)
Unit-linked policyholder tax reclassification	80
Other temporary differences	18
Offset of deferred tax asset and liabilities in Solvency II	5
Total Solvency II deferred tax liabilities	**(487)**
Technical provisions	522
IFRS Accounting DAC	(25)
Unit-linked policyholder tax reclassification	–
Other temporary differences	(28)
Total statutory accounts column deferred tax liabilities	**(18)**

There are no unrecognised deferred assets or liabilities at 31 December 2020 (31 December 2019: no unrecognised deferred assets or liabilities) for SLAL.

SLPF has no deferred tax assets and liabilities. There is an unrecognised deferred tax asset in SLPF in respect of the difference between Solvency II and IFRS technical provisions which is less than £1 million.

Details of deferred tax assets and liabilities for SLIDAC and ARK are disclosed in their respective company solo SFCR for the year ended 31 December 2020.

D.2 TECHNICAL PROVISIONS

This section provides separately for each LoB the value of technical provisions, including the amount of the Best Estimate Liability ('BEL') and the risk margin, as well as a description of the bases, methods and main assumptions used in the valuation of technical provisions.

As outlined in section A.1.3 the LoBs relevant to each insurance subsidiary are set out in the table below. The table below excludes PA(GI) as it did not have any technical provisions as at 31 December 2020.

The Standard Life insurance subsidiaries do not contribute to the value of the Group's technical provisions given their recognition in the Group solvency calculation under Method 2, Deduction and Aggregation. Under this Method, the contribution to the Group excess of assets over liabilities is shown as a single item within the 'Holdings in related undertaking, including participations' line.

Further details regarding the valuation of technical provisions for the Standard Life insurance subsidiary, SLIDAC and ReAssure insurance subsidiary, ARK can be found in Section D.2 of the respective entity SFCRs for the year ended 31 December 2020.

	PLL	PLAL	RAL	RLL	SLAL	SLPF
Insurance with–profit participation	✓	✓	✓	–	✓	–
Index–linked and unit–linked insurance	✓	✓	✓	✓	✓	–
Health insurance	✓	–	✓	✓	✓	–
Other life insurance	✓	✓	✓	✓	✓	✓
Health reinsurance	–	–	–	–	✓	–
Life reinsurance	✓	✓	✓	–	✓	–

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

D.2.1 Introduction

The technical provisions detailed in this section are inclusive of the Matching Adjustment and TMTP.

The Matching Adjustment is applied to the risk–free curve used for discounting liabilities in the Matching Adjustment portfolios only and has the effect of reducing technical provisions. The Group has PRA approval to apply a Matching Adjustment to all liabilities in the PLL,PLAL, RAL and SLAL Matching Adjustment portfolios.

No allowance is currently made for the Volatility Adjustment or transitional measure on interest rates. Of the Group's insurance subsidiaries, regulatory approval is in place from the PRA for the application of the Volatility Adjustment in RAL and SLAL only.

The Group also has approval to apply the TMTP to liabilities in PLL, PLAL, RAL and SLAL entities which allows firms to apply a transitional deduction to their technical provisions. Transitional measures are aimed at providing a smooth transition between the technical provisions under the previous Solvency I regulatory regime and the technical provisions under the Solvency II regulatory regime in order to enhance stability in the insurance sector. Solvency I technical provisions were determined using the ICA basis.

The initial calculation was as at 1 January 2016, but recalculation is expected every two years or sooner if material changes in the risk profile of the business have occurred. As a result of falls in the risk free rate in 2020, a further recalculation of the TMTP was conducted as at 30 June 2020 for PLL and PLAL. RAL also carried out a recalculation at 30 June 2020, the trigger event being the move to using the Standard Formula for the determination of capital requirements. No further recalculation was carried out for SLAL in 2020.

RLL does not apply a matching adjustment or TMTP adjustment.

Further details on the application of the Matching Adjustment and TMTP can be found in section D.2.7.1 and section D.2.7.2.

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business

This section provides technical provisions split by Solvency II LoB.

The tables below summarise the Group and insurance subsidiaries technical provisions at 31 December 2020 by Solvency II LoB, including the amount of BEL and risk margin. The TMTP as at 31 December 2020 (see section D.2.7.2) is also shown separately where applicable.

PA(GI) held no technical provisions as at 31 December 2020, and therefore no disclosures are required for the entity.

Table D.2.2.1a Technical provisions by Line of Business – PGH Group

As previously noted the technical provisions for the Standard Life insurance subsidiaries are not included in the Group table below due to their Method 2 treatment and their value being shown as a single line item within holdings in related undertakings, including participations.

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	31,391	(2,195)	248	34,851	179	**64,474**
Risk margin	698	367	15	2,100	88	**3,268**
Technical provisions as a whole	–	73,514	23	–	–	**73,537**
Gross technical provisions pre TMTP	**32,089**	**71,686**	**286**	**36,951**	**267**	**141,279**
TMTP adjustment	(1,158)	(230)	(12)	(2,079)	(18)	**(3,497)**
Gross technical provisions post TMTP	**30,931**	**71,456**	**274**	**34,872**	**249**	**137,782**
Reinsurance	4	6,706	(31)	3,963	34	**10,676**
Net technical provisions	**30,927**	**64,750**	**305**	**30,909**	**215**	**127,106**

Method 1 entities

Table D.2.2.2a Technical provisions by Line of Business – PLL

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	11,099	(283)	81	18,236	5	**29,138**
Risk margin	214	90	6	933	8	**1,251**
Technical provisions as a whole	–	25,794	–	–	1,695	**27,489**
Gross technical provisions pre TMTP	**11,313**	**25,601**	**87**	**19,169**	**1,708**	**57,878**
TMTP adjustment	(454)	(155)	(9)	(1,412)	(14)	**(2,044)**
Gross technical provisions post TMTP	**10,859**	**25,446**	**78**	**17,757**	**1,694**	**55,834**
Reinsurance	120	6,244	58	911	34	**7,367**
Net technical provisions	**10,739**	**19,202**	**20**	**16,846**	**1,660**	**48,467**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 1 entities continued

Table D.2.2.3a Technical provisions by Line of Business – PLAL

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	9,361	(47)	–	2,896	144	**12,354**
Risk margin	408	9	–	159	1	**577**
Technical provisions as a whole	–	1,878	–	–	–	**1,878**
Gross technical provisions pre TMTP	**9,769**	**1,840**	**–**	**3,055**	**145**	**14,809**
TMTP adjustment	(689)	(6)	–	(172)	(4)	**(871)**
Gross technical provisions post TMTP	**9,080**	**1,834**	**–**	**2,883**	**141**	**13,938**
Reinsurance	–	1,600	–	874	–	**2,474**
Net technical provisions	**9,080**	**234**	**–**	**2,009**	**141**	**11,464**

Table D.2.2.4a Technical provisions by Line of Business – RAL

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	10,933	(1,244)	140	14,306	(137)	**23,998**
Risk margin	74	251	6	978	78	**1,387**
Technical provisions as a whole	–	36,784	17	–	43	**36,844**
Gross technical provisions pre TMTP	**11,007**	**35,791**	**163**	**15,284**	**(16)**	**62,229**
TMTP adjustment	(14)	(69)	(3)	(495)	–	**(581)**
Gross technical provisions post TMTP	**10,993**	**35,722**	**160**	**14,789**	**(16)**	**61,648**
Reinsurance	3	553	3	483	–	**1,042**
Net technical provisions	**10,990**	**35,169**	**157**	**14,306**	**(16)**	**60,606**

Table D.2.2.5a Technical provisions by Line of Business – RLL

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	–	(336)	(6)	910	–	**568**
Risk margin	–	5	–	–	–	**5**
Technical provisions as a whole	–	7,264	6	–	–	**7,270**
Gross technical provisions pre TMTP	**–**	**6,933**	**–**	**910**	**–**	**7,843**
TMTP adjustment	–	–	–	–	–	**–**
Gross technical provisions post TMTP	**–**	**6,933**	**–**	**910**	**–**	**7,843**
Reinsurance	–	(352)	(8)	908	–	**548**
Net technical provisions	**–**	**7,285**	**8**	**2**	**–**	**7,295**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 2 entities:

Table D.2.2.6a Technical provisions by Line of Business – SLAL

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	14,767	(2,323)	11	12,126	14,833	**39,414**
Risk margin	39	543	–	720	167	**1,469**
Technical provisions as a whole	–	92,179	–	–	1,933	**94,112**
Gross technical provisions pre TMTP	**14,806**	**90,399**	**11**	**12,846**	**16,933**	**134,995**
TMTP adjustment	55	(581)	–	(426)	(49)	**(1,001)**
Gross technical provisions post TMTP	**14,861**	**89,818**	**11**	**12,420**	**16,884**	**133,994**
Reinsurance	–	2,783	7	3,600	756	**7,146**
Net technical provisions	**14,861**	**87,035**	**4**	**8,820**	**16,128**	**126,848**

Table D.2.2.7a Technical provisions by Line of Business – SLPF

31 December 2020 Technical provisions by Line of Business	Insurance with–profit participation £m	Index–linked and unit linked insurance £m	Health insurance £m	Other life insurance £m	Accepted reinsurance £m	Total technical provisions £m
Best Estimate Liabilities	–	–	–	10	–	**10**
Risk margin	–	–	–	1	–	**1**
Technical provisions as a whole	–	–	–	–	–	**–**
Gross technical provisions pre TMTP	**–**	**–**	**–**	**11**	**–**	**11**
TMTP adjustment	–	–	–	–	–	**–**
Gross technical provisions post TMTP	**–**	**–**	**–**	**11**	**–**	**11**
Reinsurance	–	–	–	9	–	**9**
Net technical provisions	**–**	**–**	**–**	**2**	**–**	**2**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Table D.2.2.1b Material differences between IFRS and Solvency II technical provisions – PGH Group

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 IFRS.

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross[1]		**33,423**	**74,509**	**298**	**38,780**	**214**	**147,224**
Longevity derivative assets and liabilities		–	–	–	(116)	–	(116)
Loan held at fair value		–	–	–	–	(5)	(5)
Reclassification of accounting provisions		–	10	–	1	–	11
Statutory accounts value technical provisions – gross		**33,423**	**74,519**	**298**	**38,665**	**209**	**147,114**
IFRS reinsurers' share		(5)	(6,767)	28	(5,872)	(34)	(12,650)
Longevity derivative assets and liabilities		–	–	–	45	(22)	23
Reclassification of reinsurance receivables		–	7	2	10	–	19
Statutory accounts value reinsurance recoverable[2]		**(5)**	**(6,760)**	**30**	**(5,817)**	**(56)**	**(12,608)**
Statutory accounts value technical provisions – net		**33,418**	**67,759**	**328**	**32,848**	**153**	**134,506**
Change to discount curve	1	324	26	(3)	94	6	447
Change in restriction for negative sterling reserves	2	(63)	(2,574)	(5)	–	–	(2,642)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	(7)	–	(7)
Demographic margin	4	–	(23)	(7)	(2,020)	–	(2,050)
Annuity profit margin	5	140	–	–	21	1	162
Policyholders' share of estate	6	(2,941)	–	–	(180)	(11)	(3,132)
Prepayments	7	(47)	–	–	(12)	–	(59)
Other	8	556	(575)	(11)	144	(4)	110
Solvency II Best Estimate Liabilities/TP as a whole – net		**31,387**	**64,613**	**302**	**30,888**	**145**	**127,335**
Add risk margin		698	367	15	2,100	88	3,268
Deduct transitional adjustments		(1,158)	(230)	(12)	(2,079)	(18)	(3,497)
Solvency II technical provisions – net		**30,927**	**64,750**	**305**	**30,909**	**215**	**127,106**
Solvency II reinsurance		4	6,706	(31)	3,963	34	10,676
Solvency II technical provisions – gross		**30,931**	**71,456**	**274**	**34,872**	**249**	**137,782**

1 The statutory accounts value of gross technical provisions of £147,114 million is different to the IFRS value of £299,013 million reported in the PGH plc Annual Report and Accounts for year ended 31 December 2020, due to presentational differences. £151,789 million is due to the treatment of Standard Life insurance subsidiaries, which are included as a single line items within 'holdings in related undertakings, including participations'.
In addition, there is a further £110 million for presentational differences which is largely in respect of longevity arrangements which PLL has in place with corporate pension schemes. These items are recognised as financial instruments under IFRS whereas under Solvency II, they are recognised within technical provisions. Further information can be found in section D.2.2.2b.

2 The statutory accounts value of reinsurance recoverable of £12,608 million is different to the IFRS value of £19,101 million reported in the PGH plc Annual Report and Accounts for year ended 31 December 2020, due to presentational differences. £6,451 million is due to the Standard Life Insurance subsidiaries being reported as a single line item, as explained above. A further £23 million and £19 million relate to a reclassification of derivative assets and liabilities and reinsurance receivables respectively.

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 2 entities continued

Table D.2.2.2b Material differences between IFRS and Solvency II technical provisions – PLL

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross[1]		**11,538**	**26,994**	**83**	**19,993**	**1,727**	**60,335**
Longevity derivative assets and liabilities		–	–	–	(116)	–	(116)
Loan held at fair value		–	–	–	–	(5)	(5)
Statutory accounts value technical provisions – gross		**11,538**	**26,994**	**83**	**19,877**	**1,722**	**60,214**
IFRS reinsurers' share		(120)	(6,217)	(58)	(2,139)	(34)	(8,568)
Longevity derivative assets and liabilities		–	–	–	45	(22)	23
Statutory accounts value reinsurance recoverable[2]		**(120)**	**(6,217)**	**(58)**	**(2,094)**	**(56)**	**(8,545)**
Statutory accounts value technical provisions – net		**11,418**	**20,777**	**25**	**17,783**	**1,666**	**51,669**
Change to discount curve	1	123	26	–	84	–	233
Change in restriction for negative sterling reserves	2	(45)	(776)	–	–	–	(821)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	(10)	–	(10)
Demographic margin	4	–	–	–	(569)	–	(569)
Annuity profit margin	5	98	–	–	21	–	119
Policyholders' share of estate	6	(1,113)	–	–	(180)	–	(1,293)
Prepayments	7	(9)	–	–	(12)	–	(21)
Other	8	507	(760)	(2)	208	–	(47)
Solvency II Best Estimate Liabilities/TP as a whole – net		**10,979**	**19,267**	**23**	**17,325**	**1,666**	**49,260**
Add risk margin		214	90	6	933	8	1,251
Deduct transitional adjustments		(454)	(155)	(9)	(1,412)	(14)	(2,044)
Solvency II technical provisions – net		**10,739**	**19,202**	**20**	**16,846**	**1,660**	**48,467**
Solvency II reinsurance		120	6,244	58	911	34	7,367
Solvency II technical provisions – gross		**10,859**	**25,446**	**78**	**17,757**	**1,694**	**55,834**

1 The statutory accounts value of gross technical provisions of £60,214 million is different to the IFRS value of £60,335 million reported in the PLL statutory accounts for the year ended 31 December 2020, due to presentational differences in respect of longevity arrangements which PLL has in place with corporate pension schemes. These arrangements are recognised as derivative financial instruments under IFRS whereas under Solvency II, they are recognised within technical provisions, and therefore the IFRS balances have been presented within technical provisions in the statutory accounts value column. PLL has also entered into a transaction under which it has accepted reinsurance on a portfolio of single and regular premium life insurance policies and retroceded the majority of insurance risk. Again, this is classified as a financial instrument under IFRS but recognised within technical provisions on a Solvency II basis. These arrangements have also been reclassified. The difference of £121 million is as a result of the reclassification of derivative assets and liabilities of £116 million and £5 million for loan held at fair value being the amount due from the cedant.

2 The statutory accounts value of reinsurance recoverable of £8,545 million is also different to the IFRS value of £8,568 million reported in the PLL statutory accounts for year ended 31 December 2020, as a result of the transactions detailed above. The difference of £23 million is as a result of the reclassification of derivative assets and liabilities.

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 2 entities continued

Table D.2.2.3b Material differences between IFRS and Solvency II technical provisions – PLAL

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
Statutory accounts value/IFRS technical provisions – gross		**9,964**	**1,838**	**–**	**3,063**	**145**	**15,010**
IFRS reinsurers' share		–	(1,603)	–	(909)	–	(2,512)
Statutory accounts value/IFRS technical provisions – net		**9,964**	**235**	**–**	**2,154**	**145**	**12,498**
Change to discount curve	1	154	4	–	7	2	167
Change in restriction for negative sterling reserves	2	(18)	(12)	–	–	–	(30)
Matching Adjustment on non-Matching Adjustment funds	3	–	–	–	3	–	3
Demographic margin	4	–	–	–	(97)	–	(97)
Annuity profit margin	5	41	–	–	1	1	43
Policyholders' share of estate	6	(792)	–	–	–	–	(792)
Prepayments	7	(38)	–	–	–	–	(38)
Other	8	50	4	–	(46)	(4)	4
Solvency II Best Estimate Liabilities/TP as a whole – net		**9,361**	**231**	**–**	**2,022**	**144**	**11,758**
Add risk margin		408	9	–	159	1	577
Deduct transitional adjustments		(689)	(6)	–	(172)	(4)	(871)
Solvency II technical provisions – net		**9,080**	**234**	**–**	**2,009**	**141**	**11,464**
Solvency II reinsurance		–	1,600	–	874	–	2,474
Solvency II technical provisions – gross		**9,080**	**1,834**	**–**	**2,883**	**141**	**13,938**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 2 entities continued

Table D.2.2.4b Material differences between IFRS and Solvency II technical provisions – RAL

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
Statutory accounts value/IFRS technical provisions – gross		**11,922**	**36,972**	**164**	**16,157**	**249**	**65,464**
IFRS reinsurers' share		(3)	(556)	(3)	(1,098)	–	(1,660)
Statutory accounts value/IFRS technical provisions – net		**11,919**	**36,416**	**161**	**15,059**	**249**	**63,804**
Change to discount curve	1	47	–	–	2	7	56
Change in restriction for negative sterling reserves	2	–	(1,445)	(1)	–	(298)	(1,744)
Demographic margin	4	–	–	(4)	(1,279)	(46)	(1,329)
Policyholders' share of estate	6	(1,036)	–	–	–	(10)	(1,046)
Other	8	–	16	(2)	41	4	59
Solvency II Best Estimate Liabilities/TP as a whole – net		**10,930**	**34,987**	**154**	**13,823**	**(94)**	**59,800**
Add risk margin		74	251	6	978	78	1,387
Deduct transitional adjustments		(14)	(69)	(3)	(495)	–	(581)
Solvency II technical provisions – net		**10,990**	**35,169**	**157**	**14,306**	**(16)**	**60,606**
Solvency II reinsurance		3	553	3	483	–	1,042
Solvency II technical provisions – gross		**10,993**	**35,722**	**160**	**14,789**	**(16)**	**61,648**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 2 entities continued

Table D.2.2.5b Material differences between IFRS and Solvency II technical provisions – RLL

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with–profit participation £m	Index–linked and unit–linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
IFRS technical provisions – gross		**–**	**7,289**	**14**	**1,056**	**–**	**8,359**
Reclassification of outstanding claims		–	(7)	(2)	(13)	–	(22)
Reclassification of accounting provisions		–	10	–	1	–	11
Statutory accounts value technical provisions – gross		**–**	**7,292**	**12**	**1,044**	**–**	**8,348**
IFRS reinsurers' share		–	(37)	(7)	(1,052)	–	(1,096)
Reclassification of reinsurance receivables		–	7	2	10	–	19
Statutory accounts value reinsurance recoverable		**–**	**(30)**	**(5)**	**(1,042)**	**–**	**(1,077)**
Statutory accounts value technical provisions – net		**–**	**7,262**	**7**	**2**	**–**	**7,271**
Change in restriction for negative sterling reserves	2	–	18	–	–	–	18
Other	8	–	–	1	–	–	1
Solvency II Best Estimate Liabilities/TP as a whole – net		**–**	**7,280**	**8**	**2**	**–**	**7,290**
Add risk margin		–	5	–	–	–	5
Deduct transitional adjustments		–	–	–	–	–	–
Solvency II technical provisions – net		**–**	**7,285**	**8**	**2**	**–**	**7,295**
Solvency II reinsurance		–	(352)	(8)	908	–	548
Solvency II technical provisions – gross		**–**	**6,933**	**–**	**910**	**–**	**7,843**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

Method 2 entities continued

Table D.2.2.6b Material differences between IFRS and Solvency II technical provisions – SLAL

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
Statutory accounts value/IFRS technical provisions – gross		**16,337**	**92,221**	**11**	**12,307**	**17,912**	**138,788**
IFRS reinsurers' share		–	(2,786)	(7)	(3,548)	(756)	(7,097)
Statutory accounts value/IFRS technical provisions – net		**16,337**	**89,435**	**4**	**8,759**	**17,156**	**131,691**
Change to discount curve	1	43	(1,512)	–	34	1,626	191
Change in restriction for negative sterling reserves	2	–	(889)	–	(2)	(1,735)	(2,626)
Demographic margin	4	–	–	–	(365)	(38)	(403)
Policyholders' share of estate	6	(1,612)	–	–	–	(1,010)	(2,622)
Other	8	(1)	39	–	100	11	149
Solvency II Best Estimate Liabilities/TP as a whole – net		**14,767**	**87,073**	**4**	**8,526**	**16,010**	**126,380**
Add risk margin		39	543	–	720	167	1,469
Deduct transitional adjustments		55	(581)	–	(426)	(49)	(1,001)
Solvency II technical provisions – net		**14,861**	**87,035**	**4**	**8,820**	**16,128**	**126,848**
Solvency II reinsurance		–	2,783	7	3,600	756	7,146
Solvency II technical provisions – gross		**14,861**	**89,818**	**11**	**12,420**	**16,884**	**133,994**

Table D.2.2.7b Material differences between IFRS and Solvency II technical provisions – SLPF

Technical provisions – IFRS to Solvency II reconciliation	Note	Insurance with-profit participation £m	Index-linked and unit-linked insurance £m	Health insurance £m	Other life insurance £m	Life reinsurance £m	Total technical provisions £m
Statutory accounts value/IFRS technical provisions – gross		**–**	**–**	**–**	**9**	**–**	**9**
IFRS reinsurers' share		–	–	–	(9)	–	(9)
Statutory accounts value/IFRS technical provisions – net		**–**	**–**	**–**	**–**	**–**	**–**
Other	8	–	–	–	1	–	1
Solvency II Best Estimate Liabilities/TP as a whole – net		**–**	**–**	**–**	**1**	**–**	**1**
Add risk margin		–	–	–	1	–	1
Deduct transitional adjustments		–	–	–	–	–	–
Solvency II technical provisions – net		**–**	**–**	**–**	**2**	**–**	**2**
Solvency II reinsurance		–	–	–	9	–	9
Solvency II technical provisions – gross		**–**	**–**	**–**	**11**	**–**	**11**

D.2 TECHNICAL PROVISIONS continued

D.2.2 Technical provisions by line of business continued

An explanation of the material changes between the IFRS valuation for technical provisions and that used for Solvency II is included below:

Note	Balance sheet item	Valuation principles
1	**Change to discount curve**	Liabilities are valued using a discount rate derived from the PRA swap curve less a credit risk adjustment of 11bps under Solvency II. For IFRS they are valued using a discount rate from the PRA swap curve plus an illiquidity adjustment of 10bps.
2	**Change in restriction for negative sterling reserves**	The term 'sterling reserves' represents reserves set aside to cover future cash flow obligations on unit-linked policies, over and above the value of units held. For Solvency II, negative sterling reserves are allowed as a reduction to technical provisions.
3	**Matching Adjustment on non-Matching Adjustment funds**	In addition to the adjustment in the Matching Adjustment portfolio, an adjustment is made to the IFRS technical provisions in the non-Matching Adjustment portfolio (non-profit business only) for liabilities backed by Solvency II Matching Adjustment eligible assets, representing an estimate of the allowance for illiquidity expected to be earned on such assets. This adjustment is not made under Solvency II.
4	**Demographic margin**	A margin for demographic risk is included within the IFRS technical provisions. This item is based on a percentage of undiversified demographic risk capital, relating to mortality, longevity and persistency (and expenses for the SLAL funds). Solvency II does not require this margin to be held over and above best estimate.
5	**Annuity profit margin**	Annuity profit margin includes future profits expected to be recognised when deferred annuities vest from the with-profit funds into the Matching Adjustment portfolio. Under Solvency II, there is no allowance for the reserving of the profit margin. For IFRS this profit margin is included within unallocated surplus.
6	**Policyholders' share of estate**	The proportion of the with-profit estate which is expected ultimately to be distributed to policyholders is included within technical provisions on the IFRS basis. For Solvency II, it is recognised as surplus funds (being accumulated profits which have not been made available for distribution to policyholders or other beneficiaries) and is not recognised within technical provisions but instead as an item of Own Funds. Further details are included in section E.1.
7	**Prepayments**	Under IFRS, the Life Companies recognise a prepayment relating to payment for transfer of certain risks to Service Companies. An offsetting amount is also held within technical provisions to recognise the future charge that will be incurred as the prepayment is released. For Solvency II, the prepayment cannot be recognised, as it is considered to not have any economic value, and therefore the liability held within technical provisions is released.
8	**Other**	The 'other' line includes the impact of reallocation of reserves in the with-profit funds between the two bases. For SLAL the 'other' line also includes: • the costs for any known mandatory requirements; • product development and exceptional costs that the Company has committed to incur in the year after the valuation date; and • ex-gratia payments if additional costs (e.g. legal) would be expected if the payments were not made.

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

Technical provisions represent the value of policyholder obligations, if these were to be transferred to a third party at the valuation date. For its insurance subsidiaries, the Group's approach is to value all actuarial liabilities using BEL plus risk margin, except for unit funds which are valued as 'Technical Provisions as a whole'. The technical provisions for the Group and its insurance subsidiaries can be seen in the tables in section D.2.2 and in the S.12.01.02 technical provisions QRT presented in Appendix 2.3 for PLL, Appendix 3.3 for PLAL, Appendix 4.3 for RAL, Appendix 5.3 for RLL, Appendix 7.3 for SLAL and Appendix 8.3 for SLPF.

Sections D.2.3 to D.2.10 set out in detail the bases, methodology and main assumptions used to derive the BEL. Risk margin methodology is covered in section D.2.11.

All data used to calculate technical provisions is assessed for appropriateness, completeness and accuracy. Where there are any material weaknesses, limitations or errors associated with data, these are identified in control and validation reports together with any remedial adjustments made.

D.2 TECHNICAL PROVISIONS continued

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

D.2.3.1 Best Estimate Liability

BEL is calculated gross, without any 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 to the relevant assumptions made in the calculation of technical provisions are covered in section D.2.5.

For the majority of policies which have rider contracts (an additional provision attached to an insurance policy), the rider is separated from the main contract for valuation purposes. For example, a term assurance rider contract attached to a unit-linked pension policy is treated as a separate stand-alone term assurance contract. This ensures appropriate assumptions are used to value the rider contract.

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

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 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 key relevant assumptions include mortality, longevity, lapse rates and option take-up rates with allowance for any expected trends. 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). The assessment of the expected cash flows underlying the BEL takes into account any taxation payments which are charged to policyholders, or which would be required to be made to settle the insurance obligations.

In certain specific circumstances, the best estimate may be negative (e.g. for some protection business where the value of future premiums exceeds the value of future claims and expenses). A negative BEL is permitted under the regulations.

D.2.3.3 Discount rates

For the purpose of calculating the Solvency II technical provisions, nominal discount rates, based on swap rates, prescribed by the PRA are used. These rates vary by currency of liabilities. The vast majority of the Group's insurance obligations are denominated in sterling. The Group's main non-sterling currency exposure relates to euro denominated liabilities.

An adjustment (also specified by the PRA) is made to the swap curve for credit risk. At 31 December 2020, the sterling credit risk adjustment was minus 11bps, and for euros minus 10bps at each duration. For certain liabilities, a matching adjustment or volatility adjustment is added to the basic risk-free yield curve (see section D.2.7.1).

D.2.3.4 Tax assumptions

The Finance Act 2016 reduced the rates of corporation tax from 20% to 19% in April 2017 and to 17% from April 2020. However, the 2020 Budget on 11 March announced that the corporation tax rate would remain at 19% for 2020 and, it appeared at the time, for the foreseeable future. For IFRS and Solvency II reporting the change in tax rate was substantively enacted on 17 March 2020 by resolution using the provisional Collection of Taxes Act 1968. As a result of the Budget change in 2020, a tax assumption change from 17% to 19% took effect in April 2020.

The March 2021 Budget announced an increase in the corporation tax rate to 25% with effect from 1 April 2023. The tax assumptions as at 31 December 2020 do not allow for this change to the corporation rate as it had not been substantively enacted as at that date.

D.2.3.5 Contract boundaries

Under the regulations the liability cash flows that need to be considered within the BEL are those that fall within the 'contract boundary'. Depending on the features of the contract type, the contract boundary can vary (e.g. the contract boundary may be the original maturity date, the next policy anniversary or the valuation date).

The boundary used is based on a product level assessment which has been performed against the regulations.

D.2 TECHNICAL PROVISIONS continued

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

D.2.3.5 Contract boundaries continued

Within SLAL's technical provisions, in general, future premiums 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 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. For the avoidance of doubt, all related cash flows in respect of premiums paid up to and including the reporting date are included in the calculation of technical provisions.

D.2.3.6 Grouping of liability data

The majority of policies are grouped into model points to improve computational efficiency. 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.

However, there is no model point grouping for the RAL Guardian With-Profit Fund or for any RAL, RLL and SLAL non-profit business, or RAL and RLL unit-linked policies.

D.2.4 Calculation

The following sub-sections outline how each type of BEL is valued.

D.2.4.1 Insurance with-profit participation

The BEL is typically calculated as the sum of:

- asset shares – the value (as at the valuation date) of the underlying policy cash flows accumulated at the investment returns earned historically on assets backing those policies;
- the market-consistent cost of guarantees and smoothing as these may give rise to claim payments greater than the asset shares; and
- other with-profit future policyholder related liabilities, which includes future discretionary benefits and any remaining options and guarantees.

Cost of option and guarantees

A range of options and guarantees exist. As the cost of an option or guarantee will vary depending on future economic conditions, stochastic methods are used to value the majority of them (see section D.2.6 for further details) and these are included in the BEL.

Investment mix of asset shares

As the value of options and guarantees can depend on the projected asset share, the stochastic model requires assumptions about the current and future mix of investments held within the asset shares. These assumptions reflect the asset share pools as described in each with-profit fund's Principles and Practices of Financial Management ('PPFM').

The change to the asset mix of these asset share pools varies over time as described in the PPFM; certain funds will retain a static mix based on the assets backing asset shares at the valuation date, others will vary from an initial mix to a long term strategic mix.

D.2.4.2 Other life insurance (including health)

The BEL for the annuity business is the present value of future annuity payments and associated policy administration expenses less any future premiums payable. For non-pension annuities, the annuity payments may include policyholder tax on the income element of any payments.

For other business, BEL represents a realistic assessment of the present value of projected claims payments, plus expenses less premium income.

D.2.4.3 Index-linked and unit-linked business

The unit linked liability is a combination of the unit fund, which are treated as "technical provisions as a whole" and the BEL. The BEL is calculated as the discounted value of future expected fee income less expenses using risk-free rates of return and best estimate assumptions.

D.2 TECHNICAL PROVISIONS continued

D.2.5 Demographic and expense assumptions

Actuarial assumptions have been reviewed throughout the year, the most material change being the reduction in longevity base and improvement assumptions to reflect latest experience analyses, a move to the most recent Continuous Mortality Investigation ('CMI') 2019 projection tables and input from a medical expert panel in relation to cause of death assumptions. In addition, changes to investment expense assumptions have arisen, largely due to changes in the structure and allocation of assets. A £10 million mortality provision has also been included in PLL to reflect the possible short term increase in future claims as a result of COVID-19. Further details are set out below.

The Part VII of the L&G Mature Savings business from Legal and General Assurance Society ('LGAS') into RAL completed in September 2020. Some demographic assumptions are based on those used by LGAS or were changed at the outset as part of the transaction pricing. Some elements have been set pragmatically with reference to the existing RAL basis, particularly if full details of the LGAS basis were not disclosed for commercial reasons.

Going forwards it is expected that demographic assumptions will be reviewed as part of the annual experience analysis, with experience post Part VII to be gradually built into the future recommendations and incorporated into the annual review of assumptions presented to the Board.

All demographic and expense assumptions are determined on a best estimate basis (i.e. they include no allowance for prudence). Any changes to external factors are also taken into account when determining the best estimate assumptions.

Assumptions are set in accordance with the regulations. In particular, they:

- are applicable to homogenous risk groups and LoBs within each insurance subsidiary;
- are based on knowledge of the business and practices for managing the business; and
- ensure appropriate allowance for anticipated trends or future changes in the Group and its insurance subsidiaries and portfolio specific factors as well as legal, technological, social, economic or environmental factors.

Typically assumptions are reviewed annually, however for less material assumptions the updates may be less frequent.

The assumption setting process involves analysing experience data from the last two to five years. This ensures data is detailed enough to allow credible statistical analysis to be performed and emerging trends to be identified.

For example, in order to set a particular assumption for a particular group of policies, the annual percentage of policies subject to the relevant decrement (for example, lapses, death) over the last five years is typically considered. The actual rates observed over the last five years are then compared to the best estimate assumption being used to value the BEL. Where the best estimate assumption is materially out of line with actual experience, changes to the best estimate assumption are considered.

Validations are performed to ensure the experience data is accurate, relevant and credible. Other industry data (e.g. industry trend data) may also be used to supplement the Group's experience data, where relevant and credible.

Expert judgement is applied to assess the impact on the proposed assumption of one-off events and likely future policyholder behaviour. It is also used where there is insufficient credible experience/other data to set the assumption.

Key best estimate demographic assumptions are:

1) Early and late retirement rates;
2) Lapse rates;
3) Option take-up rates (e.g. early retirement options, Guaranteed Annuity Options ('GAO'));
4) Mortality rates (using base table and future improvement rates);
5) Income Drawdown rates;
6) Premium escalation rates; and
7) Rate of conversion from premium paying to paid up status.

Other less material best estimate assumptions include morbidity rates and cash withdrawal rates on bonds.

D.2 TECHNICAL PROVISIONS continued

D.2.5 Demographic and expense assumptions continued

D.2.5.1 Mortality

Base annuitant mortality

The base table mortality assumption review for annuitants is based on individual insurance subsidiary mortality experience primarily over a five year period for PLL, PLAL and SLAL, with RAL using a four year period.

Criteria used to subdivide fund level data into homogenous risk groups are gender and ex-entity (i.e. the original company that sold the policy to the policyholder). However for impaired life annuities, underwriting class is also used. RAL also applies some aggregation to less material annuitant blocks based on broad socioeconomic class groupings.

The main mortality tables currently in use are from the '00 Series' of base mortality tables supplied by the CMI. These tables are most representative of the underlying company's experience. A base mortality multiplier is then applied to the assumption so that the assumptions align to the underlying experience.

PCXA00 and RXV00 are examples of standard mortality tables from the '00 series' used by Life Companies to value technical provisions. Adjustments are made to these tables to reflect mortality improvements from the date they were published to the current valuation date.

A separate allowance is made for future mortality improvements applicable after the valuation date, which are detailed below.

Pre-vesting mortality

Pre-vesting mortality assumptions apply to products such as term assurances and endowments.

The assumption review is based on mortality experience primarily over a five-year period. Criteria used to subdivide fund level data are gender, product group, smoker status and ex-entity.

A base mortality multiplier that varies by gender is applied to a standard mortality table. Adjustments may be made to the mortality table to take account of changes in mortality improvements since the table was published.

Base multiplier and mortality assumptions are selected that are in line with the underlying experience data. In some cases, age specific percentages are used where they better match experience.

The main standard mortality tables currently in use are AX92, TX92, AXC00, ELT14 and TX00.

Additionally, company specific tables are used to value term policies and certain individual policies which include total and permanent disability benefits.

Future improvement in mortality rates

For immediate annuities, deferred annuities or products with GAO's/Guaranteed Minimum Pension ('GMP') guarantees and for certain whole of life and term assurance business, a separate allowance for future improvements in mortality rates is made when calculating technical provisions.

For annuity business, the future improvement assumption is a material assumption and it is expressed using an industry model (the CMI projections model) which firstly fits a model to England and Wales historic population data. The CMI model then uses assumptions regarding the rate of convergence from the recent historic rates to an appropriate long term rate of future improvement. Internal models are used to set and validate these assumptions. The published projection model currently in use is the CMI_2019 projections model which was published in March 2020 and uses historic data up to 2019.

For certain whole of life and term assurance business, the future improvement assumption is less material and a single rate of future improvement assumption is used.

Future deterioration in critical illness rates

For certain RLL business providing stand-alone and accelerated critical illness cover, a future deterioration assumption is used. It is assumed that the rate of deterioration is the same for all future years.

D.2 TECHNICAL PROVISIONS continued

D.2.5 Demographic and expense assumptions continued

D.2.5.2 Persistency

The lapse rate assumption review for PLL and PLAL is based on experience primarily over a five-year period, splitting policies into homogeneous risk groups and identifying an assumption for the group as a whole. Criteria used to subdivide fund level data are product type and premium payment status (i.e. regular premium or single premium/paid up). Where experience data is insufficient to perform a credible analysis, the experience from similar products may be aggregated. RAL business follows a similar process but uses a three-year period.

The lapse, retirement, withdrawal and paid up rates for SLAL are largely based on five years of experience data for life and bonds and two years for Open business and legacy pensions, and vary by product type, duration of business, policyholder age and territory, depending on the assumption. In addition, an allowance for dynamic policyholder behaviour is made.

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.

D.2.5.3 Early and late retirement rates

The assumption review for late retirement rates is based on experience primarily over a three-year period. For early retirement rates a five-year period is used, other than for the RAL which use three years. The criteria used to subdivide fund level data are product type and ex-entity. Late retirement rates are reviewed for those products where the assumption has a material impact on BEL.

In setting the assumptions, allowance is made for known or anticipated trends (e.g. changes in early and late retirement rates as a result of low interest rate environment or changes resulting from Pensions Freedoms legislation introduced in April 2015).

D.2.5.4 Income drawdown rates

The assumption review is based on experience over a two-year period. Criteria used to subdivide fund level data are age, pot size and product type. Where experience data is insufficient to perform a credible analysis, the experience from similar products may be aggregated. The analysis is carried out by splitting policies into homogeneous risk groups and identifying an assumption for the group as a whole.

D.2.5.5 Option take-up rates

The current best estimate assumptions for GAO take-up rates are based on experience data since the implementation of the Pensions Freedoms Act in April 2015, where the requirement to take policy benefits in the form of an annuity was removed in the Pensions Freedom Act. Given the significance of this change, it will take some time for sufficient experience to build-up to produce a stable take-up rate assumption.

GAO liabilities are valued using a stochastic model. The take-up rate for PLL and PLAL varies depending on the projected interest rate at policy maturity date in each stochastic scenario. An upper and lower bound apply to the take-up rate based on the degree to which the guarantee is in the money (i.e. by how much the guaranteed annuity rate exceeds the current market annuity rate). For SLAL's UK and Irish and RAL's National Mutual and Windsor Life GAO liabilities, the take-up rates do not vary dynamically.

The assumed GAO take-up rates across the different funds currently lie between 50% and 95%.

GAO take-up rates are also set on German business where rates vary by age and product type.

Deferred annuity business in RAL includes Guaranteed Cash Options. The liabilities are valued deterministically with an assumption for the proportion of benefits taken as an annuity rather than cash benefits. This assumption does not vary dynamically. Across different products the annuity take-up assumption varies between 59% and 80%.

D.2 TECHNICAL PROVISIONS continued

D.2.5 Demographic and expense assumptions continued

D.2.5.6 Expense assumptions

Future expense assumptions are set on a going concern basis, which assumes that Standard Life new business, new vesting annuity business, and SunLife protection business will continue to be written in future. RLL expense assumptions are assumed to benefit from economies of scale as it is moved on to the ALPHA platform. It is assumed that other product lines remain substantively closed to new business.

Assumptions are set on a per policy basis, varying by product and/or fund. They are set in line with per policy charges defined in the Master Services Agreements (MSA) signed with the Group's Service Companies for the provision of policy administration. These charges are in respect of all administration costs and any associated overhead costs. RAL also has service agreements with some external companies. From RLL's perspective, these costs are guaranteed via an intra-group reinsurance arrangement with RAL.

The MSAs also define direct costs (e.g. regulatory and insurance fees) and project costs which are separately billed to the insurance companies as they are incurred. The future expense assumptions include allowances for some direct and project costs where applicable. Those direct and project costs not allowed for in modelled expense assumptions are held as an actuarial provision within the overall calculation of BEL. For European business, future expense assumptions on a per policy basis are derived from an analysis of management expenses. This allows for all expenses incurred in servicing policies, including overheads, and also assumes that the company continues to write new business.

RAL also incurs expenses which are not covered by the MSAs referred to above. An assessment is made of the material expenses expected to be incurred in future (for example, relating to regulatory project costs), based on known budgetary information and expert judgement.

Investment management expense assumptions include explicit inputs to the valuation models, as well as reductions to the investment returns used to calculate BEL. For with-profit funds and some non-profit funds investment expenses are set by considering the underlying asset mix of the asset shares and those assets backing other liabilities and Own Funds.

D.2.6 Stochastic model

D.2.6.1 Economic Scenario Generators

An Economic Scenario Generator ('ESG') developed by a third party supplier 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 1,000 different future economic scenarios for PLL and PLAL and then averaging over all scenarios. RAL values options and guarantees on 4,000 different scenarios for the base results and 1,000 for stresses. The stochastic methodology for SLAL values the options and guarantees under 2,000 different scenarios. The central scenario in the ESG is equal to the single deterministic scenario used to value all non-profit and unit-linked business.

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 PRA. Where possible the ESG has been calibrated to assets from deep, liquid and transparent markets that are appropriate to the nature of the funds' options and guarantees.

D.2.6.2 Management actions

The methods and techniques for the estimation of future cash flows take account of potential future actions taken by management. The management actions allowed for are determined and justified in accordance with the regulations. For PLL and PLAL management actions in this context are mainly relevant to with-profit liabilities and, in the calculation of technical provisions, primarily relate to discretion over the amount of annual and final bonuses. In each ESG scenario, the level of annual future reversionary bonus applied to benefits is determined dynamically, and is set at a level such that the final bonus is targeted at a specified percentage of the guaranteed benefit.

Some reversionary bonuses are guaranteed at a specified minimum. Where this is the case the model uses the dynamic methodology as above, but applies a floor of the guaranteed minimum.

The final bonus rates are typically assumed to be adjusted in each scenario so as to correspond to the rate that can be covered by the difference between the asset share and the guaranteed benefit, including any reversionary bonuses. The overall final bonus is subject to a minimum of zero.

D.2 TECHNICAL PROVISIONS continued

D.2.6 Stochastic model continued

D.2.6.2 Management actions continued

In addition, for RAL, the management actions include market value reductions (where the terminal bonus rate is allowed to fall below zero in certain circumstances) and the application of smoothing on bonus rates. The LGWPF also has dynamic asset allocation that allows the equity backing ratio to adjust for each ESG scenario. This adjustment occurs when the asset share to guaranteed benefit ratio passes certain trigger points.

In addition, for SLAL, management actions include, the regular review of deductions for guarantees, the application of smoothing on payouts and management of with profits assets.

D.2.6.3 Policyholder actions

For PLL and PLAL the impact of policyholder actions is considered primarily in relation to GAO take-up rates, as these take-up rates are expected to be correlated with the financial benefit gained from the option, which is in turn highly correlated with the level of interest rates.

The central GAO take-up rate assumptions in the stochastic models are supported by the analysis of historical data. This analysis takes into account the following:

- how beneficial exercise of the option was and will be to policyholders under circumstances at the time of exercising the option;
- the influence of past and future economic conditions;
- the impact of past and future management actions; and
- any other circumstances that are likely to have influenced the decisions on whether to exercise the option (e.g. changes in legislation such as Pension Freedom legislation introduced in April 2015).

The modelling of RAL's cost of guarantees does not dynamically allow for policyholder behaviour.

The modelling of SLAL's cost of guarantees includes an allowance for policyholder behaviour in light of the value of the guarantees and options available and the length of time until those guarantees and options apply.

D.2.7 Solvency II long term guarantee and transitional measures

Within PLL, PLAL, RAL and SLAL, regulatory approval has been received from the PRA for the application of:

- Matching Adjustment, which is applied to all liabilities in the Matching Adjustment portfolios; and
- the TMTP which is applied to all liabilities.

Within RAL and SLAL, regulatory approval has also been received from the PRA for the application of the Volatility Adjustment. For RAL, this applies to certain annuities in the ReAssure Limited Non-Profit Fund and guaranteed annuity rates, guaranteed annuity options and cash guarantees in the National Mutual With-Profit Fund ('NMWPF') and the With-Profit Fund ('WPF'). Within SLAL, this applies to almost all business within the entity, except unit-linked business and business in the Matching Portfolio[1].

RLL does not apply a Matching Adjustment or TMTP adjustment.

D.2.7.1 Matching Adjustment

The application of the Matching Adjustment allows insurers to use a (typically) higher discount rate when valuing liabilities that meet strict eligibility criteria, with the effect of increasing Own Funds and reducing the SCR. The assets and liabilities in each of the Matching Adjustment portfolios meet the Matching Adjustment eligibility criteria as set out in the regulations.

The Matching Adjustment is based on the expected yield from eligible assets held to back eligible liabilities, less a margin for defaults and downgrades. It is applied as a flat increase to the Solvency II basic risk-free curve used to discount liabilities.

The calculation of the Matching Adjustment requires PRA specified assumptions for the basic risk free curve and fundamental spreads. These assumptions are combined with asset and liability cash flows to generate the Matching Adjustment for each currency of liabilities.

1 Solvency II rules specify that a volatility adjustment cannot be used for unit-linked business or any business where a matching adjustment is already used.

D.2 TECHNICAL PROVISIONS continued

D.2.7 Solvency II long term guarantee and transitional measures continued

D.2.7.1 Matching Adjustment continued

The liabilities in the PLL Matching Adjustment portfolio consist of sterling denominated non-profit immediate and deferred annuities. There is also a relatively small block of non-profit euro denominated immediate annuities. The immediate and deferred annuities provide policyholders with a mixture of level, fixed escalation and inflation linked benefits. Liabilities in the PLAL Matching Adjustment portfolio consist of sterling denominated non-profit immediate annuities from which policyholders receive a mixture of level, fixed escalation and inflation linked benefits.

Liabilities in the RAL Matching Adjustment portfolio consist of sterling immediate annuity liabilities which include index-linked annuities and non-linked annuities.

Liabilities in the SLAL Matching portfolios consist of sterling immediate annuity liabilities, which include index-linked annuities and non-linked annuities.

At the current valuation date, assets held to back liabilities in the Matching Adjustment portfolios include: fixed and index-linked government bonds, supranational bonds, corporate bonds, CRE Loans, infrastructure debt, interest rate and inflation swaps, gilt total return swaps and cash. For PLL Matching Portfolio, ERM notes issued by ERM SPVs are also held to back liabilities.

The impact of reducing the Matching Adjustment to zero on the Solvency II balance sheet (including technical provisions, Own Funds and SCR) is summarised below and shown in QRT S.22.01 in Appendix for PGH Group and each life company.

The Basic and Eligible Own Funds presented below for PGH Group include the Method 2 Standard Life insurance subsidiaries. The impact to Basic and Eligible Own Funds also include any effect of removal of Matching Adjustment for the Method 2 Standard Life insurance subsidiaries.

Due to the Method 2 treatment of the Standard Life insurance subsidiaries, the impact of the removal of Matching Adjustment on the Group's technical provisions and basic own funds in the table below relates only to the Method 1 Group. Impacts on the SCR and Eligible own funds to meet SCR for the Group include both Method 1 and Method 2 entities.

Phoenix Group Holdings plc	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B) – (A)
Technical provisions	137,782	140,292	2,510
Basic Own Funds	12,014	9,745	(2,269)
Eligible Own Funds to meet SCR	16,832	14,152	(2,680)
SCR	11,591	14,863	3,272

PLL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B) – (A)
Technical provisions	55,834	57,246	1,412
Basic Own Funds	4,942	3,590	(1,352)
Eligible Own Funds to meet SCR	4,942	3,590	(1,352)
SCR	3,405	4,976	1,571

PLAL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B) – (A)
Technical provisions	13,938	14,046	108
Basic Own Funds	1,907	1,799	(108)
Eligible Own Funds to meet SCR	1,907	1,799	(108)
SCR	1,372	1,483	111

D.2 TECHNICAL PROVISIONS continued

D.2.7 Solvency II long term guarantee and transitional measures continued

D.2.7.1 Matching Adjustment continued

RAL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B) – (A)
Technical provisions	61,648	62,638	990
Basic Own Funds	5,184	4,376	(808)
Eligible Own Funds to meet SCR	5,184	4,376	(808)
SCR	2,807	3,658	851

SLAL	Including Matching Adjustment £m (A)	Excluding Matching Adjustment £m (B)	Impact of removing Matching Adjustment £m (B) – (A)
Technical provisions	133,994	134,578	584
Basic Own Funds	4,409	3,998	(411)
Eligible Own Funds to meet SCR	4,409	3,998	(411)
SCR	2,989	3,728	739

D.2.7.2 Transitional Measure on Technical Provisions (Unaudited)

Transitional measures allow insurers to recognise the impact of increased technical provisions calculated under the Solvency II regime compared to the previous Solvency I regime (using the Pillar 2 Individual Capital Assessment ('ICA') basis) on a gradually reducing basis over 16 years. The Group's technical provisions calculated under Solvency II exceed those calculated under the Solvency I regime for two main reasons. Firstly, the regulations require inclusion of a risk margin within technical provisions, which was not required under Solvency I. Secondly, the regulations require the use of a swap-based risk-free curve to discount liabilities whereas under Solvency I, the Group used a higher gilts-based risk-free curve to determine the discount rate.

The TMTP is a deduction from the amount of Solvency II technical provisions and is included as part of Tier 1 Basic Own Funds. In summary, the initial deduction is calculated as the difference between Solvency II technical provisions and Solvency I technical provisions as at 1 January 2016. The deduction runs off linearly to zero over the course of the 16-year transitional period unless a faster pace of run-off is required due to the actual run-off of the business being higher than 1/16 per annum.

The regulations allow all firms to recalculate their transitionals every two years after 1 January 2016 or more frequently under circumstances where the risk profile of the business changes materially and to reflect this recalculation in the reported transitionals amount. As per the two-year recalculation cycle, a recalculation of the TMTP was conducted as at 31 December 2019.

As a result of falls in the risk free rate in 2020, a further recalculation of the TMTP was conducted as at 30 June 2020 for PLL and PLAL. RAL also carried out a recalculation at 30 June 2020, the trigger event being the move to using Standard Formula reporting. No further recalculation was carried out for SLAL in 2020. The TMTP reported in this valuation allows for five years' run off (for example, 11/16 of the figure before run-off) in line with the PRA supervisory statement that confirms the run down should apply on the last working day of 2020 rather than 1 January 2021.

RLL does not hold any TMTP adjustment.

There is a requirement that the TMTP should not result in the financial resources (technical provisions plus other liabilities plus capital requirements) held under Solvency II to be less than those that would have been held under the Solvency I regime. The assessment on both bases as at 31 December 2020 demonstrated that such a restriction was required in RAL only.

The impact of reducing the TMTP to zero on the Solvency II balance sheet (including technical provisions, Own Funds and SCR) is summarised below and shown in QRT S.22.01.22 and S.22.01.21 in the Appendix for PGH Group and each life company respectively.

D.2 TECHNICAL PROVISIONS continued

D.2.7 Solvency II long term guarantee and transitional measures continued

D.2.7.2 Transitional Measure on Technical Provisions (Unaudited) continued

The Basic and Eligible Own Funds presented below for PGH Group include the Method 2 Standard Life insurance subsidiaries. The impacts also include any impact of removal of TMTP for the Method 2 Standard Life entities.

Due to the Method 2 treatment of the Standard Life insurance subsidiaries, the impact of the removal of TMTPon the Group's technical provisions and basic own funds in the table below relates only to the Method 1 Group. Impacts on the SCR and Eligible own funds to meet SCR for the Group include both Method 1 and Method 2 entities.

Phoenix Group Holdings plc	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B) – (A)
Technical provisions	137,782	141,279	3,497
Basic Own Funds	12,014	9,380	(2,634)
Eligible Own Funds to meet SCR	16,832	13,310	(3,522)
SCR	11,591	11,836	245

PLL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B) – (A)
Technical provisions	55,834	57,878	2,044
Basic Own Funds	4,942	3,438	(1,504)
Eligible Own Funds to meet SCR	4,942	3,438	(1,504)
SCR	3,405	3,495	90

PLAL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B) – (A)
Technical provisions	13,938	14,810	872
Basic Own Funds	1,907	1,237	(670)
Eligible Own Funds to meet SCR	1,907	1,237	(670)
SCR	1,372	1,421	49

RAL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B) – (A)
Technical provisions	61,648	62,229	581
Basic Own Funds	5,184	4,724	(460)
Eligible Own Funds to meet SCR	5,184	4,724	(460)
SCR	2,807	2,913	106

SLAL	Including transitionals £m (A)	Excluding transitionals £m (B)	Impact of removing transitionals £m (B) – (A)
Technical provisions	133,994	134,995	1,001
Basic Own Funds	4,409	3,521	(888)
Eligible Own Funds to meet SCR	4,409	3,521	(888)
SCR	2,989	2,989	–

In addition to impacting the technical provisions, any change in TMTP also affects the SCRs for PLL, PLAL and RAL. This is due to the impact of the change in TMTP on the Loss Absorbing Capacity of Deferred Tax ('LACDT') for PLL, PLAL and RAL, and also the impact of additional management actions applied in the SCR calculation for PLL and PLAL that can be used to reduce losses under stressed conditions. For SLAL any change in the TMTP does not affect the SCR.

D.2 TECHNICAL PROVISIONS continued

D.2.7 Solvency II long term guarantee and transitional measures continued

D.2.7.3 Volatility Adjustment

RAL applies a Volatility Adjustment to certain annuities in the RAL Non-Profit Fund where a Matching Adjustment is not used and for all future policyholder-related liabilities in the NMWPF and WPF.

SLAL applies a Volatility Adjustment when calculating technical provisions for all contract types where a Matching Adjustment is not used, except for unit-linked business.

The Volatility Adjustment is designed to protect insurers with long term liabilities from the impact of market volatility, by reducing the likelihood that insurers sell their risky assets when markets are falling. The Volatility Adjustment is a parallel increase in the market segment of the risk free curve. There is no change to the ultimate forward rate.

As noted in section D.2.1 PLL, PLAL and RLL do not apply the Volatility Adjustment, and therefore any removal of Volatility Adjustment would not impact the technical provisions of those entities.

The tables below set out the impact on the Group, RAL and SLAL's Basic Own Funds and Eligible Own Funds as set out in in Appendix 1.4, Appendix 4.4 and Appendix 7.4 . In light of the Method 2 treatment of SLAL, there is no impact on the PGH Group technical provisions of removing the Volatility Adjustment.

Due to the Method 2 treatment of the Standard Life insurance subsidiaries, the impact of the removal of Volatility Adjustment on the Group's technical provisions and basic own funds in the table below relates only to the Method 1 Group. Impacts on the SCR and Eligible own funds to meet SCR for the Group include both Method 1 and Method 2 entities.

Phoenix Group Holdings plc	Including Volatility Adjustment £m (A)	Excluding Volatility Adjustment £m (B)	Impact of removing Volatility Adjustment £m (B) – (A)
Technical provisions	137,782	137,808	26
Basic Own Funds	12,014	12,003	(11)
Eligible Own Funds to meet SCR	16,832	16,843	11
SCR	11,591	11,640	49

RAL	Including Volatility Adjustment £m (A)	Excluding Volatility Adjustment £m (B)	Impact of removing Volatility Adjustment £m (B) – (A)
Technical provisions	61,648	61,674	26
Basic Own Funds	5,184	5,173	(11)
Eligible Own Funds to meet SCR	5,184	5,173	(11)
SCR	2,807	2,816	9

SLAL	Including Volatility Adjustment £m (A)	Excluding Volatility Adjustment £m (B)	Impact of removing Volatility Adjustment £m (B) – (A)
Technical provisions	133,994	134,134	140
Basic Own Funds	4,409	4,431	22
Eligible Own Funds to meet SCR	4,409	4,431	22
SCR	2,989	3,029	40

D.2 TECHNICAL PROVISIONS continued

D.2.8 Recoverables on reinsurance contracts

The amounts recoverable on reinsurance contracts are recognised as a reinsurance asset on the Solvency II balance sheet and calculated in the same manner as the BEL. The amounts recoverable are adjusted to take account of expected losses due to default of the counterparty which is described below.

D.2.8.1 Assessment of reinsurers' default risk (counterparty default adjustment)

The regulations require that an adjustment is made to the value of the reinsurance asset to reflect the risk that a reinsurer may default on its obligations. This adjustment is known as the counterparty default adjustment.

The regulations require that an adjustment is made to the value of the reinsurance asset to reflect the risk that a reinsurer may default on its obligations. This adjustment is known as the counterparty default adjustment.

A simplified method is used to calculate the counterparty default adjustment for PLL, PLAL and RAL. The simplified calculation applies a best estimate probability of reinsurer default to the difference between the reinsured BEL and any collateral held under the arrangement. Further adjustments are then made to reflect the recovery rate from the reinsurer in excess of the collateral and the average duration of liabilities transferred. For internal reinsurance the probability of default has been set to zero, reflecting the enhanced ability to monitor and control the strength of the reinsurer.

For RLL and SLAL, the counterparty default adjustment is the best estimate of the expected losses due to default of the reinsurance counterparty over the lifetime of the liabilities. The adjustment is calculated for each counterparty exposure as:

- the cumulative expected probability of default over the lifetime of the reinsurance exposure; multiplied by
- an assumption for losses given default.

The probability of default assumption is determined from long-term average default rates for corporate bonds. This is adjusted for credit conditions as at the valuation date using corporate bond credit spreads (relative to swaps), except that no such adjustment applies to RAL. Loss given default assumptions are specific to the nature of the exposure.

There is no reinsurance with Solvency II SPVs.

D.2.9 Simplifications

Where it is proportionate, the Group adopts various simplifications in the calculation of BEL. These simplifications may exist within the calculation methodology, or within the valuation models themselves.

The most material areas where such simplifications are adopted are listed below.

D.2.9.1 Methodology simplifications

This section describes the significant simplifications within the Group's methodology for calculating the Solvency II BEL. However, neither is considered to have a material impact on BEL.

Dynamic policyholder behaviour

How valuable guarantees are to policyholders will vary with economic conditions. In the PLL and PLAL stochastic model, dynamic policyholder behaviour is modelled in respect of the GAO take-up rates, where the take-up rate varies depending on the level of projected interest rates at the policyholder's retirement date. In the SLAL stochastic model cost of guarantees includes an allowance for policyholder behaviour in light of the value of the guarantees and options available and the length of time until those guarantees and options apply.

For RAL due to limited historical evidence of policyholder behaviour the GAO take-up rates are modelled deterministically.

Variation in economic conditions would also affect the lapse and surrender rates. However, due to a lack of relevant experience data and modelling complexity, dynamic lapse and surrender rates are not currently modelled.

Counterparty default adjustment

The methodology set out in section D.2.8.1 above is a simplification permitted by the regulations.

D.2 TECHNICAL PROVISIONS continued

D.2.9 Simplifications continued

D.2.9.2 Modelling simplifications

Substantially all of the Group'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. Examples include provisions set aside to cover items such as additional service fees, data issues, project implementation costs, impacts of system changes, impacts of regulation changes, unknown claims and litigation costs.

The Group 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 Group's internal framework on application of expert judgement.

The proportion of gross BEL calculated using simplified methods was 1%.

D.2.10 Uncertainty associated with the value of technical provisions

The sources and level of uncertainty associated with the risk margin component are described in section D.2.11.3.

The key sources and level of uncertainty associated with the BEL component of technical provisions are:

- uncertainty of demographic and economic assumptions;
- uncertainty in the timing and frequency of insured events;
- uncertainty in claim amounts, including uncertainty caused by path dependency (i.e. where the cash flows depend not only on circumstances such as economic conditions on the cash flow date, but also on those circumstances at previous dates);
- uncertainty in claims inflation;
- uncertainty in the amount of expenses and expense inflation;
- uncertainty in the actions that are assumed to be taken by management in response to changes in market conditions;
- uncertainty in expected future developments; and
- uncertainty in policyholder behaviour.

For PLL, PLAL, RAL and SLAL, some of this uncertainty is addressed by using a stochastic model. In particular, use of a stochastic model enables both the intrinsic and time value associated with options and guarantees to be determined with greater certainty. Use of a stochastic model also enables key dynamic policyholder behaviour and key management actions to be modelled.

Uncertainty may also emanate from the use of best estimate assumptions that did not accurately reflect the risk profile of the business being modelled. For example, demographic best estimate assumptions are typically based on an analysis of past experience with adjustments to allow for expected future trends and developments. However, these assumptions may not be borne out in practice for a number of reasons, including:

- lack of credible historical data upon which to base the assumption. This may require experience data from different homogenous risk groups being grouped, the use of relevant and credible industry data, or the assumption being set by expert judgement;
- allowance for future trends being different from expected; and
- random variation.

Any simplifications and approximations made when setting non-economic assumptions takes into account the sensitivity and materiality of the assumption.

An indication of the level of uncertainty associated with a particular assumption can be achieved by testing the sensitivity of BEL to that assumption. The table below (unaudited) shows the increase in net of reinsurance BEL that would result from a strengthening of each key demographic assumption at the 1-in-10 probability level (i.e. the probability of the best estimate assumption being outside of this level is 10% respectively). These impacts allow for the current risk mitigation techniques (e.g. reinsurance) in place.

D.2 TECHNICAL PROVISIONS continued

D.2.10 Uncertainty associated with the value of technical provisions continued

Method 1 Assumption	Increase In Best Estimate Liability 1-in-10 probability level £m			
	PLL	PLAL	RAL	PGH Group
Longevity (base table and future improvements)	670	287	559	1,516
Mortality	118	3	44	165
Lapses	262	178	55	495

Method 2 Assumption	Increase In Best Estimate Liability 1-in-10 probability level £m
	SLAL
Longevity (base table and future improvements)	543
Mortality	3
Lapses[1]	35
Expenses	172

1 Lapses effect quoted is all persistency, i.e. lapses, PUPs, surrenders, guaranteed annuity rate take-ups and early retirement rates. This is a reduction in persistency (e.g. higher lapse rates) as this is more onerous in total.

D.2.11 Risk margin

The risk margin calculation represents the additional amount above the BEL that is required to be held under the Solvency II regulations. It is calculated at a value to proxy for the amount of compensation above BEL that a third party (i.e. the reference undertaking) would require to take over those liabilities.

The Group uses a simplified methodology to calculate the risk margin, as described in section D.2.11.1 below.

D.2.11.1 Methodology overview

The calculation of the risk margin for the undertaking is based on a 6% per annum cost of capital applied to the projected reference undertaking SCR. The reference undertaking SCR is based on non-hedgeable risks only. The definition of non-hedgeable risks for the reference undertaking SCR includes:

- underwriting risk with respect to the existing business;
- credit risk with respect to reinsurance contracts counterparties, policyholders and any other material exposures related to existing business; and
- operational risk, including tax and regulatory risk.

D.2.11.2 Validation of simplified approach and level of uncertainty

A 'full' calculation of the risk margin would involve:

- a 'full' calculation of the reference undertaking SCR over all future time periods; and
- calculating the risk margin at entity level and allocating this to each LoB.

However, in practice, for the vast majority of business, the Group uses a simplified bottom up approach such that the risk margin is initially calculated at fund LoB level by:

- allocating the time zero reference undertaking SCR to each fund and further by LoB. For each LoB this allocation makes allowance for the expected contribution from individual risks, management actions, diversification benefits and also non-linearity. Non-modelled risks are allocated in a simplified way using LoB weightings based on modelled BEL; and
- applying a 6% cost of capital charge to the 'projected' fund level LoB reference undertaking SCRs and discounting. For this purpose the fund level LoB reference undertaking SCR is typically projected the run-off profile each LoB.

D.2 TECHNICAL PROVISIONS continued

D.2.11 Risk margin continued

D.2.11.2 Validation of simplified approach and level of uncertainty continued

The insurance subsidiary risk margins are then the sum of the LoB risk margins across all funds. The Group risk margin is the sum of the Method 1 insurance subsidiary's risk margins, Method 2 entities are included within participations.

In order to understand the impact of the simplification used to allocate the SCR to LoB, alternative methods of allocating the SCR to LoB have been investigated (e.g. the impact of allocating non-modelled risks to LoB using policy counts instead of the BEL). This demonstrated that the risk margin results were relatively insensitive to the alternative allocation methods that were tested.

In order to understand the impact of the simplification used to represent the projection of the SCR, alternative run-off approaches were also assessed. In particular:

- Realistic run-off patterns for key non-market risks. Simplified models were used to produce run-off patterns for key risks and are validated by comparing them to BEL run-off profiles. This showed that the current approach was likely to be prudent for the key risks.
- Alternative proxies to run-off the SCR were used (e.g. sum assured) and the sensitivity of the risk margin calculation was assessed. This showed that the risk margin results were relatively insensitive to the alternative run-off patterns tested.
- For certain product lines, where the general approach described in section D.2.11.1 is not appropriate, more granular techniques are employed to ensure appropriate projection of the reference undertaking SCR.

D.2.11.3 Uncertainty associated with the risk margin

Uncertainty attached to the risk margin calculation primarily stems from its unduly high sensitivity to interest rate movements. Sensitivity to interest rates arises because interest rate movements can have a significant second order impact of the size of the longevity risk SCR and because risk-free rates are used to discount the projected reference undertaking SCRs. This is a general industry-wide concern of which the UK regulator and PRA have been made aware. However, a material change in interest rates may trigger a recalculation of the TMTP (see section D.2.7.2), subject to regulatory approval, which would currently act to offset much of the volatility in the risk margin calculation.

Some uncertainty also relates to the simplifications used by the group to calculate the risk margin. However, based on the results of the validation investigations described above, the level of this uncertainty is currently deemed immaterial.

D.3 OTHER LIABILITIES

D.3.1 Introduction

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 Group'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.

D.3.2 Deferred tax liabilities

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

D.3.3 Pension schemes

As detailed in section D.1.2, PGH has four material defined benefit staff pension schemes. In accordance with the regulations, all schemes are valued consistently with IFRS (i.e. IAS19 valuation basis). This section gives further detail on the Group's three main pension schemes for its employees.

On 17 November 2020, the Pearl Scheme entered into a Commitment Agreement with PGH2 to complete a series of buy-ins that are scheduled to be executed by 31 December 2023. At the same time, the Pearl Scheme completed the first buy-in with PLL covering 25% of the Scheme's pensioner in-payment and deferred member liabilities, transferring the associated risks of longevity improvement to PLL effective from 30 September 2020.

At 31 December 2020, the value of the Pearl Group Scheme is £342 million including the value of its reimbursement rights arising from the bulk annuity contract entered into with PLL in 2020. Transactions between the Group's pension schemes and Life Companies are fully eliminated on consolidation. Accordingly, certain financial assets which under collateral agreements to support the pension scheme obligations are included on a line by line basis, as the risks and rewards are held by PLL. The full pension scheme obligation, calculated in accordance with IAS19 is recognised in 'pension benefit obligation' on the Solvency II balance sheet.

At 31 December 2020, the value of the PGL Scheme in PGH1 is £30 million including the value of its reimbursement rights arising from bulk annuity contracts entered into with PLL, in both 2016 and 2019. As detailed in section D.1.2, this value is not included in the 'pension benefit obligations' line of the balance sheet as it is recognised in an entity which is not subject to line by line consolidation. As PGH1 is treated as a 'participation' for Solvency II, the value of the PGL Scheme is included within 'holdings in related undertakings, including participations'. Transactions between the Group's pension schemes and Life Companies are fully eliminated on consolidation. Accordingly, certain financial assets which under collateral agreements to support the pension scheme obligations are included on a line by line basis, as the risks and rewards are held by PLL. The full pension scheme obligation, calculated in accordance with IAS19 is recognised in 'holdings in related undertakings including participations'.

At 31 December 2020, the value of the Abbey Life Scheme is £(61) million and shown in 'pension benefit obligations' on the Solvency II balance sheet. The Abbey Life Scheme pension obligations are valued in the PeLHL holding company, following the transfer of the Scheme from ALAC.

The ReAssure Scheme was consolidated within the Group following the acquisition of the ReAssure businesses on 22 July 2020. At 31 December 2020, the value of the ReAssure Scheme is £11 million and is shown as 'pension benefit surplus' on the Solvency II balance sheet.

Further details regarding the Group's pension schemes, including the principal assumptions used in their valuation are set out in note G1 of the PGH plc Annual Report and Accounts for the year ended 31 December 2020 which can be found on the Group's website.

D.3 OTHER LIABILITIES continued

D.3.3 Pension schemes continued

D.3.3.1 Scheme assets

The distribution of the scheme assets for each pension scheme as at 31 December 2020 were as follows:

	Pearl Scheme		PGL Scheme		Abbey Life Scheme		Reassure Scheme	
Pension Scheme Assets	**Asset value £m**	**% of total scheme assets**	**Asset value £m**	**% of total scheme assets**	**Asset value £m**	**% of total scheme assets**	**Asset value £m**	**% of total scheme assets**
Equities	–	–	–	–	–	–	56	12%
Fixed interest gilts	50	2%	–	–	70	25%	–	–
Other debt securities	1,301	56%	–	–	–	–	–	–
Hedging portfolio	1,505	65%	–	–	–	–	–	–
Diversified income fund	–	–	–	–	118	42%	–	–
Properties	140	6%	–	–	–	–	–	–
Private equities	5	0%	–	–	–	–	–	–
Hedge funds	5	0%	–	–	–	–	–	–
Government bonds	–	–	–	–	–	–	121	25%
Corporate bonds	–	–	–	–	86	31%	181	38%
Real Estate	–	–	–	–	–	–	41	9%
Other quoted securities	–	–	–	–	–	–	70	15%
Cash and other	98	4%	35	100%	4	1%	8	1%
Derivatives	–	–	–	–	2	1%	–	–
Obligations for repayment of stock lending collateral received	(789)	(33)%	–	–	–	–	–	–
Reported scheme assets	**2,315**	**100%**	**35**	**100%**	**280**	**100%**	**477**	**100%**
Add back:								
Insurance policies eliminated on consolidation	596		1,749		–		–	
Adjustment for amounts due to subsidiary eliminated on consolidation	–		–		–		–	
Economic value of assets	**2,911**		**1,784**		**280**		**477**	

D.4 ALTERNATIVE METHODS FOR VALUATION

This section provides information on alternative valuation methods used by the Group. Section D.1.2 identified the assets and liabilities valued using this approach. Further information is provided below on the justification for the use of alternative valuation methods and the assumptions underlying this approach. An assessment of the valuation uncertainty is performed by management on a bi-annual basis and the results of such analysis shared via governance.

There have been no significant changes in the recognition, measurement or valuation base used for financial assets and liabilities during the reporting period.

Further details regarding the alternative methods for valuation used by ARK and SLIDAC can be found in section D.4 of ARK and SLIDAC SFCR for the year ended 31 December 2020. The table below covers the Group excluding ARK and SLIDAC.

The alternative valuation methods for assets and liabilities are shown in the sections below, with separate tables for SLAL and SLPF due to their Method 2 status.

D.4 ALTERNATIVE METHODS FOR VALUATION continued

D.4.1 Alternative valuation methods – Assets

Some financial instruments in insurance subsidiaries PLL, PLAL, RAL, RLL, PAGI, SLAL and SLPF 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.

		Method 1 entities							Method 2 entities	
Assets	**Note**	**PLL £m**	**PLAL £m**	**RAL £m**	**RLL £m**	**PAGI £m**	**Other Group entities and Group Adjustments £m**	**PGH Group £m**	**SLAL £m**	**SLPF £m**
Assets held for index-linked and unit-linked contracts	1	20,836	313	15,858	7,293	–	223	**44,523**	72,227	–
Property, plant and equipment held for own use	2	–	–	4	1	–	31	**36**	7	–
Property (other than for own use)	3	312	25	394	–	–	–	**731**	387	–
Holdings in related undertakings including participations	4	12,468	7,331	2,839	–	–	968	**23,606**	24,663	–
Corporate bonds	5	2,636	355	–	–	–	7	**2,998**	884	–
Government bonds	6	671	111	–	–	–	–	**782**	22	–
Collective Investment Undertakings	7	359	1,385	3,668	311	13	(968)	**4,768**	914	11
Collateralised securities	8	3,222	29	–	–	–	(3,168)	**83**	–	–
Equities	9	2	1	–	–	–	–	**3**	277	–
Derivatives	10	1,413	765	5	–	–	–	**2,183**	3,474	–
Loans and mortgages	11	3,795	18	2,331	69	–	(271)	**5,942**	1,091	–
Structured notes	12	63	–	–	–	–	1	**64**	–	–

D.4 ALTERNATIVE METHODS FOR VALUATION continued

D.4.1 Alternative valuation methods – assets continued

Item	Note	Alternative valuation method	Assumption
Assets held for index-linked and unit-linked contracts	1	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques are consistent with the market approach (for example, levels of fair value hierarchy).	Various assumptions depend on class of asset.
Property, plant and equipment held for own use	2	Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology.	Further details are set out on page 256 of the PGH plc Annual Report and Accounts for the year ended 31 December 2020.
Property (other than for own use)	3	Royal Institution of Chartered Surveyors ('RICS') Appraisal and valuation methodology.	As per RICS valuation manual and based on professional judgement of independent valuers; for the property reversionary loans, mortality rates, discount rate, future growth in house prices are key assumptions. Page 257 of the PGH plc Annual Report and Accounts for the year ended 31 December 2020 shows the valuation techniques used in measuring the fair value of the investment properties (included in property (other than for own use), the significant non-observable inputs used, the inter-relationship between the key non-observable inputs and the fair value measurement of the investment properties.
Holdings in related undertakings including participations	4	Non-observable market input, primarily net asset value statements.	Relevant assumptions and valuation principles as detailed in section D.1.2 applied to the calculation of the net asset value of related undertakings. Further details regarding the valuation of SLIDAC can be found in section D.1 of its SFCR for the year ended 31 December 2020.
Corporate bonds	5	Combination of observable and non-observable market inputs including modelling.	Comparable gilt, and spread applied.
Government bonds	6	Combination of observable and non-observable market inputs including modelling.	Comparable gilt, and spread applied.
Collective Investment Undertakings	7	Non-observable market input, primarily net asset value statements. Prices are obtained from published information representing the value at which units could be redeemed via the investment manager.	Relevant assumptions and valuation principles as detailed in section D.1.2 applied to the calculation of the net asset value of related undertakings.
Collateralised securities	8	Combination of observable and non-observable market inputs, including modelling and broker quotes. Underlying loans: Adoption of an equation of value approach, which means that the aggregate value of the notes equal the value of underlying loans (noted below), other than frictional costs.	Comparable gilt and spread applied; broker quotes. ERM: Refer to detail in loans and mortgages section below.

D.4 ALTERNATIVE METHODS FOR VALUATION continued

D.4.1 Alternative valuation methods – assets continued

Equities	9	Unlisted equities: Non-observable market inputs, primarily net asset value statements and broker quotes.	Unlisted Equities: Net asset valuation statements and broker quotes.
Derivatives	10	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques consistent with the market approach include matrix pricing. All observable market inputs.	Various assumptions used depending on derivative, including interest rate curve, discount curve and implied volatility.
Loans and mortgages	11	ERM: Internally developed discounted cash flow models using appropriate assumptions corroborated with external market data where possible. Commercial Real Estate ('CRE') loans: Discounted cashflow model, with discount rate based on observable and non-observable market inputs. Intra-group loans: Discounted cash flow model, with the discount rates based on market observable rates. Other loans: Income approach, which converts future amounts, such as cash flows or income or expenses, to a single current amount. The fair value reflects current market expectations about those future amounts. Valuation techniques consistent with the income approach include present value techniques, option pricing models and the multi-period excess earnings method.	ERM: swap curve, house price index, discount rate and loan repayments. CRE: Spread; Gilt curve. Intra-group loans: discount rate. Other loans: Various assumptions depending on loan type.
Structured notes	12	Combination of observable and non-observable market inputs, including modelling.	Discount rate, illiquidity discount.

In relation to investments in hedge funds and private equity investments (which are included within the table above as holdings in related undertakings including participations, collective investment undertakings and other (equities-unlisted),

non-observable third party evidence in the form of net asset valuation statements are used as the basis for the valuation.

Adjustments may be made to the net asset valuation where other evidence, for example recent sales of the underlying investments in the fund, indicates this is required.

Securities that are valued using broker quotes, which cannot be corroborated across a sufficient range of quotes, are considered to be valued using non-observable market data.

For a small number of investment vehicles and debt securities, standard valuation models are used, as due to their nature and complexity they have no external market. Inputs into such models are based on observable market data, where applicable.

Derivative positions are valued using standard valuation models, combining observable and non-observable market inputs. They are subject to price verification against independent sources and are not subject to sensitivity analysis.

D.4 ALTERNATIVE METHODS FOR VALUATION continued

D.4.2 Financial instrument sensitivities

Further details regarding the impact of reasonably possible changes in valuation inputs, including a sensitivity analysis showing how these changes affect the assets, are set out in note E2.3 and G4 (investment properties) of the PGH plc Group Annual Report and Accounts for the year ended 31 December 2020. Sensitivity analysis for the insurance subsidiaries is shown in the financial instrument and risk management notes of the individual financial statements for the year ended 31 December 2020. All figures quoted reflect the impact to both the assets valuation and the Basic Own Funds of the sensitivity being applied.

D.4.3 Alternative valuation techniques – liabilities

As outlined in section D.4.2 the Group uses alternative valuation techniques using non-observable market inputs for certain financial liabilities. These are used to value refinancing loans, which are based on a combination of independent third party evidence and internally developed models. All of the alternative valuation methods described below follow accepted market practice.

For SLPF and PA(GI) there are no liabilities valued using alternative methods as at 31 December 2020.

		Method 1 entities						Method 2 entities
Liabilities	Note	PLL £m	PLAL £m	RAL £m	RLL £m	Other Group entities and Group Adjustments £m	PGH Group £m	SLAL £m
Deposits from reinsurers	1	331	–	97	–	–	**428**	3,653
Derivatives	2	123	17	–	–	–	**140**	451
Debts owed to credit institutions	3	58	25	–	–	123	**206**	–
Subordinated liabilities in Basic Own Funds	4	202	–	–	–	4,304	**4,506**	–

The valuation of property reversion loans is sensitive to key assumptions of the discount rate and the house price inflation rate, set out in note E2.3 of the PGH plc Annual Report and Accounts for the year ended 31 December 2020.

Item	Note	Alternative valuation method	Assumption
Deposits from reinsurers	1	DCF approach, using a market observable discount rate.	Contractual cash flows discounted using a swaps-based risk-free curve.
Derivatives	2	Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques are consistent with the market approach (for example, levels of fair value hierarchy).	Various assumptions used are dependent on derivative type, including interest rate curve, discount curve and implied volatility.
Debts owed to credit institutions	3	Refinancing loans: Internally developed model using a combination of observable and non-observable market inputs.	Various assumptions including discount rate (based on asset duration, adjusted for liquidity/mortality risk) and house price inflation.
Subordinated liabilities in Basic Own Funds	4	DCF approach, using a market observable discount rate adjusted to exclude the effect of changes in OCS.	PLL: Contractual cash flows discounted using a selected reference gilt yield. Changes in OCS are excluded by reference to the spread to the reference gilt at issue. Other Group companies: Contractual cash flows, discounted using a swap rate. Changes in OCS are excluded by reference to the swap rate at issue.

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

SECTION E
CAPITAL MANAGEMENT

CAPITAL MANAGEMENT

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

The Solvency II capital assessment involves valuation of Own Funds in line with the 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 Group and insurance subsidiaries' hold 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 Minimum Capital Requirement ('MCR').

The SCR, shareholder coverage ratios and availability restrictions applied to Own Funds mentioned throughout this section, with the exception of the Standard Formula component of the Partial Internal Model SCR, are unaudited.

As at 31 December 2020, the capital position for PGH and its insurance subsidiaries is presented in the table below:

Key Solvency metrics

31 December 2020	Eligible Own Funds £m	SCR £m	Solvency II surplus £m	Ratio of Eligible Own Funds to SCR	Shareholder capital coverage ratio
PLL	4,942	(3,405)	1,537	145%	165%
PLAL	1,907	(1,372)	535	139%	171%
RAL	5,184	(2,807)	2,377	185%	199%
RLL	237	(20)	217	1191%	1191%
ARK	230	(103)	127	223%	223%
PA(GI)	4	(2)	2	276%	276%
SLAL	4,409	(2,989)	1,420	148%	174%
SLPF	9	(2)	7	548%	548%
SLIDAC	528	(400)	128	132%	132%
Other Group entities[1]	31,643	(754)	30,889		
Consolidation and other adjustments[2]	(32,261)	263	(31,998)		
PGH Group 31 December 2020	16,832	(11,591)	5,241[3]	145%	164%
PGH Group 31 December 2019	10,792	(7,689)	3,103	140%	161%

1 Other Group entities includes the Eligible Own Funds of the Group's holding companies and non insurance subsidiaries including unrestricted pension schemes, subordinated liabilities treated as capital for solvency purposes and other assets and liabilities.

2 Group consolidation adjustments includes the elimination of intercompany balances and participations.

3 Assuming a dynamic recalculation of TMTP as at 31 December 2020, the Group's Solvency II surplus would have been £113 million higher. The regulatory position as at 31 December 2019 incorporated a mandatory recalculation of TMTP as at that date.

As at 31 December 2020, the Group's Solvency II surplus over the Consolidated Group SCR is £5,241 million (2019: £3,103 million), with a ratio of Eligible Own Funds to SCR of 145% (2019: 140%).

69% of the Group's Eligible Own Funds are unrestricted Tier 1 (2019: 77%), and are principally comprised of ordinary share capital, share premium related to ordinary share capital, surplus funds and the reconciliation reserve. This includes TMTP which are included in the calculation of Basic Own Funds as Tier 1 capital.

All the required SCR quantitative limits have been complied with for the Group and insurance subsidiaries, and result in no restrictions nor are any Own Funds required to be relegated to lower tiers.

Further details regarding the capital position of each of the insurance subsidiaries are set out in section E.1.

SHAREHOLDER CAPITAL COVERAGE RATIO

In the calculation of the Solvency II surplus, the SCR of unsupported with-profit funds and the Group pension schemes are included, but the related Eligible Own Funds are recognised only to a maximum of their respective SCR amounts. Surpluses that arise in with-profit funds and the pension schemes are therefore not recognised in the Solvency II surplus as there is uncertainty as to the extent (if any) to which such surpluses will accrue to shareholders. However, such surpluses are available to absorb economic shocks, thereby increasing resilience to economic stresses.

The Group focuses on the metric of shareholder capital coverage ratio as a more appropriate measure of the extent to which shareholders' Eligible Own Funds cover the associated risk capital. It is defined as the ratio of Eligible Own Funds to SCR, after adjusting to exclude Own Funds and SCR amounts relating to unsupported with-profit funds and the unsupported Group pension schemes.

The Shareholder Capital Coverage ratio of PGH Group is 164% as at 31 December 2020 (2019: 161%).

E.1 OWN FUNDS

E.1.1 Management of own funds

The Group's Capital Management Framework for managing its Own Funds is designed to achieve the following objectives:

- provide appropriate security for policyholders and meet all regulatory capital requirements while not retaining unnecessary excess capital;
- ensure sufficient liquidity to meet obligations to policyholders and other creditors;
- optimise the overall financial leverage ratio to maintain an investment grade credit rating; and
- to meet the dividend expectations of shareholders as set by the Group's dividend policy.

The Group and its insurance subsidiaries operate under a suite of capital management policies that govern the allocation of capital throughout the Group to achieve the framework objectives under a range of stress conditions. The policy suite considers policyholder security, creditor obligations, dividend policy and regulatory capital requirements.

A liquidity policy is set by the Boards and monitored each month at both executive and Board level. The policy ensures sufficient liquidity to meet creditor and dividend obligations through a combination of cash buffers and regular cash flow forecasting. Volatility in the latter is monitored at executive and Board level through stress and scenario testing. Where cash flow volatility is judged to be in excess of the relevant Board's risk appetite, de-risking activities are undertaken. Further details on the Group's approach to managing liquidity risk are provided in section C.4.

A capital policy is also set by the relevant Boards and monitored by management regularly, to ensure there is sufficient capital to meet the SCR under stress conditions which are currently determined at a 1-in-10 level. The capital policy is managed according to the risk profile and financial strength of the Group and insurance subsidiaries.

The future capital position of the Group and its insurance subsidiaries is projected over a five-year planning horizon as part of the Annual Operating Plan process.

Further details are also provided in section E.5.

The ReAssure insurance subsidiaries operate their own Capital Management Framework and as a result the Group's policy suite was extended to include the policies in place for these entities. Work is ongoing to harmonise the polices with the Phoenix framework. The ReAssure capital policy aims to hold sufficient capital such that it continues to meet its SCR following a 1-in-20 stress event.

Additionally, SLIDAC operates its own Capital Management Framework, details of which can be found in its solo SFCR.

E.1 OWN FUNDS continued

E.1.2 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. Relevant Own Funds items which are classified as 'restricted' Tier 1 are certain subordinated liabilities.

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. 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 rules on 'tiering' are designed to reflect the existence of such features.

The regulations set out three approaches for calculating Group solvency, 'Method 1' (this is the default accounting based consolidation method), 'Method 2' (the deduction and aggregation method), and a combination of Methods 1 and 2. 'Under Method 2, the solo Own Funds are aggregated rather than consolidated on a line by line basis, with any double count of capital removed. The SCR is aggregated, with no allowance for diversification and further adjustments.

The Group has approval to use a combination of Methods 1 and 2 for calculating its Group solvency results. Method 2 is used for SLAL and its subsidiaries (including SLPF) and SLIDAC. Method 1 is used for all other entities within the Group.

All intra-group balances within the PGH Group between Method 1 entities are eliminated on consolidation and therefore the consolidated position presented for the Group reflects the Own Funds net of any intra-group transactions (including reinsurance).

E.1.3 Analysis of solvency position – PGH Group

The table below sets out a summary of the PGH Group's solvency position as at 31 December 2020, combining the Method 1 and Method 2 parts of the Group. A different presentation is adopted in the preparation of the Own Funds QRT included in Appendix 1.5, where the Own Funds and SCR of the Method 1 and Method 2 parts of the Group are reported separately, reflecting the deduction and aggregation approach applied to the Method 2 components.

Phoenix Group Holdings plc

Description	Section reference	31 December 2020 Tier 1 (Unrestricted) £m	Tier 1 (Restricted) £m	Tier 2 £m	Tier 3 £m	Total £m	31 December 2019 Total £m
Ordinary share capital	E.1.3.1	100	–	–	–	**100**	**72**
Share premium related to ordinary share capital	E.1.3.1	4	–	–	–	**4**	**2**
Surplus funds	E.1.3.1	3,759	–	–	–	**3,759**	**2,487**
Reconciliation reserve (pre availability restrictions)	E.1.3.1	11,082	–	–	–	**11,082**	**8,127**
Deferred tax assets	E.1.3.1	–	–	–	179	**179**	**84**
Preference shares (Tier 1 Notes)	E.1.3.1	–	540	–	–	**540**	**500**
Excess of assets over liabilities		**14,945**	**540**	**–**	**179**	**15,664**	**11,272**
Subordinated liabilities	E.1.3.2	–	577	3,216	713	**4,506**	**1,936**
Total Basic Own Funds[1]		**14,945**	**1,117**	**3,216**	**892**	**20,170**	**13,208**
Availability restrictions in reconciliation reserve	E.1.3.3	(2,164)	–	–	–	**(2,164)**	**(1,232)**
Availability restriction on Method 2 entities	E.1.3.3	(1,174)	–	–	–	**(1,174)**	**(1,184)**
Eligible Own Funds to meet SCR		**11,607**	**1,117**	**3,216**	**892**	**16,832**	**10,792**
Consolidated Group SCR	E.1.3.4					**(11,591)**	**(7,689)**
Solvency II surplus						**5,241**	**3,103**
Ratio of Eligible Own Funds to SCR						**145%**	**140%**
Shareholder capital coverage ratio						**164%**	**161%**

1 Basic Own Funds do not agree to that presented on the Own Funds QRT due to the different presentation of the Method 2 Group and availability restrictions in the table above.

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.1 Basic Own Funds

The PGH Group Basic Own Funds before availability restrictions total £20,170 million (2019: £13,208 million) and comprise of ordinary share capital, share premium related to ordinary share capital, surplus funds, a reconciliation reserve, subordinated liabilities and deferred tax assets. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The Group's issued and fully paid up ordinary share capital is £100 million (2019: £72 million) and is treated as Tier 1 unrestricted Own Funds. The Articles of Association of PGH include the right to cancel and withhold dividends at any time prior to payment. The increase in the share capital during the period is primarily the result of the issuance of 277,277,138 ordinary shares as part of the consideration for the acquisition of ReAssure Group plc. Further details are set out in note D1 of the Group's consolidated financial statements for the year ended 31 December 2020.

Share premium account related to ordinary share capital

The share premium account related to ordinary share capital of £4 million (2019: £2 million) is treated as Tier 1 unrestricted Own Funds. The increase in share premium reflects shares issued in order to satisfy obligations to employees under the Group's sharesave schemes.

Surplus funds

Surplus funds represent accumulated profits within a with profits fund which have not yet been made available for distribution to policyholders. They satisfy the characteristics of Tier 1 capital because they will only be distributed to policyholders and shareholders in the future if it is appropriate to do so and are loss-absorbent because future distributions can be reduced if the amount of accumulated profits reduces due to future losses. They are generally only available to meet losses arising within the relevant with profit fund and this is taken into account by restricting the Own Funds of each fund to the amount required to cover that fund's notional SCR.

The Group Basic Own Funds include surplus funds of £3,759 million (2019: £2,487 million) which are classified as Tier 1 unrestricted Own Funds. The surplus funds included reflect the Group's Method 1 insurance subsidiaries only. The value of surplus funds attributable to the Standard Life insurance subsidiaries is included within the reconciliation reserve.

The regulations require certain elements of the Solvency II balance sheet to be ring fenced in order not to disadvantage policyholders in certain funds. Therefore, since the surplus funds exist in the with-profit funds, they are subject to Ring Fenced Fund ('RFF') restrictions. Surplus funds can only be included in Eligible Own Funds up to the value of the SCR they are used to support. A restriction is required to be made for any amount of surplus funds in excess of the relevant SCR through deduction from the reconciliation reserve (see section E.1.3.3).

Preference shares

On 26 April 2018, Old PGH, following PRA approval issued £500 million of Restricted Tier 1 bonds due 2028 with a coupon of 5.75% up to the first call date of 26 April 2028. On 12 December 2018, PGH plc was substituted in place of Old PGH as issuer. The Restricted Tier 1 bonds meet the definition of equity under IFRS.

The Tier 1 Notes will be subject to conversion to ordinary shares of PGH plc at the conversion price of £1,000 per share, subject to adjustment in accordance with the terms and conditions of the notes, and all accrued interest would be cancelled, on occurrence of any of the following trigger events:

(a) the amount of Own Fund Items eligible to cover the SCR is equal to or less than 75 percent of the SCR;
(b) the amount of Own Fund Items eligible to cover the MCR is equal to or less than the MCR; or
(c) a breach of the SCR has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

Further information on the Tier 1 Notes is included on page 199 of the PGH plc Group Annual Report and Accounts for the year ended 31 December 2020.

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.1 Basic Own Funds continued

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and 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 and is stated prior to any availability restrictions recognised in respect of the Method 2 entities:

Reconciliation Reserve	31 December 2020 £m	31 December 2019 £m
Excess of assets over liabilities	15,664	11,272
Deduct other Basic Own Funds items:		
Ordinary share capital	(100)	(72)
Share premium related to ordinary share capital	(4)	(2)
Surplus funds	(3,759)	(2,487)
Preference shares – Tier 1 notes	(540)	(500)
Deferred tax asset – Tier 3	(179)	(84)
Reconciliation reserve pre availability restrictions	**11,082**	**8,127**
Adjustment for restricted Own Funds items in respect of RFF (see section E.1.3.3)	(1,351)	(837)
Non-available Own Funds – pension scheme surplus (see section E.1.3.3)	(307)	(94)
Non-available Own Funds – foreseeable dividends and distributions (see section E.1.3.3)	(245)	(173)
Non-available Own Funds – PLL availability restriction (see section E.1.3.3)	(255)	(121)
Non-available Own Funds – own shares restriction (see section E.1.3.3)	(6)	(7)
Total non-available Own Funds	**(2,164)**	**(1,232)**
Reconciliation reserve total (as shown on Own funds QRT)	**8,918**	**6,895**

Availability restrictions applied to the reconciliation reserve above together with other relevant considerations made in assessing the availability of Group Own Funds are detailed in section E.1.3.3.

Deferred tax assets

A deferred tax asset of £179 million (2019: £84 million) is included as Tier 3 Own Funds and further detail is included in section D.1.3. The table below sets out an analysis of movement in the deferred tax asset during the year.

Opening deferred tax assets (Tier 3) at 1 January 2020 £m	**84**
Trade and capital losses carried forward	31
Expenses carried forward	16
Committed future pension contributions	(12)
Accelerated capital allowances	1
Pension scheme deficit	(1)
Provisions and other temporary differences	150
Change in offset of deferred tax asset and liabilities	(90)
Closing deferred tax assets (Tier 3) at 31 December 2020 £m	**179**

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.2 Subordinated Debt

Details of the Group's subordinated debt included within Own Funds are shown in the table below:

Note	Instrument	Issuer	Tier of capital	31 December 2020 Solvency II Value £m	31 December 2019 Solvency II Value £m
A	US$750 million Contingent Convertible Tier 1 notes	PGH	Restricted Tier 1	577	–
B	£200 million subordinated loan notes	PLL	Tier 2	202	210
	£428 million subordinated debt	PGH	Tier 2	455	443
	US$500 million Tier 2 bonds	PGH	Tier 2	400	387
	€500 million Tier 2 bonds	PGH	Tier 2	485	446
	£500 million Tier 2 notes	PGH	Tier 2	490	–
	US$500 million Fixed Rate Reset Tier 2 notes	PGH	Tier 2	366	–
	£500 million 5.867% Tier 2 subordinated notes	PGH	Tier 2	545	–
	£250 million Fixed Rate Reset Callable Tier 2 subordinated notes	PGH	Tier 2	273	–
	£450 million Tier 3 notes	PGH	Tier 3	456	451
	£250 million 4.016% Tier 3 subordinated notes	PGH	Tier 3	257	–
				4,506	**1,937**

Note

A: Trigger events for restricted Tier 1 notes

The Tier 1 Notes will be subject to conversion to ordinary shares of PGH plc at the conversion price of US $1,000 per share, subject to adjustment in accordance with the terms and conditions of the notes and all accrued and unpaid interest will be cancelled, on occurrence of any of the following trigger events:

(a) the amount of Own Fund Items eligible to cover the SCR is equal to or less than 75 percent of the SCR;
(b) the amount of Own Fund Items eligible to cover the MCR is equal to or less than the MCR; or
(c) a breach of the SCR has occurred and such breach has not been remedied within a period of three months from the date on which the breach was first observed.

B: Transitional measures for PLL Subordinated debt – Tier 2

Scottish Mutual Assurance Limited issued £200 million subordinated loan notes in 2001. With effect from 1 January 2009, as part of a Part VII transfer, these loan notes were transferred into the shareholder fund of PLL.

These notes qualified as Lower Tier 2 capital under the previous Solvency I regime, but did not meet the full criteria set out in the regulations in order to be treated as either Tier 1 or Tier 2 capital. Under the regulations, the notes have transitioned into Solvency II as Tier 2 Own Funds.

On 25 March 2021, the £200 million subordinated loan notes were redeemed in full on their first call date.

Analysis of movement in subordinated debt

The table below sets out the changes in subordinated debt during the year.

Tier	Opening subordinated debt at 1 January 2020 £m	Subordinated debt issuance £m	Acquisition of ReAssure businesses £m	Foreign exchange retranslation £m	Changes in fair value £m	Closing subordinated debt at 31 December 2020 £m
Restricted Tier 1	–	572	–	(23)	28	577
Tier 2	1,486	898	834	(21)	19	3,216
Tier 3	451	–	259	–	3	713
Total subordinated debt	**1,937**	**1,470**	**1,093**	**(44)**	**50**	**4,506**

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.3 Availability restrictions

As shown in the reconciliation reserve table above (see section E.1.3.1), the total non-available Group Own Funds relating to the Method 1 Group are £2,164 million (2019: £1,232 million). There are additional availability restrictions in respect of SLAL, a Method 2 entity, of £1,174 million (2019: £1,184 million). Further details on each of the restrictions are included below.

Ring Fenced Funds restriction

The regulations specify that certain Own Funds items in RFFs and Matching Adjustment portfolios should be restricted. This means they can only be included in the calculation of Group solvency at an amount less than or equal to the RFF and Matching Adjustment portfolios notional SCR.

The with-profit funds in the Life Companies are treated as RFFs. The items of Own Funds within each with-profit RFF are the value of surplus funds, future shareholder transfers, and any shareholder capital support received. The Matching Adjustment portfolios in the Life Companies are annuity funds and are also treated as RFFs. Any Own Funds above SCR in the Matching Adjustment portfolios are also restricted and also shown as a deduction to the reconciliation reserve.

There are no restrictions for Matching Adjustment portfolios at 31 December 2020 (2019: £nil).

The RFF deduction from the reconciliation reserve of £1,351 million (2019: £837 million) comprises £373 million (2019: £400 million) from PLL RFFs, £299 million (2019: £437 million) from PLAL RFFs and £679 million from RAL RFFs.

There is also a £1,174 million (2019: £1,125 million) RFF restriction in respect of SLAL, a Method 2 entity, which comprises £954 million (2019: £874 million) recognised in the entity position along with a further £220 million (2019: £251 million) restriction on consolidation to reflect the Group's allocation methodology for SCR between ring fenced funds and the rest of the entity. The approach taken in SLAL diverged from the Group upon a methodology change adopted at the entity level during 2019. The Group's allocation methodology is expected to be re-applied to SLAL's entity position upon implementation of the harmonised internal model.

The excess of assets over liabilities across the PGH Group for the RFFs which are subject to restriction and Matching Adjustment portfolios are £8,330 million (2019: £5,808 million).

Pension scheme surplus restriction

IAS19 surpluses arising on the PGL Scheme, Pearl Group Scheme and ReAssure Staff Pension Scheme are considered as restricted items of Own Funds and are therefore only included up to the contribution to the Group SCR of the undertaking that recognises the surplus, being PGH1, PGH2 and RML respectively.

As at 31 December 2020, £192 million (2019: £94 million) of the PGL Scheme surplus, £91 million (2019: no restriction) of the Pearl Group Scheme surplus and £24 million of the ReAssure Staff Pension Scheme surplus was restricted, after adjustment for assets held in ring-fenced accounts for the benefit of the pension schemes or in respect of 'buy-in' arrangements in the Life Companies. The restriction represents the amount by which the IAS19 surplus exceeds PGH2's, PGH1's and RML's contribution to the Group SCR.

Foreseeable dividends and distributions

A restriction of £245 million has been recognised as at 31 December 2020 (2019: £173 million), reflecting dividends on ordinary shares which have been approved by the Board and the accrued coupon on the Tier 1 Notes that have been paid or are payable at the time of sign-off of the SFCR.

PLL availability restriction

The contribution of each entity to the PGH Group Solvency II surplus is restricted if the Group benefits from the elimination of intra-group transactions compared to an entity's solo position, where those benefits are not backed by fungible and transferable Own Fund items.

PLL has entered into 'buy-in' agreements with the Pearl Group Scheme and the PGL Pension Scheme (further details can be found in notes G1.1 and G1.2 to the consolidated financial statements included in the PGH plc Annual Report and Accounts for the year ended 31 December 2020). Following the elimination of intra-group amounts in relation to these transactions, the contribution of PLL to the PGH Group Solvency II surplus exceeded its solo Solvency II surplus by £255 million (2019: £121 million). Accordingly, a restriction of the same amount has been applied to the Group Own Funds.

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.3 Availability restrictions continued

Own share restriction

A deduction of £6 million (2019: £7 million) has been applied to the reconciliation reserve reflecting own shares held by PGH.

Distributable reserves

The amount of each entity's legally distributable reserves represents a limitation on the excess eligible own funds that is available to absorb losses elsewhere in the Group. In this regard, in 2019 an availability restriction of £59 million was recognised to ensure that SLAL's contribution to Group eligible own funds does not exceed the level of its distributable reserves. No such restriction was required as at 31 December 2020.

E.1.3.4 Group SCR

The Group operated two approved Internal Models at 31 December 2020 and has approval to use a Partial Internal Model to calculate the Group SCR. Further details of the methodology used to calculate the SCR are included in section E.2 and a description of the undertakings which are in the scope of the Group's Partial Internal Model are provided in section E.4.1.

The Group's Partial Internal Model SCR at 31 December 2020 is £11,591 million (2019: £7,689 million).

As at 31 December 2020, the Group has PRA approval to use a combination of Method 1 and Method 2 for calculation of the Group SCR. The Own Funds and SCR of the Method 2 entities are aggregated with the positions for the other Group entities which are consolidated on a Method 1 basis. No diversification is recognised between Method 1 and Method 2 entities.

Further details of the components of the Group SCR are shown in the table below:

Components of consolidated Group SCR	SCR pre diversification £m	Group adjustments £m	Diversification benefits £m	Total SCR £m
Life Companies	8,523	(75)	(988)	7,460
Insurance holding companies	610	50	(142)	518
Service Companies	30	–	–	30
UCITS management company	9	–	–	9
Other entities	(101)	266	18	183
Total SCR (method 1)	**9,071**	**241**	**(1,112)**	**8,200**
Total SCR (method 2)	3,391	–	–	3,391
Total Group SCR (method 1 and method 2)	**12,462**	**241**	**(1,112)**	**11,591**

SCR in respect of insurance holding companies and other entities relates primarily to the Group's exposure to its defined benefit pension schemes and certain derivative instruments held in the insurance holding companies.

The negative Group adjustment of £75 million for the Life Companies relates primarily to the treatment of intra-group loans and other intra-group transactions. At a solo level, the Life Companies hold SCR in respect of loan receivable balances due from the insurance holding companies and other Group entities. On preparation of the Group solvency calculation, the loan receivable and payable balances are eliminated on consolidation and accordingly the related SCR is also eliminated.

Further Group adjustments are made in respect of Group entities within the newly acquired ReAssure group of companies and consist of pension scheme adjustments, Group expenses and any Group level diversification.

In addition, the Group adjustments shown above include the impact of a reallocation of SCR held in respect of obligations under the Group's Pearl and PGL Schemes from the Life Companies to other Group entities. The reallocation arises following the elimination of transactions between PLL and the PGL Staff Pension Scheme as well as the recently completed transaction between PLL and the Pearl Group Staff Pension Scheme.

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.4 Group SCR continued

The Group diversification benefits principally arise from:

- synergies that arise where Method 1 undertakings within the Group are exposed to stresses in opposite directions. For example, the Life Companies are exposed to a rise in credit spreads, whilst the Group pension schemes are exposed to a fall in credit spreads; and
- diversification of risks between Method 1 undertakings that have different risk profiles. For example, the Life Companies have a higher risk exposure to persistency and credit risk relative to the pension schemes.

The £3,391 million SCR for the Method 2 Group reflects the aggregated SCR for each entity in the Method 2 part of the Group without adjustment.

Minimum Consolidated Group SCR

The main capital requirement under Solvency II is the SCR. However, there is a lower MCR which for Groups is referred to as the Minimum Consolidated Group SCR ('MGSCR'). This reflects the absolute minimum metric that, if breached, will trigger serious regulatory intervention and potential closure of the Group. The MGSCR represents the sum of the underlying insurance companies' MCRs in respect of the Method 1 part of the Group.

The MGSCR is analysed as follows at 31 December 2020.

Entity – Minimum Capital Requirement	31 December 2020 £m	31 December 2019 £m
PLL	851	796
PLAL	343	311
RAL	702	–
RLL	9	–
ARK	26	–
PA(GI)	3	3
PGH Group MGSCR	**1,934**	**1,110**

Further details regarding the calculation of MCRs are set out in section E.2.3.

Excess of Own Funds over MGSCR

The MGSCR for the PGH plc Method 1 part of the Group is comfortably met with an excess over MGSCR of £6,358 million (2019: £3,196 million), with a ratio of Eligible Own Funds to MGSCR of 429% (2019: 388%). Own Funds eligible to cover the MGSCR do not include the Own Funds of Method 2 entities.

The determination of the Eligible Own Funds available to meet the MGSCR requires the application of specific quantitative limits on the tiering of available capital. Application of these tests as at 31 December 2020 results in a £2,830 million (2019: £1,262 million) restriction to Tier 2 capital as a result of it exceeding the availability limit of 20% of MGSCR.

The MCR for the Method 2 part of the Group is £1,365 million (2019:£1,237 million), with Eligible Own Funds of £4,897 million (2019: £4,884 million), leaving an excess of Eligible Own Funds over MCR of £3,532 million (2019: £3,647 million), which translates to an MCR coverage ratio of 359% for the Method 2 part of the Group (2019: 395%).

Analysis of Own Funds eligible to cover MGSCR (Method 1 Part of the Group)	Tier 1 Unrestricted £m	Tier 1 Restricted £m	Tier 2 £m	Tier 3 £m	31 December 2020 £m	31 December 2019 £m
Available Own Funds to meet Minimum Group SCR ('MGSCR')	6,789	1,117	3,216	–	11,122	5,568
Eligibility restrictions MGSCR	–	–	(2,830)	–	(2,830)	(1,262)
Eligible Own Funds to meet Minimum Group SCR	**6,789**	**1,117**	**386**	**–**	**8,292**	**4,306**
Minimum Group SCR					(1,934)	(1,110)
Excess over Minimum Group SCR					**6,358**	**3,196**
Ratio of Eligible Own Funds to Minimum Group SCR					**429%**	**388%**

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.5 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, Group SCR and Solvency II surplus.

Analysis of movement in Group solvency position (£m)	Note	Own funds £m	Eligible Own funds after RFF Restriction and other restrictions £m	Group SCR £m	Solvency II surplus £m
Opening position at 1 January 2020		**13,208**	**10,792**	**(7,689)**	**3,103**
Acquired ReAssure Group as at 22 July 2020	1	5,320	4,956	(3,240)	**1,716**
Cash consideration for acquisition of the ReAssure businesses	2	(1,265)	(1,265)	–	**(1,265)**
Surplus emerging and release of capital requirements					**538**
Expected run-off	3	55	(59)	581	**522**
With-profit estate distribution	4	(227)	16	–	**16**
Management actions	5	1,476	1,375	(239)	**1,136**
New business	6	55	55	(272)	**(217)**
Demographic experience variances (including changes to assumptions)	7	6	(179)	268	**89**
Economic and other variances					**(461)**
Economic and other variances on long-term business	8	821	626	(1,122)	**(496)**
Movement in risk margin and TMTP	9	(275)	(147)	(34)	**(181)**
Non-Life earnings	10	93	93	91	**184**
Change in Group Own Funds restrictions and impact of other Group adjustments	11	–	61	(29)	**32**
Subordinated debt issuance	12	1,447	1,447	–	**1,447**
Financing costs, external dividends and pension contributions					**(845)**
Pension scheme movements	13	88	(235)	94	**(141)**
Financing costs	14	(230)	(230)	–	**(230)**
External dividends	15	(402)	(474)	–	**(474)**
Closing position at 31 December 2020		**20,170**	**16,832**	**(11,591)**	**5,241**

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.5 Analysis of movement in capital position continued

Note	Item	Information
1	**Acquired ReAssure Group as at 22 July 2020**	The acquisition of the ReAssure Group increased the Solvency II surplus by £1,716 million. This reflects the Solvency II surplus value of the ReAssure Group acquired as at 22 July 2020. All the movements described below in notes 3–15 include the impact of the acquired ReAssure Group for the 5 month period post acquisition.
2	**Cash consideration for acquisition of the ReAssure businesses**	Total consideration for the acquisition of the ReAssure businesses was £3,112 million. The consideration consisted of £1,265 million of cash, funded through the issuance of debt and own resources, and the issue of shares valued at £1,847 million based on the share price at completion. As a result, Swiss Re Group and MS&AD Insurance Group Holdings took a 13.25% and 14.49% equity stake respectively in the Group.
3	**Expected run-off**	Policy run-off over the year resulted in the release of related SCR and increased the Solvency II surplus by £522 million.
4	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds. The overall impact on surplus of £16 million reflects the share of the estate distributed to shareholders.
5	**Management actions**	Management actions increased the Solvency II surplus by £1,136 million. Management actions included expense synergies arising upon the Part VII transfer of the L&G Mature Savings business, continued investment in illiquid assets within annuity portfolios, the securitisation of a further tranche of equity release mortgages ('ERM') and the optimisation of matching adjustment portfolios.
6	**New business**	The impact of new business (after allowance for risk margin and contract boundaries) written during the year reduced the Solvency II surplus by £(217) million. New business written by the Group comprises bulk purchase annuity transactions (where the capital strain reflects the assets received on day 1), workplace and retail savings and pension policies and annuities vesting in the year.
7	**Demographic experience variances (including changes to assumptions)**	As described further in section D.2.5, demographic and expense assumptions are reviewed throughout the year. The significant favourable assumption changes made as a result were in respect of longevity improvements, incorporating a move to the latest CMI 2019 projection tables and reflecting recent experience, and maintenance expenses. This favourable impact was partially offset by an increase to the provision for the expected costs associated with the delivery of the Standard Life transition programme and the strengthening of actuarial assumptions in respect of ERM and persistency.
8	**Economic and other variances on long-term business**	Economic and other variances on long-term business reduced the Solvency II surplus by £(496) million, driven by the net adverse impact of economic and market movements in the year, notably falling yields and credit downgrades during the period.
9	**Movement in risk margin and TMTP**	Changes in risk margin and TMTP decreased the Solvency II surplus by £(181) million. This includes the impact of the 1/16th run-off of TMTP (as described in section D.2.7.2). The TMTP for SLAL was last recalculated as at 31 December 2019 whereas for PLL, PLAL and RAL it was recalculated as at 30 June 2020.
10	**Non-life earnings**	Non-Life earnings increased the Solvency II surplus by £184 million. The surplus primarily arises due to gains crystallised on the termination of cross currency swaps held in the Group along with the release of capital requirements previously provided on these derivative instruments. This was partially offset by corporate project costs incurred during the year.
11	**Change in Group Own Funds restrictions and impact of other Group adjustments**	The increase in Solvency II surplus of £32 million is driven by the release of the £60 million availability restriction recognised as at 31 December 2019 in respect of SLAL distributable reserves (as described in section E.1.3.3), partially offset by a reduction of Life Company diversification benefits arising within the Group SCR.
12	**Subordinated debt issuance**	The issuance of the $750 million Tier 1 notes, $500 million Tier 2 notes and £500 million Tier 2 notes which are detailed in section E.1.3.2 increased the Solvency II surplus by £1,447 million (net of debt issues costs).
13	**Pension scheme movements**	Movements in the Group's pension schemes of £(141) million primarily reflect contributions of £70 million into the Pearl Group Staff Pension Scheme, which is subject to a pension scheme surplus restriction, and a decrease in diversification benefits recognised within the SCR between the Abbey Life Staff Pension Scheme and the rest of the Group.
14	**Financing costs**	Financing costs decreased Solvency II surplus by £(230) million reflecting interest payments on the Group's debt and the coupon paid on the Tier 1 Notes.
15	**External dividends**	The dividends paid to shareholders decreased the Solvency II surplus by £(474) million. This includes the impact of the £(245) million foreseeable dividend restriction detailed in section E.1.3.3.

E.1 OWN FUNDS continued

E.1.3 Analysis of solvency position – PGH Group continued

E.1.3.6 Reconciliation of IFRS equity to excess of assets over liabilities

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

Description	Section reference	31 December 2020 £m	31 December 2019 £m
Total consolidated equity per IFRS[1]		**7,531**	**5,279**
Valuation differences:			
Assets (decrease)/increase:			
Goodwill	D.1.2	(57)	(57)
Intangible assets/Deferred acquisition costs	D.1.2	(2,919)	(1,366)
Property, plant and equipment held for own use	D.1.2	(3)	(3)
Holdings in related undertakings, including participations[2]	D.1.2	2,868	2,416
Reinsurance recoverables	D.1.2	(1,932)	(894)
Receivables (trade, not insurance)	D.1.2	(6)	–
Total asset valuation differences	D.1.1	**(2,049)**	**96**
Liabilities decrease/(increase):			
Technical provisions	D.2.1	9,332	5,187
Other technical provisions (unallocated surplus)	D.1.2	1,324	907
Deferred tax liabilities	D.1.2	(238)	(29)
Debts owed to credit institutions	D.1.2	(1)	(3)
Insurance and intermediaries payables	D.1.2	27	–
Payables (trade, not insurance)	D.1.2	(117)	(91)
Subordinated liabilities	D.1.2	(145)	(74)
Total liability valuation differences	D.3.1	**10,182**	**5,897**
Excess of assets over liabilities	D.1.2	**15,664**	**11,272**

1 Reflects IFRS total equity attributable to ordinary shareholders of the parent of £7,037 million plus Tier 1 Notes of £494 million as reported in the PGH plc Group Report and Accounts for the year ended 31 December 2020.

2 The adjustment to participations includes the net impact of the adjustment to the assets and liabilities of the Standard Life entities, recognised on a Method 2 basis within the participations line on the Group Solvency II balance sheet.

E.1 OWN FUNDS continued

E.1.4 Analysis of solvency position – PLL

The table below summarises the solvency position for PLL at 31 December 2020. The Own Funds QRT S.23.01.01 can be found at Appendix 2.5.

Description	Section reference	Unrestricted Tier 1 £m	Tier 2 £m	31 December 2020 Total £m	31 December 2019 Total £m
Ordinary share capital	E.1.4.2	69	–	69	69
Share premium account related to ordinary share capital	E.1.4.2	1	–	1	1
Surplus funds	E.1.4.2	1,551	–	1,551	1,545
Reconciliation reserve (pre-availability restrictions)	E.1.4.2	3,492	–	3,492	3,096
Excess of assets over liabilities		**5,113**	**–**	**5,113**	**4,711**
Subordinated liabilities	E.1.4.3	–	202	202	210
Total Basic and Available Own Funds		**5,113**	**202**	**5,315**	**4,921**
Ring Fenced Fund restriction	E.1.4.4	(373)	–	(373)	(400)
Eligible Own Funds to meet SCR		**4,740**	**202**	**4,942**	**4,521**
SCR	E.2.1			(3,405)	(3,182)
Solvency II surplus				**1,537**	**1,339**
Ratio of Eligible Own Funds to SCR	E.1.4.1			**145%**	**142%**
Shareholder capital coverage ratio	E.1.4.1			**165%**	**162%**
Eligible Own Funds to meet MCR	E.1.4.1	**4,740**	**170**	**4,910**	**4,469**
MCR				(851)	(796)
Excess over MCR	E.1.4.1			**4,059**	**3,673**
Ratio of Eligible Own Funds to MCR	E.1.4.1			**577%**	**562%**

E.1.4.1 Overview of Solvency position

As at 31 December 2020, the Solvency II surplus over SCR is £1,537 million (2019: £1,339 million), with a ratio of Eligible Own Funds to SCR of 145% (2019: 142%). The excess of Eligible Own Funds after deductions over the MCR is £4,059 million (2019: £3,673 million), with a ratio of Eligible Own Funds to MCR of 577% (2019: 562%).

96% (2019: 95%) of the Eligible Own Funds after deductions to meet the SCR is unrestricted Tier 1, and is principally comprised of ordinary share capital, share premium, surplus funds and reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. The determination of the Eligible Own Funds available to meet the MCR requires the application of specific quantitative limits on the tiering of available capital. Application of these tests as at 31 December 2020 resulted in a £32 million (2019: £52 million) restriction to Tier 2 capital as a result of it being in excess of the required 20% of MCR.

Excluding the SCR and Own Funds relating to unsupported with-profit funds and the Group loan, the Solvency II shareholder capital coverage ratio is 165% as at 31 December 2020 (2019: 162%).

E.1.4.2 Basic Own Funds items

The Basic Own Funds before deductions total £5,315 million (2019: £4,921 million) and comprise ordinary share capital, share premium, surplus funds, a reconciliation reserve and subordinated liabilities. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital of £69 million (2019: £69 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements. The Articles of Association of PLL include the right to cancel and withhold dividends at any time prior to payment.

Share premium account related to ordinary share capital premium

The share premium related to ordinary share capital of £1 million (2019: £1 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Surplus funds

The Basic Own Funds include surplus funds of £1,551 million (2019: £1,545 million) which are classified as Tier 1 unrestricted Own Funds. Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

E.1 OWN FUNDS continued

E.1.4 Analysis of solvency position – PLL continued

E.1.4.2 Basic Own Funds items continued

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and 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 2020 £m	31 December 2019 £m
Excess of assets over liabilities	5,113	4,711
Deduct other Basic Own Funds items		
Ordinary share capital	(69)	(69)
Share premium account related to ordinary share capital	(1)	(1)
Surplus funds	(1,551)	(1,545)
Reconciliation reserve pre availability restrictions	**3,492**	**3,096**
Ring Fenced Fund restriction	(373)	(400)
Reconciliation reserve total (as shown on Own Funds QRT)	**3,119**	**2,696**

E.1.4.3 Subordinated liabilities

Further details regarding the PLL subordinated liabilities are set out in section E.1.3.2 (note B).

As outlined in section D.4, the subordinated loan notes are recognised at their economic value after excluding the impact of changes in OCS, which results in £202 million contributing to Tier 2 Group Own Funds as at 31 December 2020 (2019: £210 million). The movement during the year arises from revaluation of £8 million (2019: £7 million). There have been no further changes to the subordinated liabilities during the year.

E.1.4.4 Availability restrictions

As shown in the reconciliation reserve in section E.1.4.2, there is a deduction to Own Funds of £373 million (2019: £400 million) in respect of a RFF restriction. Further details regarding the Solvency II treatment for this restriction are included in section E.1.3.3.

The total excess of assets over liabilities for the RFFs and the Matching Adjustment portfolio are £2,466 million (2019: £2,568 million), and this is restricted by the £373 million (2019: £400 million) RFF restriction. There are no restrictions to the Matching Adjustment portfolio at 31 December 2020 (2019: none).

E.1.4.5 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 (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2020		**4,921**	**4,521**	**(3,182)**	**1,339**
Expected run off	1	–	(66)	217	151
With profit estate distribution	2	(123)	12	–	12
Management actions	3	377	377	7	384
New business	4	(35)	(35)	(156)	(191)
Demographic experience variances (including changes to assumptions)	5	(33)	(36)	6	(30)
Economic and other variances on long-term business	6	240	180	(292)	(112)
Movement in risk margin and TMTP	7	(49)	(29)	–	(29)
Financing costs	8	(15)	(15)	–	(15)
Intragroup capital flows	9	32	33	(5)	28
Closing position at 31 December 2020		**5,315**	**4,942**	**(3,405)**	**1,537**

E.1 OWN FUNDS continued

E.1.4 Analysis of solvency position – PLL continued

E.1.4.5 Analysis of movement in capital position continued

Note	Item	Information
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £151 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds. The overall impact on surplus of £12 million reflects the share of the estate distributed to shareholders.
3	**Management actions**	Management actions increased the Solvency II surplus by £384 million. Management actions included the continued investment in illiquid assets within annuity portfolios, the completion of the securitisation of a further tranche of equity release mortgages, matching adjustment fund optimisation and balance sheet reviews. The TMTP impact of management actions is also included.
4	**New business**	The impact of new business written during the year reduced the surplus by £(191) million. This primarily relates to the day 1 capital strain associated with the BPA transactions as detailed in section A.1.5.5, and reflects the Day 1 capital strain associated with vesting annuities, which will be offset in the longer term through investment into strategic assets including illiquids. The risk margin impact of new business is also included.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for longevity, late retirement, GAO take-up rates, persistency and expenses. A £10 million mortality provision has been included to reflect the possible short term increase in future claims as a result of COVID-19. Coupled with model and methodology changes implemented in the actuarial models these changes have resulted in an overall £(30) million decrease in the Solvency II surplus.
6	**Economic and other variances on long-term business**	Economic variances on long-term business decreased the Solvency II surplus by £(112) million over the year primarily as a result of movements in yields.
7	**Movement in risk margin and TMTP**	Changes in the risk margin of £(52) million and TMTP of £23 million decreased the overall Solvency II surplus by £(29) million. This includes a recalculation of the TMTP as at 30 June 2020. The value of risk margin and TMTP as at 31 December 2020 are shown in section D.2.2. Note that for presentational purposes £(46) million of the risk margin is allocated to new business and £203 million of the TMTP impact is allocated to management actions, with the residual £(29) million shown in this row.
8	**Financing costs**	Financing costs decreased Solvency II surplus by £(15) million reflecting interest payments on the PLL subordinated notes detailed in section D.1.
9	**Intra-group capital flows**	Intra-group capital flows increased the Solvency II surplus by £28 million. The mains drivers include: • Dividend payments of £(200) million made during the year to the Company's parent; • Capital contributions received from the Company's parent of £228 million, representing amounts required to support the BPA transactions detailed in A.1.5.5.

E.1 OWN FUNDS continued

E.1.4 Analysis of solvency position – PLL continued

E.1.4.6 Reconciliation of IFRS equity to excess of assets over liabilities

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

Description	Section reference	31 December 2020 £m	31 December 2019 £m
Total equity per IFRS		**1,802**	**1,434**
Valuation differences:			
Assets (decrease)/increase:			
Intangible assets/Deferred acquisition costs	D.1.2	(144)	(147)
Holdings in related undertakings, including participations	D.1.2	27	13
Reinsurance recoverables	D.1.2	(1,178)	(953)
Receivables (trade, not insurance)	D.1.2	(62)	(63)
Total asset valuation differences		**(1,357)**	**(1,150)**
Liabilities decrease/(increase):			
Technical provisions	D.2.2	4,380	4,082
Other technical provisions (unallocated surplus)	D.2.2	577	596
Deferred tax liabilities	D.1.2	(318)	(275)
Insurance and intermediaries payables	D.1.2	23	24
Subordinated liabilities	D.1.2	(2)	(10)
Any other liabilities not elsewhere shown	D.1.2	8	10
Total liability valuation differences		**4,668**	**4,427**
Excess of assets over liabilities	D.1.2	**5,113**	**4,711**

E.1.5 Analysis of solvency position – PLAL

The table below summarises the solvency position for PLAL as at 31 December 2020. The Own Funds QRT S.23.01.01 can be found at Appendix 3.5.

Description	Section reference	Unrestricted Tier 1 £m	31 December 2020 Total £m	31 December 2019 Total £m
Ordinary share capital	E.1.5.2	342	342	342
Share premium account related to ordinary share capital	E.1.5.2	41	41	41
Surplus funds	E.1.5.2	897	897	942
Reconciliation reserve (pre-availability restrictions)	E.1.5.2	926	926	952
Deferred tax assets	E.1.5.2	–	–	4
Excess of assets over liabilities		**2,206**	**2,206**	**2,281**
Total Basic and Available Own Funds		**2,206**	**2,206**	**2,281**
Ring Fenced Fund restriction	E.1.5.3	(299)	(299)	(437)
Eligible Own Funds to meet SCR		**1,907**	**1,907**	**1,844**
SCR	E.2.1		(1,372)	(1,244)
Solvency II surplus			**535**	**600**
Ratio of Eligible Own Funds to SCR	E.1.5.1		**139%**	**148%**
Shareholder capital coverage ratio	E.1.5.1		**171%**	**181%**
Eligible Own Funds to meet MCR	E.1.5.1	**1,907**	**1,907**	**1,840**
MCR			(343)	(311)
Excess over MCR	E.1.5.1		**1,564**	**1,529**
Ratio of Eligible Own Funds to MCR	E.1.5.1		**556%**	**592%**

E.1 OWN FUNDS continued

E.1.5 Analysis of solvency position – PLAL continued

E.1.5.1 Overview of Solvency position

As at 31 December 2020, the Solvency II surplus over SCR is £535 million (2019: £600 million), with a ratio of Eligible Own Funds to SCR of 139% (2019: 148%). The excess of Eligible Own Funds after deductions over the MCR is £1,564 million (2019: £1,529 million), with a ratio of Eligible Own Funds to MCR of 556% (2019: 592%).

100% (2019: 99.8%) of the Eligible Own Funds after deductions to meet SCR is unrestricted Tier 1, and is principally comprised of ordinary share capital, share premium, surplus funds and reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. The determination of the Eligible Own Funds available to meet the MCR requires the application of specific quantitative limits on the tiering of available capital. Tier 3 capital cannot be used to meet the MCR.

Excluding the SCR and Own Funds relating to unsupported with-profit funds and the Group loan, the Solvency II shareholder capital coverage ratio is 171% as at 31 December 2020 (2019: 181%).

E.1.5.2 Basic own Funds items

The Basic Own Funds before deductions total £2,206 million (2019: £2,281 million) and comprise ordinary share capital, share premium, surplus funds, a reconciliation reserve, and net deferred tax assets. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital of £342 million (2019: £342 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements. The Articles of Association of PLAL include the right to cancel and withhold dividends at any time prior to payment.

Share premium account related to ordinary share capital premium

The share premium related to ordinary share capital of £41 million (2019: £41 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Surplus funds

The Basic Own Funds include surplus funds of £897 million (2019: £942 million) which are classified as Tier 1 unrestricted Own Funds. Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 Own Funds. The reconciliation reserve may be subject to potential volatility and further details regarding the impact of various sensitivities on the excess of assets over liabilities which form part of the Own Funds calculation are set out in section C.7. The reconciliation reserve is calculated as follows:

Reconciliation Reserve	31 December 2020 £m	31 December 2019 £m
Excess of assets over liabilities	2,206	2,281
Deduct other Basic Own Funds items		
Ordinary share capital	(342)	(342)
Share premium account related to ordinary share capital	(41)	(41)
Surplus funds	(897)	(942)
Deferred tax asset – Tier 3	–	(4)
Reconciliation reserve pre availability restrictions	**926**	**952**
Ring Fenced Fund restriction	(299)	(437)
Reconciliation reserve total (as shown on Own Funds QRT)	**627**	**515**

Deferred tax assets

Deferred tax assets of £nil (2019: £4 million) are included as Tier 3 Own Funds. The decrease of £4 million during the year is due to a decrease in the deferred tax asset on trading losses. Further details regarding the composition of the deferred tax asset is included in section D.1.3.

E.1 OWN FUNDS continued

E.1.5 Analysis of solvency position – PLAL continued

E.1.5.3 Availability restrictions

As shown in the reconciliation reserve table in E.1.5.2, there is a deduction to Own Funds of £299 million (2019: £437 million) in respect of RFF restriction. Further details regarding the Solvency II treatment for this restriction are included in section E.1.3.3.

The total excess of assets over liabilities for the RFFs and the Matching Adjustment portfolio are £1,315 million (2019: £1,429 million) and this is restricted by the £299 million (2019: £437 million) RFF restriction. There are no restrictions to the Matching Adjustment portfolio at 31 December 2020 (2019: none).

E.1.5.4 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 (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2020		**2,281**	**1,844**	**(1,244)**	**600**
Expected run off	1	–	(42)	105	63
With profit estate distribution	2	(47)	4	–	4
Management actions	3	3	3	(1)	2
New business	4	11	11	(23)	(12)
Demographic experience variances (including changes to assumptions)	5	(32)	13	4	17
Economic and other variances on long-term business	6	96	166	(213)	(47)
Movement in risk margin and TMTP	7	19	33	–	33
Intragroup capital flows	8	(125)	(125)	–	(125)
Closing position at 31 December 2020		**2,206**	**1,907**	**(1,372)**	**535**

Note	Item	Information
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £63 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds. The overall impact on surplus is £4 million and reflects the share of the estate distributed to shareholders.
3	**Management actions**	Management actions throughout the year have increased the Solvency II surplus by £2 million. These mainly consist of fund financing on supported with-profits funds and matching adjustment optimisation.
4	**New business**	The impact of new business written during the year decreased the surplus by £(12) million, reflecting the Day 1 capital strain associated with vesting annuities during the period.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for longevity, late retirement, GAO takeup rates, persistency and expenses. Coupled with model and methodology changes implemented in the actuarial models this has resulted in an overall £17 million increase in the Solvency II surplus.
6	**Economic and other variances on long-term business**	Economic variances on long-term business decreased the Solvency II surplus by £(47) million over the year primarily as a result of movements in yields.
7	**Movement in risk margin and TMTP**	Changes in the risk margin of £(76) million and TMTP of £109 million increased the overall Solvency II surplus by £33 million. This includes a recalculation of the TMTP as at 30 June 2020. The value of risk margin and TMTP as at 31 December 2020 are shown in section D.2.2. Note that for presentational purposes £(13) million of the risk margin impact is allocated to new business, resulting in £33 million risk margin and TMTP impact on Solvency II shown in this row.
8	**Intra-group capital flows**	Intra-group capital flows reduced the Solvency II surplus by £125 million reflecting dividend payments of £(125) million made during the year to the Company's parent.

E.1 OWN FUNDS continued

E.1.5 Analysis of solvency position – PLAL continued

E.1.5.5 Reconciliation of IFRS equity to excess of assets over liabilities

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

Description	Section reference	31 December 2020 £m	31 December 2019 £m
Total equity per IFRS		**954**	**994**
Valuation differences:			
Assets (decrease)/increase:			
Intangible assets	D.1.2	–	(81)
Reinsurance recoverables	D.1.2	(38)	(37)
Receivables (trade, not insurance)	D.1.2	(36)	(39)
Total asset valuation differences		**(74)**	**(157)**
Liabilities decrease/(increase):			
Technical provisions	D.2.2	1,072	1,197
Other technical provisions (unallocated surplus)	D.2.2	323	311
Deferred tax liabilities	D.1.2	(71)	(62)
Debts owed to credit institutions	D.1.2	–	(4)
Insurance and intermediaries payable	D.1.2	2	2
Total liability valuation differences		**1,326**	**1,444**
Excess of assets over liabilities	D.1.2	**2,206**	**2,281**

E.1.6 Analysis of solvency position – RAL

The table below summarises the solvency position for RAL as at 31 December 2020. The Own Funds QRT S.23.01.01 can be found at Appendix 4.5.

Description	Section reference	31 December 2020 Total £m	31 December 2019 Total £m
Ordinary share capital	E.1.6.2	387	387
Share premium account related to ordinary share capital	E.1.6.2	134	134
Surplus funds	E.1.6.2	1,311	607
Reconciliation reserve (pre-availability restrictions)	E.1.6.2	4,031	4,142
Excess of assets over liabilities		**5,863**	**5,270**
Total Basic and Available Own Funds		**5,863**	**5,270**
Ring Fenced Fund restriction	E.1.6.3	(679)	(400)
Eligible Own Funds to meet SCR		**5,184**	**4,870**
SCR	E.2.1	(2,807)	(2,906)
Solvency II surplus		**2,377**	**1,964**
Ratio of Eligible Own Funds to SCR	E.1.6.1	**185%**	**168%**
Shareholder capital coverage ratio	E.1.6.1	**199%**	**172%**
Eligible Own Funds to meet MCR	E.1.6.1	**5,184**	**4,870**
MCR		(702)	(727)
Excess over MCR	E.1.6.1	**4,482**	**4,143**
Ratio of Eligible Own Funds to MCR	E.1.6.1	**739%**	**670%**

E.1 OWN FUNDS continued

E.1.6 Analysis of solvency position – RAL continued

E.1.6.1 Overview of Solvency position

As at 31 December 2020, the Solvency II surplus over SCR is £2,377 million (2019: £1,964 million), with a ratio of Eligible Own Funds to SCR of 185% (2019: 168%). The excess of Eligible Own Funds after deductions over the MCR is £4,482 million (2019: £4,143 million), with a ratio of Eligible Own Funds to MCR of 739% (2019: 670%).

RAL's Own Funds consists entirely of Tier 1 – unrestricted Own Fund items, and is principally comprised of ordinary share capital, share premium, surplus funds and reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Funds.

Excluding the SCR and Own Funds relating to unsupported with-profit funds and the Group loan, the Solvency II shareholder capital coverage ratio is 199% as at 31 December 2020 (2019: 172%).

E.1.6.2 Basic Own Funds items

The Basic Own Funds before deductions total £5,863 million (2019: £5,270 million) and comprise ordinary share capital, share premium, surplus funds and reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital of £387 million (2019: £387 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Share premium account related to ordinary share capital premium

The share premium related to ordinary share capital of £134 million (2019: £134 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Surplus funds

The Basic Own Funds include surplus funds of £1,311 million (2019: £607 million) which are classified as Tier 1 unrestricted Own Funds. Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and 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 2020 £m**	**31 December 2019 £m**
Excess of assets over liabilities	5,863	5,270
Deduct other Basic Own Funds items		
Ordinary share capital	(387)	(387)
Share premium account related to ordinary share capital	(134)	(134)
Surplus funds	(1,311)	(607)
Reconciliation reserve pre availability restrictions	**4,031**	**4,142**
Ring Fenced Fund restriction	(679)	(400)
Reconciliation reserve total (as shown on Own Funds QRT)	**3,352**	**3,742**

E.1.6.3 Availability restrictions

As shown in the reconciliation reserve in E.1.6.2, there is a deduction to Own Funds of £679 million (2019: £400 million) in respect of a RFF restriction. Further details regarding the Solvency II treatment for this restriction are included in section E.1.3.3.

The total excess of assets over liabilities for the RFFs and the Matching Adjustment portfolio are £2,327 million (2019: £1,151 million), and this is restricted by the £679 million (2019: £400 million) RFF restriction. There are no restrictions to the Matching Adjustment portfolio at 31 December 2020 (2019: none).

E.1 OWN FUNDS continued

E.1.6 Analysis of solvency position – RAL continued

E.1.6.4 Analysis of movement in capital position

Analysis of movement in solvency position (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2020		**5,270**	**4,870**	**(2,906)**	**1,964**
Expected run off	1	60	34	193	227
With profit estate distribution	2	(48)	3	–	3
Management actions	3	812	713	(210)	503
New business	4	1	1	–	1
Demographic experience variances (including changes to assumptions)	5	171	(46)	212	166
Economic and other variances on long-term business	6	135	129	(96)	33
Movement in risk margin and TMTP	7	(38)	(20)	–	(20)
Intragroup capital flows	8	(500)	(500)	–	(500)
Closing position at 31 December 2020		**5,863**	**5,184**	**(2,807)**	**2,377**

Note	Item	Information
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £227 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds.
3	**Management actions**	Management actions increased the Solvency II surplus by £503 million. Management actions included trading activity in the matching adjustment fund, additional equity and currency hedges and the removal of pension scheme liabilities from the transitional measures following PRA approval. Tax and modelling differences arising from the Part VII of the L&G Mature Savings business did reduce the surplus.
4	**New business**	The impact of new business written during the year increased the surplus by £1 million.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for longevity, late retirement, GAO takeup rates, MSA expenses and persistency. Coupled with model and methodology changes implemented in the actuarial models this has resulted in an overall £166 million increase in the Solvency II surplus. The result also includes a £60 million reduction in Own Funds and £60 million reduction in SCR capturing the impact of moving from the Partial Internal Model to Standard Formula.
6	**Economic and other variances on long-term business**	Economic variances on long-term business increased the Solvency II surplus by £33 million over the year. The impact from falling yields and spreads was offset by the matching strategy, which takes account of the capital requirements. Capital requirements also increased by c£50 million due to downgrades.
7	**Movement in risk margin and TMTP**	Changes in the risk margin of £(52) million (excluding the Part VII introduction of the L&G WPF) and TMTP of £32 million reduced the overall Solvency II surplus by £20 million. This includes a recalculation of the TMTP as at 30 June 2020.
8	**Intra-group capital flows**	Intra-group capital flows decreased the Solvency II surplus by £(500) million, reflecting the dividend paid to the Company's parent.

E.1 OWN FUNDS continued

E.1.6 Analysis of solvency position – RAL continued

E.1.6.5 Reconciliation of IFRS equity to excess of assets over liabilities

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

Description	Section reference	31 December 2020 £m
Total equity per IFRS		**3,248**
Valuation differences:		
Assets (decrease)/increase:		
Intangible assets	D.1.2	(723)
Deferred tax assets	D.1.2	(8)
Reinsurance recoverables	D.1.2	(618)
Total asset valuation differences		**(1,349)**
Liabilities decrease/(increase):		
Technical provisions	D.2.2	3,816
Other technical provisions (unallocated surplus)	D.2.2	424
Deferred tax liabilities	D.1.2	(276)
Total liability valuation differences		**3,964**
Excess of assets over liabilities	D.1.2	**5,863**

Comparative information for ReAssure Limited can be found in Section E1 of the ReAssure Group plc SFCR for the year ended 31 December 2019.

E.1.7 Analysis of solvency position – RLL

The table below summarises the solvency position for RLL as at 31 December 2020. The Own Funds QRT S.23.01.01 is included in Appendix 5.4.

Description	Section reference	31 December 2020 Total £m	31 December 2019 Total £m
Ordinary share capital	E.1.7.2	64	64
Reconciliation reserve (pre-availability restrictions)	E.1.7.2	173	351
Basic, Available and Eligible Own Funds to meet SCR		**237**	**415**
SCR	E.2.1	(20)	(12)
Solvency II surplus		**217**	**403**
Ratio of Eligible Own Funds to SCR	E.1.7.1	**1191%**	**3308%**
Shareholder capital coverage ratio	E.1.7.1	**1191%**	**3308%**
Eligible Own Funds to meet MCR	E.1.7.1	**237**	**415**
MCR		(9)	(5)
Excess over MCR	E.1.7.1	**228**	**410**
Ratio of Eligible Own Funds to MCR	E.1.7.1	**2647%**	**7351%**

E.1.7.1 Overview of Solvency position

As at 31 December, the Solvency II surplus over the SCR is £217 million (2019: £403 million), with a ratio of Eligible Own Funds to SCR of 1,191% (2019: 3,308%). The excess of Eligible Own Funds after deductions over the MCR is £228 million (2019: £410 million), with a ratio of Eligible Own Funds to MCR of 2,647% (2019: 7,351%).

RLL's Own Funds consists entirely of Tier 1 – unrestricted Own Fund items, and is principally comprised of ordinary share capital and reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Funds.

There are no deductions for restricted assets in respect of RFFs, Matching Adjustment portfolios, encumbrances or foreseeable dividends

Excluding the SCR and Own Funds relating to unsupported with-profit funds and the Group loan, the Solvency II shareholder capital coverage ratio is 1,191% as at 31 December 2020 (2019: 3,308%).

E.1 OWN FUNDS continued

E.1.7 Analysis of solvency position – RLL continued

E.1.7.2 Basic Own Funds items

The Basic Own Funds total £237 million (2019: £415 million) and comprise ordinary share capital and reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital of £64 million (2019: £64 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Reconciliation reserve

The reconciliation reserve is the excess of assets over liabilities of £237 million (2019: £415 million) deducts the ordinary share capital £64 million (2019: £64 million) and treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and 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.

E.1.7.3 Analysis of movement in capital position

Analysis of movement in solvency position (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2020		**415**	**415**	**(12)**	**403**
Demographic experience variances (including changes to assumptions)	1	24	24	–	24
Economic and other variances on long-term business	2	13	13	(8)	5
Movement in risk margin and TMTP	3	6	6	–	6
Intragroup capital flows	4	(221)	(221)	–	(221)
Closing position at 31 December 2020		**237**	**237**	**(20)**	**217**

Note	Item	Information
1	**Demographic experience variances (including changes to assumptions)**	On 31 December 2019, RLL entered into an intra-group reinsurance arrangement with RAL. The amount paid for the future surpluses was initially estimated. An advanced claim true-up was received in 2020 to adjust for actual experience over 2019.
2	**Economic and other variances on long-term business**	Solvency II surplus has increased by £5 million which is primarily due to returns on shareholder assets. The surplus is offset by an increase in capital requirements, which has increased by £8 million as a result of one-off changes within the calculation of the loss absorbing capacity of deferred taxation.
3	**Movement in risk margin and TMTP**	Solvency II surplus has increased by £6 million which is primarily due to a release of risk margin following a one-off refinement to the risk drivers.
4	**Intragroup capital flows**	Intragroup capital flows decreased the Solvency II surplus by £221 million due to a dividend payment made during the year to the Company's parent.

E.1.7.4 Reconciliation of IFRS equity to excess of assets over liabilities

Description	Section reference	31 December 2020 £m
Total equity per IFRS		**85**
Valuation differences:		
Assets (decrease)/increase:		
Deferred acquisition costs	D.1.2	(34)
Reinsurance recoverables	D.1.2	(529)
Total asset valuation differences		**(563)**
Liabilities decrease/(increase):		
Technical provisions	D.2.2	505
Deferred tax liabilities	D.1.2	(4)
Any other liabilities not elsewhere shown	D.1.2	214
Total liability valuation differences		**715**
Excess of assets over liabilities	D.1.2	**237**

Comparative information for ReAssure Life Limited can be found in Section E1 of the ReAssure Group plc SFCR for the year ended 31 December 2019.

E.1 OWN FUNDS continued

E.1.8 Analysis of solvency position – PA(GI)

The table below summarises the solvency position for PA(GI) as at 31 December 2020. The Own Funds QRT S.23.01.01 is included in Appendix 6.3.

Description	31 December 2020 Total £m	31 December 2019 Total £m
Ordinary share capital	3	3
Reconciliation reserve	1	61
Basic, Available and Eligible Own Funds to meet SCR	**4**	**64**
SCR	(2)	(2)
Solvency II surplus	**2**	**62**
Ratio of Eligible Own Funds to SCR	**276%**	**3200%**
Eligible Own Funds to meet MCR	**4**	**64**
MCR	(3)	(3)
Excess over MCR	**1**	**61**
Ratio of Eligible Own Funds to MCR	**128%**	**2133%**

As at 31 December 2020, the Solvency II surplus over the SCR is £2 million (2019: £62 million), with a ratio of Eligible Own Funds to SCR of 276% (2019:3200%). The excess of Eligible Own Funds after deductions over the MCR is £1 million (2019: £61 million), with a ratio of Eligible Own Funds to MCR of 128% (2019: 2,133%).

PA(GI)'s Own Funds consists entirely of Tier 1 – unrestricted Own Fund items, and is principally comprised of ordinary share capital and reconciliation reserve. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Fund items.

PA(GI) made a dividend distribution of £60 million in November 2020, leading to the reduction in the reconciliation reserve at 31 December 2020.

There are no deductions for restricted assets in respect of RFFs, Matching Adjustment portfolios, encumbrances or foreseeable dividends.

There are no differences between PA(GI)'s equity under IFRS and the excess of assets over liabilities under Solvency II.

E.1.9 Analysis of solvency position – SLAL

The table below summarises the solvency position for SLAL as at 31 December 2020. The Own Funds QRT S.23.01.01 can be found at Appendix 7.5.

Description	Section reference	31 December 2020 Total £m	31 December 2019 Total £m
Ordinary share capital	E.1.9.2	21	21
Share premium account related to ordinary share capital	E.1.9.2	117	117
Surplus funds	E.1.9.2	2,248	1,748
Reconciliation reserve (pre-availability restrictions)	E.1.9.2	2,977	3,381
Excess of assets over liabilities		**5,363**	**5,267**
Total Basic and Available Own Funds		**5,363**	**5,267**
Ring Fenced Fund restriction	E.1.9.3	(954)	(874)
Eligible Own Funds to meet SCR		**4,409**	**4,393**
SCR	E.2.1	(2,989)	(2,539)
Solvency II surplus		**1,420**	**1,854**
Ratio of Eligible Own Funds to SCR	E.1.9.1	**148%**	**173%**
Shareholder capital coverage ratio	E.1.9.1	**174%**	**199%**
Eligible Own Funds to meet MCR	E.1.9.1	**4,409**	**4,393**
MCR		(1,262)	(1,143)
Excess over MCR	E.1.9.1	**3,147**	**3,250**
Ratio of Eligible Own Funds to MCR	E.1.9.1	**349%**	**384%**

E.1 OWN FUNDS continued

E.1.9 Analysis of solvency position – SLAL continued

E.1.9.1 Overview of Solvency position

As at 31 December 2020, the Solvency II surplus over SCR is £1,420 million (2019: £1,854 million), with a ratio of Eligible Own Funds to SCR of 148% (2019: 173%). The excess of Eligible Own Funds after deductions over the MCR is £3,147 million (2019: £3,250 million), with a ratio of Eligible Own Funds to MCR of 349% (2019: 384%).

SLAL's Own Funds consists entirely of Tier 1 – unrestricted Own Fund items, and is principally comprised of ordinary share capital, share premium, surplus funds and reconciliation reserve. This includes TMTP which is included in the calculation of Basic Own Funds as Tier 1 capital. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Fund items.

Excluding the SCR and Own Funds relating to unsupported with-profit funds and the Group loan, the Solvency II shareholder capital coverage ratio is 174% as at 31 December 2020 (2019: 199%).

E.1.9.2 Basic Own Funds items

The Basic Own Funds total £5,363 million (2019: £5,267 million) and comprise of ordinary share capital, share premium, surplus funds and a reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital is £21 million (2019: £21 million) and is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements. The Articles of Association of SLAL include the right to cancel and withhold dividends at any time prior to payment.

Share premium account related to ordinary share capital premium

The share premium related to ordinary share capital of £117 million (2019: £117 million) is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements.

Surplus funds

The Basic Own Funds include surplus funds of £2,248 million (2019: £1,748 million) which are classified as Tier 1 unrestricted Own Funds. Further details regarding the Solvency II treatment of surplus funds are set out in section E.1.3.1.

Reconciliation reserve

The reconciliation reserve is treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and 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 2020 Total £m	31 December 2019 Total £m
Excess of assets over liabilities	5,363	5,267
Deduct other Basic Own Funds items		
Ordinary share capital	(21)	(21)
Share premium account related to ordinary share capital	(117)	(117)
Surplus funds	(2,248)	(1,748)
Reconciliation reserve pre availability restrictions	**2,977**	**3,381**
Ring Fenced Fund restriction	(954)	(874)
Reconciliation reserve total (as shown on Own Funds QRT)	**2,023**	**2,507**

E.1.9.3 Availability restrictions

As shown in the reconciliation reserve in E.1.9.2, there is a deduction to Own Funds of £954 million (2019: £874 million) in respect of a RFF restriction. Further details regarding the Solvency II treatment for this restriction are included below.

The regulations specify that certain Own Funds items in RFFs and Matching Adjustment portfolios should be restricted. This means they can only be included in the calculation of Company solvency at an amount less than or equal to the RFF and Matching Adjustment portfolios notional SCR.

E.1 OWN FUNDS continued

E.1.9 Analysis of solvency position – SLAL continued

E.1.9.3 Availability restrictions continued

The HWPF and GWPF with-profit funds in the Company are treated as RFFs. The items of Own Funds within each with-profit RFF are the value of surplus funds, present value of expenses collected from the underlying policies, risk margin, TMTP, burnthrough asset and any shareholder capital support received. The Matching Adjustment portfolios are annuity funds and are also treated as RFFs.

Any Own Funds above SCR in the Matching Adjustment portfolios are treated similarly and also shown as a deduction to the reconciliation reserve. There are no restrictions for Matching Adjustment portfolios at 31 December 2020.

The total excess of assets over liabilities for SLAL for the RFF and Matching Adjustment Portfolios are £2,222 million (2019: £1,811 million), and this is restricted by the £954 million (2019: £874 million) RFF restriction.

E.1.9.4 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 (£m)	Note	Own funds £m	Eligible Own funds after RFF restriction £m	SCR £m	Solvency II surplus £m
Opening position at 1 January 2020		**5,267**	**4,393**	**(2,539)**	**1,854**
Expected run off	1	17	17	134	151
With profit estate distribution	2	(52)	–	–	–
Management actions	3	90	90	(3)	87
New business	4	93	93	(77)	16
Demographic experience variances (including changes to assumptions)	5	40	36	32	68
Economic and other variances on long-term business	6	501	279	(536)	(257)
Movement in risk margin and TMTP	7	(200)	(106)	–	(106)
Intragroup capital flows	8	(393)	(393)	–	(393)
Closing position at 31 December 2020		**5,363**	**4,409**	**(2,989)**	**1,420**

Note	Analysis of movement in solvency position (£m)	Commentary
1	**Expected run-off**	Policy run-off over the year resulted in the release of the related SCR requirements and increased the Solvency II surplus by £151 million.
2	**With-profit estate distribution**	Distributions of estate to policyholders generally occur from unsupported with-profit funds, such as SLAL HWPF. Shareholders are not entitled to any share of SLAL HWPF estate distribution.
3	**Management actions**	Management actions throughout the year have increased the Solvency II surplus by £87 million. Significant items include Matching Adjustment optimisation and future VAT saving from investment funds restructure.
4	**New business**	The impact of new business (after allowance for risk margin and contract boundaries) written during the year increased the Solvency II surplus by £16 million.
5	**Demographic experience variances (including changes to assumptions)**	During the year actuarial assumptions have been reviewed following recent demographic experience. This has resulted in changes in the best estimate assumptions for late retirements, persistency, longevity, investment expense and euro maintenance expense assumptions. Experience variances observed in the year, model and methodology changes also contributed to the £68 million increase in the Solvency II surplus.
6	**Economic variances on long-term business**	Economic and other variances on long-term business decreased the Solvency II surplus by £257 million, principally reflecting the adverse impact of movements in yields and credit downgrades experienced in the year.
7	**Movement in risk margin and TMTP**	Changes in risk margin and TMTP decreased the overall Solvency II surplus by £106 million. This includes one more year of regulatory TMTP run-off. The value of risk margin and TMTP as at 31 December 2020 are shown in section D.2.2.
8	**Intragroup capital flows**	The payment of dividends to Group (net of interest received in respect of a loan to Group) decreased Solvency II surplus by £393 million.

E.1 OWN FUNDS continued

E.1.9 Analysis of solvency position – SLAL continued

E.1.9.5 Reconciliation of IFRS equity to excess of assets over liabilities

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

Description	Section reference	31 December 2020 £m	31 December 2019 £m
Total equity per IFRS		**829**	**1,044**
Valuation differences:			
Assets (decrease)/increase:			
Intangible assets/Deferred acquisition costs	D1.2	(300)	(345)
Holdings in related parties, including participations	D1.2	9	(2)
Reinsurance recoverables	D1.2	49	20
Receivables (trade, not insurance)	D1.2	(15)	(13)
Total asset valuation differences		**(257)**	**(340)**
Liabilities decrease/(increase):			
Technical provisions	D2.2	4,794	4,506
Other technical provisions (unallocated surplus)	D2.2	414	430
Deferred tax liabilities	D1.2	(469)	(438)
Insurance and intermediaries payables	D1.2	8	6
Any other liabilities not elsewhere shown	D1.2	44	59
Total liability valuation differences		**4,791**	**4,563**
Excess of assets over liabilities	D1.2	**5,363**	**5,267**

E.1.10 Analysis of solvency position – SLPF

The table below summarises the solvency position for SLPF as at 31 December 2020. The Own Funds QRT S.23.01.01 can be found at Appendix 8.4.

Description	Section reference	31 December 2020 Total £m	31 December 2019 Total £m
Reconciliation reserve (pre-availability restrictions)	E.1.10.2	9	9
Basic, Available and Eligible Own Funds to meet SCR		**9**	**9**
SCR	E.2.1	(2)	(2)
Solvency II surplus		**7**	**7**
Ratio of Eligible Own Funds to SCR	E.1.10.1	**548%**	**558%**
Shareholder capital coverage ratio	E.1.10.1	**548%**	**558%**
Eligible Own Funds to meet MCR	E.1.10.1	**9**	**9**
MCR		(3)	(3)
Excess over MCR	E.1.10.1	**6**	**6**
Ratio of Eligible Own Funds to MCR	E.1.10.1	**284%**	**296%**

E.1.10.1 Overview of Solvency position

As at 31 December 2020, the Solvency II surplus over SCR is £7 million (2019: £7 million), with a ratio of Eligible Own Funds to SCR of 548% (2019: 558%). The excess of Eligible Own Funds after deductions over the MCR is £6 million (2019: £6 million), with a ratio of Eligible Own Funds to MCR of 284% (2019: 296%).

SLPF's Own Funds consists entirely of Tier 1 – unrestricted Own Fund items, and is principally comprised of ordinary share capital and reconciliation reserve. There are no Tier 1 – restricted, Tier 2 or Tier 3 Own Fund items.

There are no deductions for restricted assets in respect of RFFs, Matching Adjustment portfolios, encumbrances or foreseeable dividends.

Excluding the SCR and Own Funds relating to unsupported with-profit funds, and the Group loan, the Solvency II shareholder capital coverage ratio is 548% as at 31 December 2020 (2019: 558%).

E.1 OWN FUNDS continued

E.1.10 Analysis of solvency position – SLPF continued

E.1.10.2 Basic Own Funds items

The Basic Own Funds total £9 million (2019: £9 million) and comprise ordinary share capital and a reconciliation reserve. Further details regarding each Basic Own Funds item are set out below.

Ordinary share capital

The issued and fully paid ordinary share capital is less than £1 million and is treated as unrestricted Tier 1 Own Funds, as it meets Tier 1 requirements. The Articles of Association of SLPF include the right to cancel and withhold dividends at any time prior to payment.

Reconciliation reserve

The reconciliation reserve is the excess of assets over liabilities of £9 million (2019: £9 million) and treated as Tier 1 unrestricted Own Funds. The reconciliation reserve may be subject to potential volatility and 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

E.1.10.3 Analysis of movement in capital position

SLPF's analysis of significant changes in the capital position during the year, including Own Funds, SCR and Solvency II surplus are combined with SLAL's and shown in section E.1.9.4.

E.1.10.4 Reconciliation of IFRS equity to excess of assets over liabilities

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

Description	Section reference	31 December 2020 £m	31 December 2019 £m
Total equity per IFRS		**11**	**11**
Valuation differences:			
Assets increase/(decrease):			
Reinsurance recoverables	D1.2	–	–
Total asset valuation differences		–	–
Liabilities (increase)/decrease:			
Technical provisions	D2.2	(2)	(2)
Total liability valuation differences		**(2)**	**(2)**
Excess of assets over liabilities	D1.2	**9**	**9**

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Solvency capital requirement

The insurance subsidiaries and the Group's SCR at 31 December 2020 is presented below.

Analysis of SCR – 31 December 2020	Note	PLL £m	PLAL £m	PA(GI) £m	RAL £m	RLL £m	ARK £m	Other Group entities £m	Group adjustments £m	PGH Group Partial Internal Model (Method 1 only) £m
Risk categories										
Underwriting risk (i.e. insurance risk)	1	1,794	892	–	1,962	–	72	211	216	5,147
Market risk	2	1,336	364	–	1,113	1	63	100	(83)	2,894
Credit risk	3	1,829	588	–	1,233	7	12	132	2	3,803
Liquidity risk	4	–	–	–	–	–	–		–	–
Operational risk	5	357	130	2	156	14	5	58	15	737
Other risks	6	83	12	–	–		–	112	–	207
Total undiversified SCR		**5,399**	**1,986**	**2**	**4,464**	**22**	**152**	**613**	**150**	**12,788**
Diversification benefits	7	(1,635)	(540)	–	(1,345)	(2)	(51)	(352)	54	(3,871)
Non-linearity	8	46	–	–	–	–	–	21	(3)	64
Management actions	9	(283)	(15)	–	–	–	–		–	(298)
Loss absorbing capacity of deferred tax ('LACDT')	10	(335)	(59)	–	(312)	–	–	2	106	(598)
Subsidiary risk capital	11	11	–	–	–	–	–	(5)	(2)	4
Consolidation adjustments	12	202	–	–	–	–	–	–	(91)	111
Total SCR (Method 1 Entities)		**3,405**	**1,372**	**2**	**2,807**	**20**	**101**	**279**	**214**	**8,200**

Analysis of SCR – 31 December 2020	Note	PGH Group Partial Internal Model (Method 1 only) £m	SLAL[1] £m	SLIDAC £m	SLPF £m	Total SCR
Risk categories						
Underwriting risk (i.e. insurance risk)	1	5,147	1,562	167	–	
Market risk	2	2,894	1,390	128	–	
Credit risk	3	3,803	720	164	2	
Liquidity risk	4	–	–	–	–	
Operational risk	5	737	514	75	–	
Other risks	6	207	–	–	–	
Total undiversified SCR		**12,788**	**4,186**	**534**	**2**	
Diversification benefits	7	(3,871)	(1,197)	(134)	–	
Non-linearity	8	64	–	–	–	
Management actions	9	(298)	–	–	–	
Loss absorbing capacity of deferred tax ('LACDT')	10	(598)	–	–	–	
Subsidiary risk capital	11	4	–	–	–	
Consolidation adjustments	12	111	–	–	–	
Total SCR (Method 1 Entities)		**8,200**	**–**	**–**	**–**	**8,200**
Method 2 entities			2,989	400	2	3,391
Total SCR (Method 1 and Method 2 Entities[2])		**8,200**	**2,989**	**400**	**2**	**11,591**

1 SLAL SCR reflects SLAL entity SCR in respect of its own direct risk exposures, but also in respect of a look through to its participations in SLPF.
2 SLAL and SLIDAC SCR are net of LACDT, which is £416 million and £0.4 million.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT continued

E.2.1 Solvency capital requirement continued

The final SCR is still subject to supervisory assessment. There are no capital add-ons and the Group has not applied to use undertaking specific parameters when calculating the Standard Formula SCR for entities which are outside of the scope of the Phoenix and Standard Life Internal Models. The SCR for ReAssure Group ('ReAssure') and its entities RAL, RLL and ARK is calculated on Standard Formula following the acquisition by PGH Group.

The Group SCR has been reduced by £1,013 million for the loss-absorbing capacity of deferred taxes (consisting of the £598 million LACDT for Method 1 entities reported in the table above, plus a further £416 million for Method 2 entities). Approximately £40 million of this arises from the carry back of losses to 2020 that can be recovered by a reduction in corporation tax payable to HMRC with the balance expected to be available through a reduction in the value of deferred tax liabilities predominantly in relation to future profits to emerge from unit-linked business and transfers from with-profit funds.

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. Further details of the risks relevant to ARK and SLIDAC are included within section E.2 of the ARK and SLIDAC solo SFCR for the year ended 31 December 2020.

Note	Risk module	Information
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 mortality risk, longevity risk, morbidity risk, expense risk and lapse risk. Further 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. Market risk comprises interest rate risk, currency risk and other price risk (comprising equity risk, property risk, inflation risk and alternative asset class risk). Further 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. The principal sources of credit risk for the Group and its insurance subsidiaries include spread risk, investment counterparty risk, reinsurance counterparty risk, outsourcer default risk and stock-lending risk. Further details on these risks are provided in section C.3.
4	**Liquidity risk**	Liquidity risk is defined as the failure of the Group or its insurance subsidiaries to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Group has exposure to liquidity risk as a result of servicing its external debt and equity investors, and from the operating requirements of its subsidiaries. The Group's Life Companies have exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements. Further details on these risks are provided in section C.4.
5	**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.5.
6	**Other risks**	Other risks include, for example, tax risk and strategic risk. Further details are included in section C.6.
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 correlation matrix.[1]
8	**Non-linearity**	Non-linearity arises when there is interdependency between risks, such that the combined impact of two or more risks occurring together does not equal the sum of the impacts from each of the risks occurring in isolation.
9	**Management actions**	Management actions primarily apply to with-profit funds. Such actions include reducing reversionary and terminal bonus rates, removing past conditional estate distributions, and increasing asset share/guarantee charges under stressed conditions. The management actions assumed for each fund are consistent with the fund's PPFM.
10	**Loss absorbing capacity of deferred tax ('LACDT')**	The LACDT adjustment represents the change in value of deferred tax assets and liabilities following a 1:200 one-year stress event consistent with the SCR assessment.
11	**Subsidiary risk capital**	Subsidiary risk capital primarily relates to PUTM, a subsidiary of PLL – see section A.1.2.2.
12	**Consolidation adjustments**	Consolidation adjustments represent a range of adjustments which are applied to the post-diversified SCR when aggregating to PGH Group level.

1 SLAL currently determines diversification benefits using a full risk distribution under the Standard Life Internal Model. The methodology for calculating diversification for Internal Model risks is expected to be aligned across the Group as part of Internal Model harmonisation activities.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT continued

E.2.2 Changes in SCR

The material changes in the SCR and reasons thereof are set out in section E.1.3.

E.2.3 Minimum consolidated group SCR

In accordance with the regulations, the MCR for the Group is the sum of the MCR for all the subsidiaries consolidated under Method 1. In accordance with the regulations, the MCR for the Group is the sum of the MCR for all the subsidiaries consolidated under Method 1 including ReAssure. Whilst the Standard Life insurance subsidiaries will calculate an MCR, as these entities are included in the Group solvency calculation on a Method 2 basis, they will not be aggregated as part of the Minimum Group SCR.

As set out in section E.1.3.4, the Group's MCR at 31 December 2020 is £1,934 million (2019: £1,110 million).

The MCR for each insurance subsidiary is calculated according to a formula prescribed by the regulations and is subject to a floor of 25% of the SCR or EUR 3.7 million, whichever is higher, and a cap of 45% of the SCR. The MCR, formula is based on factors applied to the technical provisions and capital at risk as at 31 December 2020.

The components of the overall calculation of the MCR as at 31 December 2020 are:

Calculation of MCR – 31 December 2020	PLL £m	PLAL £m	RAL £m	RLL £m	PA (GI) £m	ARK £m	PGH Group £m
MCR before the application of floors and caps	448	176	630	51	–	12	
MCR cap (45% of SCR)	1,532	617	1,263	9	1	46	
MCR floor (higher of 25% of SCR or EUR 3.7m)	851	343	702	5	3	26	
MCR (post application of floors and caps)	**851**	**343**	**702**	**9**	**3**	**26**	**1,934**

Calculation of MCR – 31 December 2020	SLAL £m	SLPF £m
MCR before the application of floors and caps	1,262	11
MCR cap (45% of SCR)	1,345	1
MCR floor (higher of 25% of SCR or EUR 3.7m)	747	3
MCR (post application of floors and caps)	**1,262**	**3**

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

Change in MCR	PLL £m	PLAL £m	RAL £m	RLL £m	ARK £m	PA(GI) £m	PGH Group £m
1 January 2020	796	311	–	–	–	3	1,110
31 December 2020	851	343	702	9	26	3	1,934
Movement in MCR	**55**	**32**	**702**	**9**	**26**	**–**	**824**

Change in MCR	SLAL £m	SLPF £m
1 January 2020	1,143	3
31 December 2020	1,262	3
Movement in MCR	**119**	**–**

The MCR at both the current and previous reporting periods is primarily based on the floor prescribed by Solvency II of 25% of Life Companies' SCR; hence the change in SCR is the driver for the changes in MCR.

Further details regarding the MCR for ARK and SLIDAC can be found in section E.2 of the solo ARK and SLIDAC SFCR for the year ended 31 December 2020.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

ReAssure and SLIDAC are the only entities in the Group which calculates their SCRs in accordance with the Standard Formula.

The UK has not implemented the member state option in the regulations to permit the use of this sub-module for the Standard Formula calculation, and therefore neither the Group nor any of the Life Companies use the duration-based equity risk sub-module in the calculation of the 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 internal model

Coverage

In December 2015, the PLHL Group was granted the PRA's approval for use of the Phoenix Internal Model to assess Solvency Capital Requirements. The scope of the Phoenix Internal Model was subsequently extended to cover the acquired AXA Wealth and Abbey Life businesses, together with all entities above PLHL in the Group structure.

Standard Life Assurance businesses were acquired in August 2018. This business already had an approved Standard Life Assurance Partial Internal Model.

ReAssure was acquired in July 2020 and the SCR for this business is calculated on Standard Formula.

As at the current valuation date, the Group uses a Partial Internal Model to calculate its capital requirements ('the Phoenix Group Partial Internal Model'), comprising of the following:

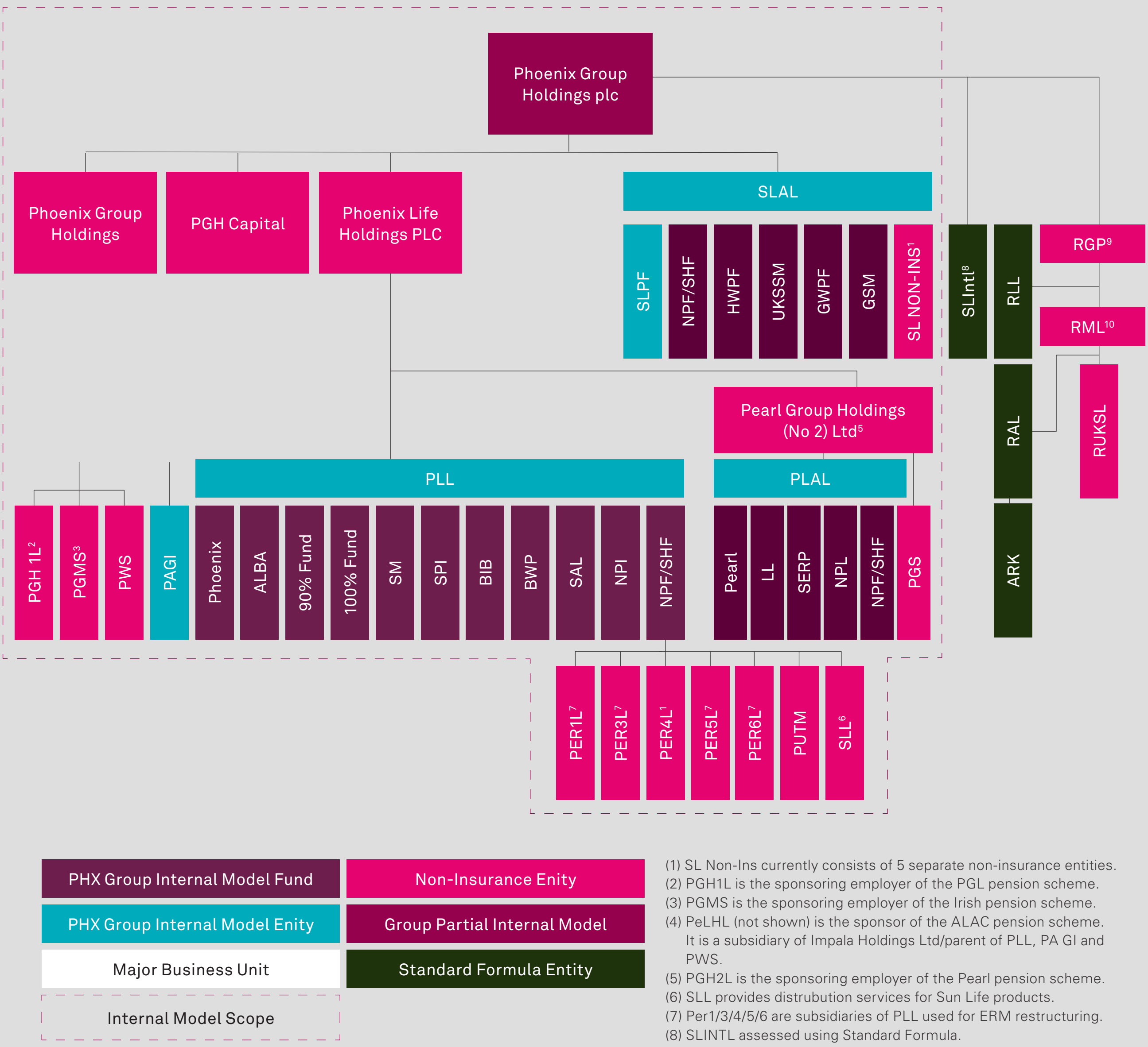
- a Phoenix Internal Model covering all Phoenix entities, except those relating to Standard Life business;
- a Standard Life Internal Model covering the SLAL and SLPF entities;
- a Standard Formula assessment of the capital requirements of the Irish entity, SLIDAC; and
- a Standard Formula assessment of the capital requirements of the ReAssure group of companies.

A harmonisation programme to create a single Internal Model for the entire Group is ongoing.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.1 Scope of internal model continued

The diagram below sets out a simplified view of the current PGH Group structure, which details the entities and funds within the scope of the Internal Model as at 31 December 2020.



(1) SL Non-Ins currently consists of 5 separate non-insurance entities.
(2) PGH1L is the sponsoring employer of the PGL pension scheme.
(3) PGMS is the sponsoring employer of the Irish pension scheme.
(4) PeLHL (not shown) is the sponsor of the ALAC pension scheme. It is a subsidiary of Impala Holdings Ltd/parent of PLL, PA GI and PWS.
(5) PGH2L is the sponsoring employer of the Pearl pension scheme.
(6) SLL provides distrubution services for Sun Life products.
(7) Per1/3/4/5/6 are subsidiaries of PLL used for ERM restructuring.
(8) SLINTL assessed using Standard Formula.
(9) ReAssure Group PLC (RGP) and subsidiaries assessed using Standard Formula.
(10) RML is the sponsoring employer of the ReAssure pension scheme.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.1 Scope of internal model continued

Risk categories

A key element of the Group's risk strategy is to ensure that the Group 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.

All key risks (i.e., those forming part of the Standard Formula and risks specific to the insurance subsidiaries and Group) in the risk universe are within the scope of the Phoenix Group Partial Internal Model.

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.

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.

E.4.2 Uses of the internal model

The Phoenix Group Partial Internal Model (shortened to 'Internal Model' hereafter) is widely used in 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 Group.

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. These decisions include, but are not limited to:

Setting risk appetite

As outlined in section B.3, the Group sets its risk appetite to manage risks, and this is reviewed annually. Risk appetite establishes the boundaries within which the Group 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 Life and Group Boards.

Informing risk reporting

The Group's risk reporting framework summarises the risk profile of the Group and is regularly presented to management committees and the Boards. 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 Group and each regulated Life 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 the Life Companies, 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 will be a key consideration which utilises outputs from the Internal Model.

Establishing the Annual Operating Plan ('AOP')

The AOP is used to review the expected financial performance of the Group 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 the Group's Risk Appetite Framework. Further details on stress and scenario testing are included in section C.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.2 Uses of the internal model continued

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 Group to enhance value and meet policyholder expectations. The Group 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 the Group'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.

New Business Pricing

Internal Model outputs are used in new business pricing which includes; vesting annuities, Bulk Purchase Annuities, SunLife protection business and SLAL pensions new business.

Other uses

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

E.4.3 Partial internal model

As described in section E.4.1 above, the Group operated under a Partial Internal Model at 31 December 2020.

The Partial Internal Model SCR calculation for the Group combines the Phoenix Internal Model SCR component with the Standard Life Internal Model SCR component and the SLIDAC and Reassure Standard Formula components.

The aggregation approach involves summing the SCR for the Standard Formula and Internal Model components, without allowing for any diversification between these two components.

The SCR for Method 2 entities (SLAL, SLIDAC and SLPF) is added to the SCR for the Method 1 entities without any diversification or other consolidation adjustments. This approach is in line with Solvency II rules.

E.4.4 Internal model stress calibration

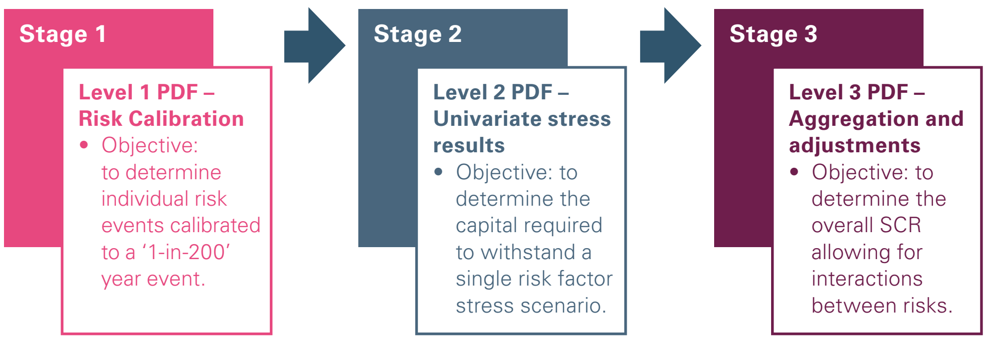
Overview

A key input required to calculate the SCR is the Probability Distribution Forecast ('PDF') for a particular risk or group of risks. The PDF determines the range of possible outcomes for the risk(s) being modelled and the associated probability attached to each outcome.

The calculation of the Internal Model SCR requires an assessment of the capital required in a 1-in-200 one-year stress event and also for stress events with different likelihoods. PDFs are utilised for this assessment. Phoenix methodology requires the PDF to be determined at three different levels, namely the Level 1, Level 2 and Level 3 PDFs.

For the Level 3 PDF, the Phoenix Model combines Level 2 risks using a correlation matrix. For SLAL Internal Model a simulation based approach is used.

Further details on the Level 1, 2 and 3 PDFs are summarised below:



E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.4 Internal model stress calibration continued

Stage 1 – Level 1 PDF – Risk calibration

The first stage in the calculation of capital requirements is the calibration of all risk factors covered by the Internal Model. The output of this process is the Level 1 PDF for each risk factor, which is used to determine individual risk events at the 1-in-200 probability level. For example, at the 1-in-200 probability level, the Level 1 PDF calibration for equity risk may imply a Y% fall in equity values.

Stage 2 – Level 2 PDF – Univariate stress results

The Internal Model uses the risk calibrations established in stage 1 to assess the capital required to cover each single risk factor ('univariate') stress scenario.

For example, the capital required to cover a Y% fall in equity values is determined by comparing the Own Funds in the base position with the stressed value of the Own Funds (i.e. the capital required is equal to the change in the excess of assets over liabilities following a Y% fall in equity values).

Stage 3 – Level 3 PDF – Aggregation and adjustments

Currently different aggregation approaches are used for Phoenix Internal Model and SLAL Internal Model. The Phoenix Internal Model involves determining a single point (i.e. the 1:200 point) on the Level 3 PDF, whereas the SLAL Internal Model constructs the full Level 3 PDF and reports the SCR at the worst 1:200 point.

The Phoenix Internal Model uses a correlation matrix approach to aggregate the univariate risks by allowing for dependencies between risks. The aggregated SCR is then explicitly adjusted for: additional 'non-linear' (i.e. second order) impacts caused when all risks occur at the same time in the aggregate (or single equivalent) scenario; the impact of additional (i.e. non-dynamic) management actions that can be used to reduce losses under stressed conditions; and the loss absorbing capacity of deferred tax (LACDT). This methodology therefore determines the 1:200 point on the Level 3 PDF.

The approach for the SLAL Internal Model is to calculate directly the full Level 3 probability distribution forecast and take the SCR from this.

The Level 3 PDF is determined by simulating the joint distribution of changes in the individual risk factors and calculating the change in Own Funds in each simulation. The model consists of a set of functions which describe changes in Own Funds as a function of changes in risk factors. These functions are calibrated using changes in the values of assets and liabilities obtained by modelling a large number of scenarios using the full actuarial model suite.

Further details on these methodologies can be found in section E.4.5.3.

E.4.5 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 Internal Model SCR, as calculated under the Phoenix and SLAL Internal Models.

E.4.5.1 Structural model differences

Phoenix Internal Model

The structure of the Standard Formula and the Phoenix 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; and
- univariate risk capital amounts are aggregated to produce an overall SCR using correlation matrices.

However, under the Standard Formula, univariate stress tests are aggregated at a risk module level, and a second correlation matrix is used to then further aggregate across risk modules. The Phoenix Internal Model aggregates all univariate SCR's through a single correlation matrix.

SLAL Internal Model

For the SLAL Internal Model univariate risks are aggregated using a simulation based approach rather than using correlation matrices.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.5 Methodology and assumption differences between standard formula and internal model continued

E.4.5.2. Differences in the nature of risks considered and application of the stress

The main difference between the assessment of risks under the Internal Models and Standard Formula is that the Internal Model are based on the assessment of risks relevant to the Group rather than prescribed stresses under the Standard Formula.

The key differences in the risks considered and the stresses applied in the Phoenix Internal Model are set out below. Key SLAL specific Internal Model methodology is also highlighted where different to the Phoenix Internal Model.

However even where the application (or "form") of the Internal Model and Standard Formula stresses are the same, the quantum of the stress calibration may still differ.

Market risk

Equity Risk – the Internal Model considers the most onerous impact of an upwards and downwards movement in equity values. Changes to the level of implied equity volatility also considered. The Standard Formula considers a fall to equity values that is varied (via the equity dampener) to reflect market conditions at the valuation date.

Interest rate risk – the Internal Model considers a range of upward and downward shifts and twists in the yield curve. The Standard Formula applies a single upward stress and a single downward stress. The Internal Model also considers changes to the level of implied interest rate volatility.

Gilt spread risk – the Internal Model considers the impact of a movement in gilt yields relative to swap yields. This risk is not capitalised under the Standard Formula.

Currency risk – the Internal Model considers up and down movements in different currencies independently, the Standard Formula assumes the currency movements are perfectly correlated. The Internal Model also considers movements in swap rates across different currencies. Both the currency stresses and the swap margin stress are then correlated.

Commercial Property risk – the Internal Model considers both upward and downward movements in property values, while the Standard Formula only considers falls. The Internal Model also considers changes in the level of implied property volatility.

Residential Property risk – the expected cashflows from the underlying ERM assets are restructured in a special purpose vehicle to produce Matching Adjustment eligible 'ERM loan notes'. The Phoenix Internal Model looks through to the potential risks impacting the underlying ERM assets, and assesses the impact on the value of the ERM loan notes. These risks include a fall in property values, a rise in property volatility, prepayment risk, longevity risk, morbidity risk, nominal yield risk and real yield risk. Under the Standard Formula, the ERM loan notes are treated as a type 2 securitisation and stressed in the credit spread stress. Residential property risk is not covered by the SLAL Internal Model.

Alternative asset risk – the Phoenix Internal Model considers both upward and downward movements in the value of alternative assets (e.g. quants and fundamentals) as a separate stress. The Phoenix Internal Model also considers changes in the level of implied volatility. Under the Standard Formula, alternative investments are considered as part of the equity stress. There is no alternative asset exposure in SLAL.

Inflation risk – For the Phoenix Internal Model, a shift and a twist in the real yield curve is considered. Inflation volatility is also stressed. For SLAL inflation risk is captured as part of interest rate risk (allowing for diversification). Under the Standard Formula inflation risk is captured in the interest rate risk stress and inflation volatility risk is not captured.

Concentration risk – no explicit concentration risk capital is held under the Internal Model. Instead, concentration risk is allowed for implicitly within other risk modules, via the assumption setting process. The Standard Formula assesses concentration risk as a separate risk driver.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.5 Methodology and assumption differences between standard formula and internal model continued

E.4.5.2. Differences in the nature of risks considered and application of the stress continued

Credit risk

Market credit spread risk – the Internal Model considers both a widening and narrowing of credit spreads to corporate bond type assets. The Standard Formula considers a widening of credit spreads for corporate bond type assets, together with a separate stress applied to securitisations, and a bi-directional stress for credit derivatives.

Counterparty default risk –the Internal Model considers the increase in risk margin from a reinsurance default event. The Phoenix Internal Model does not consider default risk for cash assets. Outsourcer default risk is a bespoke calculation under the Phoenix Internal Model which is not included in the Standard Formula.

Insurance risk

Mortality / catastrophe risk – the Internal Model application of the stresses is the same as the Standard Formula, (although as stated above, the calibration may differ).

Longevity risk – the Internal Model performs two separate stresses covering changes in base table mortality and future longevity improvements. The Standard Formula does not apply a longevity improvements stress, and longevity stresses are not applied to the staff pension schemes under the Standard Formula.

Proportion Married – the Internal Model makes allowance for increases in the proportion married assumption where relevant. There is no allowance for proportion married risk in Standard Formula.

Lapse risk – lapse up and down stresses are applied in the Internal Model, with mass lapse risk captured under a separate univariate stress (see below). However under the Standard Formula, the overall lapse risk capital is the more onerous of the lapse up, lapse down and mass lapse risk capital. Under the SLAL Internal Model stresses are also applied to premium paying rates, income drawdown rates and premium indexation rates (for German business only).

Late retirement / GAO take-up risk – under the Phoenix Internal Model, late retirement risk and GAO take-up risk are assessed separately from the lapse stress. Retirement rates are subject to the more onerous of an increase or decrease, and GAO take-up rates are assumed to increase. The Standard Formula stresses GAO take-up rates and retirement rates under the lapse stress.

Mass lapse risk – the Internal Model application of the stress is the same as the Standard Formula, although the calibration may differ. SLAL's dependent persistency stress is applied over the course of the first year of the liability projection; whereas the Standard Formula mass lapse stress is applied as an instantaneous time zero stress

Expense risk – the Standard Formula stress reflects an immediate increase in expenses, together with an increase to expense inflation. The Internal Model stress reflects an immediate increase in expenses, together with a Service Company default stress. The default stress covers the risk that the Service Companies default on their obligations and the Life Companies incur additional expenses as a result. For the Phoenix Internal Model Investment management costs are not stressed, whereas for the SLAL Internal Model Investment management costs are stressed.

New business pricing risk – under the Internal Model allowance is made for new business pricing risk. Allowance for new business risk is not required under the Standard Formula.

Financial Soundness risk

Tax risk – the Internal Model considers the risk of an increase in tax rates or challenges from HMRC in respect of previously submitted tax returns. This risk is not covered under the Standard Formula.

Operational Risk

Operational risk – under the 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.

Strategic Risk

Strategic risk encompasses the risks arising from a sub-optimal business strategy or sub-optimal implementation of the strategy. Under the Internal Model, risk capital is held to cover the costs which could be incurred if some investment management agreements are dissolved. No equivalent stress is required under the Standard Formula.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.5 Methodology and assumption differences between standard formula and internal model continued

E.4.5.3 Other methodology and assumption differences

A number of other differences exist between the Phoenix and SLAL Internal Models and Standard Formula. The key differences are explained below.

Aggregation

Phoenix Internal Model

As highlighted in Section E.4.5.1 above, the Phoenix Internal Model aggregation approach is based on a single correlation matrix rather than the dual layer correlation matrices used in the Standard Formula.

The correlations between risks are set using a combination of analysis of historic data (using consistent datasets to that used to calibrate the individual risk distributions) and expert judgement.

An underlying assumption of the correlation matrix approach is that individual risks interact in a linear way when they are combined (using the correlation matrix) to produce risk capital for the single equivalent scenario. However, in practice certain pairs or groups of risks may interact in a non-linear manner and therefore the Internal Model includes an explicit non-linearity adjustment to ensure any additional risk capital from non-linear interactions is captured.

The Internal Model permits diversification between Matching Adjustment portfolios, shareholder-supported With-Profit Funds / pension schemes and other non-ring-fenced funds and entities. No diversification is allowed with self-supporting With-Profit Funds / pension schemes. The Standard Formula does not allow any diversification with ring fenced funds (whether or not they are shareholder-supported) or Matching Adjustment portfolios.

SLAL Internal Model

The Internal Model aggregation is based on a simulation based approach which looks at each of the individual risks and combinations of the risks at multiple probability levels. A copula is used to capture the joint dependency of risks.

Under several hundred scenarios selected from the risk categories and key combination of risk categories, the balance sheet is stressed using 'heavy models' of the business. Mathematical formulae called loss functions are then fitted to the balance sheet impact of these selected stresses which allows us to describe the behaviour of the balance sheet under a wide range of scenarios.

Millions of possible future scenarios from the risk distributions are simulated which allow for the diversification between risks. Uisng the loss functions and simulations enables the impact on the balance sheet own funds to be assessed in each scenario.

The internal model permits diversification between the matching adjustment portfolios, the ring fenced funds and the non-ring fenced funds but no credit is taken for simulated profits in the matching adjustment portfolios and ring fenced funds. The Standard Formula does not allow any diversification with ring fenced funds (whether or not they are shareholder-supported) or Matching Adjustment portfolios. The balance sheet losses for each simulated scenario are then ranked and the SCR is the 99.5th percentile balance sheet loss.

The correlations between risks (which are an input into the copula) are set using a combination of analysis of historic data (using consistent datasets to that used to calibrate the individual risk distributions) and expert judgement.

The SLAL Internal Model calculates an SCR at the entity level, permitting diversification between each sub-fund, including with profits funds, but allowing for fungibility constraints which restrict the movement of capital within the entity.

ReAssure Standard Formula

Following the acquisition in July 2020, the SCR for ReAssure including RAL, RLL and ARK is calculated on Standard Formula and is added to the rest of the Group without allowing for any diversification.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.5 Methodology and assumption differences between standard formula and internal model continued

E.4.5.3 Other methodology and assumption differences continued

Management actions

For the Group, management actions primarily apply to with-profit funds. The management actions available for use in the calculation of the SCR for each with-profit fund are consistent with those actions set out in the funds' PPFM.

The SCR for a with-profit fund allows for 'dynamic' management actions and additionally may allow for 'non-dynamic' management actions.

Dynamic management actions reflect those actions that form part of normal working practice, for example, varying annual and final bonus rates in the calculation of base and stressed technical provisions.

Non-dynamic management actions are additional actions that are not considered part of normal day-to-day working practice, for example, removal of past conditional estate distributions, removing future smoothing or increased asset share/guarantee charges.

Under the Phoenix Internal Model approach, dynamic management actions are captured within each univariate stress and the single equivalent scenario, as these management actions are consistent with those assumed as part of the technical provisions. Non-dynamic management actions are only captured in the single equivalent scenario and are used to offset the part of the SCR caused by a negative estate. Apart from removal of conditional estate distributions, non-dynamic management actions are restricted so that no credit is taken against non-chargeable risks events.

Under the SLAL Internal Model approach, dynamic management actions are captured within the heavy model runs used to fit the loss functions. These management actions are consistent with those assumed as part of the technical provisions. No credit is currently taken in the model for non-dynamic management actions.

The Standard Formula approach to management actions involves calculating two different measures, the net Basic SCR ('nBSCR') and gross Basic SCR ('BSCR'). No allowance for management actions is made in the BSCR. In the nBSCR, dynamic management actions are allowed for in each univariate stress. Non-dynamic management actions can then subsequently be used in each univariate stress to offset the part of the SCR caused by a negative estate. The difference between the BSCR and nBSCR is used to derive the Loss Absorbing Capacity of Technical Provisions ('LACTP').

Risk mitigating techniques

Risk mitigating techniques represent arrangements that have been entered into by the Group with the aim of transferring part or all of the risk associated with a particular element of the business. These techniques aim to mitigate against:

- market/credit risks – through the use of instruments such as derivatives; and
- underwriting risks – through the use of reinsurance arrangements.

These arrangements introduce additional default risk in relation to the arrangement counterparty(s). This risk is managed in many cases through the use of collateral arrangements.

Under Solvency II, there are strict criteria that must be met in order for an instrument to qualify as risk mitigating. Differences between the Phoenix Internal Model and Standard Formula methodology are summarised below.

Risk mitigation criteria – the Standard Formula rules specify a strict list of criteria that must be met in order to allow a risk mitigation benefit. Internal Model requirements are less prescriptive, but broadly consistent with the Standard Formula (with the exception of basis risk).

Basis risk – only risk mitigating instruments with no (or immaterial) basis risk provide a capital benefit under the Standard Formula SCR. Internal Model basis risk is captured through reductions in the effectiveness of the risk mitigating instrument under the relevant stressed conditions. This is achieved by allowing for only a proportion of the change in the movement of the risk mitigating instrument under stressed conditions.

Financial risk mitigation – under the Standard Formula, where the instrument is fully risk mitigating, both the risk mitigating instrument and the asset/liability being hedged will not be stressed. Where the instrument is not fully risk mitigating, the risk mitigating instrument and the asset/liability being hedged will be stressed in tandem, provided that the instrument is not subject to material basis risk. If the instrument is subject to material basis risk, then no capital benefit will be recognised for the instrument under stress. Under the Phoenix Internal Model, the risk mitigating instrument and the asset/liability being hedged are stressed in tandem, with an allowance for any basis risk.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED continued

E.4.5 Methodology and assumption differences between standard formula and internal model continued

E.4.5.3 Other methodology and assumption differences continued

Insurance risk mitigation – under the Standard Formula, if reinsurance arrangements are fully risk mitigating, then the value of the reinsurance asset will be re-valued under each stress in line with the reinsured liabilities. If the arrangement is partially risk mitigating, the reinsurance asset will be re-valued under each stress to the extent that the associated (stressed) collateral covers the risk exposure. If the arrangement is not risk mitigating, the reinsurance asset is not stressed, but the reinsured liabilities will be stressed. The Internal Model approach takes the full risk mitigation benefit, as Phoenix considers all of its reinsurance arrangements to be fully risk mitigating subject to allowance for counterparty default risk.

Internal loans

The Standard Formula stresses Group loans according to the credit spread and interest rate risk modules. The impact on each individual risk module is eliminated when aggregating the SCR to Group level, before correlating with other risks.

Under the PGH Internal Model, the value of internal loans is fully written off within the risk capital assessment, with no allowance for diversification with any other risks. The impact on both Own Funds and SCR is consolidated out when aggregating to Group level. Under the Standard Life Internal Model a bespoke risk assessment is applied to derive the SCR for internal loans which allows for a recovery rate where suitable security is present. This SCR is not consolidated out as SLAL is subject to Method 2 consolidation.

Intra-group insurance and reinsurance

Under the Standard Formula, intra-group insurance or reinsurance transactions involving RFFs or Matching Adjustment portfolios are not eliminated when consolidating to Group level. All other intra-group insurance and reinsurance arrangements are eliminated when calculating the Group SCR.

Under the Internal Model, for reinsurance between Life Companies (or funds of Life Companies), Own Funds and SCR are calculated assuming that the company which accepts the reinsurance retains the associated assets and liabilities. No SCR is held by the ceding company in relation to the risks reinsured. For insurance between a Group defined benefit pension scheme and a life company, the insurance is eliminated for the Group consolidation of Own Funds and SCR.

Other residual related undertakings (‘ORRUs’)

The Standard Formula treats ORRU’s as strategic participations and applies a capital charge which does not diversify against any other Group undertakings. The Internal Model assessment looks through to the underlying risks and allows diversification with the rest of the Group.

E.4.6 Risk measures and time periods used in the internal model

The risk measures and time periods used in the Phoenix 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.4.7 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 as well as historic policyholder experience to calibrate our underwriting risk stresses. 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. Office for National Statistics, Bank of England, and Continuous Mortality Investigation). We also have an internal data governance framework, which sets the standard to which the data we use 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

The PGH Group, and each of its insurance subsidiaries held Own Funds in excess of both the SCR and MCR throughout the reporting period and therefore fully complied with capital requirements.

As part of the Group's RMF, various controls are in place to ensure continuing compliance with capital requirements. These include:

- holding a capital buffer (i.e. 'Capital Policy') above the SCR to provide resilience under a range of stress conditions. The amount of the capital buffer is set and monitored by the PGH and insurance subsidiary Boards and reflects the risk profile and financial strength of the Group and individual insurance subsidiaries. In situations where the capital buffer is breached, the Boards are obliged to identify remedial actions to restore the excess assets to the required buffer in a timely manner. To this end, the Boards, no less frequently than annually, approve thresholds that would trigger the remedial actions. These thresholds are calculated both including and excluding any potential recalculation of the TMTP;
- monitoring solvency on a weekly basis, with results reported weekly to senior management and monthly to management committees and boards;
- projecting solvency positions on a quarterly basis, so as to provide an early view of potential capital shortfalls;
- monitoring of balance sheet sensitivities, which are produced on a monthly basis and distributed to senior management; and
- subjecting the solvency positions of the Group and its insurance subsidiaries to Reverse Stress Testing ('RST') at least annually. The RST exercise provides an assessment of policyholder security by testing the combined strength of the funds available to each insurance subsidiary and the Group to enable regulatory capital requirements under stress conditions to be met.

E.6 ANY OTHER INFORMATION

There is no further material information to be disclosed regarding the Group and insurance subsidiaries Own Funds and SCR.

APPENDIX AND ADDITIONAL INFORMATION

IN THIS SECTION

APPENDIX
AND ADDITIONAL INFORMATION

GLOSSARY

ANNUAL OPERATING PLAN ('AOP')	The Group's five-year strategic plan approved by the Board.
ASSET LIABILITY MANAGEMENT ('ALM')	Management of mismatches between assets and liabilities within risk appetite.
BEST ESTIMATE LIABILITY ('BEL')	The probability weighted average of future cash flows, taking into account the time value of money (expected present value of future cash-flows), using the relevant interest rate term structure and taking into account economic and non-economic assumptions.
CLOSED LIFE FUND	A fund that no longer accepts new business. The fund continues to be managed for the existing policyholders.
EIOPA	European Insurance and Occupational Pensions Authority.
FAIR VALUE	The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
FINANCIAL CONDUCT AUTHORITY ('FCA')	The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority ('PRA'), such as asset managers and independent financial advisers.
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ('GAAP')	A common set of accounting principles, standards and procedures that companies must follow when they compile their financial statements.
INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')	Accounting standards, interpretations and the framework adopted by the International Accounting Standards Board ('IASB').
INTERNAL MODEL ('IM')	The agreed methodology and model, approved by the PRA, to calculate the Solvency Capital Requirement ('SCR') pursuant to Solvency II.
LINE OF BUSINESS ('LoB')	The applicable lines of business as prescribed by Annex I of Commission Delegated Regulation (EU) 2015/35.
LONG TERM GUARANTEE MEASURES	The extrapolation of risk-free interest rates, the Matching Adjustment ('MA'), the Volatility Adjustment ('VA'), the extension of the recovery period in case of non-compliance with the SCR, the transitional measures on the risk-free interest rates and the Transitional Measure on Technical Provisions ('TMTP').
LONG-TERM INCENTIVE PLAN ('LTIP')	The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares with vesting contingent on employment and the satisfaction of stretching performance conditions linked to Group strategy.
MANAGEMENT SERVICE AGREEMENT ('MSA')	Contracts that exist between the Phoenix Life and Services Companies or between Services Companies and their outsource partners.
MATCHING ADJUSTMENT ('MA')	An allowance, subject to PRA's approval that allows insurers to use a higher discount rate, based on the underlying assets, when valuing liabilities that meet strict eligibility criteria.
MINIMUM CAPITAL REQUIREMENT	The minimum amount of capital that the Group needs to hold to cover its risks under the Solvency II regulatory framework.
OPERATING PROFIT	Operating profit is a non-GAAP measure that is considered a more representative measure of performance than IFRS profit or loss after tax as it provides long-term performance information unaffected by short term economic volatility.
OWN FUNDS	Basic Own Funds comprise the excess of assets over liabilities valued in accordance with the Solvency II principles and subordinated liabilities which qualify to be included in Own Funds under the Solvency II rules. Eligible Own Funds are the amount of Own Funds that are available to cover the Solvency Capital Requirements after applying prescribed quantitative limits and transferability and fungibility restrictions to Basic Own Funds.
PARTIAL INTERNAL MODEL	The model used to calculate the Group SCR pursuant to Solvency II. It aggregates outputs from both the existing Phoenix Internal Model and the Standard Life Internal Model with no diversification between the two.
PART VII TRANSFER	The transfer of insurance policies under Part VII of Financial Services and Markets Act 2000 ('FSMA') 2000. The insurers involved can be in the same corporate group or in different groups. Transfers require the consent of the High Court, which will consider the views of the PRA and FCA and of an Independent Expert.

GLOSSARY continued

PRUDENTIAL REGULATION AUTHORITY ('PRA')	The body responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The PRA and FCA use a Memorandum of Understanding to co-ordinate and carry out their respective responsibilities.
PRINCIPLES AND PRACTICES OF FINANCIAL MANAGEMENT ('PPFM')	A publicly available document which explains how the Company's with-profit business is run. As part of demonstrating that customers are treated fairly, the Board certifies that the PPFM has been complied with.
RIGHTS ISSUE	The rights issue announced by Phoenix on 30 May 2018 and completed on 10 July 2018 in connection with the part financing of the acquisition of the Standard Life Assurance businesses.
RISK MARGIN	The amount used to ensure that the value of the technical provisions is equivalent to the amount that a Life Company would be expected to require in order to take over and meet insurance and reinsurance obligations.
SHARE CAPITAL COVERAGE RATIO	Represents total Eligible Own Funds divided by Solvency Capital Requirement ('SCR'), adjusted to a shareholder view through the exclusion of amounts relating to those ring-fenced with-profit funds and Group pension schemes whose Own Funds exceed their SCR.
SOLVENCY II	A new regime for the prudential regulation of European insurance companies that came into force on 1 January 2016.
SOLVENCY II SURPLUS	The excess of Eligible Own Funds over the Solvency Capital Requirement.
SOLVENCY CAPITAL REQUIREMENT ('SCR')	SCR relates to risks and obligations to which the Group is exposed and calibrated so that the likelihood of a loss exceeding the SCR is less than 0.5% over one year. This ensure that capital is sufficient to withstand a broadly '1-in-200' event.
STANDARD FORMULA	A set of calculations prescribed by the regulations for generating the SCR.
STANDARD LIFE ASSURANCE BUSINESSES	Standard Life Assurance Limited, Standard Life Pensions Fund Limited, Standard Life International Designated Activity Company, Vebnet (Holdings) Limited, Vebnet Limited, Standard Life Lifetime Mortgages Limited, Standard Life Assets and Employee Services Limited and Standard Life Investment Funds Limited (together known as the Standard Life Assurance businesses) acquired by the Group on 31 August 2018.
TECHNICAL PROVISIONS	The sum of the Best Estimate Liabilities and the risk margin. Technical provisions include Transitional Measures on Technical Provisions where firms have received PRA approval to apply the deduction.
TECHNICAL PROVISIONS AS A WHOLE	Unit reserves recognised separately, to aid in the identification of future profits component of unit-linked technical provisions.
TRANSITIONAL MEASURE ON TECHNICAL PROVISIONS ('TMTP')	An allowance, subject to the PRA's approval, to apply a transitional deduction to technical provisions. The transitional deduction corresponds to the difference between net technical provisions calculated in accordance with Solvency II principals and net technical provisions calculated in accordance with the previous regime. It is expected to decrease linearly over a period of 16 years starting from 1 January 2016 to 1 January 2032. TMTP is subject to a mandatory recalculation every two years or on the occurrence of certain defined events. TMTP is an item of Own Funds.

APPENDICES 1 – 8 QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020)

This report has been prepared in conjunction with the following QRTs, the table below illustrates the templates applicable to the PGH Group and each insurance subsidiary:

QRT number	QRT name	PGH Group (Appendix 1)	PLL (Appendix 2)	PLAL (Appendix 3)	RAL (Appendix 4)	RLL (Appendix 5)	PA(GI) (Appendix 6)	SLAL (Appendix 7)	SLPF (Appendix 8)
S.02.01.02	Balance sheet	✓	✓	✓	✓	✓	✓	✓	✓
S.05.01.02	Premiums, claims and expenses by Line of Business	✓	✓	✓	✓	✓	✓	✓	✓
S.05.02.01	Premiums, claims and expenses by Country	✓	–	–	–	–	–	–	–
S.12.01.02	Life and Health SLT technical provisions	–	✓	✓	✓	✓	–	✓	✓
S.22.01.21	Impact of long term guarantees and transitionals (Life Companies)	–	✓	✓	✓	–	–	✓	–
S.22.01.22	Impact of long term guarantees and transitionals (Group)	✓	–	–	–	–	–	–	–
S.23.01.01	Own Funds (Life Companies)	–	✓	✓	✓	✓	✓	✓	✓
S.23.01.22	Own Funds (Group)	✓	–	–	–	–	–	–	–
S.25.01.01	Solvency Capital Requirement – for undertakings on Standard Formula	–	–	–	✓	✓	–	–	–
S.25.02.22	Solvency Capital Requirement – partial Internal Model	✓	–	–	–	–	–	–	–
S.25.03.21	Solvency Capital Requirement – for undertakings on full Internal Model	–	✓	✓	–	–	✓	✓	✓
S.28.01.01	Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity	–	✓	✓	✓	✓	✓	✓	✓
S.32.01.22	Undertakings in the scope of the Group	✓	–	–	–	–	–	–	–

All public disclosure QRTs shown in the Appendices are presented in sterling (£) rounded to the nearest thousand.

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP

APPENDIX 1.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	179,220
Pension benefit surplus	R0050	10,618
Property, plant & equipment held for own use	R0060	36,176
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**79,251,341**
Property (other than for own use)	R0080	731,394
Holdings in related undertakings, including participations	R0090	28,380,669
Equities	R0100	2,659,164
Equities – listed	R0110	2,656,075
Equities – unlisted	R0120	3,089
Bonds	R0130	38,885,206
Government Bonds	R0140	16,591,468
Corporate Bonds	R0150	22,012,968
Structured notes	R0160	122,996
Collateralised securities	R0170	157,775
Collective Investments Undertakings	R0180	5,838,590
Derivatives	R0190	2,665,291
Deposits other than cash equivalents	R0200	91,027
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	67,000,149
Loans and mortgages	**R0230**	**5,941,871**
Loans on policies	R0240	11,521
Loans and mortgages to individuals	R0250	173
Other loans and mortgages	R0260	5,930,177
Reinsurance recoverables from:	**R0270**	**10,676,405**
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	3,959,390
Health similar to life	R0320	86,833
Life excluding health and index-linked and unit-linked	R0330	3,872,557
Life index-linked and unit-linked	R0340	6,717,015
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	82,357
Reinsurance receivables	R0370	120,042
Receivables (trade, not insurance)	R0380	948,153
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	961,228
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**165,207,560**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	**65,678,987**
Technical provisions – health (similar to life)	**R0610**	**276,676**
Technical provisions calculated as a whole	R0620	22,922
Best estimate	R0630	247,629
Risk margin	R0640	6,125
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**65,402,311**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	64,529,161
Risk margin	R0680	873,150
Technical provisions – index-linked and unit-linked	**R0690**	**72,103,074**
Technical provisions calculated as a whole	R0700	73,513,584
Best estimate	R0710	(1,640,145)
Risk margin	R0720	229,636
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	166,392
Pension benefit obligations	R0760	317,435
Deposits from reinsurers	R0770	427,290
Deferred tax liabilities	R0780	1,046,651
Derivatives	R0790	218,723
Debts owed to credit institutions	R0800	2,459,416
Financial liabilities other than debts owed to credit institutions	R0810	295,854
Insurance & intermediaries payables	R0820	1,311,469
Reinsurance payables	R0830	46,122
Payables (trade, not insurance)	R0840	966,305
Subordinated liabilities	**R0850**	**4,505,817**
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	4,505,817
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**149,543,535**
Excess of assets over liabilities	**R1000**	**15,664,025**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued
APPENDIX 1.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	34,072	934,991	9,759,367	3,163,962			14	69,631	13,962,037
Reinsurers' share	R1420	6,999	31,133	679,699	891,421				65,567	1,674,819
Net	**R1500**	**27,073**	**903,858**	**9,079,668**	**2,272,541**			**14**	**4,064**	**12,287,219**
Premiums earned										
Gross	R1510	34,072	934,991	9,761,669	3,163,962			14	69,631	13,964,339
Reinsurers' share	R1520	6,999	31,133	679,699	891,421				65,567	1,674,819
Net	**R1600**	**27,073**	**903,858**	**9,081,970**	**2,272,541**			**14**	**4,064**	**12,289,520**
Claims incurred										
Gross	R1610	61,654	3,530,768	13,785,462	3,171,164			23	301,157	20,850,228
Reinsurers' share	R1620	17,649	78,509	575,790	1,408,435				188,951	2,269,334
Net	**R1700**	**44,005**	**3,452,259**	**13,209,672**	**1,762,729**			**23**	**112,206**	**18,580,895**
Changes in other technical provisions										
Gross	R1710	15,661	57,561	(4,990,583)	(2,209,221)				286,523	(6,840,058)
Reinsurers' share	R1720	(4,889)	(13,973)	(560,116)	637,946				170,071	229,039
Net	**R1800**	**20,550**	**71,534**	**(4,430,467)**	**(2,847,166)**				**116,452**	**(7,069,097)**
Expenses incurred	**R1900**	**6,694**	**289,028**	**658,321**	**359,048**				**14,595**	**1,327,686**
Other expenses	**R2500**									**38,359**
Total expenses	**R2600**									**1,366,046**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.3 – S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
	R01400		DE	IE	AT			
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written								
Gross	R1410	12,471,120	775,258	628,478	86,722	454	4	13,962,037
Reinsurers' share	R1420	1,629,669	28,735	16,335		79		1,674,819
Net	**R1500**	**10,841,451**	**746,523**	**612,143**	**86,722**	**376**	**4**	**12,287,219**
Premiums earned								
Gross	R1510	12,474,008	774,750	628,478	86,722	376	4	13,964,339
Reinsurers' share	R1520	1,629,669	28,735	16,335		79		1,674,819
Net	**R1600**	**10,844,339**	**746,015**	**612,143**	**86,722**	**297**	**4**	**12,289,520**
Claims incurred								
Gross	R1610	19,254,097	549,561	915,326	124,809	5,415	1,020	20,850,228
Reinsurers' share	R1620	2,224,372	12,276	32,656		29	1	2,269,334
Net	**R1700**	**17,029,725**	**537,285**	**882,670**	**124,809**	**5,386**	**1,019**	**18,580,895**
Changes in other technical provisions								
Gross	R1710	(5,158,565)	(1,550,349)	(91,197)	(39,947)			(6,840,058)
Reinsurers' share	R1720	184,629		44,409				229,039
Net	**R1800**	**(5,343,194)**	**(1,550,349)**	**(135,607)**	**(39,947)**			**(7,069,097)**
Expenses incurred	**R1900**	**1,152,891**	**70,982**	**93,076**	**10,431**	**257**	**49**	**1,327,686**
Other expenses	**R2500**							**38,359**
Total expenses	**R2600**							**1,366,046**

APPENDIX 1.4 – S.22.01.22 Impact of long term guarantees measures and transitionals

		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	137,782,061	3,496,955		26,318	2,510,447
Basic own funds	R0020	12,013,844	(2,633,741)		(11,222)	(2,269,062)
Eligible own funds to meet Solvency Capital Requirement	R0050	16,832,029	(3,522,208)		11,018	(2,680,473)
Solvency Capital Requirement	R0090	11,590,976	244,879		49,616	3,271,573

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued
APPENDIX 1.5 – S.23.01.22 Own Funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	99,923	99,923			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030	4,116	4,116			
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070	3,758,955	3,758,955			
Non-available surplus funds at group level	R0080					
Preference shares	R0090	539,748		539,748		
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	8,917,586	8,917,586			
Subordinated liabilities	R0140	4,505,817		576,672	3,216,431	712,714
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	179,220				179,220
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230	149,543	149,543			
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260	5,841,979	5,841,979			
Total of non-available own fund items	R0270					
Total deductions	**R0280**	**5,991,522**	**5,991,522**			
Total basic own funds after deductions	**R0290**	**12,013,844**	**6,789,059**	**1,116,420**	**3,216,431**	**891,934**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.5 – S.23.01.22 Own Funds continued

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies – Total	R0410	7,852	7,852			
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430	141,691	141,691			
Total own funds of other financial sectors	R0440	149,543	149,543			
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450	4,668,642	4,668,642			
Own funds aggregated when using the D&A and combination of method net of IGT	R0460	4,668,642	4,668,642			
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	R0520	12,013,844	6,789,059	1,116,420	3,216,431	891,934
Total available own funds to meet the minimum consolidated group SCR	**R0530**	**11,121,910**	**6,789,059**	**1,116,420**	**3,216,431**	
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	**12,013,844**	**6,789,059**	**1,116,420**	**3,216,431**	**891,934**
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	**8,292,303**	**6,789,059**	**1,116,420**	**386,824**	
Minimum consolidated Group SCR	**R0610**	**1,934,121**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	**429%**				

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued
APPENDIX 1.5 – S.23.01.22 Own Funds continued

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	**16,832,029**	**11,607,244**	**1,116,420**	**3,216,431**	**891,934**
Group SCR	**R0680**	**11,590,976**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	**145%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**15,664,025**
Own shares (included as assets on the balance sheet)	R0710	**6,196**
Foreseeable dividends, distributions and charges	R0720	244,962
Other basic own fund items	R0730	**4,581,963**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	**1,350,633**
Other non available own funds	R0750	562,685
Reconciliation reserve	**R0760**	**8,917,586**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	1,497,573
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
Total EPIFP	**R0790**	**1,497,573**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.6 – S.25.02.22 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
10310I	Market Interest – shift PC1 Down	2,600	2,600		
10310P	Market Interest – shift PC1 Down (pension scheme)	6,205	6,205		
10320I	Market Interest – shift PC1 Up	1,175,097	1,175,097		
10320P	Market Interest – shift PC1 Up (pension scheme)	26,197	26,197		
10330I	Market Interest – twist PC2 Down	38,048	38,048		
10330P	Market Interest – twist PC2 Down (pension scheme)				
10340I	Market Interest – twist PC2 Up	93,898	93,898		
10340P	Market Interest – twist PC2 Up (pension scheme)	8,892	8,892		
10350I	Market Interest – sag PC3 Down	43,699	43,699		
10350P	Market Interest – sag PC3 Down (pension scheme)	9,651	9,651		
10360I	Market Interest – sag PC3 Up	6,875	6,875		
10360P	Market Interest – sag PC3 Up (pension scheme)				
10399I	Diversification within Market Interest risk (103…)	(147,797)	(147,797)		
10410I	Market Equity Price	462,608	462,608		
10410P	Market Equity Price (pension scheme)	141,057	141,057		
10420I	Market Equity Volatility	292,177	292,177		
10420P	Market Equity Volatility (pension scheme)				
10499I	Diversification with Equity risk (104…)	(11,812)	(11,812)		
10500I	Risk capital from participations				
1061AI	Market Property – Commercial	108,533	108,533		
1061AP	Market Property – Commercial (pension scheme)	21,208	21,208		
1061BI	Market Property – Residential	624,131	624,131		
1061BP	Market Property – Residential (pension scheme)				
10699I	Diversification within Property risk (106…)	(25,599)	(25,599)		
10710I	Market Credit Spread Risk	3,912,371	3,912,371		
10710P	Market Credit Spread Risk (pension scheme)	146,342	146,342		
1074AI	Market Gilt Spread – shift PC1	575,761	575,761		
1074AP	Market Gilt Spread – shift PC1 (pension scheme)	23,454	23,454		
1074BI	Market Gilt Spread – twist PC2	81,603	81,603		
1074BP	Market Gilt Spread – twist PC2 (pension scheme)	1,699	1,699		
1074CI	Market Gilt Spread – AAA and Other Approved Securities	36,181	36,181		
1074CP	Market Gilt Spread – AAA and Other Approved Securities (pension scheme)	2,113	2,113		
10760I	Market Credit Spread Risk – liability change in matching adjustment	(878,692)	(878,692)		
10799I	Diversification within Market Spread risk (107…)	(368,153)	(368,153)		
10800I	Market Concentration	47,179	47,179		
10900I	Market Currency	169,346	169,346		
10900P	Market Currency (pension scheme)	34,996	34,996		
11090I	Market Alternative Assets	22,234	22,234		
11090P	Market Alternative Assets (pension scheme)	18,719	18,719		

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.6 – S.25.02.22 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model continued

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
1101AI	Market Real Yields – shift PC1	126,608	126,608		
1101AP	Market Real Yields – shift PC1 (pension scheme)	77,754	77,754		
1101BI	Market Real Yields – twist PC2	7,230	7,230		
1101BP	Market Real Yields – twist PC2 (pension scheme)	44,563	44,563		
1101CI	Market RPI Swap Spread				
1101CP	Market RPI Swap Spread (pension scheme)				
11099I	Diversification within Other Market risks (110…)	(77,151)	(77,151)		
19900I	Residual Diversification between all Market risks	(1,411,434)	(1,411,434)		
20110I	Type 1 Credit Counterparty – Internal Reinsurance				
20110P	Type 1 Credit Counterparty – Internal Reinsurance (pension scheme)				
20120I	Type 1 Credit Counterparty – External Reinsurance	179,373	179,373		
20120P	Type 1 Credit Counterparty – External Reinsurance (pension scheme)				
20130I	Type 1 Credit Counterparty – Derivatives				
20130P	Type 1 Credit Counterparty – Derivatives (pension scheme)				
20190I	Type 1 Credit Counterparty – Other				
20190P	Type 1 Credit Counterparty – Other (pension scheme)				
20200I	Type 2 Credit Counterparty	90,775	90,775		
20200P	Type 2 Credit Counterparty (pension scheme)				
29900I	Diversification between Type 1 and Type 2 credit counterparty risk				
30100I	Insurance Mortality	305,282	305,282		
30210I	Insurance Longevity Base	2,045,816	2,045,816		
30210P	Insurance Longevity Base (pension scheme)	79,878	79,878		
30220I	Insurance Longevity Improvements	1,803,792	1,803,792		
30220P	Insurance Longevity Improvements (pension scheme)	152,466	152,466		
30299I	Diversification within Longevity risk (302…)	(546,482)	(546,482)		
30300I	Insurance Morbidity	61,059	61,059		
30400I	Insurance Mass Lapse	159,094	159,094		
30500I	Insurance Lapse	1,385,307	1,385,307		
30510I	Insurance Late Retirements/GAOs	746,896	746,896		
30600I	Insurance Expense	666,876	666,876		
30800I	Insurance Catastrophe	52,232	52,232		
39910I	Diversification between Mortality and Catastophe risk	(34,747)	(34,747)		
39920I	Residual Diversification between all Life Underwriting risks	(1,752,790)	(1,752,790)		
40100I	Health Mortality	678	678		
40200I	Health Longevity				
40300I	Health Morbidity	21,833	21,833		
40400I	Health SLT Lapse	6,328	6,328		
40600I	Health Expense	965	965		
49900I	Diversification within health underwriting risk	(5,562)	(5,562)		
70100I	Operational	669,476	669,476		

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.6 – S.25.02.22 Solvency Capital Requirement – for undertakings using the standard formula and partial internal model continued

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
70100P	Operational (pension scheme)	66,975	66,975		
80140I	Tax rate	95,298	95,298		
80130I	Liquidity				
80150I	Strategic risks	111,638	111,638		
80120I	Group Loans				
80200I	Non-dynamic management actions	(297,689)	(297,689)		
80300I	Loss absorbing capacity of deferred tax	(597,180)	(597,180)		
80400I	Non-linearity add-on	64,503	64,503		
80403I	Consolidation adjustments – SPV				
80404I	Consolidation adjustments – Tax	100,523	100,523		
80405I	Consolidation adjustments – Other	9,782	9,782		

Calculation of Solvency Capital Requirement		C0100
Total undiversified components	R0110	11,110,789
Diversification	R0060	(2,913,797)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	**R0200**	**8,196,992**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**8,200,297**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(3,385,470)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(597,180)
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,838,549
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	2,865,892
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	3,492,570
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Net future discretionary benefits	R0460	8,967,021
Minimum consolidated group solvency capital requirement	R0470	1,934,121
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	8,960
Capital requirement for other financial sectors (Non-insurance capital requirements) – Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	8,960
Capital requirement for other financial sectors (Non-insurance capital requirements) – Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) – Capital requirement for non-regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	(5,655)
Overall SCR		
SCR for undertakings included via D and A	R0560	3,390,679
Solvency capital requirement	**R0570**	**11,590,976**

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	2138004HI8MR9C7M4110	1 – LEI	PUTM Far Eastern Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800R4RZSQBOAMVN21	1 – LEI	PUTM Uk Stock Market Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800AZRF8KX73WPT70	1 – LEI	PUTM UK STOCK MARKET FUND (SERIES 3)	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KPZ3IYLLF4UT85	1 – LEI	PUTM Uk All-Share Index Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800P3GNH79HH17J98	1 – LEI	PUTM Uk Equity Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007GV3TM61ULD343	1 – LEI	PUTM Bothwell Asia Pacific (Excluding Japan) Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800P8QDZ2EUITVU80	1 – LEI	PUTM Bothwell Europe Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		99%	100%	99%		1 – Dominant	99%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800A36R1Z1S85RR19	1 – LEI	PUTM Bothwell Emerging Market Debt Unconstrained Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800882SVHV1XPLA47	1 – LEI	PUTM Bothwell European Credit Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		81%	100%	81%		1 – Dominant	81%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138008DFTGZAKHGR525	1 – LEI	PUTM Bothwell Global Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JGHD8XCIYNWU64	1 – LEI	PUTM Bothwell Global Credit Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XSYBULEE2E4N30	1 – LEI	PUTM Bothwell Floating Rate ABS Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800FOR1Z8YSVHSW15	1 – LEI	PUTM Bothwell Index-Linked Sterling Hedged Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800IH74PGGQ7I4488	1 – LEI	PUTM BOTHWELL JAPAN EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KHXBLNLCG65816	1 – LEI	PUTM Bothwell Long Gilt Sterling Hedged Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800VCC5MENTKHP567	1 – LEI	PUTM Bothwell Emerging Markets Equity Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SEKD6AE8YAIX35	1 – LEI	PUTM Bothwell North America Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		99%	100%	99%		1 – Dominant	99%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800FHKCOXS82HQG65	1 – LEI	PUTM Bothwell Sterling Government Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800T31U3W79HGRH81	1 – LEI	PUTM Bothwell Euro Sovereign Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		86%	100%	86%		1 – Dominant	86%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TRPZOHA5CTQT96	1 – LEI	PUTM Bothwell Sterling Credit Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XP7PXFVTAW1H83	1 – LEI	PUTM Bothwell Tactical Asset Allocation Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007RKH637ZHATD66	1 – LEI	PUTM Bothwell Uk All Share Listed Equity Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		99%	100%	99%		1 – Dominant	99%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KH7K7YYQ7LLG85	1 – LEI	PUTM Bothwell Uk Equity Income Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800W3AMX9O6QS6F82	1 – LEI	PUTM Bothwell Sub-Sovereign Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300Y6I95V6CJ8JP75	1 – LEI	ASI (SLI) Strategic Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		87%	100%	87%		1 – Dominant	87%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300ZJSFSEALGJ0R05	1 – LEI	ASI GLOBAL ABSOLUTE RETURN STRATEGIES FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		67%	67%	67%		2 – Significant	67%	1 – Included in the scope		5 – Method 2: Solvency II
GB	54930000QS4A1CF6L143	1 – LEI	ASI Dynamic Distribution Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		58%	58%	58%		2 – Significant	58%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300V3RPDL6NYXXQ96	1 – LEI	Standard Life Multi-Asset Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300MFFMRGN3DL4U09	1 – LEI	Standard Life European Trust II	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800CIR2UE599MVG13	1 – LEI	STANDARD LIFE INVESTMENTS UK REAL ESTATE ACCUMULATION FEEDER FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		60%	60%	60%		2 – Significant	60%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800289MMZV51S2O60	1 – LEI	STANDARD LIFE INVESTMENTS UK REAL ESTATE INCOME FEEDER	99 – Other	Authorised Unit Trust	2 – Non-mutual		46%	46%	46%		2 – Significant	46%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300DPG7M5B26ETT89	1 – LEI	ABERDEEN STANDARD OEIC II – ASI (SLI) EMERGING MARKETS EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		97%	100%	97%		1 – Dominant	97%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300IL7BS03RLOFU72	1 – LEI	ABERDEEN STANDARD OEIC II – ASI EMERGING MARKETS INCOME EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		80%	100%	80%		1 – Dominant	80%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300U6FPNMXT4DDH56	1 – LEI	ABERDEEN STANDARD OEIC II – ASI JAPANESE GROWTH EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		95%	100%	95%		1 – Dominant	95%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300D1NAKBNQ6EWD13	1 – LEI	ABERDEEN STANDARD OEIC II – ASI UK HIGH INCOME EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		53%	53%	53%		2 – Significant	53%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300I8RCKMET404713	1 – LEI	ABERDEEN STANDARD OEIC II – ASI GLOBAL FOCUSED EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		48%	48%	48%		2 – Significant	48%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300AJF86HZ376OZ22	1 – LEI	ABERDEEN STANDARD OEIC II – ASI UK OPPORTUNITIES EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		55%	55%	55%		2 – Significant	55%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300KYBU0ETB5ZMM34	1 – LEI	ABERDEEN STANDARD OEIC II – ASI UK SMALLER COMPANIES FUND	99 – Other	Open ended investment company	2 – Non-mutual		32%	32%	32%		2 – Significant	32%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493009SERSZDJPL4C02	1 – LEI	ABERDEEN STANDARD OEIC II – ASI EUROPE EX UK GROWTH EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		27%	27%	27%		2 – Significant	27%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300BRIS40GV4JCP40	1 – LEI	ABERDEEN STANDARD OEIC V – ASI EUROPE EX UK ETHICAL EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		79%	100%	79%		1 – Dominant	79%	1 – Included in the scope		5 – Method 2: Solvency II

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	5493002GMCQF3QS0II56	1 – LEI	ABERDEEN STANDARD OEIC V – ASI UK UNCONSTRAINED EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		54%	54%	54%		2 – Significant	54%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300K8H8PF81I79V14	1 – LEI	ABERDEEN STANDARD OEIC V – ASI ETHICAL CORPORATE BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		63%	63%	63%		2 – Significant	63%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493001D9Z9K60I20F92	1 – LEI	SLMT – AMERICAN EQUITY UNCONSTRAINED FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		76%	100%	76%		1 – Dominant	76%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300JW31CPY05QNC81	1 – LEI	SLMT – STANDARD LIFE JAPAN FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		79%	100%	79%		1 – Dominant	79%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300NR5XU4V9M57E06	1 – LEI	ASI GLOBAL REAL ESTATE FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		46%	46%	46%		2 – Significant	46%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300OGBCWXTEIIB738	1 – LEI	STANDARD LIFE EUROPEAN TRUST	99 – Other	Authorised Unit Trust	2 – Non-mutual		97%	100%	97%		1 – Dominant	97%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300HH5KCHFB2PI064	1 – LEI	Standard Life Japan Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		80%	100%	80%		1 – Dominant	80%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300NXR0AHS2OB8865	1 – LEI	Standard Life North American Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493007AVUY3HNQMVP73	1 – LEI	STANDARD LIFE PACIFIC BASIN TRUST	99 – Other	Authorised Unit Trust	2 – Non-mutual		98%	100%	98%		1 – Dominant	98%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300GTXIX56BJFR736	1 – LEI	Standard Life Short Dated UK Government Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300M1KFPI0OTDC316	1 – LEI	Standard Life Global Equity Trust II	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300EMFE000TQ5QC17	1 – LEI	Standard Life UK Government Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300IWURTTOR0B5L22	1 – LEI	Standard Life UK Corporate Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300VAK5WRI3QRS839	1 – LEI	Standard Life Active Plus Bond Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300SHV3HHVK5G9F12	1 – LEI	Standard Life International Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300R55XQGRNOY5804	1 – LEI	STANDARD LIFE UK EQUITY GENERAL TRUST	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800EQHAIYMJPLIZ18	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MARKET I FUND	99 – Other	Open ended investment company	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800IFS6A5AOLOUS24	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MARKET II FUND	99 – Other	Open ended investment company	2 – Non-mutual		44%	44%	44%		2 – Significant	44%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800WD5VNT5CS9QF27	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MARKET III FUND	99 – Other	Open ended investment company	2 – Non-mutual		55%	55%	55%		2 – Significant	55%	1 – Included in the scope		5 – Method 2: Solvency II
GB	2138007A8RMRT2RC2E67	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MARKET IV FUND	99 – Other	Open ended investment company	2 – Non-mutual		54%	54%	54%		2 – Significant	54%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800TGMTB8IDAYKD45	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MARKET V FUND	99 – Other	Open ended investment company	2 – Non-mutual		61%	61%	61%		2 – Significant	61%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800MQ6R6KOI53DV94	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MULTI MANAGER I FUND	99 – Other	Open ended investment company	2 – Non-mutual		52%	52%	52%		2 – Significant	52%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800EEJVVK31YR6A19	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MULTI MANAGER II FUND	99 – Other	Open ended investment company	2 – Non-mutual		53%	53%	53%		2 – Significant	53%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800731SH2AZ2LNR22	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MULTI MANAGER III FUND	99 – Other	Open ended investment company	2 – Non-mutual		62%	62%	62%		2 – Significant	62%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800I2TZGOMPYGRH19	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MULTI MANAGER IV FUND	99 – Other	Open ended investment company	2 – Non-mutual		58%	58%	58%		2 – Significant	58%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800QWLPXCX6JPNJ46	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MULTI MANAGER V FUND	99 – Other	Open ended investment company	2 – Non-mutual		60%	60%	60%		2 – Significant	60%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800XNFM8J47REYL45	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MANAGED I FUND	99 – Other	Open ended investment company	2 – Non-mutual		74%	100%	74%		1 – Dominant	74%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800JVMZC7GM5CYO35	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MANAGED II FUND	99 – Other	Open ended investment company	2 – Non-mutual		72%	100%	72%		1 – Dominant	72%	1 – Included in the scope		5 – Method 2: Solvency II
GB	2138005CQLTFA4T8LN82	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MANAGED III FUND	99 – Other	Open ended investment company	2 – Non-mutual		80%	100%	80%		1 – Dominant	80%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800PYGZT1KZZ9UT72	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MANAGED IV FUND	99 – Other	Open ended investment company	2 – Non-mutual		66%	66%	66%		2 – Significant	66%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800DT88TRXWXFW531	1 – LEI	ABERDEEN STANDARD OEIC III – ASI MYFOLIO MANAGED V FUND	99 – Other	Open ended investment company	2 – Non-mutual		73%	100%	73%		1 – Dominant	73%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493000YK0YJ6Q9DLZ09	1 – LEI	ABERDEEN STANDARD OEIC III – ASI DYNAMIC MULTI ASSET GROWTH	99 – Other	Open ended investment company	2 – Non-mutual		98%	100%	98%		1 – Dominant	98%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493008OG218QJPAV326	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV II – GLOBAL SHORT DURATION CORPORATE BOND FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		97%	100%	97%		1 – Dominant	97%	1 – Included in the scope		5 – Method 2: Solvency II
LU	O7HH6SBXFMH5NOPHCD14	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – EURO GOVERNMENT ALL STOCKS FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300MQ6OU848KVSO26	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – EMERGING MARKETS FOCUSED EQUITY FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300M4GPJKY6QZ5W83	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – EMERGING MARKET LOCAL CURRENCY DEBT FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		90%	100%	90%		1 – Dominant	90%	1 – Included in the scope		5 – Method 2: Solvency II
LU	GXYUVJHLG0VXGF6GTH78	1 – LEI	Standard Life Investments Global SICAV – Global Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		94%	100%	94%		1 – Dominant	94%	1 – Included in the scope		5 – Method 2: Solvency II
LU	U9X3FTNHCUP4L0WKGX71	1 – LEI	Standard Life Investments Global SICAV – Global High Yield Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		86%	100%	86%		1 – Dominant	86%	1 – Included in the scope		5 – Method 2: Solvency II
LU	WYX5CIV6AFQZIQU82357	1 – LEI	Standard Life Investments Global SICAV – Global Equities Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		73%	100%	73%		1 – Dominant	73%	1 – Included in the scope		5 – Method 2: Solvency II
LU	UYCT0I5PGBDBY00XEV95	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – CHINA EQUITIES FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		76%	100%	76%		1 – Dominant	76%	1 – Included in the scope		5 – Method 2: Solvency II

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
LU	5493007BOMBCJ37CZ650	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – JAPANESE EQUITIES FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		97%	100%	97%		1 – Dominant	97%	1 – Included in the scope		5 – Method 2: Solvency II
LU	IKNRVTZFJMXVU04INT73	1 – LEI	Standard Life Investments Global SICAV – European Smaller Companies Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		25%	25%	25%		2 – Significant	25%	1 – Included in the scope		5 – Method 2: Solvency II
LU	JCSNRTX2P3VQCSCY9U38	1 – LEI	Standard Life Investments Global SICAV – Global REIT Focus Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		87%	100%	87%		1 – Dominant	87%	1 – Included in the scope		5 – Method 2: Solvency II
LU	0C8VPGENNA8PSKOIU246	1 – LEI	Standard Life Investments Global SICAV – European Corporate Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		32%	32%	32%		2 – Significant	32%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300HYV8G6BSOFVX33	1 – LEI	Standard Life Investments Global SICAV – Global Absolute Return Strategies Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		43%	43%	43%		2 – Significant	43%	1 – Included in the scope		5 – Method 2: Solvency II
LU	ZBFDG70US1SSJG9Z0Y21	1 – LEI	Standard Life Investments Global SICAV – Absolute Return Global Bond Strategies Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		77%	100%	77%		1 – Dominant	77%	1 – Included in the scope		5 – Method 2: Solvency II
IE	549300FZNZKXXUYXI275	1 – LEI	SEABURY ASSETS FUND PUBLIC LIMITED COMPANY – STERLING VNAV LIQUIDITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
IE	549300JWIMS5EZ61L635	1 – LEI	SEABURY ASSETS FUND PUBLIC LIMITED COMPANY – EURO VNAV LIQUIDITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
KY	21380039CUL33ZF3UK04	1 – LEI	Ignis Private Equity Fund LP	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
KY	2138006EXLOU452E4658	1 – LEI	Ignis Strategic Credit Fund LP	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138004MK7VPTZ99EV13	1 – LEI	STANDARD LIFE PRIVATE EQUITY TRUST PLC	99 – Other	Company limited by shares	2 – Non-mutual		54%	100%	54%		1 – Dominant	54%	1 – Included in the scope		5 – Method 2: Solvency II
US	923M5RA2I1X3IO5NGM14US10000	2 – Specific code	North American Strategic Partners 2008 L.P.	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10001	2 – Specific code	North American Strategic Partners (Feeder) 2008 L.P.	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10002	2 – Specific code	Standard Life Assurance (HWPF) Luxemburg S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
BE	923M5RA2I1X3IO5NGM14BE10003	2 – Specific code	SLA Belgium No.1 SA	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10004	2 – Specific code	SLA Germany No.1 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10005	2 – Specific code	SLA Germany No.2 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10006	2 – Specific code	SLA Germany No.3 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU10007	2 – Specific code	SLA Ireland No.1 S.à r.l.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
NL	923M5RA2I1X3IO5NGM14NL10008	2 – Specific code	SLA Netherlands No.1 B.V.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
SE	923M5RA2I1X3IO5NGM14SE10009	2 – Specific code	Pilangen Logistik AB	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
SE	923M5RA2I1X3IO5NGM14SE10010	2 – Specific code	Pilangen Logistik I AB	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
IE	213800TDBB718C196H58	1 – LEI	Ignis Strategic Solutions Funds Plc – Systematic Strategies Fund	99 – Other	Open ended investment company	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	213800SH4MG4MNVECA61	1 – LEI	Ignis Strategic Solutions Funds Plc – Fundamental Strategies Fund	99 – Other	Open ended investment company	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800IJ3HKI1OZKQ289	1 – LEI	Janus Henderson Institutional Mainstream Uk Equity Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SPJ66CK3GEGF30	1 – LEI	Janus Henderson Institutional Uk Equity Tracker Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800PZXIJUMYOXDN27	1 – LEI	Janus Henderson Global Funds – Janus Henderson Institutional Overseas Bond Fund	99 – Other	Open ended investment company	2 – Non-mutual		99%	100%	99%		1 – Dominant	99%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800VG1BZO9WR4I941	1 – LEI	JANUS HENDERSON DIVERSIFIED GROWTH FUND	99 – Other	Open ended investment company	2 – Non-mutual		73%	100%	73%		1 – Dominant	73%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TQYSHLWYSUR685	1 – LEI	JANUS HENDERSON INSTITUTIONAL UK INDEX OPPORTUNITIES FUND	99 – Other	Open ended investment company	2 – Non-mutual		59%	59%	59%		2 – Significant	59%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800I7IK5UQW1RAB89	1 – LEI	Janus Henderson INSTITUTIONAL SHORT DURATION BOND FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138004YB2HUL6PHSQ91	1 – LEI	JANUS HENDERSON SUSTAINABLE/RESPONSIBLE FUNDS – JANUS HENDERSON INSTITUTIONAL GLOBAL RESPONSIBLE MANAGED FUND	99 – Other	Open ended investment company	2 – Non-mutual		46%	46%	46%		2 – Significant	46%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007DWD6A7X7FL923	1 – LEI	Janus Henderson STRATEGIC INVESTMENT FUNDS – Janus Henderson INSTITUTIONAL NORTH AMERICAN INDEX OPPORTUNITIES FUND	99 – Other	Open ended investment company	2 – Non-mutual		85%	100%	85%		1 – Dominant	85%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138006CHW6K23X8BM02	1 – LEI	Janus Henderson STRATEGIC INVESTMENT FUNDS – Janus Henderson INSTITUTIONAL ASIA PACIFIC EX JAPAN INDEX OPPORTUNITIES FUND	99 – Other	Open ended investment company	2 – Non-mutual		84%	100%	84%		1 – Dominant	84%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800GCSPYUX5TO2V30	1 – LEI	JANUS HENDERSON STRATEGIC INVESTMENT FUNDS – JANUS HENDERSON INSTITUTIONAL JAPAN INDEX OPPORTUNITIES FUND	99 – Other	Open ended investment company	2 – Non-mutual		78%	100%	78%		1 – Dominant	78%	1 – Included in the scope		3 – Method 1: Adjusted equity method
ES	923M5RA2I1X3IO5NGM14ES10012	2 – Specific code	330 Avenida de Aragon SL	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10013	2 – Specific code	SLIF Property Investment GP Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10014	2 – Specific code	The Heritable Securities and Mortgage Investment Association Ltd	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
NL	923M5RA2I1X3IO5NGM14NL10015	2 – Specific code	The Standard Life Assurance Company of Europe B.V.	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10016	2 – Specific code	Gallions Reach Shopping Park Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		78%	78%	78%		2 – Significant	78%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10017	2 – Specific code	Gallions Reach Shopping Park (Nominee) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
JE	923M5RA2I1X3IO5NGM14JE10019	2 – Specific code	Standard Life Investments UK Retail Park Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		57%	57%	57%		2 – Significant	57%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10020	2 – Specific code	Standard Life Investments UK Shopping Centre Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		41%	41%	41%		2 – Significant	41%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10021	2 – Specific code	Castlepoint LP	99 – Other	Limited Partnership	2 – Non-mutual		35%	35%	35%		2 – Significant	35%	1 – Included in the scope		5 – Method 2: Solvency II
JE	923M5RA2I1X3IO5NGM14JE10022	2 – Specific code	Crawley Unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300H7ELL1ZCTXVS23	1 – LEI	ABERDEEN STANDARD LIQUIDITY FUND (LUX) – EURO FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		44%	44%	44%		2 – Significant	44%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800IVG9SKM4YH4C86	1 – LEI	AXA Fixed Interest Investment ICVC – Sterling Strategic Bond Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		51%	51%	51%		2 – Significant	51%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	549300RDK6X3LSLXYT37	1 – LEI	AB SICAV I – Diversified Yield Plus Portfolio S GBP Acc	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		39%	39%	39%		2 – Significant	39%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300QXFKF2HVT74U06	1 – LEI	MI Somerset Capital Management Investment Funds ICVC – MI Somerset Global Emerging Markets Fund	99 – Other	Open ended investment company	2 – Non-mutual		44%	44%	44%		2 – Significant	44%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300FOFZB42GW3KA59	1 – LEI	Aberdeen Global Emerging Markets Quantitative Equity Fund	99 – Other	Open ended investment company	2 – Non-mutual		20%	20%	20%		2 – Significant	20%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	56D8IVMHN27NW5MPNL88	1 – LEI	AQR UCITS Funds – AQR Global Risk Parity UCITS Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		46%	46%	46%		2 – Significant	46%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005ZEJNYUIFBET73	1 – LEI	BA (FURBS) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800H867B9CB2RM694	1 – LEI	London Life Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380065SBT1KWR9GL23	1 – LEI	National Provident Institution	99 – Other	Unlimited without shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UX8KICATW4FL79	1 – LEI	NPI (Printworks) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Q3CZMOFF9OE643	1 – LEI	NPI (Westgate) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800G8PY6JCXSQLC67	1 – LEI	Pearl (Barwell 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001CFOTDN3U7BM31	1 – LEI	Pearl (Chiswick House) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SHU5OGZS6PJZ19	1 – LEI	Pearl (Covent Garden) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JH8I75Q3WBIX59	1 – LEI	Pearl (Martineau Phase 1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800H9LDHZUVWW9F07	1 – LEI	Pearl (Martineau Phase 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800FUUJNPK8RGKI07	1 – LEI	Pearl (Moor House 1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800AAGWJ9I1A76T36	1 – LEI	Pearl (Moor House 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UL2ISGIL5ZYH43	1 – LEI	Pearl (Moor House) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800GRV1G4NBVR2C83	1 – LEI	Pearl (Printworks) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005OLWBASFXB7S08	1 – LEI	Pearl (Stockley Park) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005IQK4DZ2N8UH82	1 – LEI	Pearl Group Secretariat Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009BU7B91VZP2M65	1 – LEI	Pearl MG Birmingham Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800EEKY3ZQDUYKV60	1 – LEI	Pearl MP Birmingham Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800V8BBPFHQH81386	1 – LEI	Pearl RLG Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001ZOXFC79PEZS19	1 – LEI	Pearl Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380089ZAQLRGSTXL02	1 – LEI	Phoenix Group Capital Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800696N9OI66X5I18	1 – LEI	The London Life Association Limited	99 – Other	Company limited by guarantee	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KSY8FMU99DE175	1 – LEI	Phoenix Pension Scheme (Trustees) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800C2PGN9I9C33L82	1 – LEI	Century Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Y7LOTDOSDNEL59	1 – LEI	Phoenix Advisers Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LJMZ4QEJ8AUV97	1 – LEI	Pearl ULA Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800J33B28B2SKEF70	1 – LEI	Scottish Mutual Nominees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YBYX8PMP3QQM09	1 – LEI	PG Dormant (No 5) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

APPENDIX AND ADDITIONAL INFORMATION CONTINUED

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800HTOXWIQA6XQW93	1 – LEI	The Scottish Mutual Assurance Society	99 – Other	Company limited by guarantee	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800EFHIV4NSSD3D48	1 – LEI	The Phoenix Life SCP Institution	99 – Other	Company limited by guarantee	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800GRORRHUWA5C435	1 – LEI	Alba LAS Pensions Management Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800R8PJ9EPBQLWP58	1 – LEI	The Pearl Martineau Galleries Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800CPL9WKRMHYQN02	1 – LEI	The Pearl Martineau Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00077	2 – Specific code	UK Commercial Property Estates (Reading) Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800JN4FQ1A9G8EU25	1 – LEI	UK Commercial Property REIT Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800W2EAL6W37KKU59	1 – LEI	UK Commercial Property Estates Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800521LWAVOZHUR12	1 – LEI	UK Commercial Property Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800DJ3JFFA1P8TS31	1 – LEI	UK Commercial Property Estates Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800FZM1LGPU46ZP56	1 – LEI	UK Commercial Property Nominee Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800J1T7J1138EOQ84	1 – LEI	UK Commercial Property GP Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800HDNBJ5VT5XQO97	1 – LEI	UKCPT Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GG	213800E9M829ZMVVKH17	1 – LEI	UK Commercial Property Finance Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009PGTUXA25AU785GB10013	2 – Specific code	Brixton Radlett Property Limited	99 – Other	Company limited by shares	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XBTJGEIJPJIT08	1 – LEI	Phoenix ER2 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138006AVN3BGVP6FN70	1 – LEI	Abbey Life Trust Securities Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800QSPR2LRLU34T67	1 – LEI	Abbey Life Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800COYKUWIUR3SG48	1 – LEI	Phoenix SPV1 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138003N16KHLOXD3D04	1 – LEI	Phoenix SPV2 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800NG1JUVIV3DGS16	1 – LEI	Phoenix SPV3 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800N5TUHIA7XVOB84	1 – LEI	Phoenix SPV4 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138008TTY2T2R99JH73	1 – LEI	Phoenix ER5 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	5493005FMXD1DF7H5U38	1 – LEI	Abbey Life Assurance Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380035Z7JKF61E6Y61	1 – LEI	Alba Life Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JU1AQEHLXNFB22	1 – LEI	Phoenix SL Direct Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800IHCXV68Y68RU96	1 – LEI	Phoenix Wealth Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YA6KBR5F6X5773	1 – LEI	Phoenix AW Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800PSSLEQR5IDJ351	1 – LEI	Phoenix Wealth Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800S88OB7OOLWB337	1 – LEI	Britannic Finance Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800J8J5RG7CXMLT47	1 – LEI	Britannic Group Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800OCFONM4ZNJBB35	1 – LEI	Britannic Money Investment Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800RGEZJWU7O2EQ55	1 – LEI	PG DORMANT (NO 6) LIMITED	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800NDZUFCLVRMYQ89	1 – LEI	PG Dormant (No 7) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00079	2 – Specific code	Moor House General Partner Limited	99 – Other	Limited Partnership	2 – Non-mutual		33%	33%	33%		2 – Significant	33%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800RUJKNJ1A9ZX173	1 – LEI	Phoenix Unit Trust Managers Limited	14 – UCITS management companies as defined in Article 1 (54) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	213800VUT844OO5BG366	1 – LEI	CH Management Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800F4I4AWU6NBME19	1 – LEI	Cityfourinc	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued
APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800CUYV3HL17JP515	1 – LEI	Phoenix Group Employee Benefit Trust	99 – Other	Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
JE	213800PRI1Y9YF64UR32	1 – LEI	IH (Jersey) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YSR6GTJ8MVUS19	1 – LEI	Impala Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800MQMHVIR9ZA1Y57	1 – LEI	London Life Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009129G12OFZWC28	1 – LEI	NP Life Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800QU1FBSLX89Q242	1 – LEI	National Provident Life Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380067P35533CPS717	1 – LEI	Pearl Assurance Group Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800CZWH4VG2X7HP11	1 – LEI	PA (GI) Limited	2 – Non life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800NH6RYZBJ6K5C11	1 – LEI	Pearl AL Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800DJMETF2ALADE56	1 – LEI	Phoenix & London Assurance Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YXNP7NQGER8E10	1 – LEI	Phoenix Customer Care Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007DV547Q2B7MR04	1 – LEI	Phoenix ER1 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	21380039WGL689JN6E44	1 – LEI	Phoenix ER3 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	213800ILIUK3NF5H7465	1 – LEI	Phoenix ER4 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		4 – Method 1: Sectoral rules
KY	21380031B1D56JRCE375	1 – LEI	Phoenix Group Holdings	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800PO6LOTMSXHAP71	1 – LEI	Pearl Group Holdings (No. 1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138002124DJU5NAJB47	1 – LEI	Pearl Group Holdings (No. 2) Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
IE	213800HW7LORF5UQUW14	1 – LEI	PGH Capital Plc	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68GB10007	2 – Specific code	PGH (LC1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68GB10005	2 – Specific code	PGH (LC2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TBZW26HVJ7YD19	1 – LEI	PGH (LCA) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800639F2IYJN5LX30	1 – LEI	PGH (LCB) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TBZW26HVJ7YD19GB10009	2 – Specific code	PGH (MC1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800639F2IYJN5LX30GB10010	2 – Specific code	PGH (MC2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68	1 – LEI	Phoenix Group Holdings plc	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual								1 – Included in the scope		1 – Method 1: Full consolidation
GB	2138001P49OLAEU33T68GB10008	2 – Specific code	PGH (TC1) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001P49OLAEU33T68GB10006	2 – Specific code	PGH (TC2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005CNV9TY74WAR28	1 – LEI	Pearl Group Management Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800ZG6QXSK9G9GO74	1 – LEI	PGMS (Glasgow) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	213800DP8RHURBWQUW31	1 – LEI	PGMS (Ireland) Ltd	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
IE	213800XE94GLGH5TUQ16	1 – LEI	PGMS (Ireland) Holdings	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KR6QUMTDIX5H91	1 – LEI	Pearl Group Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800GXSEN5TJWQMI72	1 – LEI	PGS 2 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009PGTUXA25AU785	1 – LEI	Phoenix Life Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800LHZHSXHFZ59970	1 – LEI	Phoenix Life Assurance Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	2138005INFYUNFGXD528	1 – LEI	Pearl Life Holdings Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued
APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800F8BC7QS1SGPG53	1 – LEI	Phoenix Life Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	2138002CJZVH844BO431	1 – LEI	PG DORMANT (NO 4) LIMITED	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JTP4IW1CLE8Q08	1 – LEI	Phoenix Pensions Trustee Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800F9J1GCM4FMTU87	1 – LEI	Pearl Customer Care Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
US	213800NASW8ZHVZ3U265	1 – LEI	Pearl (WP) Investments LLC	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138003PPIEA27377A59	1 – LEI	SunLife Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800O1YBZJ7WJK2567	1 – LEI	SL Liverpool Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800ZILLOABHU4ZT66	1 – LEI	Scottish Mutual Assurance Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LFFJ5UNTAEZK91	1 – LEI	Scottish Mutual Pension Funds Investment Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800HVX64Z6SADYQ50	1 – LEI	Phoenix SCP Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138001Q4BGZ3QASNG93	1 – LEI	Impala Loan Company 1 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138005P7ZYYWWBCRY26	1 – LEI	Phoenix SCP Pensions Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800OHBY9DMQUET391	1 – LEI	Phoenix SCP Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XE3S51YKKDFC05	1 – LEI	Phoenix Wealth Holdings Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300CCUJ1BP6N2ZJ02	1 – LEI	Standard Life Lifetime Mortgages Limited	8 – Credit institution, investment firm and financial institution	Company limited by shares	2 – Non-mutual	Financial Conduct Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	RZJMLXIELM2LIX763187	1 – LEI	Standard Life Pension Funds Limited	1 – Life insurance undertaking	Company limited by guarantee	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
IE	MU1J7DTC8IC8VMFT8818	1 – LEI	Standard Life International Designated Activity Company	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	Central Bank of Ireland	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14	1 – LEI	Standard Life Assurance Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	21380067BSRUHB4X5Y24	1 – LEI	Standard Life Assets and Employee Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00024	2 – Specific code	Vebnet (Holdings) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00019	2 – Specific code	Vebnet Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00008	2 – Specific code	SLACOM (No. 8) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00009	2 – Specific code	SLACOM (No. 9) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00007	2 – Specific code	SLACOM (No. 10) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10023	2 – Specific code	3 St Andrew Square Apartments Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00033	2 – Specific code	G Park Management Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10024	2 – Specific code	SLIF Property Investment LP Limited	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800BKB33U8U4K4M34	1 – LEI	Standard Life Trustee Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00013	2 – Specific code	Iceni Nominees (No. 2) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00025	2 – Specific code	Inhoco 3107 Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00032	2 – Specific code	SL (NEWCO) Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00036	2 – Specific code	Standard Life Agency Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00038	2 – Specific code	Standard Life Investment Funds Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00076	2 – Specific code	Standard Life Master Trust Co. Ltd	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00035	2 – Specific code	Standard Life Property Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00028	2 – Specific code	Welbrent Property Investment Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493007U26RX6I54SA36	1 – LEI	ASI Phoenix Fund Financing SCSp (PLFF)	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10026	2 – Specific code	Standard Life Capital Infrastructure I L.P.	99 – Other	Limited Partnership	2 – Non-mutual		26%	26%	26%		2 – Significant	26%	1 – Included in the scope		5 – Method 2: Solvency II
LU	923M5RA2I1X3IO5NGM14LU00001	2 – Specific code	Inesia SA	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300YXILW3O14Y0587	1 – LEI	AMUNDI FUNDS – GLOBAL EQUITY DYNAMIC MULTI FACTORS	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		60%	60%	60%		2 – Significant	60%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	54930052IZGSBFBJ2P36	1 – LEI	ABERDEEN STANDARD OEIC I – ASI FINANCIAL EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		81%	100%	81%		1 – Dominant	81%	1 – Included in the scope		3 – Method 1: Adjusted equity method
US	2138007PAJOGN2JKWC75	1 – LEI	Axial Fundamental Strategies (US Investments) LLC	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

APPENDIX AND ADDITIONAL INFORMATION CONTINUED

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	549300MQT7YRWQ7R2C91	1 – LEI	BlackRock Market Advantage Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		49%	49%	49%		2 – Significant	49%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00080	2 – Specific code	Brent Cross Partnership	99 – Other	Limited Partnership	2 – Non-mutual		24%	24%	24%		2 – Significant	24%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00081	2 – Specific code	European Strategic Partners LP	99 – Other	Limited Partnership	2 – Non-mutual		73%	100%	73%		1 – Dominant	73%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00082	2 – Specific code	Gallions Reach Shopping Park Limited Partnership	99 – Other	Limited Partnership	2 – Non-mutual		78%	78%	78%		2 – Significant	78%	1 – Included in the scope		5 – Method 2: Solvency II
IE	549300MID323QWNNI391	1 – LEI	iShares VI plc – iShares Bloomberg Roll Select Commodity Swap UCITS ETF	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		31%	31%	31%		2 – Significant	31%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800BJNPIRCWGSEF97	1 – LEI	JANUS HENDERSON INSTITUTIONAL HIGH ALPHA UK EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		85%	100%	85%		1 – Dominant	85%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB00083	2 – Specific code	North American Strategic Partners 2006 (Feeder) L.P.	99 – Other	Limited Partnership	2 – Non-mutual		70%	100%	70%		1 – Dominant	70%	1 – Included in the scope		5 – Method 2: Solvency II
US	923M5RA2I1X3IO5NGM14US00084	2 – Specific code	North American Strategic Partners 2006 L.P.	99 – Other	Limited Partnership	2 – Non-mutual		70%	100%	70%		1 – Dominant	70%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800N6TMQCXMD13L87	1 – LEI	Pearl Private Equity LP	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LHZHSXHFZ59970GB10001	2 – Specific code	Pearl Strategic Credit LP	99 – Other	Limited Partnership	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009GKYVM1UUHJA96	1 – LEI	Phoenix ER6 Limited	11 – Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		4 – Method 1: Sectoral rules
GB	213800HLG15CNT6KCJ73	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS EUROPEAN EX UK FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800DFM51OSE7C6L40	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS JAPAN EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Q97JM5OIYWCM46	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS NORTH AMERICAN FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800BZ9R37MHD65E09	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS UK ALL SHARE LISTED EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		99%	100%	99%		1 – Dominant	99%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800WZW92EK7G7XM97	1 – LEI	PUTM Bothwell Short Duration Credit Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
LU	Q3YL855MATOB7C6KPU61	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – EUROPEAN EQUITIES FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		99%	100%	99%		1 – Dominant	99%	1 – Included in the scope		5 – Method 2: Solvency II
LU	6WCXZHE5XM510XSF8P58	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – EUROPEAN EQUITY UNCONSTRAINED FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		97%	100%	97%		1 – Dominant	97%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300KMLYJP6CIL1C94	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV II – MYFOLIO MULTI-MANAGER II FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		73%	100%	73%		1 – Dominant	73%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300J99IMX8JLCRP76	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV II – MYFOLIO MULTI-MANAGER IV FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		60%	100%	60%		1 – Dominant	60%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300FP1AUJB6O5I894	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV II – MYFOLIO MULTI-MANAGER V FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		62%	100%	62%		1 – Dominant	62%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB00085	2 – Specific code	Standard Life Investments Brent Cross LP	99 – Other	Limited Partnership	2 – Non-mutual		41%	41%	41%		2 – Significant	41%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300N2B7WRBG4EZL58	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV II – DYNAMIC MULTI ASSET GROWTH FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		79%	100%	79%		1 – Dominant	79%	1 – Included in the scope		5 – Method 2: Solvency II
LU	549300ZUA2EHOZVRBD37	1 – LEI	STANDARD LIFE INVESTMENTS GLOBAL SICAV – EMERGING MARKET DEBT FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		94%	100%	94%		1 – Dominant	94%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800FX7SK96A7DHI46	1 – LEI	SLM TRUST – SLMT GLOBAL REIT FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		83%	100%	83%		1 – Dominant	83%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800GXP2F7VMPQYU95	1 – LEI	ABERDEEN STANDARD OEIC IV – ASI GLOBAL REIT TRACKER FUND	99 – Other	Open ended investment company	2 – Non-mutual		38%	38%	38%		2 – Significant	38%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493000EGJ32E4VRCD68	1 – LEI	ABERDEEN STANDARD OEIC V – ASI SHORT DATED CORPORATE BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		77%	100%	77%		1 – Dominant	77%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300QJVJLKGCZT1126	1 – LEI	ABERDEEN STANDARD OEIC II – ASI HIGH YIELD BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		40%	40%	40%		2 – Significant	40%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800DET54CL59ANP48	1 – LEI	ABERDEEN STANDARD OEIC II – ASI AMERICAN INCOME EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		70%	100%	70%		1 – Dominant	70%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800O3L6KIDMHO2V40	1 – LEI	ASI Phoenix Global Private Equity III LP	99 – Other	Open ended investment company	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800MQX9WG9VCJMD31	1 – LEI	AXA Sterling Index Linked Bond Fund	99 – Other	Open ended investment company	2 – Non-mutual		20%	20%	20%		2 – Significant	20%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YSS1HTQAI4SX74	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS LOTHIAN NORTH AMERICAN EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800MS8CUQ8LOAYB87	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS LOTHIAN EUROPEAN EX UK FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800T6PL8IKFAFIQ64	1 – LEI	PUTM AUTHORISED CONTRACTUAL SCHEME – PUTM ACS LOTHIAN UK LISTED EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800YSEHZI6484YL62	1 – LEI	PUTM Bothwell Ultra Short Duration Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
DK	923M5RA2I1X3IO5NGM14DK10027	2 – Specific code	SLA Denmark No.1 ApS	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
DK	923M5RA2I1X3IO5NGM14DK10028	2 – Specific code	SLA Denmark No.2 ApS	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II

APPENDIX AND ADDITIONAL INFORMATION CONTINUED

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	5493002044GBSUYXHY38	1 – LEI	ABERDEEN STANDARD OEIC II – ASI (SLI) CORPORATE BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		42%	42%	42%		2 – Significant	42%	1 – Included in the scope		5 – Method 2: Solvency II
GB	5493001C0YQN0LMGLZ65	1 – LEI	ABERDEEN STANDARD OEIC II – ASI INVESTMENT GRADE CORPORATE BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		32%	32%	32%		2 – Significant	32%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300P9GBRPESQMRN82	1 – LEI	ABERDEEN STANDARD OEIC V – ASI SHORT DURATION GLOBAL INFLATION-LINKED BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		47%	47%	47%		2 – Significant	47%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800UY8FM6YRIIWA16	1 – LEI	SLM TRUST – SLMT STERLING INTERMEDIATE CREDIT FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
LU	JXZR3W3VMU9TZ227V008	1 – LEI	Standard Life Investments Global SICAV Global Corporate Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		73%	73%	73%		2 – Significant	73%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300SWQMOBJ71D8V30	1 – LEI	ABERDEEN STANDARD OEIC II – ASI EUROPE EX UK INCOME EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		23%	23%	23%		2 – Significant	23%	1 – Included in the scope		5 – Method 2: Solvency II
GB	549300YFI0FQMJTBUL92	1 – LEI	ABERDEEN STANDARD OEIC V – ASI UK INCOME UNCONSTRAINED EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		48%	48%	48%		2 – Significant	48%	1 – Included in the scope		5 – Method 2: Solvency II
LU	5493005SY71AH6LMLU06	1 – LEI	Standard Life Investments Global SICAV II – MyFolio Multi-Manager III Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		56%	100%	56%		1 – Dominant	56%	1 – Included in the scope		5 – Method 2: Solvency II
IE	213800PGI2RPZ3BRFY09	1 – LEI	Aberdeen Standard Liquidity Fund (Lux) – Seabury Sterling Liquidity 3 Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		5 – Method 2: Solvency II
GB	213800TQ9E98LE1IK344	1 – LEI	ABERDEEN STANDARD OEIC IV – ASI EMERGING MARKETS LOCAL CURRENCY BOND TRACKER FUND	99 – Other	Open ended investment company	2 – Non-mutual		74%	100%	74%		1 – Dominant	74%	1 – Included in the scope		5 – Method 2: Solvency II
GB	923M5RA2I1X3IO5NGM14GB10029	2 – Specific code	103 Wardour Street Retail Investment Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	Q88N5RCPNGIJG1ZE0765	1 – LEI	Ark Life Assurance Company DAC	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	Central Bank of Ireland	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800JSKEG8KHZF9G80	1 – LEI	BL Telford Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	5493004S4OGUNITLEY46	1 – LEI	ERIP General Partner Limited	99 – Other	Company limited by shares	2 – Non-mutual		80%	100%	80%		1 – Dominant	80%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800RKSNN1SLFPXO64	1 – LEI	ERIP Limited Partnership	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800L9MD2TYUF2M658	1 – LEI	G Assurance & Pensions Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800288SWHO9SYPM36	1 – LEI	G Financial Services Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800LU36TP1TUUMI19	1 – LEI	G Life H Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138003URY7NYBK77767	1 – LEI	G Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800ZFL26XQ7UIFU39	1 – LEI	Gresham Life Assurance Society Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009JDIENFDLD9M78	1 – LEI	Namulas Pension Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138009SCXYSOTLSXH75	1 – LEI	NM Life Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800MTFCWA4G695463	1 – LEI	NM Pensions Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	923M5RA2I1X3IO5NGM14GB10030	2 – Specific code	Northampton General Partner Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800WOC9UMRNV45O46	1 – LEI	ReAssure Companies Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800G9IQ6CXE31Y637	1 – LEI	ReAssure FS Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UW8CON9XG6EY13	1 – LEI	ReAssure FSH UK Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300890XJXTPM3FM60	1 – LEI	ReAssure Group plc	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	5493005LF51QP7R4SS09	1 – LEI	ReAssure Life Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800URB5NH1X13VR38	1 – LEI	ReAssure Life Pension Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	BQYCTFWOEM1JRDE6F109	1 – LEI	ReAssure Limited	1 – Life insurance undertaking	Company limited by shares	2 – Non-mutual	The Prudential Regulation Authority	100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800WYM9VABFBW4H22	1 – LEI	ReAssure LL Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800JRB5W4GNWQU717	1 – LEI	ReAssure Midco Limited	5 – Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	213800BOL8WLP4I7SA44	1 – LEI	ReAssure Nominees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138008XWGP2LK6Z9532	1 – LEI	ReAssure Pension Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UZNVRPALQEDZ61	1 – LEI	ReAssure PM Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138006XCBKUGVOLOT84	1 – LEI	ReAssure Trustees Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800TVW97G2S3WAH16	1 – LEI	ReAssure Two Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method

APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued

APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800GYRULRXGODMH68	1 – LEI	ReAssure UK Life Assurance Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800V2138XI4IYEZ47	1 – LEI	ReAssure UK Services Limited	10 – Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		1 – Method 1: Full consolidation
GB	923M5RA2I1X3IO5NGM14GB10031	2 – Specific code	The Pathe Building Management Company Limited	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	923M5RA2I1X3IO5NGM14IE10032	2 – Specific code	Phoenix Life Assurance Europe DAC	99 – Other	Company limited by shares	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	54930038MS858LAR8B49	1 – LEI	AB SICAV I – Emerging Markets Low Volatility Equity Portfolio	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		72%	72%	72%		2 – Significant	72%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	5493001KTUF1YFKJDM10	1 – LEI	Aberdeen Standard SICAV I – GDP Weighted Global Government Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		81%	81%	81%		2 – Significant	81%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300QBEMZEKRKZQI47	1 – LEI	Aberdeen Standard SICAV I – Global Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		93%	93%	93%		2 – Significant	93%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	5493006DHM3I4TSPKB92	1 – LEI	Aberdeen Standard SICAV I – Global Government Bond Fund	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		23%	23%	23%		2 – Significant	23%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300HLKKHN7JKR2E67	1 – LEI	Aviva Investors UK Property Feeder Trust – Aviva Investors UK Property Inc Fund	99 – Other	Open ended investment company	2 – Non-mutual		35%	35%	35%		2 – Significant	35%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800OTMYPRWJA3RN95	1 – LEI	AXA Framlington FinTech Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		21%	21%	21%		2 – Significant	21%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	6354004MWMENFWRYVZ97	1 – LEI	Beresford Funds ICAV – Indexed Emerging Market Equity Fund	99 – Other	Irish Collective Asset-Management Vehicle (ICAV)	2 – Non-mutual		100%	100%	100%		1 – Dominant	100%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	6354001AQTNCMCRIJS04	1 – LEI	Beresford Funds – Indexed Euro Large Cap Corporate Bond Fund	99 – Other	Irish Collective Asset-Management Vehicle (ICAV)	2 – Non-mutual		83%	83%	83%		2 – Significant	83%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300JLW6FB8OMS0W41	1 – LEI	Fidelity Investment Funds IV – Fidelity Multi Asset Open Adventurous Fund	99 – Other	Open ended investment company	2 – Non-mutual		65%	65%	65%		2 – Significant	65%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300VH5ELIKINLO832	1 – LEI	GOLDMAN SACHS FUNDS – GOLDMAN SACHS EMERGING MARKETS TOTAL RETURN BOND PORTFOLIO	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		94%	94%	94%		2 – Significant	94%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800XF9NPHO9GD4K83	1 – LEI	HSBC ETFS PLC – HSBC FTSE EPRA/NAREIT DEVELOPED UCITS ETF	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		49%	49%	49%		2 – Significant	49%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800AYDR6FBO6OCF03	1 – LEI	HSBC Investment Funds – Balanced Fund	99 – Other	Open ended investment company	2 – Non-mutual		77%	100%	77%		1 – Dominant	77%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UBQ4DFJN8RR808	1 – LEI	IFSL AMR OEIC – IFSL AMR DIVERSIFIED PORTFOLIO	99 – Other	Open ended investment company	2 – Non-mutual		79%	100%	79%		1 – Dominant	79%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300T3IUD6V8P0IU75	1 – LEI	INVESCO FUNDS – INVESCO US EQUITY FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		25%	25%	25%		2 – Significant	25%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300N65CUKX4I4ZW9	1 – LEI	BLACKROCK COLLECTIVE INVESTMENT FUNDS – iShares 350 UK Equity Index Fund (UK)	99 – Other	Open ended investment company	2 – Non-mutual		82%	100%	82%		1 – Dominant	82%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800SIJ46ILXYN8O51	1 – LEI	LEGAL & GENERAL SICAV – L&G ABSOLUTE RETURN BOND PLUS FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		70%	70%	70%		2 – Significant	70%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800ZVSCE7L3KU6U28	1 – LEI	LEGAL & GENERAL SICAV – L&G EMERGING MARKETS BOND FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		53%	53%	53%		2 – Significant	53%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138006RKFXVH1NL4H90	1 – LEI	LEGAL & GENERAL SICAV – L&G EMERGING MARKETS SHORT DURATION BOND FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		23%	23%	23%		2 – Significant	23%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800ND8EN47WFIAF52	1 – LEI	LEGAL & GENERAL SICAV – L&G MULTI-ASSET TARGET RETURN FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		28%	28%	28%		2 – Significant	28%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Z7VL8B5PLQJ965	1 – LEI	Legal & General Authorised Contractual Scheme – L&G Real Income Builder Fund	99 – Other	Undertakings for Collective Investments in Transferable Securities	2 – Non-mutual		50%	50%	50%		2 – Significant	50%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KFZMHN5JMTPI10	1 – LEI	Legal & General Asian Income Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		40%	40%	40%		2 – Significant	40%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800USG18JGRN9EQ90	1 – LEI	Legal & General Dynamic Bond Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		54%	54%	54%		2 – Significant	54%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800I2ZF7JRQ8Q2678	1 – LEI	Legal & General Emerging Markets Government Bond (Local Currency) Index Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		26%	26%	26%		2 – Significant	26%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	21380087FKIB9YIOG940	1 – LEI	LEGAL & GENERAL ICAV – L&G EMERGING MARKETS GOVERNMENT BOND (USD) INDEX FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		30%	30%	30%		2 – Significant	30%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800OK851HMU3QA115	1 – LEI	LEGAL & GENERAL MSCI WORLD SOCIALLY RESPONSIBLE INVESTMENT (SRI) INDEX FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		24%	24%	24%		2 – Significant	24%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800965CE5G2AP7L50	1 – LEI	Legal & General European Equity Income Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		85%	100%	85%		1 – Dominant	85%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800ICCVSYFHCO4857	1 – LEI	Legal & General European Index Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		24%	24%	24%		2 – Significant	24%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800BENVO8O97LVB42	1 – LEI	Legal & General European Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		73%	100%	73%		1 – Dominant	73%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Z9N3OILJFLNC70	1 – LEI	Legal & General Global Real Estate Dividend Index Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		31%	31%	31%		2 – Significant	31%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800Z93X9V2REBQV38	1 – LEI	Legal & General Growth Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		86%	100%	86%		1 – Dominant	86%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800YSUVVHCQVEL772	1 – LEI	Legal & General High Income Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		45%	45%	45%		2 – Significant	45%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138008DI5GZS4OIBL72	1 – LEI	Legal & General Real Capital Builder Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		83%	100%	83%		1 – Dominant	83%	1 – Included in the scope		3 – Method 1: Adjusted equity method

APPENDIX AND ADDITIONAL INFORMATION
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APPENDIX 1 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PGH GROUP continued
APPENDIX 1.7 – S.32.01.22 Undertakings in the scope of the group continued

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
GB	213800NOCJPTNXDU3P85	1 – LEI	Legal & General Real Income Builder Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		89%	100%	89%		1 – Dominant	89%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800D2L3KB3XYWQ480	1 – LEI	LEGAL & GENERAL SICAV – L&G EURO HIGH ALPHA CORPORATE BOND FUND	99 – Other	Société d'Investissement À Capital Variable (SICAV)	2 – Non-mutual		52%	52%	52%		2 – Significant	52%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800KE8SS7VUVDUC06	1 – LEI	Legal & General UK Equity Income Fund	99 – Other	Authorised Unit Trust	2 – Non-mutual		26%	26%	26%		2 – Significant	26%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800NX4TBD1QVV8S45	1 – LEI	Legal & General UK Smaller Companies Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		29%	29%	29%		2 – Significant	29%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800T4XSWZMYN12V14	1 – LEI	Legal & General UK Special Situations Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		48%	48%	48%		2 – Significant	48%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800DBB4A9OPYN9154	1 – LEI	LGIM LIQUIDITY FUNDS PLC – LGIM STERLING LIQUIDITY PLUS FUND	99 – Other	Open ended investment company	2 – Non-mutual		52%	52%	52%		2 – Significant	52%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300C27RH6HRL6S840	1 – LEI	THE MARKS AND SPENCER WORLDWIDE MANAGED FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		40%	40%	40%		2 – Significant	40%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300Z2K0ZMXGORDE25	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS BOND 2 FUND	99 – Other	Open ended investment company	2 – Non-mutual		27%	27%	27%		2 – Significant	27%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300HG0J7HFEQSWP81	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS CHINA EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		24%	24%	24%		2 – Significant	24%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007W2L5OHP56Q670	1 – LEI	QUILTER INVESTORS CIRILIUM OEIC – QUILTER INVESTORS CIRILIUM MODERATE BLEND PORTFOLIO	99 – Other	Open ended investment company	2 – Non-mutual		50%	50%	50%		2 – Significant	50%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138003C2APJFEP58K32	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS DIVERSIFIED BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		92%	100%	92%		1 – Dominant	92%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	2138007Z7QEBDARKU307	1 – LEI	QUILTER INVESTORS TRUST – QUILTER INVESTORS ETHICAL EQUITY FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		50%	50%	50%		2 – Significant	50%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	5493008NS84N77PXTG85	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS GLOBAL EQUITY GROWTH FUND	99 – Other	Open ended investment company	2 – Non-mutual		40%	40%	40%		2 – Significant	40%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800UIY3IB9RISWM27	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS GLOBAL EQUITY INDEX FUND	99 – Other	Authorised Unit Trust	2 – Non-mutual		23%	23%	23%		2 – Significant	23%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	5493004AQ5HPZUM7JQ16	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS HIGH YIELD BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		90%	100%	90%		1 – Dominant	90%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	213800DLEQ18W8VE4R95	1 – LEI	QUILTER INVESTORS MULTI-ASSET OEIC – QUILTER INVESTORS MONTHLY INCOME AND GROWTH PORTFOLIO	99 – Other	Open ended investment company	2 – Non-mutual		27%	27%	27%		2 – Significant	27%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300WYRK8RZE7Y2Q04	1 – LEI	QUILTER INVESTORS OEIC – QUILTER INVESTORS STERLING CORPORATE BOND FUND	99 – Other	Open ended investment company	2 – Non-mutual		32%	32%	32%		2 – Significant	32%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300T0VEIGPF2XMF38	1 – LEI	QUILTER INVESTORS TRUST – QUILTER INVESTORS UK EQUITY INDEX FUND	99 – Other	Open ended investment company	2 – Non-mutual		36%	36%	36%		2 – Significant	36%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300QLYAYCKTL3Z280	1 – LEI	QUILTER INVESTORS TRUST – QUILTER INVESTORS UK EQUITY LARGE-CAP VALUE FUND	99 – Other	Open ended investment company	2 – Non-mutual		96%	100%	96%		1 – Dominant	96%	1 – Included in the scope		3 – Method 1: Adjusted equity method
GB	549300QTWUY8C2TQBM83	1 – LEI	ABERDEEN STANDARD OEIC I – ASI UK RESPONSIBLE EQUITY FUND	99 – Other	Open ended investment company	2 – Non-mutual		36%	36%	36%		2 – Significant	36%	1 – Included in the scope		3 – Method 1: Adjusted equity method
JE	923M5RA2I1X3IO5NGM14JE10033	2 – Specific code	Central Saint Giles unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		25%	25%	25%		2 – Significant	25%	1 – Included in the scope		3 – Method 1: Adjusted equity method
IE	549300OPNA2IRJG5LC98	1 – LEI	JUPITER ASSET MANAGEMENT SERIES PLC – JUPITER MERIAN GLOBAL EQUITY INCOME FUND (IRL)	99 – Other	Authorised Unit Trust	2 – Non-mutual		22%	22%	22%		2 – Significant	22%	1 – Included in the scope		3 – Method 1: Adjusted equity method
JE	923M5RA2I1X3IO5NGM14JE10034	2 – Specific code	Performance Retail unit Trust	99 – Other	Authorised Unit Trust	2 – Non-mutual		44%	44%	44%		2 – Significant	44%	1 – Included in the scope		3 – Method 1: Adjusted equity method

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL

APPENDIX 2.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**33,917,172**
Property (other than for own use)	R0080	311,908
Holdings in related undertakings, including participations	*R0090*	*12,829,714*
Equities	R0100	111,348
Equities – listed	R0110	109,533
Equities – unlisted	R0120	1,815
Bonds	R0130	18,823,606
Government Bonds	R0140	8,853,326
Corporate Bonds	R0150	6,670,330
Structured notes	R0160	63,153
Collateralised securities	R0170	3,236,796
Collective Investments Undertakings	R0180	359,108
Derivatives	R0190	1,415,873
Deposits other than cash equivalents	R0200	65,616
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	21,300,968
Loans and mortgages	**R0230**	**3,794,687**
Loans on policies	R0240	1,797
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	3,792,890
Reinsurance recoverables from:	**R0270**	**7,367,023**
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	1,111,443
Health similar to life	R0320	57,944
Life excluding health and index-linked and unit-linked	R0330	1,053,499
Life index-linked and unit-linked	R0340	6,255,579
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	8,067
Reinsurance receivables	R0370	49,457
Receivables (trade, not insurance)	R0380	420,104
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	332,337
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**67,189,815**

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	**28,695,278**
Technical provisions – health (similar to life)	**R0610**	**77,885**
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	77,416
Risk margin	R0640	469
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**28,617,394**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	28,427,519
Risk margin	R0680	189,875
Technical provisions – index-linked and unit-linked	**R0690**	**27,138,586**
Technical provisions calculated as a whole	R0700	27,489,280
Best estimate	R0710	(373,133)
Risk margin	R0720	22,439
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	27,067
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	330,529
Deferred tax liabilities	R0780	428,183
Derivatives	R0790	136,456
Debts owed to credit institutions	R0800	1,287,938
Financial liabilities other than debts owed to credit institutions	R0810	3,041,602
Insurance & intermediaries payables	R0820	503,287
Reinsurance payables	R0830	10,014
Payables (trade, not insurance)	R0840	275,451
Subordinated liabilities	**R0850**	**202,140**
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	202,140
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**62,076,532**
Excess of assets over liabilities	**R1000**	**5,113,282**

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	13,699	70,062	1,013,678	3,448,854				74,486	4,620,779
Reinsurers' share	R1420	707	2,931	660,554	734,183				65,569	1,463,944
Net	**R1500**	**12,992**	**67,131**	**353,124**	**2,714,671**				**8,917**	**3,156,835**
Premiums earned										
Gross	R1510	13,699	70,062	1,013,678	3,448,854				74,486	4,620,779
Reinsurers' share	R1520	707	2,931	660,554	734,183				65,569	1,463,944
Net	**R1600**	**12,992**	**67,131**	**353,124**	**2,714,671**				**8,917**	**3,156,835**
Claims incurred										
Gross	R1610	22,278	946,177	1,820,111	1,427,507				406,312	4,622,386
Reinsurers' share	R1620	13,179	74,193	363,253	753,243				188,951	1,392,818
Net	**R1700**	**9,100**	**871,985**	**1,456,858**	**674,264**				**217,361**	**3,229,568**
Changes in other technical provisions										
Gross	R1710	1,375	57,587	(257,102)	(2,888,084)				285,614	(2,800,610)
Reinsurers' share	R1720	250	(66,819)	(710,548)	236,328				170,071	(370,719)
Net	**R1800**	**1,124**	**124,407**	**453,446**	**(3,124,412)**				**115,543**	**(2,429,892)**
Expenses incurred	**R1900**	**2,773**	**59,743**	**140,794**	**260,633**					**463,943**
Other expenses	**R2500**									
Total expenses	**R2600**									**463,943**

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.3 – S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance				Other life insurance						Health insurance (direct business)				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**		25,794,164							**1,695,116**	**27,489,280**						
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		6,217,930							11,782	**6,229,712**						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	11,099,338		(349,516)	66,603		15,844,525	2,390,941		4,344	**29,056,236**		81,053				**81,053**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	119,776		1,211	24,657		236,185	675,454		**22,084**	**1,079,367**		57,944				**57,944**
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	**10,979,562**		**(350,727)**	**41,946**		**15,608,341**	**1,715,487**		**(17,740)**	**27,976,869**		**23,109**				**23,109**
Risk Margin	**R0100**	214,135	89,673			933,656				8,062	1,245,525	5,540					5,540
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120	(246,784)		(68,825)	(17,715)		(576,993)	(84,212)		(7,321)	**(1,001,850)**		(3,637)				**(3,637)**
Risk margin	R0130	(207,596)	(68,954)			(750,419)				(6,243)	**(1,033,211)**	(5,071)					**(5,071)**
Technical provisions – total	**R0200**	**10,859,093**	**25,445,430**			**17,757,498**				**1,693,959**	**55,755,980**	**77,885**					**77,885**

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.4 – S.22.01.21 Impact of long term guarantees measures and transitionals

		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	55,833,865	2,043,770			1,412,094
Basic own funds	R0020	4,942,360	(1,504,311)			(1,352,673)
Eligible own funds to meet Solvency Capital Requirement	R0050	4,942,360	(1,504,311)			(1,352,673)
Solvency Capital Requirement	R0090	3,405,207	90,457			1,570,308
Eligible own funds to meet Minimum Capital Requirement	R0100	4,910,480	(1,499,788)			(1,274,158)
Minimum Capital Requirement	R0110	851,302	22,614			392,577

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.5 – S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**69,088**	69,088			
Share premium account related to ordinary share capital	R0030	**546**	546			
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	**1,551,246**	1,551,246			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**3,119,339**	3,119,339			
Subordinated liabilities	R0140	**202,140**			202,140	
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**4,942,360**	**4,740,219**		**202,140**	

Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.5 – S.23.01.01 Own funds continued

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**4,942,360**	**4,740,219**		**202,140**	
Total available own funds to meet the MCR	**R0510**	**4,942,360**	**4,740,219**		**202,140**	
Total eligible own funds to meet the SCR	**R0540**	**4,942,360**	**4,740,219**		**202,140**	
Total eligible own funds to meet the MCR	**R0550**	**4,910,480**	**4,740,219**		**170,260**	
SCR	**R0580**	**3,405,207**				
MCR	**R0600**	**851,302**				
Ratio of Eligible own funds to SCR	**R0620**	**145%**				
Ratio of Eligible own funds to MCR	**R0640**	**577%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**5,113,282**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**1,620,880**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	**373,063**
Reconciliation reserve	**R0760**	**3,119,339**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	93,011
Expected profits included in future premiums (EPIFP) – Non-life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**93,011**

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.6 – S.25.03.21 Solvency Capital Requirement – for undertakings on Full Internal Models (Annual Solo)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0090	C0120
10700I	Market Spread Risk	1,627,221			
11000I	Market risk excluding spread risk	1,313,757			
19900I	Diversification within Market Risk	(300,156)			
20000I	Counterparty Risk	201,731			
30000I	Life underwriting Risk	1,793,760			
70100I	Operational Risk	357,393			
80150I	Other Risks				
80190I	Other Risks	285,098			
80200I	Loss-absorbing capacity of technical provisions	(282,828)			
80300I	Loss-absorbing capacity of deferred tax	(335,287)			
80400I	Other Adjustments	46,369			

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	4,707,056
Diversification	R0060	(1,301,849)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**3,405,207**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**3,405,207**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(1,835,508)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(335,287)
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,257,600
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	1,217,242
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	1,700,210
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

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

Calculation of loss absorbing capacity of deferred taxes

		LAC DT C0130
Amount/estimate of LAC DT	R0640	(335,287,420)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	(335,287,420)
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	(335,287,420)

APPENDIX 2 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLL continued

APPENDIX 2.7 – S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for life insurance and reinsurance obligations

		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR calculation Life		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	5,648,517	
Obligations with profit participation – future discretionary benefits	R0220	5,090,293	
Index-linked and unit-linked insurance obligations	R0230	20,860,567	
Other life (re)insurance and health (re)insurance obligations	R0240	16,654,682	
Total capital at risk for all life (re)insurance obligations	R0250		10,705,864

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		447,566

Overall MCR calculation

		C0070
Linear MCR	R0300	447,566
SCR	R0310	3,405,207
MCR cap	R0320	1,532,343
MCR floor	R0330	851,302
Combined MCR	R0340	851,302
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	**R0400**	**851,302**

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLAL

APPENDIX 3.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**13,976,694**
Property (other than for own use)	R0080	25,486
Holdings in related undertakings, including participations	*R0090*	*7,331,308*
Equities	R0100	87,859
Equities - listed	R0110	86,585
Equities - unlisted	R0120	1,274
Bonds	R0130	4,356,186
Government Bonds	R0140	2,778,121
Corporate Bonds	R0150	1,543,468
Structured notes	R0160	45
Collateralised securities	R0170	34,553
Collective Investments Undertakings	R0180	1,384,725
Derivatives	R0190	765,718
Deposits other than cash equivalents	R0200	25,411
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	314,965
Loans and mortgages	**R0230**	**17,661**
Loans on policies	R0240	6,387
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	11,274
Reinsurance recoverables from:	**R0270**	**2,473,894**
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	874,458
Health similar to life	R0320	1,722
Life excluding health and index-linked and unit-linked	R0330	872,736
Life index-linked and unit-linked	R0340	1,599,436
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	410
Reinsurance receivables	R0370	86
Receivables (trade, not insurance)	R0380	270,604
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	39,291
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**17,093,605**

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLAL continued
APPENDIX 3.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**12,077,056**
Technical provisions - health (similar to life)	**R0610**	**2,084**
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	2,084
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	**12,074,972**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	12,042,688
Risk margin	R0680	32,284
Technical provisions - index-linked and unit-linked	**R0690**	**1,860,842**
Technical provisions calculated as a whole	R0700	1,878,288
Best estimate	R0710	(23,324)
Risk margin	R0720	5,878
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	7,390
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	81,535
Derivatives	R0790	20,177
Debts owed to credit institutions	R0800	683,888
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	106,405
Reinsurance payables	R0830	7,960
Payables (trade, not insurance)	R0840	42,599
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**14,887,852**
Excess of assets over liabilities	**R1000**	**2,205,752**

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLAL continued

APPENDIX 3.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	667	35,369	5,692	186,856				117	228,701
Reinsurers' share	R1420	645	8	5,114	2,463					8,229
Net	**R1500**	**23**	**35,361**	**578**	**184,393**				**117**	**220,472**
Premiums earned										
Gross	R1510	667	35,369	5,692	186,856				117	228,701
Reinsurers' share	R1520	645	8	5,114	2,463					8,229
Net	**R1600**	**23**	**35,361**	**578**	**184,393**				**117**	**220,472**
Claims incurred										
Gross	R1610	74	669,454	139,956	228,383				9,472	1,047,340
Reinsurers' share	R1620	(15)	1,919	106,207	103,117					211,228
Net	**R1700**	**89**	**667,535**	**33,750**	**125,266**				**9,472**	**836,112**
Changes in other technical provisions										
Gross	R1710	12	(21,288)	(5,561)	(104,373)				(4,690)	(135,900)
Reinsurers' share	R1720			(6,450)	66,020					59,570
Net	**R1800**	**12**	**(21,288)**	**889**	**(170,393)**				**(4,690)**	**(195,470)**
Expenses incurred	**R1900**	**10**	**66,961**	**4,548**	**29,755**					**101,274**
Other expenses	**R2500**									
Total expenses	**R2600**									**101,274**

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLAL continued

APPENDIX 3.3 – S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance				Other life insurance						Health insurance (direct business)				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**		1,878,288								**1,878,288**						
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		1,563,337								**1,563,337**						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	9,359,858		(51,382)	4,139		2,717,964	176,167		145,336	**12,352,082**		2,102				**2,102**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			35,969	130		872,736				**908,835**		1,722				**1,722**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	**9,359,858**		**(87,351)**	**4,009**		**1,845,227**	**176,167**		**145,336**	**11,443,247**		**381**				**381**
Risk Margin	**R0100**	407,966	9,175			159,079				1,333	577,552						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120	(303,730)		(3,336)			(15,440)	(7,028)		(3,185)	**(332,718)**		(19)				**(19)**
Risk margin	R0130	(385,529)	(3,110)			(149,760)				(991)	**(539,390)**						
Technical provisions - total	**R0200**	**9,078,565**	**1,833,775**			**2,880,982**				**142,493**	**13,935,815**	**2,084**					**2,084**

APPENDIX 3.4 – S.22.01.21 Impact of long term guarantees measures and transitionals

		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**	13,937,898	872,127			107,904
Basic own funds	**R0020**	1,907,014	(669,813)			(107,904)
Eligible own funds to meet Solvency Capital Requirement	**R0050**	1,907,014	(669,813)			(107,904)
Solvency Capital Requirement	**R0090**	1,372,074	48,548			111,420
Eligible own funds to meet Minimum Capital Requirement	**R0100**	1,907,014	(669,813)			(107,904)
Minimum Capital Requirement	**R0110**	343,019	12,137			27,855

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLAL continued

APPENDIX 3.5 – S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**342,109**	342,109			
Share premium account related to ordinary share capital	R0030	**40,716**	40,716			
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	**897,117**	897,117			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**627,071**	627,071			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**1,907,014**	**1,907,014**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

APPENDIX 3 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PLAL continued
APPENDIX 3.5 – S.23.01.01 Own funds continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**1,907,014**	**1,907,014**			
Total available own funds to meet the MCR	**R0510**	**1,907,014**	**1,907,014**			
Total eligible own funds to meet the SCR	**R0540**	**1,907,014**	**1,907,014**			
Total eligible own funds to meet the MCR	**R0550**	**1,907,014**	**1,907,014**			
SCR	**R0580**	**1,372,074**				
MCR	**R0600**	**343,019**				
Ratio of Eligible own funds to SCR	**R0620**	**139%**				
Ratio of Eligible own funds to MCR	**R0640**	**556%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**2,205,752**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**1,279,943**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	**298,739**
Reconciliation reserve	**R0760**	**627,071**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	14,720
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**14,720**

APPENDIX 3 – PLAL PUBLIC DISCLOSURE REPORT continued

APPENDIX 3.6 – S.25.03.21 Solvency Capital Requirement – for undertakings on Full Internal Models (Annual Solo)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
C0010	C0020	C0030	C0070	C0080	C0090
10700I	Market Spread Risk	574,146			
11000I	Market risk excluding spread risk	364,295			
19900I	Diversification within Market Risk	(82,773)			
20000I	Counterparty Risk	13,534			
30000I	Life underwriting Risk	892,364			
70100I	Operational Risk	129,282			
80150I	Other Risks				
80190I	Other Risks	11,943			
80200I	Loss-absorbing capacity of technical provisions	(14,861)			
80300I	Loss-absorbing capacity of deferred tax	(58,510)			
80400I	Other Adjustments				

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	1,829,420
Diversification	R0060	(457,346)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional)	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**1,372,074**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**1,372,074**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(982,338)
Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	R0310	(58,510)
For information only:		
Estimate of loss-absorbing capacity ot technical provisions if modelled within components		
Estimate of loss-absorbing capacity ot deferred tax if modelled within components		
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	157,246
Total amount of Notional Solvency Capital Requirements for ring fenced funds (other than those related to business operated in accordance with Art. 4 of Directive 2003/41/EC (transitional))	R0420	1,234,681
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	279,633
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

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

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	(58,510)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	(58,510)
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	(58,510)

APPENDIX 3 – PLAL PUBLIC DISCLOSURE REPORT continued

APPENDIX 3.7 – S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR calculation Life		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	6,829,864	
Obligations with profit participation - future discretionary benefits	R0220	2,342,513	
Index-linked and unit-linked insurance obligations	R0230	255,528	
Other life (re)insurance and health (re)insurance obligations	R0240	1,997,937	
Total capital at risk for all life (re)insurance obligations	R0250		2,516,400

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		176,401

Overall MCR calculation		C0070
Linear MCR	R0300	176,401
SCR	R0310	1,372,074
MCR cap	R0320	617,433
MCR floor	R0330	343,019
Combined MCR	R0340	343,019
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	R0400	343,019

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL

APPENDIX 4.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	3,650
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**28,882,394**
Property (other than for own use)	R0080	393,999
Holdings in related undertakings, including participations	*R0090*	*3,336,593*
Equities	R0100	2,553,852
Equities – listed	R0110	2,553,852
Equities – unlisted	R0120	
Bonds	R0130	18,446,316
Government Bonds	R0140	4,581,332
Corporate Bonds	R0150	13,770,484
Structured notes	R0160	59,190
Collateralised securities	R0170	35,310
Collective Investments Undertakings	R0180	3,667,945
Derivatives	R0190	483,689
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	36,450,480
Loans and mortgages	**R0230**	**2,331,160**
Loans on policies	R0240	3,337
Loans and mortgages to individuals	R0250	163
Other loans and mortgages	R0260	2,327,660
Reinsurance recoverables from:	**R0270**	**1,042,034**
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	489,082
Health similar to life	R0320	3,000
Life excluding health and index-linked and unit-linked	R0330	486,082
Life index-linked and unit-linked	R0340	552,952
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	166,539
Reinsurance receivables	R0370	17,066
Receivables (trade, not insurance)	R0380	233,338
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	274,185
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**69,400,846**

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued

APPENDIX 4.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	**25,883,265**
Technical provisions – health (similar to life)	**R0610**	**159,638**
Technical provisions calculated as a whole	R0620	16,651
Best estimate	R0630	140,448
Risk margin	R0640	2,539
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**25,723,626**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	25,102,117
Risk margin	R0680	621,510
Technical provisions – index-linked and unit-linked	**R0690**	**35,764,347**
Technical provisions calculated as a whole	R0700	36,826,814
Best estimate	R0710	(1,244,214)
Risk margin	R0720	181,747
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	22,116
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	96,760
Deferred tax liabilities	R0780	373,274
Derivatives	R0790	62,089
Debts owed to credit institutions	R0800	355,494
Financial liabilities other than debts owed to credit institutions	R0810	242,935
Insurance & intermediaries payables	R0820	524,311
Reinsurance payables	R0830	16,553
Payables (trade, not insurance)	R0840	197,288
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**63,538,432**
Excess of assets over liabilities	**R1000**	**5,862,415**

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued

APPENDIX 4.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	24,104	12,958	360,492	231,839			34	85,957	715,384
Reinsurers' share	R1420	467			243,665					244,131
Net	**R1500**	**23,637**	**12,958**	**360,492**	**(11,826)**			**34**	**85,957**	**471,252**
Premiums earned										
Gross	R1510	24,104	12,958	360,492	231,839			34	85,957	715,384
Reinsurers' share	R1520	467			243,665					244,131
Net	**R1600**	**23,637**	**12,958**	**360,492**	**(11,826)**			**34**	**85,957**	**471,252**
Claims incurred										
Gross	R1610	64,165	337,472	1,819,376	1,182,476			60	5,564	3,409,114
Reinsurers' share	R1620	259			313,917					314,176
Net	**R1700**	**63,906**	**337,472**	**1,819,376**	**868,559**			**60**	**5,564**	**3,094,938**
Changes in other technical provisions										
Gross	R1710	81,388	814,413	160,276	(564,430)				(93,734)	397,913
Reinsurers' share	R1720	260	(361)	(27,739)	23,661					(4,180)
Net	**R1800**	**81,128**	**814,774**	**188,016**	**(588,090)**				**(93,734)**	**402,093**
Expenses incurred	**R1900**	**4,077**	**17,839**	**43,257**	**59,136**					**124,309**
Other expenses	**R2500**									**7,216**
Total expenses	**R2600**									**131,526**

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued

APPENDIX 4.3 – S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)	Health insurance (direct business): Contracts without options and guarantees	Health insurance (direct business): Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**		36,783,687							**43,127**	**36,826,814**	16,651					**16,651**
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		552,952								**552,952**						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	10,932,900		(1,256,039)	11,825		13,599,373	708,120		(138,276)	**23,857,903**		140,175			273	**140,448**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	3,231					482,851				**486,082**		3,000				**3,000**
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	**10,929,669**		**(1,256,039)**	**11,825**		**13,116,522**	**708,120**		**(138,276)**	**23,371,821**		**137,175**			**273**	**137,448**
Risk Margin	**R0100**	74,412	250,301			977,479				78,450	1,380,641	6,212					6,212
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120																
Risk margin	R0130	(14,034)	(68,554)			(494,704)				(94)	**(577,385)**	(3,673)					**(3,673)**
Technical provisions – total	**R0200**	**10,993,278**	**35,721,220**			**14,790,268**				**(16,793)**	**61,487,973**	**159,365**				273	**159,638**

APPENDIX 4.4 – S.22.01.21 Impact of long term guarantees measures and transitionals

		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**	61,647,612	581,058		26,318	990,449
Basic own funds	**R0020**	5,183,583	(459,617)		(11,222)	(808,485)
Eligible own funds to meet Solvency Capital Requirement	**R0050**	5,183,583	(459,617)		(11,222)	(808,485)
Solvency Capital Requirement	**R0090**	2,806,930	105,874		9,252	850,638
Eligible own funds to meet Minimum Capital Requirement	**R0100**	5,183,583	(459,617)		(11,222)	(829,832)
Minimum Capital Requirement	**R0110**	701,733	26,468		2,313	212,659

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued

APPENDIX 4.5 – S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**386,977**	386,977			
Share premium account related to ordinary share capital	R0030	**133,966**	133,966			
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	**1,310,592**	1,310,592			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**3,352,048**	3,352,048			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**5,183,583**	**5,183,583**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued
APPENDIX 4.5 – S.23.01.01 Own funds continued

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**5,183,583**	**5,183,583**			
Total available own funds to meet the MCR	**R0510**	**5,183,583**	**5,183,583**			
Total eligible own funds to meet the SCR	**R0540**	**5,183,583**	**5,183,583**			
Total eligible own funds to meet the MCR	**R0550**	**5,183,583**	**5,183,583**			
SCR	**R0580**	**2,806,930**				
MCR	**R0600**	**701,733**				
Ratio of Eligible own funds to SCR	**R0620**	**185%**				
Ratio of Eligible own funds to MCR	**R0640**	**739%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**5,862,415**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**1,831,535**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	**678,832**
Reconciliation reserve	**R0760**	**3,352,048**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	694,956
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**694,956**

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued

APPENDIX 4.6 – S.25.01.01 Solvency Capital Requirement – for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	2,114,117		
Counterparty default risk	R0020	21,293		
Life underwriting risk	R0030	1,588,341		
Health underwriting risk	R0040	20,621		
Non-life underwriting risk	R0050			
Diversification	R0060	(786,336)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**2,958,036**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	155,820
Loss-absorbing capacity of technical provisions	R0140	(567,624)
Loss-absorbing capacity of deferred taxes	R0150	(311,770)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	2,806,930
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	2,806,930
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	880,235
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	413,968
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	1,512,726
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	(2) No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	(311,770)
LAC DT justified by reversion of deferred tax liabilities	R0650	(271,003)
LAC DT justified by reference to probable future taxable economic profit	R0660	15,242
LAC DT justified by carry back, current year	R0670	(56,009)
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	(311,770)

APPENDIX 4 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RAL continued

APPENDIX 4.7 – S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR calculation Life		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210	7,353,905	
Obligations with profit participation – future discretionary benefits	R0220	3,611,983	
Index-linked and unit-linked insurance obligations	R0230	35,029,648	
Other life (re)insurance and health (re)insurance obligations	R0240	13,978,741	
Total capital at risk for all life (re)insurance obligations	R0250		10,068,484

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		630,080

Overall MCR calculation		C0070
Linear MCR	R0300	630,080
SCR	R0310	2,806,930
MCR cap	R0320	1,263,119
MCR floor	R0330	701,733
Combined MCR	R0340	701,733
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	R0400	701,733

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL

APPENDIX 5.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	655
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**421,926**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	7
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*111,294*
Government Bonds	R0140	111,294
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	310,625
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	7,293,311
Loans and mortgages	**R0230**	**69,107**
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	69,107
Reinsurance recoverables from:	**R0270**	**548,478**
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	900,574
Health similar to life	R0320	(7,979)
Life excluding health and index-linked and unit-linked	R0330	908,553
Life index-linked and unit-linked	R0340	(352,096)
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	25,511
Reinsurance receivables	R0370	28,361
Receivables (trade, not insurance)	R0380	25,192
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	17,751
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**8,430,293**

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued
APPENDIX 5.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**910,233**
Technical provisions - health (similar to life)	**R0610**	**(508)**
Technical provisions calculated as a whole	R0620	6,272
Best estimate	R0630	(6,951)
Risk margin	R0640	172
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	**910,741**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	910,741
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	**6,931,727**
Technical provisions calculated as a whole	R0700	7,264,204
Best estimate	R0710	(337,206)
Risk margin	R0720	4,729
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	64,500
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	680
Insurance & intermediaries payables	R0820	140,020
Reinsurance payables	R0830	125,434
Payables (trade, not insurance)	R0840	20,400
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**8,192,993**
Excess of assets over liabilities	**R1000**	**237,300**

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued

APPENDIX 5.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	9,506		138,235	68,689					216,430
Reinsurers' share	R1420	6,718		84,220	133,851					224,790
Net	**R1500**	**2,787**		**54,015**	**(65,162)**					**(8,359)**
Premiums earned										
Gross	R1510	9,506		141,334	68,689					219,528
Reinsurers' share	R1520	6,718		84,220	133,851					224,790
Net	**R1600**	**2,787**		**57,113**	**(65,162)**					**(5,261)**
Claims incurred										
Gross	R1610	9,964		2,246,138	31,729					2,287,832
Reinsurers' share	R1620	6,983		816,581	26,086					849,650
Net	**R1700**	**2,981**		**1,429,557**	**5,643**					**1,438,181**
Changes in other technical provisions										
Gross	R1710	(19,125)		1,903,082	(366,838)					1,517,119
Reinsurers' share	R1720	(24,094)		719,619	(383,608)					311,916
Net	**R1800**	**4,969**		**1,183,463**	**16,770**					**1,205,202**
Expenses incurred	**R1900**	**2,152**		**67,567**	**18,080**					**87,798**
Other expenses	**R2500**									**571**
Total expenses	**R2600**									**88,369**

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued

APPENDIX 5.3 – S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance				Other life insurance						Health insurance (direct business)				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**		7,264,204								**7,264,204**	6,272					**6,272**
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		17,079								**17,079**						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**			3,178	(340,384)		1,657	909,084			**573,535**			(6,951)			**(6,951)**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080			3,166	(372,341)		1,633	906,920			**539,378**			(7,979)			**(7,979)**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090			**12**	**31,957**		**24**	**2,164**			**34,157**			**1,027**			**1,027**
Risk Margin	**R0100**		4,729								4,729	172					172
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120																
Risk margin	R0130																
Technical provisions - total	**R0200**		**6,931,727**			**910,741**					**7,842,468**	**(508)**					**(508)**

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued

APPENDIX 5.4 – S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**64,456**	64,456			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**172,844**	172,844			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**237,300**	**237,300**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued

APPENDIX 5.4 – S.23.01.01 Own funds continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**237,300**	**237,300**			
Total available own funds to meet the MCR	**R0510**	**237,300**	**237,300**			
Total eligible own funds to meet the SCR	**R0540**	**237,300**	**237,300**			
Total eligible own funds to meet the MCR	**R0550**	**237,300**	**237,300**			
SCR	**R0580**	**19,925**				
MCR	**R0600**	**8,966**				
Ratio of Eligible own funds to SCR	**R0620**	**1,191%**				
Ratio of Eligible own funds to MCR	**R0640**	**2,647%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**237,300**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**64,456**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**172,844**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	112,295
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**112,295**

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued

APPENDIX 5.5 – S.25.01.01 Solvency Capital Requirement – for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	3,891		
Counterparty default risk	R0020	3,486		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050			
Diversification	R0060	(1,540)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**5,837**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	14,088
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	19,925
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	19,925
Other information on SCR		
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 Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	(2) No

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	
LAC DT justified by reversion of deferred tax liabilities	R0650	(1,558)
LAC DT justified by reference to probable future taxable economic profit	R0660	(1,558)
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

APPENDIX 5 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – RLL continued

APPENDIX 5.6 – S.28.01.01 Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230	7,279,094	
Other life (re)insurance and health (re)insurance obligations	R0240	9,487	
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		51,153

Overall MCR calculation		C0070
Linear MCR	R0300	51,153
SCR	R0310	19,925
MCR cap	R0320	8,966
MCR floor	R0330	4,981
Combined MCR	R0340	8,966
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	**R0400**	**8,966**

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI)

APPENDIX 6.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**13,081**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	13,081
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	
Non-life and health similar to non-life	R0280	
Non-life excluding health	R0290	
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	564
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	50
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**13,695**

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI) continued
APPENDIX 6.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
Technical provisions - index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	1,570
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	7,865
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**9,435**
Excess of assets over liabilities	**R1000**	**4,260**

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI) continued

APPENDIX 6.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	Total
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110																	
Gross - Proportional reinsurance accepted	R0120																	
Gross - Non-proportional reinsurance accepted	R0130																	
Reinsurers' share	R0140																	
Net	**R0200**																	
Premiums earned																		
Gross - Direct Business	R0210																	
Gross - Proportional reinsurance accepted	R0220																	
Gross - Non-proportional reinsurance accepted	R0230																	
Reinsurers' share	R0240																	
Net	**R0300**																	
Claims incurred																		
Gross - Direct Business	R0310																	
Gross - Proportional reinsurance accepted	R0320																	
Gross - Non-proportional reinsurance accepted	R0330																	
Reinsurers' share	R0340																	
Net	**R0400**																	
Changes in other technical provisions																		
Gross - Direct Business	R0410																	
Gross - Proportional reinsurance accepted	R0420																	
Gross - Non-proportional reinsurance accepted	R0430																	
Reinsurers' share	R0440																	
Net	**R0500**																	
Expenses incurred	**R0550**												1,199					**1,199**
Other expenses	R1200																	
Total expenses	**R1300**																	

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI) continued

APPENDIX 6.3 – S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**3,000**	3,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**1,260**	1,260			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**4,260**	**4,260**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI) continued

APPENDIX 6.3 – S.23.01.01 Own funds continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**4,260**	**4,260**			
Total available own funds to meet the MCR	**R0510**	**4,260**	**4,260**			
Total eligible own funds to meet the SCR	**R0540**	**4,260**	**4,260**			
Total eligible own funds to meet the MCR	**R0550**	**4,260**	**4,260**			
SCR	**R0580**	**1,543**				
MCR	**R0600**	**3,338**				
Ratio of Eligible own funds to SCR	**R0620**	**276%**				
Ratio of Eligible own funds to MCR	**R0640**	**128%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**4,260**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**3,000**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**1,260**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI) continued

APPENDIX 6.4 – S.25.03.21 Solvency Capital Requirement – for undertakings on Full Internal Models (Annual Solo)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
70100I	Operational	1,543

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	1,543
Diversification	R0060	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**1,543**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**1,543**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
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	

Approach to tax rate

		Yes/No
Approach based on average tax rate	R0590	

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	

APPENDIX 6 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – PA(GI) continued

APPENDIX 6.5 – S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

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

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		

Overall MCR calculation		C0070
Linear MCR	R0300	
SCR	R0310	1,543
MCR cap	R0320	694
MCR floor	R0330	386
Combined MCR	R0340	386
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	**R0400**	**3,338**

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL

APPENDIX 7.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	6,775
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**48,289,845**
Property (other than for own use)	R0080	387,046
Holdings in related undertakings, including participations	R0090	25,019,208
Equities	*R0100*	*85,773*
Equities - listed	R0110	
Equities - unlisted	R0120	85,773
Bonds	*R0130*	*18,150,939*
Government Bonds	R0140	9,098,333
Corporate Bonds	R0150	8,892,533
Structured notes	R0160	39,974
Collateralised securities	R0170	120,100
Collective Investments Undertakings	R0180	913,530
Derivatives	R0190	3,620,361
Deposits other than cash equivalents	R0200	112,987
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	90,564,732
Loans and mortgages	**R0230**	**1,091,209**
Loans on policies	R0240	483
Loans and mortgages to individuals	R0250	15,293
Other loans and mortgages	R0260	1,075,433
Reinsurance recoverables from:	**R0270**	**7,146,083**
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	3,607,268
Health similar to life	R0320	6,893
Life excluding health and index-linked and unit-linked	R0330	3,600,375
Life index-linked and unit-linked	R0340	3,538,815
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	31,650
Reinsurance receivables	R0370	931
Receivables (trade, not insurance)	R0380	332,825
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	52,916
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**147,516,965**

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued
APPENDIX 7.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions - non-life	**R0510**	
Technical provisions - non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions - health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	**42,257,859**
Technical provisions - health (similar to life)	**R0610**	**58,156**
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	58,156
Risk margin	R0640	
Technical provisions - life (excluding health and index-linked and unit-linked)	**R0650**	**42,199,703**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	41,979,319
Risk margin	R0680	220,384
Technical provisions - index-linked and unit-linked	**R0690**	**91,736,121**
Technical provisions calculated as a whole	R0700	94,111,374
Best estimate	R0710	(2,544,379)
Risk margin	R0720	169,126
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	21,037
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	3,652,846
Deferred tax liabilities	R0780	487,245
Derivatives	R0790	355,927
Debts owed to credit institutions	R0800	4,063
Financial liabilities other than debts owed to credit institutions	R0810	236,244
Insurance & intermediaries payables	R0820	245,980
Reinsurance payables	R0830	49,673
Payables (trade, not insurance)	R0840	3,106,556
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**142,153,551**
Excess of assets over liabilities	**R1000**	**5,363,414**

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	1,859	121,363	7,253,492	160,027			3	686,069	8,222,814
Reinsurers' share	R1420	1,366	2	1	14,065				16,019	31,453
Net	**R1500**	**493**	**121,361**	**7,253,491**	**145,962**			**3**	**670,050**	**8,191,361**
Premiums earned										
Gross	R1510	1,859	121,363	7,253,492	160,027			3	686,069	8,222,814
Reinsurers' share	R1520	1,366	2	1	14,065				16,019	31,453
Net	R1600	493	121,361	7,253,491	145,962			3	670,050	8,191,361
Claims incurred										
Gross	R1610	1,672	1,021,867	8,733,225	1,019,095			1,768	761,119	11,538,746
Reinsurers' share	R1620	498			399,927			297	76,906	477,628
Net	**R1700**	**1,174**	**1,021,867**	**8,733,225**	**619,168**			**1,470**	**684,213**	**11,061,118**
Changes in other technical provisions										
Gross	R1710	2,080	916,519	(2,901,471)	30,571			(2,230)	(1,376,981)	(3,331,511)
Reinsurers' share	R1720	369			290,203				60,887	351,458
Net	**R1800**	**1,711**	**916,519**	**(2,901,471)**	**(259,632)**			**(2,230)**	**(1,437,868)**	**(3,682,969)**
Expenses incurred	**R1900**	**184**	**96,907**	**350,822**	**20,656**				**78,523**	**547,093**
Other expenses	**R2500**									
Total expenses	**R2600**									**547,093**

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.3 – S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)				
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**		92,178,786							**1,932,588**	**94,111,374**						
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		3,538,814								**3,538,814**						
Technical provisions calculated as a sum of BE and RM																	
Best Estimate																	
Gross Best Estimate	**R0030**	14,766,609			(2,321,964)			12,125,728		14,785,970	**39,356,342**			10,547		47,609	**58,156**
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080							3,600,375			**3,600,375**			6,893			**6,893**
Best estimate minus recoverables from reinsurance/SPV and Finite Re - total	R0090	**14,766,609**			**(2,321,964)**			**8,525,352**		**14,785,970**	**35,755,966**			**3,654**		**47,609**	**51,263**
Risk Margin	**R0100**	38,865	542,501			**720,031**				**167,663**	**1,469,061**						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120	67,163			(207,557)			155,526		63,466	**78,599**						
Risk margin	R0130	(12,112)	(373,507)			(581,054)				(112,877)	**(1,079,551)**						
Technical provisions - total	**R0200**	**14,860,525**	**89,818,260**			**12,420,231**				**16,836,809**	**133,935,825**	**10,547**				47,609	**58,156**

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.4 – S.22.01.21 Impact of long term guarantees measures and transitionals

		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**	133,993,980	1,000,952		139,626	583,546
Basic own funds	**R0020**	4,409,077	(888,467)		22,240	(411,411)
Eligible own funds to meet Solvency Capital Requirement	**R0050**	4,409,077	(888,467)		22,240	(411,411)
Solvency Capital Requirement	**R0090**	2,989,170			40,364	739,207
Eligible own funds to meet Minimum Capital Requirement	**R0100**	4,409,077	(888,467)		22,240	(411,411)
Minimum Capital Requirement	**R0110**	1,261,995	1,457		16,424	13,442

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued
APPENDIX 7.5 – S.23.01.01 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**21,184**	21,184			
Share premium account related to ordinary share capital	R0030	**117,219**	117,219			
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	**2,247,503**	2,247,503			
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**2,023,171**	2,023,171			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**4,409,077**	**4,409,077**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.5 – S.23.01.01 Own funds continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total available own funds to meet the SCR	**R0500**	**4,409,077**	**4,409,077**			
Total available own funds to meet the MCR	**R0510**	**4,409,077**	**4,409,077**			
Total eligible own funds to meet the SCR	**R0540**	**4,409,077**	**4,409,077**			
Total eligible own funds to meet the MCR	**R0550**	**4,409,077**	**4,409,077**			
SCR	**R0580**	**2,989,170**				
MCR	**R0600**	**1,261,995**				
Ratio of Eligible own funds to SCR	**R0620**	**148%**				
Ratio of Eligible own funds to MCR	**R0640**	**349%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**5,363,414**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**2,385,906**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	**954,337**
Reconciliation reserve	**R0760**	**2,023,171**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	719,247
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**719,247**

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.6 – S.25.03.21 Solvency Capital Requirement – for undertakings on Full Internal Models (Annual Solo)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1031AI	02 Other interest rate risk - UK FI PC1 down - Insurance	166,717
1032BI	07 Other interest rate risk - Euro FI PC1 up - Insurance	1,185,414
1034AI	03 Other interest rate risk - UK FI PC2 up - Insurance	61,080
1034BI	09 Other interest rate risk - Euro FI PC2 up - Insurance	323,369
1036AI	05 Other interest rate risk - UK FI PC3 up - Insurance	111,168
1036BI	11 Other interest rate risk - Euro FI PC3 up - Insurance	180,367
10399I	13 Other interest rate risk - Diversification - Insurance	(811,216)
10400I	14 Equity risk - Equity - Insurance	711,676
10600I	15 Property risk - Insurance	128,669
1071AI	16 Spread risk - Credit spread risk financials - Insurance	1,013,500
1071BI	17 Spread risk - Credit spread risk non-financials - Insurance	1,048,201
1071CI	18 Spread risk - Sovereign debt - Insurance	506,998
10760I	19 Spread risk - liability change due to matching adjustment	(878,035)
10799I	20 Spread risk - Diversification - Insurance	(240,774)
1090AI	22 Currency Risk - GBP & EUR currency - Insurance	370,545
1090BI	23 Currency Risk - GBP & non-EUR currencies - Insurance	330,735
10999I	24 Currency risk - Diversification - Insurance	(146,102)
11020I	25 Other market risk - Swaption Volatility - Insurance	72,734
11030I	26 Equity risk - Equity Basis risk - Insurance	112,775
19900	27 Diversification within market risk - Insurance and Pension Scheme	(2,137,594)
30100I	28 Mortality risk - Insurance	15,657
30210I	29 Longevity risk - mis-estimation risk - Insurance	179,016
30220I	30 Longevity risk - trend risk - Insurance	939,835
30300I	32 Disability-morbidity risk - Insurance	2,593
30400I	33 Mass lapse - SLAL Dependent Persistency - Insurance	809,923
30510I	34 Other lapse risk - SLAL Indepnt Persistency - sum groups A-C - Insurance	521,731
30610I	36 Expense risk - Company specific expense - Insurance	316,657
30620I	37 Expense risk - Economic expense - Insurance	260,976
30699I	38 Expense risk - Diversification - Insurance	(167,291)
30800I	39 Life catastrophe risk - Mortality & Morbidity Cat - Insurance	14,171
30900I	40 Other life underwriting risk - Proportions married - Insurance	48,757
39900	41 Diversification in life underwriting risk - Insurance & Pension Scheme	(1,380,525)
70100I	43 Operational risk - Insurance	513,781
80100I	44 Other risks - Insurance	210

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.6 – S.25.03.21 Solvency Capital Requirement – for undertakings on Full Internal Models (Annual Solo) continued

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	4,185,719
Diversification	R0060	(1,196,549)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**2,989,170**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**2,989,170**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	(2,994,215)
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	(415,868)
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	1,124,609
Total amount of Notional Solvency Capital Requirement for ring fenced funds	R0420	1,228,294
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	R0430	636,267
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

Approach to tax rate

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

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	(415,868)
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	(415,868)
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	(415,868)

APPENDIX 7 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLAL continued

APPENDIX 7.7 – S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		Non-life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR calculation Non Life		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	22,149,169	
Obligations with profit participation - future discretionary benefits	R0220	7,045,854	
Index-linked and unit-linked insurance obligations	R0230	88,028,182	
Other life (re)insurance and health (re)insurance obligations	R0240	8,948,481	
Total capital at risk for all life (re)insurance obligations	R0250		6,778,724

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		1,261,995

Overall MCR calculation		C0070
Linear MCR	R0300	1,261,995
SCR	R0310	2,989,170
MCR cap	R0320	1,345,127
MCR floor	R0330	747,293
Combined MCR	R0340	1,261,995
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	**R0400**	**1,261,995**

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF

APPENDIX 8.1 – S.02.01.02 Balance Sheet

		Solvency II value C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**11,026**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities – listed	R0110	
Equities – unlisted	R0120	
Bonds	*R0130*	
Government Bonds	R0140	
Corporate Bonds	R0150	
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	11,026
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**9,505**
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	9,505
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	9,505
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	
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	1
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**20,533**

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued
APPENDIX 8.1 – S.02.01.02 Balance Sheet continued

		Solvency II value C0010
Liabilities		
Technical provisions – non-life	**R0510**	
Technical provisions – non-life (excluding health)	**R0520**	
Technical provisions calculated as a whole	R0530	
Best estimate	R0540	
Risk margin	R0550	
Technical provisions – health (similar to non-life)	**R0560**	
Technical provisions calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	**11,047**
Technical provisions – health (similar to life)	**R0610**	
Technical provisions calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	**11,047**
Technical provisions calculated as a whole	R0660	
Best estimate	R0670	10,017
Risk margin	R0680	1,030
Technical provisions – index-linked and unit-linked	**R0690**	
Technical provisions calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Other technical provisions	R0730	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	
Payables (trade, not insurance)	R0840	13
Subordinated liabilities	**R0850**	
Subordinated liabilities not in Basic Own Funds	R0860	
Subordinated liabilities in Basic Own Funds	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**11,060**
Excess of assets over liabilities	**R1000**	**9,473**

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued

APPENDIX 8.2 – S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: life insurance obligations						Life reinsurance obligations		
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410									
Reinsurers' share	R1420									
Net	**R1500**									
Premiums earned										
Gross	R1510									
Reinsurers' share	R1520									
Net	**R1600**									
Claims incurred										
Gross	R1610				571					571
Reinsurers' share	R1620				571					571
Net	**R1700**									
Changes in other technical provisions										
Gross	R1710				(162)					(162)
Reinsurers' share	R1720				(162)					(162)
Net	**R1800**									
Expenses incurred	**R1900**				**171**					**171**
Other expenses	**R2500**									
Total expenses	**R2600**									**171**

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued

APPENDIX 8.3 – S.12.01.02 Life and Health SLT Technical Provisions

			Index-linked and unit-linked insurance			Other life insurance						Health insurance (direct business)					
		Insurance with profit participation		Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)		Contracts without options and guarantees	Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
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**							10,017			**10,017**						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080							9,505			**9,505**						
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090							**511**			**511**						
Risk Margin	**R0100**					**1,030**					1,030						
Amount of the transitional on Technical Provisions																	
Technical Provisions calculated as a whole	R0110																
Best estimate	R0120																
Risk margin	R0130																
Technical provisions – total	**R0200**					**11,047**					**11,047**						

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued
APPENDIX 8.4 – S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	**50**	50			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**9,423**	9,423			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**9,473**	**9,473**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued

APPENDIX 8.4 – S.23.01.01 Own funds continued

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**9,473**	**9,473**			
Total available own funds to meet the MCR	**R0510**	**9,473**	**9,473**			
Total eligible own funds to meet the SCR	**R0540**	**9,473**	**9,473**			
Total eligible own funds to meet the MCR	**R0550**	**9,473**	**9,473**			
SCR	**R0580**	**1,729**				
MCR	**R0600**	**3,338**				
Ratio of Eligible own funds to SCR	**R0620**	**548%**				
Ratio of Eligible own funds to MCR	**R0640**	**284%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**9,473**
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**50**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	**R0760**	**9,423**
Expected profits		
Expected profits included in future premiums (EPIFP) – Life Business	R0770	
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	
Total Expected profits included in future premiums (EPIFP)	**R0790**	

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued

APPENDIX 8.5 – S.25.03.21 Solvency Capital Requirement – for undertakings on Full Internal Models (Annual Solo)

Unique number of component	Components description	Calculation of the Solvency Capital Requirement
C0010	C0020	C0030
1071AI	16 Spread risk – Credit spread risk financials – Insurance	1,724
30610I	36 Expense risk – Company specific expense – Insurance	39

Calculation of Solvency Capital Requirement

		C0100
Total undiversified components	R0110	1,763
Diversification	R0060	(33)
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**1,729**
Capital add-ons already set	R0210	
Solvency capital requirement	**R0220**	**1,729**
Other information on SCR		
Amount/estimate of the overall loss-absorbing capacity of technical provisions	R0300	
Amount/estimate of the overall loss-absorbing capacity of deferred taxes	R0310	
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	

Approach to tax rate

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

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
Amount/estimate of LAC DT	R0640	
Amount/estimate of LAC DT justified by reversion of deferred tax liabilities	R0650	
Amount/estimate of LAC DT justified by reference to probable future taxable economic profit	R0660	
Amount/estimate of LAC DT justified by carry back, current year	R0670	
Amount/estimate of LAC DT justified by carry back, future years	R0680	
Amount/estimate of Maximum LAC DT	R0690	

APPENDIX 8 – QUANTITATIVE REPORTING TEMPLATES (31 DECEMBER 2020) – SLPF continued

APPENDIX 8.6 – S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
MCR calculation Non Life		C0050	C0060
Obligations with profit participation – guaranteed benefits	R0210		
Obligations with profit participation – future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240	511	
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		11

Overall MCR calculation

		C0070
Linear MCR	R0300	11
SCR	R0310	1,729
MCR cap	R0320	778
MCR floor	R0330	432
Combined MCR	R0340	432
Absolute floor of the MCR	R0350	3,338

		C0070
Minimum Capital Requirement	**R0400**	**3,338**

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