Solvency and Financial Condition Report 2020

The Canada Life Group (U.K.) Limited

Contents

List of abbreviations and acronyms

BAC	Board Audit Committee
Board	Board of Directors of the Company
BRC	Board Risk Committee
Brexit	The withdrawal of the United Kingdom from the European Union
CBI	Central Bank of Ireland
CFO	Chief Financial Officer
CIA	Chief Internal Auditor
C-IFRS	Canadian International Financial Reporting Standards (the financial reporting standard established by the Canadian Accounting Standards Board)
CLD	Canada Life Dublin dac
CLE	Canada Life Assurance Europe plc
CLG or the Company	The Canada Life Group (U.K.) Limited
CLIH	Canada Life International Holdings Limited
CLIHC	Canada Life Irish Holding Company Limited
CLIAI	Canada Life International Assurance Ireland dac
CLL	Canada Life Limited
CLP	Canada Life Platform Limited
CLReI	Canada Life Re Ireland dac
CRO	Chief Risk Officer
EIOPA	European Insurance and Occupational Pensions Authority
ERM	Equity Release Mortgages
FCA	Financial Conduct Authority
ILA, Irish Life	Irish Life Assurance plc
ILG	Irish Life Group Limited
ILH	Irish Life Health dac
LIBOR	London Interbank Offered Rate – an average of interest rates estimated by leading banks at which banks are willing to lend to each other
Lifeco	Great-West Lifeco Inc.
LLGR	London Life and General Reinsurance dac
MA	Matching Adjustment
MCR	Minimum Capital Requirement
MGMA	MGM Advantage Life Limited
MGMA Holdings	MGM Advantage Holdings Limited
NNEG	No Negative Equity Guarantee
ORSA	Own Risk and Solvency Assessment
PIM	Partial Internal Model
PRA	Prudential Regulation Authority
RA or Retirement Advantage	MGM Advantage Holdings Limited and its subsidiaries, acting under the trading name of Retirement Advantage
SCR	Solvency Capital Requirement
Stonehaven	Stonehaven UK Ltd
The Group, The Canada Life Group	The Canada Life Group (U.K.) Limited and its direct and indirect subsidiary companies
TMTP	Transitional Measure on Technical Provisions
VA	Volatility Adjustment

Summary

Purpose of the Solvency and Financial Condition Report

This report will assist customers and other stakeholders in understanding the regulatory capital and financial position of The Canada Life Group (U.K.) Limited (CLG or the Company) following the introduction of the EU Solvency II regulations for insurance and reinsurance companies on 1 January 2016.

This report was approved by the Board of Directors of the Company (Board), (see Directors' Responsibility Statement), and covers the business performance of the Company, its system of governance, the risk profile of the business, the Solvency II balance sheet valuation methodology and capital management position. It covers the year ended 31 December 2020.

In accordance with the Prudential Regulation Authority (PRA) requirements, Sections D (Valuation for Solvency Purposes) and E (Capital Management) have been audited, except where indicated. Sections A (Business and Performance), B (System of Governance) and C (Risk Profile) are unaudited. However, they have been reviewed by the auditor to consider whether they are materially consistent with the audited elements of the Solvency and Financial Condition Report (SFCR).

Further details of the audit can be found in the Report of the External Independent Auditor.

Company Information

In 2020, the Company has been the UK registered European insurance holding company for the Great-West Lifeco Inc. (Lifeco) regulated insurance and reinsurance companies in the EU.

The Company is the parent company of a group of European companies, including six insurance and reinsurance companies, whose principal activity during the year was the transacting of long-term life and health assurance. In addition, the Company owns a number of fund management companies, service companies, brokerages and other related companies.

Business and Performance Summary

The Company is a holding company and conducts no insurance business itself. It operates through a number of subsidiary companies based in the UK and Ireland. These subsidiary companies are separately regulated either by the PRA in the UK or the Central Bank of Ireland (CBI) in Ireland. The Company's main source of income is dividend receipts from its subsidiaries, along with loan interest received and income from its invested assets.

The Company does not prepare consolidated financial statements. Where financial statement data is required under the Solvency II regulations, it will provide aggregated data prepared on a Canadian International Financial Reporting Standards (C-IFRS) basis for the companies within The Canada Life Group (U.K) Limited. This approach has been agreed with the PRA. The extent to which these numbers have been subject to external audit is set out in section D.1.1.

There are no material differences between the scope of the data provided under C-IFRS and the scope of the Group as determined under Article 335 of the Delegated Regulation for Solvency II reporting.

In December 2019, the Company received approval from the PRA to use a Partial Internal Model (PIM) for the purpose of calculating its technical provisions. Solvency II regulations require that a group only has one approved internal model. The approved PIM is applicable to the Company and to one of its subsidiaries, Canada Life Limited (CLL). All other companies in the Group continue to use the standard formula model.

The ratio of the Company's available capital to its regulatory Solvency Capital Requirement (SCR) (unaudited) was 149% at 31 December 2020. This is prior to the impact of the annual stepdown (on 1 January 2021) in Transitional Measures on Technical Provisions (TMTPs) in CLL.

At 31 December Description	2020 £m	2019 £m
Tier 1 – unrestricted	4,296.3	4,848.5
Tier 2	1,071.6	952.4
Tier 3	34.4	0
Restrictions	(13.4)	(16.0)
Eligible Own Funds to meet SCR	5,388.8	5,784.9
Solvency Capital Requirement*	3,611.4	3,748.0
Solvency Capital Ratio	149.2%	154.4%
Minimum Capital Requirement	1,308.1	1,264.4
Minimum Capital Ratio	339.5%	395.6%

* SCR unaudited

Table 1: Own Funds and Solvency Capital Ratio

Major business events during 2020

On 31 January 2020 the UK formally exited the European Union ("Brexit") and entered into a transition period which came to an end on 31 December 2020. From this date CLG will no longer act as the EU Group holding company for Solvency II purposes. This role will now be taken by its two Irish based holding companies, CLIHC and Irish Life Group (ILG). These two companies will be subject to group supervision by the CBI going forward. CLG will continue to be subject to the equivalent group supervision by the PRA.

On 1 January 2020, MGMA Advantage Life Limited completed the transfer of its entire long-term insurance business to CLL. MGMA remained an insurer and was subject to Solvency II regulations until June 2020, when the PRA approved the removal of its insurance permissions. MGMA became solely regulated by the Financial Conduct Authority (FCA) as an investment firm from this date. In September 2020 MGMA then became a wholly owned subsidiary of CLG and in October 2020 MGMA was renamed to Canada Life Platform Limited (CLP). The principal activity of CLP is to act as a trust-based Self Invested Personal Pension (SIPP) operator for the provision of retirement income solutions in the UK.

At 31 December	2020 Solvency Ratio	2019 Solvency Ratio
Base	149%	154%
Base with no Matching Adjustment	90%	94%
Base with no Volatility Adjustment	147%	150%
Base with no transitional risk-free interest rate term structure	148%	153%
Base with no Transitional Measure on Technical Provisions	122%	112%

Table 2: Solvency impact of transitional adjustment and measures

The Company's financial performance on a C-IFRS basis resulted in a consolidated unaudited profit for the financial year, after taxation, of £370m (2019: £459m).

Business and Performance Summary in the Subsidiary Companies

Canada Life Limited

CLL continued with its strategy for completing profitable bulk annuities deals. A number of new deals were completed during the year totalling £528m, compared to £434m in 2019. CLL's profit after tax for 2020 was £149m (2019: £407m) on a UK GAAP basis. The reduction in profit in 2020 was due to changes in technical reserves following assumption changes and lower dividend receipts from subsidiary companies.

Irish Life Assurance

After tax, ILA's financial performance generated a profit for the financial year (excluding profits from the participating funds) of €97m (2019: €97m) on an EU IFRS basis. The profit for the current financial year is driven by favourable mortality and morbidity experience, unfavourable investment experience, and basis changes related to insurance contract liabilities.

Total Retail Life sales were behind in 2020 at €1,336m (2019: €1,647m). Annual premium equivalent sales were also behind at €218m (2019: €267m). 2020 saw investment sales slow across all distribution channels with low customer sentiment scores and uncertainty due to COVID-19 and Brexit being key contributing factors.

Corporate Life sales increased by 110% to €1,553m (2019: €739m). Annual premium equivalent sales increased to €433m (2019: €298m). This was mainly due to a number of large defined contribution sales in 2020.

Canada Life Assurance Europe (Germany)

Canada Life Assurance Europe plc (CLE) gross revenue premiums were €879 million in the year ended 31 December 2020 (2019: €842m). CLE is one of the leading companies acquiring new business in the German broker market. CLE has almost 544,000 policies in force as at 31 December 2020 (520,000 as at 31 December 2019). Profit for the year was €78m per Irish GAAP financial statements (2019: €29m). The increased profit in 2020 was primarily due to the favourable impact of assumption changes which was partially offset by the unfavourable impact on technical provisions of the in-period market performance and a reduction to the future investment rate return assumption.

Canada Life Re Ireland dac

In the year ended December 31, 2020, CLReI reported earnings before income taxes of £34.2m in its financial statements (2019: £66.2m). Underwriting income of £33.4m has decreased by £31.3m since the prior year. The primary drivers of the reduced underwriting result during 2020 was a reduction in earnings on UK Payout Annuity business. In addition to this, increased claims and incurred but not reported on the UK Group Life business as a result of COVID-19 negatively impacted in 2020.

Irish Life Health

At the end of 2020 Irish Life Health (ILH) had a 21% share of the Irish health insurance market and 472,989 customers. In 2020, ILH generated a profit before taxation of €19.5m, an increase of €26m on 2019. Financial performance has improved from the losses that were incurred in 2019 but has not yet reached the levels of previous years.

Canada Life International Assurance (Ireland) dac

CLIAI sells unit-linked life assurance bonds to UK residents through UK independent regulated intermediary channels. The main market for CLIAI is the UK. The company holds a 'Class A' Business licence with the Jersey Financial Services Commission to sell to Jersey residents through similar independent sales channels. New sales premiums in 2020 were £468m (2019: £882m). CLIAI reported a loss after tax in 2020 of £46k (2019: loss £2m) per IFRS financial statements. The improvement in financial performance in 2020 was largely driven by favourable foreign exchange movements.

System of Governance Summary

Responsibility for the CLG system of governance lies with the Board. The Board is accountable for establishing and maintaining policies at CLG level, and for ensuring that these group policies are applied to CLG's subsidiaries as appropriate. Each CLG subsidiary implements its own governance structures as appropriate to the entity.

The Board is responsible for amongst other things, setting the Company's strategy and risk appetite and overseeing executive implementation of that strategy. Risk governance in the Company is supported by the risk management framework, as described in the Board approved Enterprise Risk Management Policy. The Board sets risk policy for the Company in relation to the types and level of risk that the Company is prepared to assume.

The Company operates a three lines of defence model for risk management, the:

- first line of defence is the responsibility of operational departments as the owners and managers of the risks associated with their business activities;

- second line of defence is the responsibility of the risk, finance, actuarial and compliance functions as they challenge and provide oversight of the first line of defence; and
- third line of defence is the responsibility of the Internal Audit function. The function is fully independent from, and tests the effectiveness of the control framework for, both the first and second lines of defence.

The Company ensures that all the people who effectively run the Company or have other key functions, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The governance structure of the Company has not changed materially in the year to 31 December 2020. Ultimate responsibility for the performance and strategy of the Company resides with the Board of Directors and they delegate authority within the organisation as they see fit.

Risk Profile Summary

The Company's objective in the management of risk is to operate within risk appetite limits it sets itself. This supports the controlled delivery of the company's business objectives, in line with its risk strategy, ensuring a balanced approach to risk and reward.

The Company assesses its risk exposure by measuring its SCR (unaudited), using a combination of the Standard Formula and a PIM, which are the methods of calculating the amount of capital that the Company is required to hold against its risk profile. All companies in the group use the Standard Formula other than CLL and CLG itself, who have been authorised to use a PIM.

The SCR (unaudited) is split by risk category in the following table.

Solvency Capital Requirement	**2020 £m**	**2019 £m**
PIM Credit Risk	1,321	1,648
PIM Longevity Risk SCR	851	790
PIM Catastrophe Risk SCR	389	389
Market Risk	1,335	1,125
Life Underwriting Risk	1,045	543
Health Underwriting Risk	472	406
Counterparty Risk	118	95
Operational Risk	208	197
Non-Life	5	8
Diversification	(2,049)	(1,308)
Gross SCR*	**3,696**	**3,892**
Loss absorbing capacity of deferred tax (restricted)	(267)	(291)
Loss absorbing capacity of technical provisions	(12)	(13)
Adjustment due to Ring Fenced Funds	160	128
Capital Requirement for non-insurance entities (consolidated using the adjusted equity method)	33	32
Group SCR*	**3,611**	**3,748**

* SCR unaudited

Table 3: Solvency Capital Requirement by risk category

Note: all tables in this document use units of millions and thousands. Because we have rounded the figures, the totals in the tables may not equal the sum of the components exactly.

There was a decrease in the SCR over 2020. Although interest rate movements over the year led to an increase in the SCR, this was more than offset by the impact of the risks ceded from CLL under a new quota share reinsurance arrangement.

A detailed analysis of the Company's risk profile, including its appetite for risk, risk management techniques and sensitivity analysis, is provided in Section C of this report.

Valuation for Solvency Purposes Summary

The main focus of Solvency II reporting is the financial strength (capital resources) of the Company. An analysis of the valuation of the Group's assets and liabilities per the Solvency II balance sheet is provided in Section D.

For the purposes of reporting on business performance, the Company is part of the Lifeco group that reports results prepared in accordance with C-IFRS.

Capital Management Summary

The aim of the Company's Capital Management Operating Policy is to ensure the company has sufficient capital, reserves and liquidity to meet its liabilities as they fall due and to meet regulatory solvency requirements. The policy is reviewed annually and approved by the Board.

The company prepares its returns on a consolidated basis, using the consolidation methodology set out in the Solvency II regulations. For the financial consolidation, all companies in the Group are consolidated using Method 1, as agreed with the PRA.

We are required to report on any periods of non-compliance with the Minimum Capital Requirement (MCR) and significant non-compliance with the SCR (unaudited) during the reporting period. There have been no periods of non-compliance with the MCR or with the SCR (unaudited) during the 2020 reporting period.

The ratio of the Company's available capital to its regulatory SCR (unaudited) was 149.2% at 31 December 2020 (2019: 154.4%) indicating capital resources were in excess of the regulatory minimum.

Further details of how the Company manages its capital can be found in Section E.

A Business and Performance

A.1 Business

The Canada Life Group (U.K.) Limited is a private limited company. It is registered in England and Wales and incorporated in the United Kingdom. Its company registration number is 02228475.

The registered office is:

Canada Life Place
Potters Bar
Hertfordshire
EN6 5BA
United Kingdom

The Canada Life Group (U.K.) Limited is subject to Group Supervision led by the PRA.

The contact details for the PRA are:

20 Moorgate
London
EC2R 6DA
http://www.bankofengland.co.uk/pra/Pages/default.aspx

The external auditor is:

Deloitte LLP
3 Rivergate
Temple Quay
Bristol
BS1 6GD
https://www2.deloitte.com/uk/en.html

A.1.1 About The Canada Life Group (U.K.) Limited

In 2020, CLG has been the European insurance holding company for the EU regulated insurance and reinsurance companies within Lifeco.

CLG is a wholly owned subsidiary of Canada Life International Holdings Limited (CLIH), a company registered in Bermuda. CLIH owns 100% of the shares and has 100% of voting rights in CLG. CLIH is, in turn, a wholly owned subsidiary of The Canada Life Assurance Company, which is a wholly owned subsidiary of Lifeco, an international financial services holding company which is incorporated in Canada and listed on the Toronto Stock Exchange. Lifeco provides oversight of all Canadian, European and other global insurance and investment operations.

Lifeco and its subsidiaries have approximately $2.0 trillion Canadian dollars in consolidated assets under administration as at 31 December 2020 and are members of the Power Financial Corporation group of companies.

CLG is the parent of a group of companies whose principal activity is the transacting of ordinary long-term life assurance business, including six insurance and reinsurance undertakings which are regulated either by the PRA in the UK or by the CBI in Ireland. In addition, CLG owns a number of fund management companies, service companies, brokerages and other related companies.

A.1.2 Significant Business Events in 2020

A.1.2.1 Reinsurance Treaty in CLL

Effective from 1 April 2020, CLL reinsured a £2.5bn block of Compulsory Purchase Annuity business under a 90% quota share treaty with Canada Life Assurance Company, Barbados Branch (CLACBB), an internal reinsurer. This treaty replaces a longevity swap with the same internal reinsurer, which previously covered 50% of only the longevity risk on this portfolio.

A.1.2.2 Sale of IPSI

In August 2020, ILG completed the sale of its third-party administration solution business Irish Progressive Services International Limited (IPSI) to focus on the group's core business activity in Ireland. This follows the initial announcement of the sale in February 2020. The disposal generated a gain on sale and the proceeds were passed up as dividends.

A.1.2.3 Integration of MGMA Advantage Life

On 1 January 2020 pursuant to Part VII of the Financial Services and Markets Act 2000, approved by the High Court of Justice on 18 December 2019, MGMA Advantage Life Limited completed the transfer of its entire long-term insurance business to CLL.

MGMA remained an insurer and was subject to Solvency II regulations until June 2020, when the PRA approved the removal of its insurance permissions. MGMA became solely regulated by the FCA as an investment firm from this date.

In September 2020 MGMA Advantage Life Limited became a wholly owned subsidiary of CLG and in October 2020 MGMA was renamed to CLP. The principal activity of CLP is to act as a trust-based Self Invested Personal Pension (SIPP) operator for the provision of retirement income solutions in the UK.

CLP is consolidated in CLG's Solvency II returns as a participation rather than the previous method of full consolidation.

A.1.2.4 Brexit

On 31 January 2020 the UK formally exited the European Union ("Brexit") and entered into a transition period which came to an end on 31 December 2020. From this date CLG will no longer act as the EU Group holding company for Solvency II purposes. This role will now be taken by its two Irish based holding companies, CLIHC and ILG. These two companies will be subject to group supervision by the CBI going forward. CLG will continue to be subject to the equivalent group supervision by the PRA.

A.1.3 The Canada Life Group (U.K.) Limited

CLG is the parent company for six insurance and reinsurance undertakings that are authorised and regulated by the PRA in the UK or by the CBI in Ireland. Details of the undertakings are set out in the sections below. In addition, the Group also owns several fund management companies, service companies, brokerages and other related companies. Details of these and all other CLG undertaking companies can be found in the Annex.

A.1.3.1 Simplified Group Structure - Parent Relationship

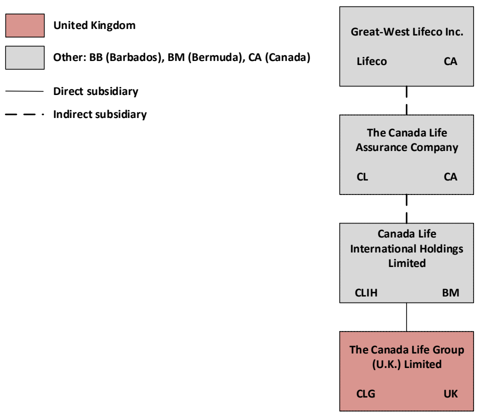

Figure 1: The Company's relationship to its parent

A.1.3.2 Subsidiary Relationship

A simplified organisational group structure showing CLG's direct and indirect holdings

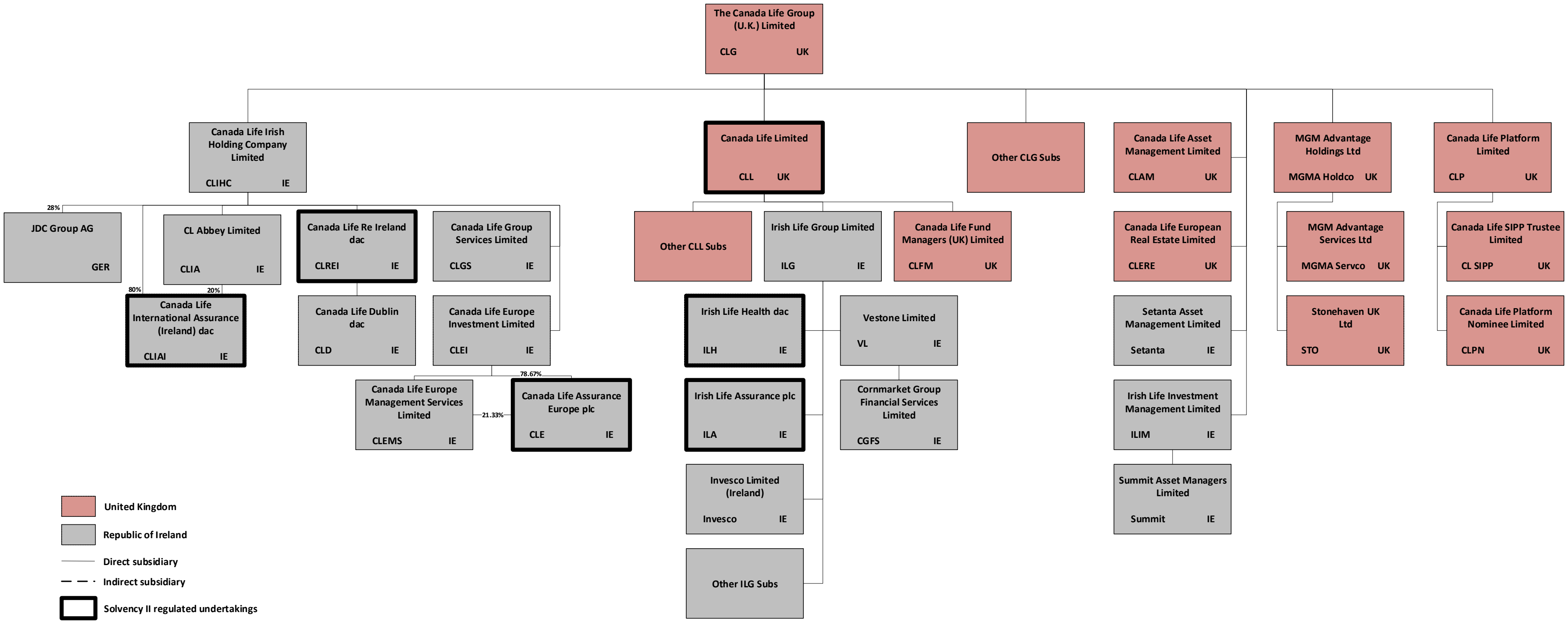

Figure 2: Organisational group structure

As an intermediate holding company, CLG does not prepare consolidated financial statements. Where financial statement data is required under the Solvency II regulations, it will provide aggregated data prepared on a C-IFRS basis for the companies within CLG. There are no material differences between the scope of the group data used for C-IFRS and the scope of the group consolidated data as determined under Article 335 of the Delegated Regulations for Solvency II reporting.

A.1.3.3 United Kingdom Business

A.1.3.3.1 Canada Life Limited

CLL is an insurance company based in the UK. It predominantly writes individual single premium and group insurance contracts, to meet the retirement, investment and protection needs of individuals and companies. CLL is one of the largest providers of pension annuities in the UK. CLL also offers life and pension unit-linked funds, available through its own investment bonds and also through the pension products offered by other companies in the Group. CLL is authorised and regulated by the PRA and regulated by the FCA for business conduct purposes.

A.1.3.3.2 Canada Life International Assurance (Ireland) dac

CLIAI operates as a life assurance company authorised to sell assurance policies linked to investment funds and capital redemption products. Although the main market is the UK, the company is also licensed to sell to Jersey residents and operates in Italy on a freedom of services basis, although it is no longer seeking new clients in Italy. CLIAI is authorised and regulated by the CBI.

A.1.3.4 Ireland Business

A.1.3.4.1 Irish Life Assurance plc

Irish Life is the largest life and pensions group in Ireland, servicing over 1.3 million customers. The Irish Life brand is one of the most established and recognised financial brands in Ireland. Its brand strength is based on a large distribution network, product innovation, flexibility and strong investment performance.

Irish Life operates through two main divisions, Irish Life Retail and Irish Life Corporate Business. Irish Life Retail is focused on individual life assurance, pensions and investments and Irish Life Corporate Business is focused on life assurance and pension products for employers and affinity groups. Irish Life's market share increased in 2020 to circa 40% (2019: circa 36%). Irish Life is regulated by the CBI.

A.1.3.4.2 Irish Life Health dac

The principal activity of ILH is the transaction of health insurance business in Ireland. ILH is regulated by the CBI.

A.1.3.5 Germany Business

A.1.3.5.1 Canada Life Assurance Europe plc

CLE is authorised as an insurance provider and writes life assurance and pension business in Germany. CLE sells exclusively through brokers, multi-tied agencies and banks. CLE is authorised and regulated by the CBI and regulated by the German regulator Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) for business conduct purposes.

A.1.3.6 Reinsurance Business

A.1.3.6.1 Canada Life Re Ireland dac

CLReI writes life and non-life reinsurance business in Europe and the United States either directly or through internal retrocessions. The main business lines and divisional business strategies are Traditional Life, Structured Life, Property & Casualty and Payout Annuities.

A.1.4 Intra-group Transactions during 2020

CLG has few intra-group transactions, these being reinsurance agreements, intra-group outsourcing agreements, guarantee arrangements, and loans conducted on an arm's length basis.

CLL continues to hold a quota share reinsurance arrangement in place with CLReI for a block of UK group life business.

CLG subsidiaries have a number of outsourcing agreements with each other. These include the provision of information services, investment management, legal and actuarial modelling services. The provision and oversight of these services is governed by subsidiary outsourcing policies.

A.1.4.1 Capital Transactions during 2020

All major capital transactions in 2020 have been covered under Section A.1.2 Significant Business events.

A.2 Underwriting Performance

An analysis of gross written premiums by business and geographical area is shown in the following table.

Name of subsidiary	Main line of business	2020 £m	2019 £m
United Kingdom			
Canada Life Limited	Annuities, unit-linked and group risk business	1,508	1,501
Canada Life International Assurance (Ireland)	Unit-linked business	468	882
MGMA	Annuities and unit-linked business	-	128
Total		**1,977**	**2,512**
Ireland			
Irish Life Assurance	Unit-linked and corporate risk business	5,512	5,809
Irish Life Health	Health Insurance	445	454
Total		**5,956**	**6,263**
Germany			
Canada Life Assurance Europe	Unit-linked and unitised business	780	734
Total		**780**	**734**
Reinsurance			
Canada Life Re Ireland dac	Reinsurance	173	156
Total		**173**	**156**
CLG Total		**8,886**	**9,665**

Table 4: Gross written premiums

Total gross written premiums decreased over the reporting period mainly due to a downturn in economic activity from the uncertainty and government actions caused by COVID-19.

The performance of the subsidiaries and their individual lines of business is analysed in the SFCR reports for each subsidiary. Web addresses are available in Appendix 1.

A.3 Investment Performance

The Company's consolidated investment income is shown below.

Asset Type £m	Net Investment Income	Realised and unrealised gains	2020 Total	Net Investment Income	Realised and unrealised gains	2019 Total
Bonds	661	1,336	1,998	736	1,623	2,360
Equities and collective investment undertakings	552	579	1,131	681	5,784	6,466
Derivatives	(4)	248	244	(5)	(239)	(244)
Loans and mortgages	81	113	194	97	122	219
Property	151	(224)	(74)	169	(15)	153
Cash and other investments	9	30	39	64	156	220
Total	**1,451**	**2,082**	**3,532**	**1,743**	**7,432**	**9,174**

Table 5: CLG consolidated investment income

Investment returns on assets held to meet insurance liabilities rose in the year mainly due to an increase in the value of equities and fixed income securities. Major equity indices across the world increased in 2020 resulting in an increase in realised and unrealised gains on equities. Falling gilt yields and lower corporate spreads drove an increase in realised and unrealised gains on fixed income securities. Total property investment returns fell primarily due to decreases in fair value on commercial properties exposed to the retail sector.

The investment performance of the subsidiaries and their individual lines of business is analysed in the SFCR reports for each subsidiary. Web addresses are available in Appendix 1.

A.4 Performance of other activities

As the holding company for the activities of the European undertakings, CLG performs no other activities.

A.5 Any other Information

COVID-19 is an ongoing risk to which the Company and its subsidiaries are exposed. The Company continues to monitor the situation closely, including carrying out stress and scenario testing, which include both pandemic and economic shock scenarios. The Company has continued to operate effectively and ensure the safety and well-being of the Group's customers, employees and wider communities. Service continuity plans are in operation across all group entities, with employees continuing to work remotely to maintain service levels to customers and other stakeholders.

The COVID-19 pandemic is having an impact on global economies and markets to which the Company, its subsidiaries and their policyholders are exposed and should this impact be sustained, or lead to adverse impacts in claims or sales, it will continue to impact on the Company's performance. These impacts will depend on future developments, which are highly uncertain. The Company has robust governance structures and processes in place which support continuous monitoring of the Company's solvency position based on up to date market information.

The Company's strong solvency cover at the financial year end was 149.2% (2019: 154.4%) which is £1,777.4m (2019: £2,036.9m) over the SCR. While the impact of COVID-19 on market related interest and investment movement has put additional stress on our solvency cover, as at the date of approval of the SFCR, the Company continues to operate within Solvency II regulatory capital guidelines and in excess of the SCR.

B System of Governance

B.1 General Information on the System of Governance

The Company operates a three lines of defence risk governance model. In this model, the first line of defence against risk is the business functions. The second line of defence is the oversight and control functions of the business which control, monitor and report risks within the group risk governance structure. The third line of defence is the independent assurance provided by the Internal Audit function.

Responsibility for the CLG system of governance lies with the Board.

The Board has a lead role in:

- confirming the Company's strategy;
- clarifying the levels of risk that are acceptable in the delivery of the strategy; and
- ensuring that there is an appropriate control environment and sufficient risk-based capital across the Group to maintain its ongoing solvency, as required from time to time.

The relationship between the Board and the boards of directors of the Company's subsidiaries is important and requires an appropriate balance of oversight that allows the subsidiaries to fulfil their local responsibilities. The respective subsidiary and CLG Board charters and key function mandates are designed to facilitate this process.

B.1.1 Board

The Board is responsible for promoting the long-term success of the Company for the benefit of its shareholder and other stakeholders. This includes ensuring that an appropriate system of governance is in place.

The Board is accountable for governance structures throughout the Group, which are designed to meet the Company's regulatory requirements while facilitating subsidiaries to meet their respective obligations under the applicable local laws and regulations. For Solvency II, a focus of the Board is to ensure the consistent design and operation of its governance systems and processes, such that overall, the Company meets the legislative requirements.

The Board meets at least quarterly and receives reports and recommendations on any matter which it considers significant to the Company including, on strategic matters relating to business and investment performance, risk management issues and the performance of the internal control environment as well as regulatory updates relevant to the Group.

The Board is responsible for the CLG Enterprise Risk Management Framework and approves the risk appetite, risk mandates and risk limits for the Group. In coordination with the Company's subsidiary boards, the Board oversees how these risk mandates and limits are delegated to entities within the Group.

The Board considers the impact on the Group capital and solvency position when approving significant matters occurring in or between Group entities; for example, changes to strategy or business plans, new products, reorganisations and significant acquisitions or disposals.

The CLG Board also plays a key role in articulating and maintaining a culture of risk awareness and ethical behaviour within the Company.

B.1.1.1 Board Committees

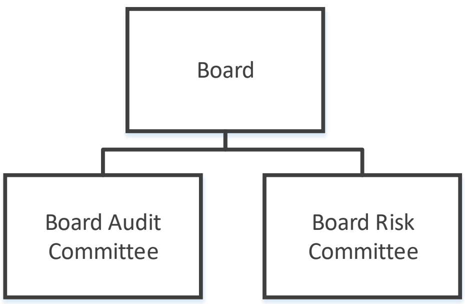

Figure 3: CLG illustration of the governance structure

The Board delegates various responsibilities to the CLG Board Audit Committee (BAC) and the CLG Board Risk Committee (BRC) including, for example, the establishment and continued monitoring of systems of control and risk management. Both committees provide regular reports to the Board. This ensures that the Board can be effectively advised and supported in respect of executing its decision making and oversight responsibilities.

B.1.1.2 Board Audit Committee

The BAC assists the Board in meeting its responsibilities for the integrity of the Group's financial reporting in relation to its duty to confirm the integrity of information published in financial statements, and the effectiveness of the Company's internal control, as well as monitoring the effectiveness and objectivity of the internal and external auditors, and the finance and actuarial functions. The BAC reviews and concludes on the adequacy of the Company's system of internal control in line with its risk management system. It oversees risks inherent in the Group solvency reporting process by reviewing results and monitoring the adequacy and effectiveness of associated internal controls. In coordination with the Internal Audit function, the BAC reviews and approves the Group consolidated audit plan.

The CLG Finance and Actuarial functions report into the BAC through the CLG Chief Financial Officer (CFO). The BAC has the authority to recommend to the Board approval of the appointment and/or removal of the CFO and the Head of Actuarial.

B.1.1.3 Board Risk Committee

The BRC supports the Board in discharging its duties relating to risk management. It provides direction and oversight in relation to the Group's overall risk management framework.

The BRC provides oversight of senior management, monitoring that management of the Company is consistent with business strategy, risk policies and risk appetite. It advises the Board in respect of its oversight responsibilities for CLG's principal risks including conduct, underwriting, credit, market, liquidity and operational risks, and the aggregation of those risks at Group level. It is also responsible for monitoring the impact of principal risks on the Group strategy.

The CLG Risk and Compliance functions report into the CLG BRC. The CLG Compliance function reports into the BRC through the Chief Compliance Officer. The Risk function reports into the BRC through the Chief Risk Officer (CRO). The CRO, through the BRC, escalates any breaches associated with the risk framework to the Board. The BRC has the authority to recommend to the Board approval of the appointment and/or removal of the CRO.

B.1.2 Material Changes in System of Governance

Significant work commenced in 2019 to improve our risk management systems as part of a Risk Development Programme, which will enhance our overall system of governance and will continue until 2021. There were no other changes to CLG's Board and Committees and no material changes in CLG's system of governance.

B.1.3 Remuneration

The Company's approach to remuneration is guided by the following principles:

- support the Company's objective of generating value for shareholders over the long term;
- attract, retain and reward qualified and experienced employees who will contribute to the success of the Company;
- motivate employees to meet annual corporate, divisional and individual performance goals;
- promote the achievement of goals in a manner consistent with the Code of Conduct; and
- align with regulatory requirements and sound risk management practices.

The Company's remuneration principles are outlined in the Remuneration Operating Policy which also sets out the Company's approach to managing risks associated with how staff are remunerated and incentivised.

The Remuneration Operating Policy is available to all staff and helps to ensure:

- the remuneration programmes promote sound and effective risk management and align with the risk strategy and preferences as approved by the Board;
- the remuneration programmes are consistent with business and risk strategy and long-term shareholders' interests;
- the remuneration programmes promote the achievement of goals in a manner consistent with fair customer outcomes;
- the remuneration programmes are competitive and fair; and
- there is clear, effective and transparent governance in relation to remuneration.

The Remuneration Operating Policy takes into account the regulatory requirements applicable to the Company, including Solvency II arrangements, and the Board considers the alignment of the Company's remuneration practices with Solvency II on an annual basis. The CRO reviews the Remuneration Operating Policy for consistency with other risk management policies, and to ensure consistency throughout the Group, CLG's subsidiaries attest that they have complied with local remuneration policies that are aligned to the CLG Remuneration Operating Policy.

B.1.3.1 Share Options, Shares, and Fixed and Variable Components of remuneration

All remuneration programmes consist of four primary elements; a base salary, annual incentive bonus, pension and other benefits. The proportion of each element in the overall package will vary based on the role. Senior positions may include a fifth element – a long term incentive.

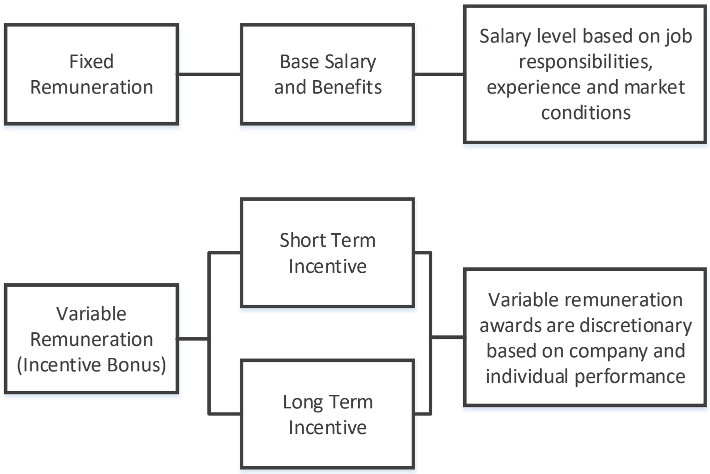

Figure 4: Remuneration summary

An annual incentive bonus scheme is in place which relates the remuneration of employees to the performance of the Company. Awards are based on the achievement of individual and business results relative to objectives established at the beginning of the year. Individual objectives may include strategic, operational, leadership, risk management and control related goals. Target award amounts may vary by role and seniority. The proportion of remuneration that is fixed and that is variable is dependent on a number of factors, including an employee's role and their department. Variable pay for compliance, risk and Internal Audit staff is not materially dependent on the performance of the areas they oversee.

B.1.3.2 Supplementary Pension or early retirement Schemes for the Members of the management Body and other key Functions

CLG's current remuneration policy does not include any supplementary pension or early retirement schemes for members of the CLG Board or other key function holders.

B.1.4 Adequacy of the System of Governance

Work in 2020 to improve CLG's risk management systems through an extensive Risk Development Programme will carry forward into 2021 and will strengthen CLG's system of governance. However, the Board is satisfied that the systems of governance in place during the 2020 reporting period were adequate. This is based on the results of a number of self-assessment reports received from the control functions (Finance, Risk, Compliance, Actuarial and Internal Audit) as well as an internal Board self-assessment review.

B.2 Fit and Proper Requirements

CLG is committed to ensuring that all persons subject to the fit and proper requirements have the requisite qualifications, knowledge, skills and experience required to carry out their role (fitness assessment) and are honest, ethical, act with integrity and are financially sound (propriety assessment).

All individuals who effectively run the Company or have a key function have a job profile. Typically, the job profile sets out the accountabilities for the job, the level of knowledge, skills and experience required to carry it out, together with the behavioural competencies essential for the job. Before an appointment is made to one of these roles, a due diligence process is undertaken to ensure that the person is fit and proper for the role.

The Group Fit and Proper Policy sets out the process for fit and proper assessments, initially and on an ongoing basis. As part of the annual review process for the policy, attestations are sought from relevant subsidiaries in relation to material compliance with the policy in the previous twelve months. The BAC is provided with the results of the attestation process.

Where CLG becomes aware that there may be concerns regarding the fitness and propriety of a person in a role subject to the Group Fit and Proper Policy, it will investigate such concerns and take appropriate action. CLG will notify the PRA of any such action taken where a negative conclusion has been reached.

CLG is reliant on attestations from subsidiary companies that they have complied with local fit and proper policies aligned to the Group Fit and Proper Policy.

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

The Board is responsible for the appropriate management of risks across the Group and has put in place a comprehensive risk management framework, which includes an Enterprise Risk Management policy to establish responsibilities for all key components of the risk management system. This policy details the three lines of defence model used by CLG and establishes responsibilities and requirements for the first, second and third lines of defence.

The Company has a CLG Risk Appetite Framework and a CLG Risk Strategy, which outline CLG's appetite for each risk and its strategy for accepting, managing and mitigating risks. Risk policies are in place which detail the management strategies, objectives, processes and reporting procedures and requirements for all risks accepted by CLG.

The CLG CRO has primary responsibility for the implementation of the risk management system and, under the leadership of the CRO, the Risk function has established processes in place to ensure compliance with risk policies. Policy compliance is confirmed to the BRC as part of the annual review of risk policies. The Risk function also ensures that all risks are appropriately monitored and reported, including through quarterly reporting to the Board on risk exposures and compliance with risk limits.

Additional details of the risk profile of the business and risk management strategies, processes and reporting procedures in respect of each category of risk are detailed in Section C of this report.

B.3.1 Enterprise Risk Management

CLG's Enterprise Risk Management Policy is applied in conducting business and setting strategy across all areas of the Company. The process is designed to identify potential events or emerging issues that may affect the Company, to manage risks to remain within risk appetite limits and to provide reasonable assurance that company objectives are achieved.

The Enterprise Risk Management Policy defines key elements of the Enterprise Risk Management framework. The Enterprise Risk Management process sets the principles, concepts, processes and accountabilities which govern how risk is managed across the Company.

CLG regularly monitors its risk profile against the limits in the Risk Appetite Framework. Data used in risk reporting is sourced from subsidiaries and, for CLG solvency measures, from the CLG actuarial team.

B.3.2 Risk Management Model – Three Lines of Defence

CLG has adopted the three lines of defence risk management model to enable a consistent application of risk management across the company. The model clearly segregates risk management, risk oversight and independent assurance responsibilities.

Line of Defence	Function	High Level Responsibilities
First Line **Owns and manages the risks**	Business and support functions	Business units have primary responsibility and accountability for risk-taking and risk management. They are primarily responsible and accountable for the day-to-day risk management operations within the established risk management framework, including designing and implementing risk mitigation techniques and internal controls. Primary responsibility and accountability for risk identification, measurement, management, monitoring and reporting lies with first line operational business areas.
Second Line **Accountable for the independent oversight of risk-taking**	Risk, finance, actuarial and compliance functions	The second line of defence challenges and assesses the first line of defence's operation of the risk management framework and provides oversight of compliance with applicable laws and regulation. The risk and compliance functions are primarily responsible and accountable for the oversight of all risk-related activities and processes across the Company. The finance and actuarial functions provide control and oversight of finance-related activities and processes across the Company.
Third Line **Independently assess the adequacy of the design and operational effectiveness of the Enterprise Risk Management framework**	Audit	The third line provides an independent assessment of the effectiveness of the first two lines of defence. Internal Audit is responsible for the provision of comprehensive assurance to the Board and senior management about the operational effectiveness and design of the risk management framework based on the highest level of independence and objectivity within the Company.

Table 6: Three lines of defence model

B.3.3 Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) process is a key part of the risk management system. The process is used to integrate risk management into the Company's strategy and operations and to ensure that the risk profile remains within the risk appetite and capacity limits. It is underpinned by an ORSA Policy which establishes clear roles and responsibilities. The policy is reviewed and approved by the Board on an annual basis.

The ORSA provides the key link between the risk management system and capital management activities and the key assumptions underlying the business plans, including projected sales, expenses and new business margins. The analysis allows the Board to consider the risks associated with the business strategy and the impact of changing or stressing the key assumptions.

The outcome of the ORSA process is the ORSA report which summarises the results and considers how appropriate CLG's business strategy is relative to its financial resources and risk appetite. The ORSA is presented to and approved by the BRC annually or more often as necessary.

B.4 Internal Control System

The Board is responsible for the internal controls system at CLG and for monitoring the integrity of financial reporting systems and the implementation of internal controls and management information systems of the Company.

CLG operates a robust internal control system which is appropriate to its size, the nature of risks it faces and the complexity of its operations. The internal control framework is designed to ensure that controls are effectively aligned to risk exposures, thereby providing reasonable assurance regarding the achievement of the following objectives:

- reliability and accuracy of financial and non-financial information;
- integrity of reporting;
- compliance with external laws, regulations and internal operating policies; and
- effective risk management within approved risk appetite limits.

To achieve the objectives, the Company uses the three lines of defence model to support and monitor the various control activities undertaken by staff. The model clearly articulates the division of responsibilities for risk management between the three lines, the business and support functions, the Compliance and Risk functions and Internal Audit.

The Company has processes in place to evidence:

- controls over financial results;
- the identification, assessment and management of risks and controls;
- the reporting and analysis of risk events; documentation and assessment of key business processes; and
- the identification and assessment of emerging risks.

The BAC requires management to implement and maintain appropriate internal control procedures and reviews, evaluates and approves those procedures.

The Group Internal Control Policy establishes the minimum requirements for the internal control system. As the owner of the Internal Control Policy, the CFO is responsible for ensuring the appropriateness of this policy through annual reviews and revisions. The policy is reviewed and approved by the Board on an annual basis.

B.4.1 Compliance Function

The compliance function is responsible for providing independent information and objective advice on, amongst other things, regulatory compliance issues and developments to the BRC. This allows the BRC to obtain a group-wide perspective on compliance matters and to fulfil its accountability for CLG and its subsidiaries' regulatory compliance control effectiveness. The compliance function takes into account the assessments of the adequacy of, adherence to and effectiveness of regulatory compliance management controls across the Company.

Local compliance functions conduct independent risk-based monitoring and testing of regulatory compliance within all subsidiaries of CLG, and report on the results to CLG. The compliance function also reports to the BRC providing information regarding the overall state of compliance within the Company and on any material regulatory compliance management framework weaknesses, non-compliance, the impact of forthcoming regulatory change and preparedness, related action plans and material exposures to regulatory risk.

B.5 Internal Audit Function

The role of the Internal Audit function is to provide independent assurance that the organisation's risk management, governance and internal control processes are operating effectively.

The Internal Audit function applies a global comprehensive methodology framework and procedures which are in accordance with accepted industry practice including the International Professional Practices Framework as set out by the Institute of Internal Auditors. The Global Methodology and Standards team, within the Lifeco Internal Audit function, monitors that audit staff utilise and comply with approved methodology and procedures. As part of the on-going quality assurance and improvement programme an external assessment is conducted every five years and the results are communicated to senior management, the BAC and the Board.

Internal Audit activity is carried out within the framework of a risk-based audit plan as approved by the BAC on an annual basis.

Internal Audit prepares quarterly reports to the BAC summarising audit activity in the quarter, identifies weaknesses in the internal control environment, risk management, inadequacies in compliance with laws and regulations, recommendations to remedy weaknesses and updates to previous recommendations.

All audit reports are distributed to those members of the organisation who are in a position to take corrective action or ensure that corrective action is taken for findings identified.

Internal Audit is independent of the business management activities of the Company, thus enabling the businesses to carry out their work with full accountability. Internal Audit is not involved directly in revenue generation or in the management and financial performance of any business line. Internal Audit has neither direct responsibility for, nor authority over, any of the activities reviewed, nor does their review and appraisal relieve other persons in the Group of responsibilities assigned to them. Internal Audit are not responsible for developing, revising or installing systems, policies or procedures, or for appraising an individual's performance related to operations audited.

The Chief Internal Auditor, UK (CIA) has a direct reporting line and responsibility to the Chief Internal Auditor (Lifeco) and to the BAC for oversight matters. The BAC has sufficient authority to promote independence and to ensure a broad audit coverage and adequate consideration of audit reports. The BAC annually reviews and approves the mandate of the CIA, reviews and recommends the appointment/removal of the CIA to the Board and annually assesses the performance of the CIA and the effectiveness of the Internal Audit function. The BAC also reviews and approves the organisational and reporting structure, the Internal Audit department budget and resources and, through the Chairman of the BAC, has the authority to communicate directly with the CIA. The CIA maintains direct and unrestricted access to the BAC and meets with the Chair of the BAC on regular basis, without management present. The CIA is responsible to the CLG Chief Operating Officer for operating matters, with an administrative reporting line for salary and bonus to the CEO of CLL.

The CIA Mandate approved by the BAC notes that the CIA and Internal Audit function is independent of the activities that they audit and free from conditions that threaten their ability to carry out Internal Audit responsibilities in an objective manner. The Internal Audit activity is free from interference for matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective audit approach.

B.6 Actuarial Function

The actuarial function is responsible for the coordination of Solvency II actuarial requirements for the Company. It has oversight responsibilities for actuarial activities carried out across the Group. The function of Head of Actuarial is performed within the Company. CLG has outsourced all other elements of its actuarial function to an external service provider. The actuarial function is performed collectively by the Head of Actuarial and the external service provider.

The key responsibilities of the actuarial function are outlined below.

Solvency II Technical Provisions

- coordination of the calculation of the consolidated technical provisions in line with Solvency II requirements; and
- oversight across CLG of the methodology, assumptions and quality of data used in the calculation of technical provisions to ensure an appropriate level of consistency and to determine the reliability and adequacy of the consolidated CLG Technical Provision calculation.

Risk Management

- contribute to the effective implementation of the risk management system, including providing technical support to the risk function for risk modelling, review and support to the development and maintenance of the Group PIM, supporting the production of stress and scenario tests and projection of Group Solvency II Balance Sheet and supporting the quantification of the Company’s Own Solvency Needs Assessment.

Solvency Monitoring

- support the finance function in calculating the CLG consolidated Own Funds, in particular considering any actuarial or fungibility restrictions;
- calculate the CLG consolidated SCR and MCR;
- produce a Profit and Loss Attribution explaining the key drivers for movements in Own Funds and SCR across valuation periods;
- monitor and manage the solvency position for the Group;
- support the finance function with the production of the actuarial Financial Stability Templates, Quantitative Reporting Templates, updates to the Regular Supervisory Report and the SFCR; and
- support the finance function in the process of financial reporting, planning and budgeting.

Reporting

- provide the actuarial function report for the Board.

CLG Actuarial Policies

- monitor compliance across the Group with the CLG Underwriting and Pricing Risk Policy, CLG Actuarial Reserving Policy and CLG Capital Management Policy;
- monitor the overall adequacy of reinsurance arrangements across the Group and compliance with the CLG Reinsurance Risk Management Policy; and
- inform CLG management at the appropriate level of seniority if there is any material concern arising in respect of these policies.

B.7 Outsourcing

B.7.1 Description of the Group Supplier Risk Management Policy

In the appropriate circumstances, the outsourcing of specific business functions can be used to reduce or control costs, to free internal resources and to utilise skills, expertise and resources not otherwise available, resulting in significant benefits for the Company and its stakeholders.

CLG has a Group Supplier Risk Management Policy which outlines the Company's approach and control objectives in overseeing all supplier arrangements, including outsourced activities. It sets out the oversight responsibilities for management and requirements that apply across the Group. However, the outsourcing of specific business functions might expose the Company to additional risks and such risks must be identified and managed. The policy helps to identify and manage all supplier risks (including outsourcing risks) through:

- identification of material supplier and outsourcing arrangements;
- appropriate approval of supplier and outsourcing arrangements;
- thorough evaluation of the capability of proposed service providers;
- certain mandatory terms and conditions for material supplier (including outsourcing) contracts; and
- monitoring and control by both management and by the BRC of material supplier (including outsourcing) arrangements.

The Company takes a prudent and conservative approach to its use of suppliers, utilising a supplier risk management programme, including business continuity plans, designed to ensure that no supplier arrangement will be entered into if it would result in unacceptable risk.

B.7.2 Outsourcing of Critical or Important Operational Activities or Functions

CLG is currently utilising several service providers to undertake critical or important functions on its behalf. Details of the functions and activities provided and the jurisdictions in which they operate are shown in the following table.

Type	Description of service provided	Jurisdiction of service provider
External	Actuarial services	UK
Intra-Group	Provision of Finance, HR, Risk, Internal Audit, Compliance, I.T. and Investment Management services	UK, Ireland, Canada

Table 7: Outsourcing arrangements

B.7.2.1 External Outsourcing Arrangements

CLG has outsourced the support for its actuarial function to an external services provider which provides the following actuarial services:

- actuarial group reporting – including the production of board reports;
- technical services – including the calculation and aggregation and consolidation of key components of key Group balance sheet including technical provisions, Own Funds and capital;
- actuarial oversight collectively with the Head of Actuarial; and
- actuarial support to other key functions.

B.7.3 Information on any Material Intra-group Outsourcing Arrangements;

Material outsourcing arrangements held by CLG subsidiary insurance undertakings are set out in their respective SFCRs. Web addresses are available in Appendix 1.

B.8 Any other Information

There is no other material information about the system of governance.

C Risk Profile

CLG is an intermediate holding company for Lifeco's businesses in Europe. In the main, its risk profile reflects the consolidated risk profiles of its subsidiaries, in particular, its main four regulated insurance and reinsurance subsidiaries: CLL, ILA, CLReI and CLE. In 2018, CLG acquired MGMA whose insurance business was transferred into CLL on 1st January 2020.

CLG received approval from the PRA at the end of 2019 to use an internal model to calculate its SCR. The internal model has a partial scope covering credit spread, longevity and catastrophe risks at CLL. All other CLG subsidiaries calculate their SCR using the Standard Formula.

The chart below shows the split of CLG's risk profile by the main risk types. Note that throughout this section we have included Spread risk SCR under Credit risk (whereas the Standard Formula includes Spread risk under the Market risk sub-module).

CLG Risk Profile

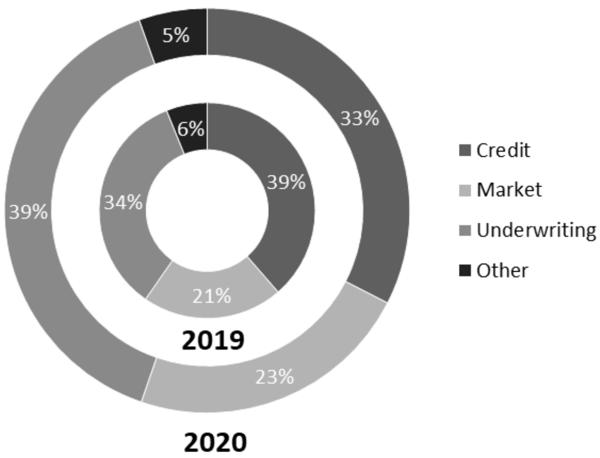

Figure 5: CLG diversified Risk SCR shown as a percentage

CLG's SCR profile changed from credit risk to underwriting risk over the year. The most significant event during the year was CLL reinsuring a £2.5bn block of annuities under a 90% quota share treat with CLABB, which reduced the SCR for credit, spread, property and longevity risk.

The risk profiles of the main subsidiaries are described in SFCRs for the individual companies. Web addresses are available in Appendix 1.

This report also contains a description of material risk exposures for CLG which do not arise from the insurance subsidiaries, together with a description of the risk sensitivity of CLG's consolidated risk profile, informed by the results of stress tests and scenario analysis, risk concentrations and significant intra-group transactions at and across CLG.

CLG's Board-approved Risk Appetite Framework is reviewed annually and sets out the Company's risk appetite, including limits against specific exposures linked to CLG's defined preferences for each risk.

The risk function oversees the ORSA process, which assesses the projected risk profile and solvency position of the Company against its defined risk appetite. The ORSA includes a group-wide stress and scenario testing exercise which tests the resilience of the Company's solvency position in adverse conditions.

Stress and Scenario Testing

The Company also uses stress testing to measure its risk profile and to understand the sensitivity of the solvency ratio to a range of risk events. Stress tests are regularly carried out on the key risk exposures to help inform decision making and planning processes and to help to identify and quantify the risks to which the Company is exposed.

Results of stress testing in relation to key risk sensitivities are set out below. The table below illustrates the absolute change in the Company's solvency coverage ratio that would result from the stresses shown. The impact of each stress on the value of CLG and subsidiary companies is taken into account. All other assumptions remain unchanged for each stress.

The impact of the sensitivities is broadly similar to the prior year, with the exception of the fall in interest rates and the increase in maintenance expenses, reflecting the fact that the underlying risk profile of CLG is broadly unchanged over the year. The fall in interest rate sensitivity impact has increased largely as a result of a change in CLE's biting lapse stress over the year. The increase in maintenance expenses sensitivity impact has increased following the widening of the scope of the stress within CLE.

Sensitivity	2020 Impact on CLG solvency ratio	2019 Impact on CLG solvency ratio
0.5% increase in interest rates	6%	7%
0.5% fall in interest rates	-7%	-5%
0.5% increase in credit spreads	3%	2%
10% fall in equity and property values	-5%	-5%
10% increase in maintenance expenses	-5%	-3%
10% increase in policy lapse rates	1%	0%
10% reduction in policy lapse rates	-1%	0%
5% increase in mortality rates (assured lives)	-1%	-1%
5% deterioration in morbidity experience	-3%	-2%
5% decrease in annuity mortality rates	-7%	-8%

Table 8: Results of sensitivity testing

Transitional relief on technical provisions is assumed to be recalculated in all sensitivities where the impact would be material. Sensitivities will change over time as the size of the balance sheet changes and will depend on market conditions.

C.1 Underwriting Risk

Underwriting risk is the risk of loss resulting from adverse changes in experience associated with contractual promises and obligations made under insurance contracts. Underwriting risk includes uncertainties around the ultimate amount of net cash flows (premiums, commissions, claims, pay-outs and related settlement expenses); the timing of the receipt and payment of these cash flows, as well as the impact of policyholder behaviour (for example, lapses).

The Company identifies a number of broad categories of underwriting risk, which may contribute to financial losses: longevity risk, mortality and morbidity risk, expense risk, lapse risk and catastrophe risk. Mortality risk, morbidity risk and longevity risk are core business risks and the exchange of these risks into value is a core business activity. Lapse risk and expense risk associated with offering the core products are accepted as a consequence of the business model and mitigated where appropriate. Catastrophe risk relates to potential losses in relation to concentrated mortality or morbidity exposures, as a result of extreme events such as pandemics or terrorist attacks.

The business strategies of the insurance subsidiaries are to take on a variety of underwriting risks. CLG holds regulatory capital against each material underwriting risk exposure.

Underwriting Risk SCR

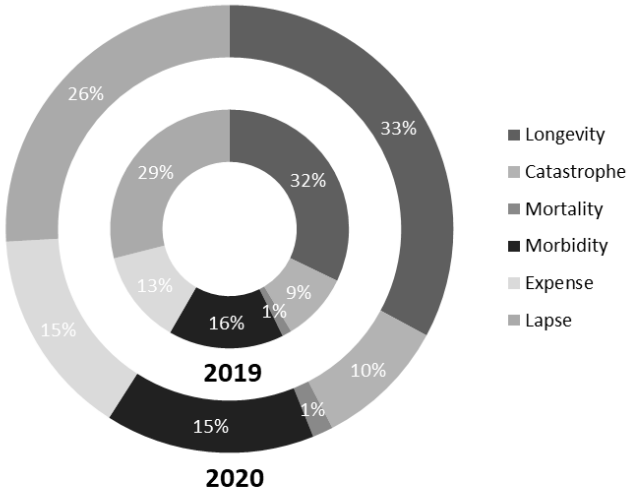

Figure 6: Underwriting risk diversified SCR shown as a percentage

CLG's underwriting risk profile has remained broadly stable during 2020, dominated by longevity risk relating to its annuity business and lapse risk in relation to potential loss of value of in-force unit-linked business.

C.1.1 Longevity Risk

Longevity risk is the Company's largest underwriting risk in terms of the SCR and arises primarily from its annuity business. The risk is that annuitants live longer than expected whereupon the Company will be required to make additional annuity payments.

Business is priced using mortality assumptions which are regularly updated to take into account recent Company and industry experience and the latest research on expected future trends in mortality. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk as appropriate.

There are processes in place to verify annuitants' eligibility for continued income benefits. These processes are designed to ensure annuity payments are paid to those contractually entitled to receive them and help ensure mortality data used to develop pricing and valuation assumptions is as complete as possible.

C.1.2 Mortality and Morbidity Risk

Mortality risk is the risk of loss resulting from adverse changes in mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance contract liabilities.

Morbidity risk is the risk of loss resulting from adverse changes in disability, health, critical illness and other sickness rates, where an increase in the incidence rate or a decrease in the disability recovery rate leads to an increase in the value of insurance contract liabilities.

There is a risk of incorrectly estimating the level of mortality or morbidity or accepting customers who generate worse mortality and morbidity experience than expected.

The Company employs the following practices to manage its mortality and morbidity risk:

- research and analysis are done regularly to provide the basis for pricing and valuation assumptions to properly reflect the insurance and reinsurance risks in markets where the Company is active;
- underwriting limits, practices and policies control the amount of risk exposure, the selection of risks insured for consistency with claims expectations and support the long-term sustainability of the Company;
- the Company sets and adheres to retention limits for mortality and morbidity risks. Aggregate risk is managed through a combination of reinsurance and capital market solutions to transfer the risk where appropriate;
- for group life products, exposure to a concentrated mortality event due to concentration of risk in specific locations could have an impact on financial results. To manage the risk, concentrations are monitored for new business and renewals. The Company may impose single-event limits on some group plans and declines to quote in localised areas where the aggregate risk is deemed excessive. Effective plan design and claims adjudication practices for morbidity risks are critical to the management of the risk. As an example, for group healthcare products, inflation and utilisation will influence the level of claims costs, which can be difficult to predict. The Company manages the impact of these and similar factors through plan designs that limit new costs and long-term price guarantees and include the ability to regularly re-price for emerging experience; and

- the Company manages large blocks of business, which, in aggregate, are expected to result in relatively low statistical fluctuations in any given period. For some policies, these risks are shared with the policyholder through adjustments to future policyholder charges or in the case of participating policies through future changes in policyholder dividends.

C.1.3 Expense Risk

Expense risk is the risk of loss resulting from adverse variability of expenses incurred with fee-for-service business or in servicing and maintaining insurance, savings or reinsurance contracts, including direct expenses and allocations of overhead costs. Expense management programmes are regularly monitored to control unit costs while maintaining effective service delivery.

C.1.4 Lapse Risk

Lapse risk is the risk of loss resulting from adverse changes in the rates of policy lapses, terminations, renewals and/or surrenders.

Many products are priced and valued to reflect the expected duration of contracts. There is a risk that the contract may be terminated before expenses can be recovered, to the extent that higher costs are incurred in early contract years.

Risk also exists where the contract is terminated later than assumed, on certain long-term level premium products where costs increase by age.

Business is priced using policy termination assumptions which take into account product designs and policyholder options, recent Company and industry experience and the latest research on expected future trends. Assumptions are reviewed regularly and are updated for new policies as necessary.

C.1.5 Catastrophe Risk

CLG is exposed to events (e.g. terrorism attack) which could have a high mortality and morbidity impact in a geographical area with a high concentration of lives insured through group schemes written by CLL and Irish Life. The UK group insurance business has a material concentration exposure in central London due to the close proximity of buildings, high insurance value of lives covered and London's prominent status which makes it a possible target of terrorist attacks.

For group life products, exposure to a concentrated mortality event due to concentration of risk in specific locations could have an impact on financial results. To manage the risk, concentrations are monitored for new business and renewals. The companies may impose single-event limits on some group plans and decline to quote in localised areas where the aggregate risk is deemed excessive.

Catastrophe risk also covers events such as pandemics which impact over a wider geographical area. Aggregate mortality and morbidity risk exposures across the group are regularly monitored.

C.2 Market Risk

Market risk is the risk of loss arising from potential changes in market rates and prices impacting future cash flows of the Company's business activities. Market risks include interest rate, equity market, real estate, liquidity and foreign exchange rate risks.

The Market Risk Management Policy sets out the market risk management framework and defines the principles for market risk management across CLG. This policy is supported by a number of other policies and guidelines that provide detailed guidance. An effective governance structure has been implemented for the management of market risk.

Market risk is primarily assumed and managed by subsidiaries but there is potential for aggregation at group level. The Company has established group level management committees to provide oversight of aggregated market risk, including the development of market risk limits, key risk indicators and measures to support the management of market and liquidity risk in compliance with the Company's Risk Appetite Framework. Each subsidiary also has established oversight committees and operating committees to help manage market risk at subsidiary level.

Risks and risk management activities associated with the broad market risk categories are detailed below.

The chart below summarises the market risk SCR after diversification.

Market Risk SCR

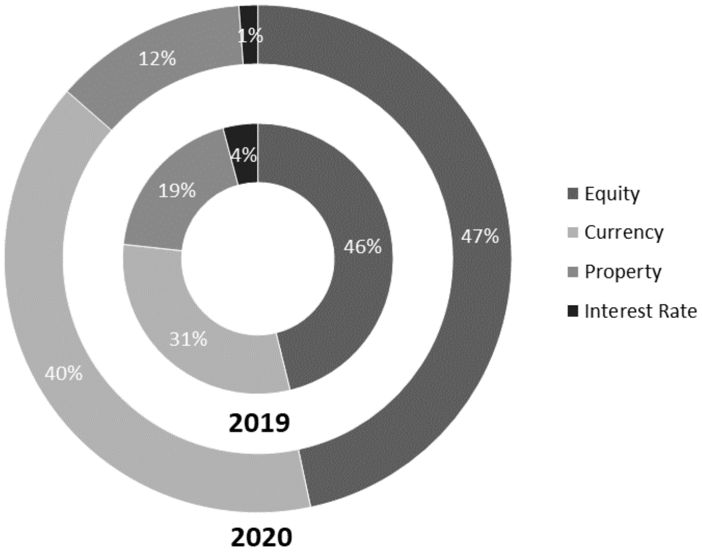

Figure 7: Market risk diversified SCR shown as a percentage

CLG's overall market risk profile has been broadly stable over 2020.

CLG has a number of insurance subsidiaries whose business strategies involve taking on a variety of market risks.

C.2.1 Interest Rate Risk

Interest rate risk is the risk of loss resulting from the effect of the volatility and uncertainty of future interest rates on asset cash flows relative to liability cash flows and on assets backing surplus. The Company's exposure to interest rate risk arises from certain general fund and unit-linked fund products, principally through its annuity business.

The Company's Asset Liability Management (ALM) strategy has been designed to mitigate interest rate risks with close matching of asset cash flows and insurance contract obligations. Products with similar risk characteristics are grouped together to ensure an effective aggregation and management of the Company's ALM positions. Asset portfolios backing liabilities are segmented to align with the duration and other characteristics (for example, liquidity) of contract liabilities. The main exception to this matching strategy is the defined benefit pension schemes where a high proportion of equities is used to back the long-term liabilities.

For insurance subsidiaries which write long duration business such as annuities, the overall Solvency II capital ratio has a greater sensitivity to changes in interest rates. This is because falls in interest rates lead to increases in the risk margin and SCR (neither of which are stressed in the SCR calculation itself in accordance with the rules of Solvency II) with a more limited impact on the value of surplus assets which are generally invested at shorter effective durations.

CLG also has exposure to interest rate risk through its staff pension schemes, where invested assets are less closely matched by duration to the contractual liabilities than for the insurance business. Changes in interest rates can directly impact the position of the pension scheme as asset and liability valuations may not move in line with each other – these impacts feed through into CLG's overall balance sheet. All CLG's staff pension schemes are now closed to future accruals.

CLG and its subsidiaries manage and mitigate interest rate risk:

- through cash flow matching of assets to long-term liabilities. A full range of sensitivity tests are regularly carried out to confirm that the assets and liabilities remain closely matched;
- through reinsurance of annuity liabilities (in particular the longevity risk which drives both Longevity risk SCR and Risk Margin sensitivity) outside CLG; and
- by setting limits and monitoring the aggregate interest rate exposure retained by the Group.

The SCRs held at subsidiary level reflects the more onerous of the upward and downward stresses. Some subsidiaries are exposed to interest rate rises and so use the upward interest rate stress for their SCR calculation whereas the CLG SCR is based on the downward interest rate stress which predominates overall. Current interest rates are at historically low levels, contributing to the relatively small size of the interest rate SCR.

CLG carried out stress testing on interest rate risk during 2020. CLG's exposure to interest rate risk is driven mainly by its annuity business.

C.2.2 Equity Risk, including Property Risk

Equity risk, which in our definitions includes risk relating to property assets, is the risk of loss resulting from the sensitivity of the values of assets, liabilities, financial instruments and fee revenue due to changes in the level or in the volatility of prices of equity markets. The Company's principal exposure to equity risk arises from unit-linked funds and fee income associated with the Company's assets under management. Approved investment and risk policies also provide for general fund investments in equity markets within defined limits.

The Group offers some products with investment guarantees. The associated market risks are almost completely reinsured, mitigating the market risk exposure at CLG.

CLG holds a portfolio of commercial property assets, the rental yields on which form part of the overall investment strategy to fund the UK annuity business. Investment limits are in place to manage this exposure.

C.2.3 Currency Risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Company's foreign exchange investment and risk management policies and practices are to match the currency of the Company's general fund investments with the currency of the underlying insurance and investment contract liabilities.

To enhance portfolio diversification and improve asset liability matching, the Company may use assets denominated in other currencies together with foreign exchange derivatives to mitigate currency exchange risk to the extent this is practical through the use of forward contracts and swaps.

CLG is exposed to currency risk through falls in the value of its Own Funds as a result of movements in the value of sterling in relation to other currencies, mainly the euro. The main exposure is that a fall in the value of the euro to sterling will reduce the sterling value of excess Own Funds in those of its subsidiaries which are denominated in euros.

CLG manages and mitigates currency risk in a number of ways including a partial currency hedge which CLL has in place against currency movements for its euro denominated Irish Life group exposure. Reporting on the effectiveness of the hedge is carried out regularly, and limits are in place to prompt a review of the partial hedge position.

C.3 Credit Risk

Credit risk is the potential loss of earnings or capital arising from the inability or unwillingness of a counterparty to meet its contractual obligations to the Company.

The Company's credit risk management framework focuses on minimising undue concentration within issuers, connected companies, industries or individual geographies by emphasising diversification as well as by limiting new exposures to investment grade assets as per the Company's Group Investment Policy.

Diversification is achieved through the establishment of appropriate limits and transaction approval authority protocols. The Company's approach to credit risk management includes the continuous review of its existing risk profile relative to the risk appetite framework as well as the projection of potential changes in the risk profile under stress scenarios. Effective governance of credit risk management is enabled through the involvement of senior management, experienced credit risk personnel, and with the guidance of credit risk policies, standards and processes.

The BRC advises the Board on credit risk oversight matters and approves and monitors compliance with credit risk policies and limits. It also provides oversight of the Credit Risk Management Policy and related processes and is responsible for ensuring compliance with the Company's risk appetite framework.

The chart below summarises the credit risk SCR by entity after diversification.

Credit Risk SCR

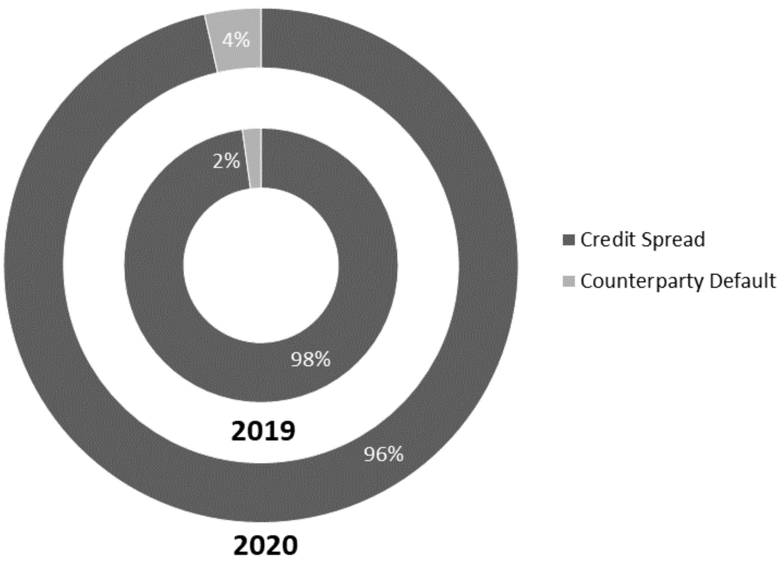

Figure 8: Credit risk diversified SCR by shown as a percentage

As the graph illustrates, most of CLG's credit risk is captured in the credit spread SCR, which covers spread, default and downgrade risk on bonds and commercial mortgages. CLG also holds capital against the risk of counterparty default in relation to reinsurance and hedging arrangements – this includes an allowance for the internal reinsurance with other companies in the Lifeco group.

Since the acquisition of MGMA in 2018, CLG has exposure to Equity Release Mortgages (ERMs), which are used to back its annuities. Risks associated with ERMs are captured under the Credit Spread SCR and covered below.

CLG has a number of insurance subsidiaries whose business strategies involve taking on a variety of credit risks, primarily through investing in credit-based assets to back long-term annuity liabilities.

C.3.1 Fixed Income Investment Risk

The Company's exposure to fixed income investment risk primarily arises from investment in assets that provide income that is expected to meet future annuity payments. A range of investments including corporate bonds, government bonds, commercial mortgages and finance leases are used to provide this income. Fixed income investment risk exposure also arises from the Company's surplus assets, although these are generally invested in government bonds and money market instruments which are considered relatively low risk.

Fixed income investment risk is the largest contributor to the SCR. Exposure to this risk has remained relatively stable over 2020.

CLG breaks down fixed income investment risk into the following components:

- **Default Risk** - The risk arising of financial loss attributed to the default of a security in its financing obligations. Securities included in this risk category cover both corporate and government debt, in either fixed income or floating note form;
- **Downgrade Risk** - The risk arising of financial loss attributed to the downgrade of a security's credit worthiness. Securities included in this risk category cover both corporate and government debt, in either fixed income or floating note form; and
- **Spread Risk** - The risk arising of financial loss attributed to a change in the yield premium required by the market in respect of credit risk on risky assets. Securities included in this risk category cover both corporate and government debt, in either fixed income or floating note form.

The Company and its subsidiaries currently use the following risk management techniques for fixed income investment risk exposure:

- **Credit Reviews** – investments are acquired where, after detailed analysis, the returns are considered to be favourable after taking account of the underlying risks. Credit ratings are determined by an internal credit review carried out by the Investment Division and, when available, compared with ratings provided by external credit rating agencies Credit ratings are subject to a formal governance process, including independent oversight, and are reviewed at least annually;

- **Policies and Standards** – set out the investment practices to which the Company adheres. Controls are in place to ensure that processes and systems are operating as expected. Operational limits are used to determine whether to accept risk for individual investments. Concentrations are managed through investment limits, which specify an acceptable range for each category and credit rating allowing the Company to maintain a well-diversified portfolio. Concentrations are monitored on a regular basis and reported to the Board;
- **Reinsurance** – the subsidiaries currently reinsure a significant proportion of their annuity business on both a quota share and longevity swap basis. This has the effect of reducing the exposure to fixed income investment risk associated with assets backing annuities. The Company regularly monitors and reports on the performance and effectiveness of existing reinsurance arrangements;
- **Use of Solvency II Long Term Guarantee Measures** – Solvency II Long Term Guarantee measures (MA and VA) give insurers credit for holding certain long-term assets which match the cash flows of a designated portfolio of liabilities. These measures help to reduce the exposure to spread risk and reduce the volatility of the Solvency II balance sheet. To ensure the continued effectiveness of these measures, the management of the related assets and liabilities is monitored on a regular basis; and
- **Governance and Oversight** - CLG's credit risk exposures are managed according to its investment policy and overseen by its Credit and Market Risk Committee.

C.3.2 Equity Release Mortgages

CLG's acquisition of MGMA has given the Company its first exposure to ERMs which Stonehaven originate and which CLL use to fund its annuity liabilities. To ensure efficient balance sheet and capital treatment under Solvency II, the ERMs are transferred to a Special Purpose Vehicle where they are restructured into fixed and floating coupon loan notes for which required SCR is assessed using the internal model.

C.3.3 Counterparty Risk

Subsidiaries use reinsurance arrangements to mitigate insurance, market and credit risk. Counterparties providing reinsurance to the Company are reviewed for financial soundness as part of an ongoing monitoring process. The minimum financial strength of reinsurers is outlined in the Reinsurance Risk Management Policy. The Company seeks to minimise reinsurance credit risk by setting rating-based limits on net ceded exposure by counterparty as well as seeking protection in the form of collateral or funds withheld arrangements where possible.

Subsidiaries use derivatives for risk mitigation purposes. Derivative products are traded through exchanges or with counterparties approved by their respective Boards. The subsidiaries seek to mitigate derivative credit risk by setting ratings-based counterparty limits in their investment policies and through collateral arrangements where possible.

C.4 Liquidity Risk

Liquidity risk is the potential loss of earnings or capital arising from a company's inability to generate the necessary funds to meet its obligations as they come due.

The responsibility for the design and operation of liquidity management activities, methods, controls and processes lies with the subsidiaries and they manage their liquidity profile in such a way that they can meet all obligations under stressed conditions. Each is responsible for monitoring liquidity risk appetite and policy compliance.

By applying a common liquidity risk appetite limit framework across the Group, the Company provides oversight of subsidiaries' liquidity risk management and review of liquidity plans.

In addition, CLG is responsible for managing liquidity risk at group level and to ensure that CLG holds sufficient liquid assets to meet its liquidity calls as they fall due. It has procedures in place to facilitate cash management and to ensure that adequate liquid assets are held and are of good quality.

CLGs primary exposures to liquidity risk are its:

- obligations to meet its internal running and debt servicing costs; and
- ability to generate dividend income from its subsidiaries and pay dividends up to its parent company.

Liquidity risks are managed by regularly monitoring the liquidity position relative to defined limits.

C.5 Operational Risk

Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. Operational risk can result from either normal day-to-day operations or a specific unanticipated event. Operational risks include legal and regulatory, people, infrastructure, process, fraud and supplier risks.

C.5.1 Operational Risk Management

While operational risks can be mitigated and managed, they remain an inherent feature of the business model, as multiple processes, systems, and stakeholders are required to interact across the enterprise on an ongoing basis. Subsidiaries actively manage operational risk across the enterprise in order to maintain a strong reputation and standing, maintain financial strength and protect value. On-going engagement of businesses and support functions across the enterprise through robust training and communications is regularly undertaken for identifying, assessing and mitigating operational risk issues.

Operational risk management governance and oversight reflects a combined effort between business units and oversight functions. This combined effort is particularly critical for management of operational risk and is a key factor for ensuring the Company remains within its risk appetite. The risk function is responsible for development of operational risk management policies and operating standards as well as for overseeing operational risk management activities performed in the first line of defence. Each subsidiary has established committees to oversee operational risk management within their business.

The Company has an Operational Risk Management Policy, supported by standards and guidelines. The Company implements controls to manage operational risk through integrated policies, procedures, processes and practices, with consideration given to the cost/benefit trade-off. Processes and controls are monitored and refined by the business areas and periodically reviewed by the Company's Internal Audit department. Financial reporting processes and controls are further examined by external auditors.

The risk function monitors the status of remedial actions being undertaken to ensure that risk exposures are mitigated in a timely manner and that processes are in place to escalate significant matters to senior management to enable appropriate action when needed. The risk function reports quarterly on the Company's operational risk profile to executive management and the Board.

Key operational risks and the Company's approach to managing them are outlined below.

C.5.1.1 Legal and Regulatory Risk

Legal and regulatory risk arises from non-compliance with specific local or international rules, laws, and regulations, prescribed practices, or ethical standards as well as civil or criminal litigation against the Company. The Company and its subsidiaries are subject to extensive legal and regulatory requirements from Canada, the EU, the UK, Ireland and other jurisdictions. The scope of requirements' covers most aspects of the Company's operations including capital adequacy, liquidity and solvency, investments, the sale and marketing of insurance and annuity products, the business conduct of insurers, asset managers and investment advisers as well as reinsurance processes. Material changes in the legal or regulatory framework or the failure to comply with legal and regulatory requirements could have a material adverse effect on the Company.

Legal and regulatory risk is managed through coordination between first and second line of defence functions. The Company records, manages and monitors the regulatory compliance environment closely, using the compliance and legal subject matter expertise at both solo and group level and reporting on emerging changes that would have significant impact on operations or business.

C.5.1.2 People Risk

People risks can arise from an inability to attract, retain, train and develop the right talent, ineffective governance practices or legal action related to discrimination, and can impact the ability of the Company to meet its business objectives. The Company maintains a highly skilled workforce that is reflective of the diverse cultures and practices of the countries in which the Company operates. Human resource programmes, including competitive compensation programmes, succession planning and assessing and addressing employee engagement, are in place to manage these risks.

C.5.1.3 Infrastructure Risk

Infrastructure risk arises from reduced or non-availability of any aspect of a fully functioning business environment. This includes corporate facilities, physical assets and/or technology (technology assets, systems, and applications), security (logical, physical and cyber), failures in licence management and insufficient software/application support.

The ability to consistently and reliably obtain securities pricing information, accurately process client transactions and provide reports and other customer services is essential to the Company's operations. A failure of any of these services could have an adverse effect on the Company's results of operations and financial condition and could lead to loss of client confidence, harm to the Company's reputation, exposure to disciplinary action and liability to the Company's customers.

The Company maintains a resilient and secure environment by investing in and managing infrastructure that is sustainable and effective in meeting the Company's needs for a fully functioning and secure business operation that protects assets and stakeholder value. Infrastructure risk management programmes include strong business continuity capabilities across the enterprise to manage short-term incidents or outages and the recovery of critical functions in the event of a disaster. In addition, security measures are designed to deny unauthorised access to facilities, equipment and resources, and to protect personnel and property from damage or harm (such as espionage, theft or terrorist attacks) and events that could cause serious losses or damage.

C.5.1.4 Technology, Cyber Security and Data Risk

Technology Cyber Security and Data Risk is an integral component of Infrastructure Risk. Similar to other major financial institutions, the Company faces heightened technology and cyber risks due to its reliance on the internet and use of technology to serve customers. The risks faced include the threat of corporate espionage, identity theft and hacking, including the risk of denial of service or ransomware attacks.

To remain resilient to such threats and to protect customers, brand and reputation, the Company continues to invest in capabilities to prevent, detect, respond and manage such cyber security threats. More specifically, the Company has established enterprise-wide cyber security programmes, benchmarked capabilities to sound industry practices and has implemented robust threat and vulnerability assessment and response capabilities.

C.5.1.5 Process Risk

Inadequate or failed business processes can adversely impact the Company's financial results, relationships with customers and reputation. Process risk includes risks arising from significant change management initiatives such as business model changes, major systems implementation, new product introductions and leadership changes. In addition, model risk - the risk arising from inadequate or failed processes related to financial or risk modelling – is recognized as a key process risk.

Risk management ensures strategic alignment and congruency in all business activities, including change initiatives and business-as-usual activities, with the Company's operational risk appetite and considers the potential impact on the Company's reputation. Furthermore, the Company seeks to control processes across the value chain through automation, standardisation and process improvements to prevent or reduce operational losses.

C.5.1.6 Fraud Risk

Fraud can lead to financial loss or damage to reputation or both. Fraud management is built around the principles of prevention, detection and response. The Company promotes a culture of honesty, integrity, transparency and fairness in its internal operations and further manages fiduciary responsibilities through the Enterprise Fraud Risk Management Policy and Code of Conduct. The Company maintains a strong set of controls designed to prevent fraud and employs sophisticated data analytics to detect fraud. A fraud response plan is in place to deal with events through a coordinated investigative strategy to ensure stakeholders and the interests of the Company are protected.

C.5.1.7 Supplier Risk

The Company engages suppliers to maintain cost efficiency, to free internal resources and capital and to utilise skills, expertise and resources not otherwise available to the Company. The Company's profitability or reputation could be negatively impacted if suppliers do not meet Company standards for performance.

The Company uses a supplier risk management programme to minimise risks when engaging suppliers and to provide effective oversight and monitoring throughout the entire supplier relationship. This programme helps to ensure the arrangements, transactions and other interactions with suppliers meet standards for quality of service and risk management expectations.

C.5.2 Operational Risk Mitigation

CLG and subsidiaries recognise that they are exposed to operational risks as a result of their day-to-day business activities and the execution of business strategy. They take steps to mitigate such risks on an on-going basis, through the establishment of an effective control environment.

The Company also mitigates the impact of operational risk through the corporate insurance programme which transfers a portion of the operational risk exposure by purchasing insurance coverage that provides protection against unexpected material losses resulting from events such as property loss or damage and liability exposures. In addition, the Company purchases insurance to satisfy legal requirements and/or contractual obligations. The nature and amount of insurance protection purchased is assessed with regard to the Group's risk profile, risk appetite and tolerance for the associated risks.

C.5.3 Operational Risk Stress Testing and Scenario Analysis

CLG has established an Operational Risk Management Policy approved by the Board. This policy requires subsidiaries to maintain a local stress and scenario testing framework that includes the development and analysis of an appropriate set of operational risk stresses. Subsidiary operational risk stress and scenario testing frameworks are commensurate with the scale and complexity of the business operations.

C.6 Other Material Risks

C.6.1.1 Conduct Risk

The risk to CLG, its subsidiaries and its customers from inadequate or failed processes that threaten customers' fair treatment including, but not limited to, inappropriate sales or advice processes, poor or opaque product design, misleading customer interactions, failure of its subsidiaries to deliver on their commitments and inadequate complaint resolution and claims handling.

The Company manages conduct risk by ensuring appropriate clarity of communications; applying sales and advice processes that are focused on fair outcomes to customers; seeking customer feedback; maintaining proper controls and adhering to Board-approved policies and processes. Conduct Risk is incorporated in risk management and compliance activities, including risk and control assessments, internal events reporting, emerging risk assessment, and other measurement, monitoring and reporting activities.

C.6.1.2 Strategic and Business Risk

Strategic and business risk arises as a result of failures of internal planning, ineffective strategic decision-making or changes to the external environment manifesting over the medium to long term. Strategic risk includes risks associated with the Company's holding company structure, potential future acquisitions and ongoing access to product distribution.

The Company manages strategic risk through proactive engagement, industry representation and a rigorous strategic planning process. The risk function is engaged in the business planning cycle to ensure business strategies are in alignment with the Company's risk appetite. The Company's strategic plan is reviewed with the Board and senior management, with the risk function providing objective assessment of strategic risks and risk mitigation plans. Significant risks and opportunities are identified, and a review of the alignment with risk strategy and qualitative risk preferences is completed. Initiatives, including those related to new markets, distribution channels, product design and investments, are also subject to independent risk review.

C.6.1.3 Holding Company Structure Risk

As a holding company, the Company's ability to pay interest, dividends and other operating expenses and to meet its obligations generally depends upon receipt of sufficient funds from its principal subsidiaries and its ability to raise additional capital.

Any payment (including payment of interest and dividends) by the principal subsidiaries is subject to restrictions set out in relevant insurance, securities, corporate and other laws and regulations.

In the event of the bankruptcy, liquidation or reorganization of any of these subsidiaries, insurance and investment contract liabilities of these subsidiaries will be completely provided for before any assets of such subsidiaries are made available for distribution to the Company. In addition, other creditors of such subsidiaries will generally be entitled to the payment of their claims before any assets are made available for distribution to the Company except to the extent that the Company is recognized as a creditor of relevant subsidiaries.

CLG management closely monitors the solvency and capital positions of its principal subsidiaries, as well as liquidity requirements.

C.6.1.3.1 Mergers and Acquisitions Risk

From time to time, the Company and its subsidiaries evaluate existing companies, businesses, products and services, and such review could result in the Company or its subsidiaries disposing of or acquiring businesses or offering new, or discontinuing existing, products and services. In the ordinary course of their operations, the Company and its subsidiaries consider, and discuss with third parties, the purchase or sale of companies, businesses or business segments. If effected, such transactions could be material to the Company in size or scope.

The Company and its subsidiaries undertake extensive due diligence upon any consideration of acquiring or disposing of businesses or companies or offering new, or discontinuing existing, products and services. In its consideration of strategic acquisitions, the Company may determine it to be prudent to hold a provision on its balance sheet for contingencies that may arise during the integration period following an acquisition.

C.6.1.3.2 Product Distribution Risk

The subsidiaries' ability to market their products is significantly dependent on their access to a network of distribution channels and intermediaries. These intermediaries generally offer their clients products in addition to, and in competition with, the Company's products, and are not obligated to continue working with the Company. The loss of access to a distribution channel, the failure to maintain effective relationships with intermediaries or the failure to respond to changes in distribution channels could have a significant impact on the Company's ability to generate sales.

Product distribution risk is managed by maintaining a broad network of distribution relationships, with products distributed through numerous broker-dealers, managing general agencies, financial planners, banks and other financial institutions.

C.6.1.4 Environmental Risk

The Company may experience direct or indirect financial, operational or reputational impact stemming from environmental risk events, which include environmental issues, regulatory enforcement or costs associated with changes in environmental laws and regulations. The Company endeavours to respect the environment and to take a balanced and environmentally sustainable approach to conducting business.

C.6.1.5 Group Risk

The risk arising for CLG on an aggregate basis specifically due to its position as an intermediate parent company, for example from intra-group transactions, risk concentrations and contagion effects (including reputational considerations), and risks associated with cross-jurisdictional business operations. CLG also faces risks from being a part of the wider Lifeco group of companies. Reputational risk elements of group risk include the risk of a deterioration of CLG and/or a subsidiary's reputation or standing due to a negative perception of its image among customers, counterparties and fixed income investors, shareholders and/or supervisory authorities. Reputational risk can be regarded as a consequence of the overall conduct of CLG and its subsidiaries.

CLG has limited appetite for these risks but accepts them as a necessary trade-off for the benefits arising from the holding company structure. Risks are closely monitored and controlled through aggregate exposure monitoring and central control functions but cannot be fully mitigated.

C.6.1.5.1 Group Concentration Risk

Certain risks, set out below, taken on by multiple subsidiaries as part of their business strategies can, when aggregated, result in risk concentration for CLG.

C.6.1.5.2 Annuity Concentrations

Annuity business is written across the group giving rise to concentrations of associated risks at CLG – longevity risk, fixed income investment credit risk and interest rate risk. The risks are managed by the subsidiaries but are subject to limits set by CLG to allow it to manage the overall solvency position and amount of risk capital deployed across CLG.

C.6.1.5.3 Reinsurance within the Lifeco Group of Companies

CLG's insurance subsidiaries use 'internal' reinsurance to support their business strategies, to mitigate peak risk exposures and to manage volatility in solvency requirements. 'Internal' reinsurance is defined as reinsurance to companies within the wider Great-West Lifeco group.

In the event that Lifeco were to experience a significant deterioration in credit quality, CLG and its subsidiaries could incur credit losses or increased capital requirements. CLG has strict governance processes over the use of reinsurance with affiliates, including exposure limits.

Details of reinsurance agreements can be found in each subsidiary's SFCR. Web addresses are available in Appendix 1.

C.7 Any other Information

Assets are invested in accordance with the Prudent Person Principle. CLG and its subsidiaries apply the prudent person principle by:

- only investing in assets and instruments whose risks can be properly identified, measured, managed, monitored, controlled and reported, and with risks that can be appropriately quantified as part of the ORSA and SCR assessment;
- ensuring that the assets held to cover the technical provisions are invested in a manner appropriate to the nature and duration of the insurance liabilities, and in the best interest of the policyholders and beneficiaries taking into account any disclosed policy objective; and
- ensuring that the assets backing the SCR shall be invested to ensure the security, quality, and liquidity of the portfolio as a whole.

D Valuation for Solvency Purposes

D.1 Assets

D.1.1 Solvency II Balance Sheet Asset Values

Solvency II requires the Company to present a consolidated balance sheet in which the assets of the parent and its insurance/reinsurance subsidiaries are presented as those of a single economic entity. This requires that the carrying amount of the Company's investment in each of those subsidiaries is replaced by the fair value of the underlying assets held by subsidiaries.

All insurance and reinsurance subsidiaries, as well as ancillary service undertakings and insurance holding companies, are fully consolidated into the balance sheet on a line by line basis, by replacing the Company’s investment in the subsidiary with the assets and liabilities of the subsidiary on a Solvency II basis.

All other participations are consolidated on the basis of the Company’s proportional share of the subsidiaries’ adjusted net equity and reported in the investments line in the Group’s balance sheet as Holdings in related undertakings, including participations.

Consequently, the assets reported in the Group balance sheet are a combination of directly owned and indirectly owned assets. The Company is responsible for the valuation of its directly owned assets. Indirectly owned assets are valued by subsidiary companies in accordance with Group policy and the valuation approach is subsequently reviewed by CLG.

For the purposes of this report, the Company has produced financial comparatives on a C-IFRS basis. The C-IFRS numbers shown in this report have been used for Group reporting to the Canadian parent. The methods used to consolidate the C-IFRS numbers for Solvency II reporting have not been subject to external audit.

The value for each material class of asset on the consolidated balance sheet at 31 December 2020 is shown below.

Asset Class	Document reference	2020 £m	2019 £m
Assets held for index-linked and unit-linked contracts	D.1.2.1	55,033.5	50,777.6
Fixed Income Securities	D.1.2.2	25,823.8	24,994.9
Reinsurance Recoverable Asset	D.1.2.3	13,409.1	10,182.8
Deposits to Cedants	D.1.2.4	3,640.0	3,867.6
Loans and mortgages	D.1.2.5	3,383.9	3,071.9
Equities	D.1.2.6	1,998.4	2,006.7
Property (other than own use)	D.1.2.7	1,508.5	1,591.8
Any other assets, not elsewhere shown	D.1.2.8	876.1	270.4
Other Investments	D.1.2.9	857.7	683.2
Collective Investments Undertakings	D.1.2.10	638.0	453.2
Deposits Other Than Cash Equivalents	D.1.2.11	611.8	752.0
Holdings in related undertakings, including participations	D.1.2.12	360.8	261.2
Cash and Cash Equivalents	D.1.2.13	265.2	307.6
Receivables (trade, not insurance)	D.1.2.14	220.8	37.8
Insurance & intermediaries receivable	D.1.2.15	202.5	174.8
Property, plant & equipment held for own use	D.1.2.16	151.9	165.0
Reinsurance Receivables	D.1.2.17	127.0	156.3
Deferred Tax Asset	D.1.2.18	34.4	0
Derivatives	D.1.2.19	23.6	21.1
Total Assets		**109,166.9**	**99,775.9**

Table 9: Solvency II Asset Valuation

D.1.2 Solvency Valuation Bases, Methods and Assumptions by material Asset Class

Under Solvency II, firms adopt a risk-based approach to the valuation of all items reported in their Solvency II balance sheets. This generally means that assets are valued at an amount that would be paid under fair market conditions. CLG is subject to the use of the same bases, methods and main assumptions to value assets in the consolidated balance sheet as those used by the subsidiary companies.

The Company generally holds investment assets to either produce income or for capital growth to meet future insurance obligations.

D.1.2.1 Assets held for Index-linked and Unit-linked Funds

A unit-linked fund is an investment product that pools the premiums from many investors. Premiums are used to buy units in a fund. Investors select which fund to invest their premiums in and then fund managers invest premiums in a range of assets in line with the fund's objectives and mandate.

Funds can be internal or external. Internal funds are managed by the Company which has issued the policy. Policyholders select which fund to invest their premiums in and then the Company's fund managers invest those premiums. Subsidiaries also offer customers access to external funds. These funds operate in a similar manner to an internal fund but are managed by a chosen range of external fund management companies. Premiums invested in external funds and their administration remains the responsibility of the relevant subsidiary. Internal fund assets, such as shares and bonds, are valued on a daily basis (not on weekends or Bank Holidays) using current publicly quoted market prices. For external funds, daily valuations are provided by the external fund managers. Assets that do not have a day to day market price, such as commercial property, are valued at regular intervals by suitably qualified independent professionals.

Fixed income securities are held at their fair value. Fair value is determined by reference to quoted market bid prices primarily provided by a third-party independent pricing source such as Bloomberg or Reuters.

Where prices are not available directly from an independent pricing source, the fair value is determined through the use of a valuation model based on discounting expected future cash flows to determine a present value.

Valuation inputs typically include market returns and risk-adjusted spreads based on current lending and market activity.

The main components of a fund's Net Asset Value calculation are:

- fair value of the assets;
- dealing costs or trading fees associated with buying and selling assets;
- cash and cash equivalents;
- provisions for tax on investment income and capital gains on realised and unrealised gains; and
- ongoing fund charges.

The unit-linked funds invest in a number of investment assets, including:

- listed equities;
- fixed income securities;
- government bonds;
- corporate bonds; and
- commercial property.

Funds can also invest, where permitted by their investment mandate, in:

- derivatives;
- foreign currency;
- commercial mortgages;
- deposits;
- Exchange-Traded Funds; and
- collective investment schemes such as a unit trust, investment trust or Open-Ended Investment Company.

Commercial property held in unit-linked funds is revalued monthly. They are also assessed externally at least quarterly by a suitably qualified independent professional valuer.

D.1.2.2 Fixed Income Securities

Fixed income securities include:

- government bonds;
- corporate bonds;
- private placements;
- structured notes; and
- collateralised securities.

Fixed income securities are held at their fair value. Fair value is determined by reference to quoted market bid prices primarily provided by a third-party independent pricing source such as Bloomberg or Reuters.

Where prices are not available directly from an independent pricing source, the fair value is determined through the use of a valuation model based on discounting expected future cash flows to determine a present value. Valuation inputs typically include market returns and risk-adjusted spreads based on current lending and market activity.

D.1.2.3 Reinsurance Recoverable Asset

Amounts expected to be recovered from reinsurers are valued using valuation models. These valuation models calculate the present value of future policy payments using appropriate assumptions consistent with the relevant reinsurance treaty and calculation of technical provisions (Section D.2). A reduction to the value is applied to account for the possibility of each reinsurer defaulting under best estimate conditions based on their current credit rating.

The reinsurance recoverable assets for each business line are shown below.

At 31 December Line of Business	2020 £m	2019 £m
Annuities	11,267.2	8,815.2
Group Health	71.3	76.9
Group Life	53.7	53.3
Individual Health	77.1	77.5
Individual Life	1,939.7	1,159.9
Total	**13,409.1**	**10,182.8**

Table 10: Reinsurance recoverable assets for each business line

At 31 December 2020 the Company does not expect any recoveries from special purpose vehicles.

D.1.2.4 Deposits to Cedants

Under certain forms of reinsurance contracts, it is customary for the ceding insurer to retain possession of the assets supporting the liabilities ceded. Subsidiaries record an amount receivable from the ceding insurer which represents the premium due. Investment income on these funds withheld is credited by the ceding insurer to the subsidiary.

Under Solvency II, the deposits to cedants balance is required to be supported by a specific portfolio of investment assets. However, for a number of transactions where the deposits to cedants balance is not supported by a specific pool of assets, these balances are reclassified as Insurance and intermediaries receivables for Solvency II reporting.

D.1.2.5 Loans and Mortgages

Commercial mortgages are initially recognised on the date the loan is paid to the borrower. Subsequently, they are valued using a valuation model based on discounting expected future cash flows to determine a present value. Valuation inputs typically include market returns and risk-adjusted spreads based on current lending and market activity.

In cases where the Company does not expect to receive all contractual cash flows, the mortgage is valued at its net realisable value i.e. the estimated selling price less the estimated selling expenses and deductions.

Other loans including short-term interest-bearing promissory loan notes are valued at par.

D.1.2.6 Equities

Equities include:

- ordinary shares;
- preference shares;
- Exchange Traded Funds, and
- unlisted equities.

Listed equities are valued at fair value using the closing bid price from the exchange where they are principally traded.

There is an immaterial holding of unlisted equities at the reporting date.

D.1.2.7 Property (other than for own use)

Under Solvency II, property assets are valued at fair value and are determined at least annually by suitably qualified independent professionals. In the period between valuations, there may be adjustments for material changes in property cash flows, capital expenditures or general market conditions. The determination of the fair value of investment properties requires the use of estimates, which may affect future cash flows. These estimates may impact:

- future leasing assumptions;
- rental rates;
- capital and operating expenditures;
- discount rate; and

- reversionary and overall capitalisation rates applicable to the asset based on current market conditions.

D.1.2.8 Any Other Assets, not shown elsewhere

Any other assets, not shown elsewhere include other unit-linked assets not shown elsewhere on the balance sheet, for example, broker outstanding balances. This line also includes other non-linked assets not shown anywhere else on the balance sheet such as intercompany debtors, accrued external fees and management charges due.

The Company records these assets at their fair value, net of any amounts deemed as doubtful debts.

All other assets are valued at the future cash amount expected to be received.

D.1.2.9 Other Investments

The assets reported as other investments include finance leases and notes issued by a bare trust containing equity release mortgage assets.

Equity release mortgage assets were, in the main acquired as part of the MGMA business transfer. The majority of equity release mortgages are held in a bare trust, which has issued Senior (fixed) and Junior (residual) notes supported by the underlying asset cash flows.

Also reported as other investments are finance leases which are defined as leases which transfer to the leaseholder, substantially all the risks and rewards related to ownership of the leased asset. These assets generally comprise infrastructure assets that have been built and then set up under a leasing arrangement with a third party. In order to determine the fair value of the finance leases, the present value of future cash flows is discounted using an appropriate market-based discount rate.

D.1.2.10 Collective Investments Undertakings

Collective investment undertakings invest capital raised from unitholders (investors in the fund) in transferable or liquid securities so that any associated investment risk is spread amongst the unitholders. Collective investment undertakings, such as investment trusts, are generally traded as securities on active investment exchanges. Asset fair values are generally determined by the last price of the security on the exchange it is principally traded. Collective investment undertakings such as unit trusts and open-ended investment companies, which are not traded on an investment exchange, are valued at the most recent price published or valuations provided by the fund manager.

D.1.2.11 Deposits other than Cash Equivalents

Deposits other than cash equivalents comprise:

- short-term bonds, i.e. bonds that have an original term to maturity of less than three months from issue;
- money market funds (mutual funds which invest in bank deposits and short-term debt instruments); and
- other short-term investments held to meet short-term cash requirements.

Under Solvency II, deposits other than cash equivalents are valued at fair value. Fair value is determined with reference to quoted market prices for the same asset. Third party price providers are the primary source of these prices.

D.1.2.12 Holdings in related Undertakings including Participations

Participations are holdings of 20% or more of the voting rights or capital in subsidiary companies, where the subsidiary company is not fully consolidated. Companies that are classified as insurance holding companies, insurance or reinsurance undertakings or ancillary service units are fully consolidated. All other companies such as investment companies or other holding companies are classified as participations and brought into the Group's balance sheet as holdings in related undertakings.

Participations are valued as the percentage of the participation's Net Asset Value on a Solvency II basis.

The Group's largest participations at the reporting date are holdings in:

- JDC Group AG £30.6m;
- Irish Life Investment Managers Limited £26.7m;
- Canada Life Platform Ltd £25.6m;
- Cornmarket Group Financial Services Ltd £24.7m; and
- Canada Life (UK) Limited £24.0m.

D.1.2.13 Cash and Cash Equivalents
Cash and cash equivalents are valued at face value.

D.1.2.14 Receivables (Trade, not Insurance)
Trade receivables represent payments from trade debtors due at the reporting date. These payments are valued at the future cash amount expected to be received.

D.1.2.15 Insurance and Intermediaries Receivable
Insurance and intermediaries' receivable are policyholder payments or amounts from cedants that are past due at the reporting date. These payments are valued at the future cash amount expected to be received.

Insurance and intermediaries receivables consist of amounts past due from cedants at the reporting date. Amounts receivable are as agreed with the counterparty.

D.1.2.16 Property, Plant and Equipment held for own use
The Property, Plant and Equipment (own use) asset class comprises owner-occupied properties, and plant and equipment. Under Solvency II, subsidiaries value owner-occupied properties at fair value. Property valuations are provided by external chartered surveyors at open market value.

Plant and equipment that is owned under finance leases is valued in accordance with IFRS 16. The assets are valued at the discounted sum of the cashflows under the lease.

Plant and equipment that is owned directly includes office furniture, computer equipment, motor vehicles and other assets. They are valued at cost less accumulated depreciation. Given the nature and size of the assets (£33.6m) at the reporting date, cost less accumulated depreciation is assumed to equal fair value.

D.1.2.17 Reinsurance Receivables
Reinsurance receivables represent payments past due from reinsurers at the reporting date and payments past due from multinational pooling arrangements. These payments are valued at the future cash amount expected to be received.

The subsidiaries' estimates of the amount due from reinsurers are consistent with the reinsured policy's claim liability.

Multinational pooling receivables are valued on an accruals basis to account for premiums and claims yet to be agreed with the Multi National Pool.

D.1.2.18 Deferred Tax Asset
Deferred tax is recognised when transactions or events have occurred at the balance sheet date which will result in either more, or less tax being receivable than is due on the current year's tax return. A deferred tax asset can arise where Solvency II asset values and technical provisions show a lower surplus that has been reported in the tax base accounts or where there are tax losses carried forward.

In addition, the accumulated deficit on the CLFIS pension scheme has given rise to a deferred tax asset.

D.1.2.19 Derivatives
The fair market value of derivative contracts is obtained from the respective counterparties and the prices are validated against an independent over-the-counter derivative pricing data specialist where available. Otherwise, the Company values the contracts using valuation techniques including discounted cash-flow analysis and option pricing models.

The following derivative contracts are in place:

- interest rate swap contract;
- foreign currency swap contracts;
- FX forward contracts; and
- swaption contracts

To mitigate the credit risk of exposure to counterparties, all over-the counter contracts are fully collateralised. The Company and its subsidiaries only enter into derivative transactions for Efficient Portfolio Management and risk mitigation.

D.1.3 Asset Valuations – Solvency II and C-IFRS

Under Section 401 of the UK Companies Act 2006, the Company, as a wholly owned subsidiary of a parent company established outside of the European Economic Area, is exempt from producing consolidated financial statements.

For the purposes of this report, the Company has produced financial comparatives on an unaudited C-IFRS basis.

Significant differences in the asset values for material asset classes recorded on the Solvency II balance sheet and on the C-IFRS balance sheet at 31 December 2020 are shown in the following table.

Asset class £m	Document reference	2020 Solvency II value	2020 Unaudited C-IFRS value	2020 Difference
Assets held for index-linked and unit-linked contracts	D.1.3.1	55,033.5	58,699.6	(3,661.1)
Equities	D.1.3.2	1,998.4	54.6	1,943.8
Fixed Income Securities	D.1.3.3	25,823.8	23,892.8	1,931.0
Goodwill	D.1.3.4	-	568.2	(568.2)
Any other assets, not elsewhere shown	D.1.3.5	876.1	1,442.1	(566.0)
Collective Investments Undertakings	D.1.3.6	638.0	118.0	520.0
Loans and mortgages	D.1.3.7	3,383.9	2,960.1	423.8
Deferred Acquisition Costs	D.1.3.8	-	326.9	(326.9)
Intangible Assets	D.1.3.9	-	101.5	(101.5)
Deposits to cedants	D.1.3.10	3,640.0	3,699.8	(59.8)
Holdings in related undertakings, including participations	D.1.3.11	360.8	304.2	56.6
Other Investments	D.1.3.12	857.7	816.2	41.6
Deposits other than cash equivalents	D.1.3.13	611.8	570.5	41.3
Reinsurance Recoverable Asset	D.1.3.14	13,409.1	13,378.0	31.2
Property, plant and equipment held for own use	D.1.3.15	151.9	135.2	16.7
Assets without significant valuation differences		2,382.0	2,379.7	2.3
Total Assets		**109,166.9**	**109,447.3**	**(280.4)**

Table 11: Significant valuation differences in material asset classes 2020

D.1.3.1 Assets held for index-linked and unit-linked contracts

A large part of the CLE business is held in a Unitised-With-Profits (UWP) fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore shows these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.2 Equities

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore shows these assets in their relevant asset category, including Equities. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.3 Fixed Income Securities

Fixed income securities are valued at fair value for Solvency II. For C-IFRS, fixed income securities are valued at market value, which approximates to fair value, with the exception of private placements which are valued at amortised cost and are inclusive of accrued interest.

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance and therefore shows these assets in their relevant asset category, including Fixed Income Securities. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.4 Goodwill

Goodwill represents the excess of purchase consideration over the fair value of net assets of the acquired subsidiaries of the Company.

As per Article 12 of the Delegated Act, goodwill is valued at nil for Solvency II purposes. Under C-IFRS, following initial recognition, goodwill is measured at cost less accumulated impairment losses.

D.1.3.5 Any Other Assets, Not Elsewhere Shown

Any other assets, not elsewhere shown are valued at the future cash amount expected to be received.

There are differing treatments of insurance related prepayments and accrued income. Under Solvency II they are shown under technical provisions, under C-IFRS they are shown as ‘Any other assets, not elsewhere shown’.

D.1.3.6 Collective Investment Undertakings

CLE treats assets in its UWP fund differently between C-IFRS and Solvency II. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore shows these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

Where the Company’s holding in Collective Investment Undertakings exceeds 20%, we are required to classify this holding as Holdings in Related Undertakings, Including Participations. These holdings under C-IFRS are classified as Collective Investment Undertakings.

D.1.3.7 Loans and Mortgages

Loans and mortgages which mainly comprise commercial mortgages are valued at fair value for Solvency II and amortised cost for C-IFRS.

Fair value is determined through the use of an internal discounted cash flow model that takes into account the term, credit and liquidity of the asset.

D.1.3.8 Deferred Acquisition Costs

As per Article 12 of the Delegated Act, deferred acquisition costs are valued at nil for Solvency II purposes. Under C-IFRS, deferred acquisition costs are valued at cost and amortised on a straight-line basis over the policy term, not to exceed 20 years.

D.1.3.9 Intangible Assets

Intangible assets comprise computer systems, software and value of in-force business. Intangible assets are valued at nil for Solvency II purposes.

For C-IFRS, computer software is carried at cost, less amortisation and provision for impairment. Purchased shareholder value of in-force business, which was acquired from other companies, is valued at fair value based on the net present value of the shareholders’ interest in the expected cash flows of the in-force business.

D.1.3.10 Deposits to Cedants

Deposits to cedants are valued using methodologies consistent with the underlying valuation bases. Under C-IFRS a multi-year receivable is recognised in respect of premiums due from reinsurer. Under Solvency II those premiums and related cashflows are allowed for via the technical provisions.

D.1.3.11 Holdings in Related Undertakings, Including Participations

Where the Company’s holding in Collective Investment Undertakings exceeds 20%, we are required to classify this holding as Holdings in Related Undertakings, Including Participations. These holdings under C-IFRS are classified as Collective Investment Undertakings.

D.1.3.12 Other Investments

Finance leases are valued at fair value for Solvency II and amortised cost for C-IFRS.

D.1.3.13 Deposits Other Than Cash Equivalents

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and therefore shows these assets in their relevant asset category. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.1.3.14 Reinsurance Recoverable Asset

The reinsurance recoverable asset is valued using assumptions and methodologies consistent with the underlying liability valuation bases. The two underlying bases are Solvency II and C-IFRS. As a result, the values of the reinsurance recoverable asset differ between the two bases.

D.1.3.15 Property, Plant and Equipment held for own use

Under Solvency II, property for own use is valued at fair value, and plant and equipment is valued at cost less accumulated depreciation and impairments, which is assumed to approximate fair value.

Under C-IFRS, property for own use, plant and equipment are valued at cost less accumulated depreciation and impairments.

D.1.4 Differences between the CLG and Subsidiary Solvency II asset valuation bases, methods and assumptions

There are no differences in the bases, methods and main assumptions at a Group level for the valuation for solvency purposes of the Group's assets from those used by any of its subsidiaries.

A description of the bases, methods and main assumptions used to value assets at the subsidiary level can be found in Section D.1 of each of the CLG subsidiary entities SFCRs. Web addresses are available in Appendix 1.

D.2 Technical Provisions

Under Solvency II, technical provisions are generally calculated as the sum of a best estimate liability plus a risk margin, although for some lines of business the technical provisions are calculated as a whole which means that separate calculation of the best estimate and risk margin is not required.

The following table provides a breakdown of CLG's Solvency II technical provisions by entity.

Entity	2020 £m	2019 £m
Irish Life Assurance	48,266.5	43,909.2
Canada Life Limited	24,595.3	21,188.2
Canada Life International Assurance (Ireland)	6,703.8	6,101.6
Canada Life Assurance Europe	6,955.4	5,714.8
Canada Life Reinsurance Ireland	4,370.2	4,594.3
MGM Assurance Life	-	2,069.2
Irish Life Health	71.4	50.0
Total Technical Provisions	**90,962.6**	**83,627.4**

Table 12: Group Technical Provisions

The technical provisions are the sum of the subsidiary technical provisions (including risk margin).

A description of the bases, methods and main assumptions used for the valuation can be found in Section D.2 of each of the CLG subsidiary SFCRs. Web addresses are available in Appendix 1.

The subsidiary SFCRs also contain a description of the level of uncertainty associated with the value of technical provisions.

D.2.1 Differences between Solvency II and C-IFRS technical provisions valuation bases, methods and assumptions

The following table shows the differences between the Solvency II technical provisions and the technical provisions on a C-IFRS basis (including insurance contract liabilities, investment contract liabilities and unit-linked liabilities) at year-end 2020.

At 31 December 2020 £m	Solvency II valuation	Risk Margin (unaudited)	Other (unaudited)	Unaudited C-IFRS valuation
Irish Life Assurance	48,266.5	(354.6)	1,672.2	49,584.0
Canada Life Limited	24,595.3	(960.7)	252.4	23,886.9
Canada Life International Assurance (Ireland)	6,703.8	(17.0)	28.7	6,715.5
Canada Life Assurance Europe	6,955.4	(295.0)	(346.4)	6,314.0
Canada Life Re Ireland	4,370.2	(64.1)	141.8	4,447.9
Irish Life Health	71.4	(4.6)	375.6	442.4
Total	**90,962.6**	**(1,696.1)**	**2,124.3**	**91,390.8**

Table 13: CLG Technical Provisions by entity

The technical provisions are valued using assumptions and methodologies consistent with Solvency II and C-IFRS. The major single source of difference is the risk margin which is applicable only to the Solvency II valuation approach and is meant to represent the extra premium that another insurer would require for taking over the insurance portfolio. However, some of the principles behind the risk margin calculation are included in the C-IFRS valuation approach.

The Solvency II technical provisions include transitional measures which allow for a deduction from those provisions. The transitional measures reduce to zero over the transitional period of 16 years. Further details of the transitional measures that have been applied can be found in the Annex.

D.2.2 Matching Adjustment

The MA is applied by CLL and a full description of the MA and of the portfolio of obligations and assigned assets to which the MA is applied can be found in Section D.2 of the CLL SFCR.

The table below shows the impact of a change to zero of the MA on the financial position of CLG.

At 31 December 2020 £m	Including MA	Excluding MA	Difference
Technical Provisions	90,963	92,445	1,482
Basic Own Funds/Eligible Own Funds to meet SCR	5,389	4,172	(1,217)
SCR*	**3,611**	**4,640**	**1,028**
Eligible Own Funds to meet MCR	4,475	3,030	(1,445)
MCR	**1,308**	**1,337**	**29**

* SCR unaudited

Table 14: Impact of MA on the financial position of the Group

D.2.3 Volatility Adjustment

The VA is applied by CLL, ILA and CLReI. The table below shows the impact of a change to zero of the VA on the financial position of CLG.

At 31 December 2020 £m	Including VA	Excluding VA	Difference
Technical Provisions	90,963	91,165	202
Own Funds	5,389	5,312	(77)
SCR*	**3,611**	**3,623**	**12**
Eligible Own Funds to meet MCR	4,475	4,387	(88)
MCR	**1,308**	**1,315**	**7**

* SCR unaudited

Table 15: Impact of VA on the financial position of the Group

D.2.4 Transitional risk-free interest rate term structure (unaudited)

The transitional risk-free interest rate term structure is applied by CLReI. The table below shows the impact of not applying the transitional measure on the financial position of CLG.

At 31 December 2020 £m	With transitional	Without transitional	Difference
Technical Provisions	90,963	91,136	173
Own Funds	5,389	5,360	(29)
SCR*	**3,611**	**3,619**	**8**
Eligible Own Funds to meet MCR	4,475	4,442	(33)
MCR	**1,308**	**1,309**	**1**

* SCR unaudited

Table 16: Impact of the transitional risk-free interest rate term structure on the financial position of the Group

D.2.5 Transitional Measure on Technical Provisions (unaudited)

The TMTP is applied by CLL. The following table shows the impact of not applying the transitional deduction on the financial position of CLG.

At 31 December 2020 £m	With transitional deduction	Without transitional deduction	Difference
Technical Provisions	90,963	92,190	1,227
Own Funds	5,389	4,395	(994)
SCR*	**3,611**	**3,611**	**0**
Eligible Own Funds to meet MCR	4,475	3,248	(1,227)
MCR	**1,308**	**1,314**	**6**

* SCR unaudited

Table 17: Impact of the transitional measure on Technical Provisions on the financial position of the Group

D.2.6 Recoverables from Reinsurance Contracts and Special Purpose Vehicles

Details of recoverables from reinsurance contracts and special purpose vehicles can be found in Section D.2 of the CLG subsidiary SFCRs. The only change from these reports is that at Group level technical provisions are net of any intra-group transactions. There is an intra-group reinsurance treaty between CLL and CLReI, with technical provisions ceded by CLL of £54.9m at 31 December 2020.

D.3 Other Liabilities

D.3.1 Solvency II Value of Other Liabilities

For Solvency II reporting purposes, the Company is required to present a Group balance sheet in which the liabilities of the Company and its insurance and reinsurance subsidiaries are presented as those of a single economic entity.

The liabilities, as shown in the Group balance sheet are therefore a combination of the Company's direct and indirect liabilities.

The Company uses the same bases, methods and main assumptions to measure Other Liabilities in the Group consolidated balance sheet as those used by the subsidiaries.

The value for each material class of other liabilities on the Solvency II consolidated balance sheet at 31 December 2020 is shown below.

Solvency II liability class	Document Reference	2020 £m	2019 £m
Deposits from reinsurers	D.3.2.1	10,887.5	8,680.1
Subordinated liabilities	D.3.2.2	1,071.6	952.4
Any other liabilities, not shown elsewhere	D.3.2.3	649.8	422.6
Insurance & intermediaries payables	D.3.2.4	505.5	421.1
Deferred tax liabilities	D.3.2.5	257.9	268.3
Reinsurance payables	D.3.2.6	177.7	152.5
Payables (trade, not insurance)	D.3.2.7	77.7	173.4
Derivatives	D.3.2.8	69.1	75.8
Pension benefit obligations	D.3.2.9	65.7	71.4
Provisions other than Technical Provisions	D.3.2.10	49.6	40.1
Debts owed to credit institutions	D.3.2.11	26.9	10.0
Financial liabilities other than debts owed to credit institutions	D.3.2.12	24.2	28.6
Contingent liabilities	D.3.2.13	10.3	3.7
Other Technical Provisions		0	0
Total Other Liabilities		**13,873.6**	**11,299.9**

Table 18: Solvency II other liabilities valuation

D.3.2 Solvency II valuation bases, methods and assumptions by material liability class

D.3.2.1 Deposits from reinsurers

Subsidiaries have entered into a number of reinsurance contracts in which reinsurance companies have deposited assets such as property, fixed interest securities and cash, with them. The assets are held as collateral against the amount due from the reinsurance companies for reinsurance recoverable. The deposited assets are valued at fair value as per the underlying assets described in Section D.1.

D.3.2.2 Subordinated Liabilities

Subordinated liabilities are borrowings from companies within the Lifeco group and are detailed further in Section E.1.3. In the event of liquidation, these debts would only be repaid after other creditors had been paid. As a deep, liquid and transparent financial market is not available to obtain a valuation for these liabilities, fair values are calculated by using a market consistent valuation model. The subordinated liability discounted cash flow valuation models adopt the following methodology:

- timings for payments of interest and principal (cash flows) are in accordance with each liability's underlying contractual obligation;
- interest payments calculated at an interest rate directly related to LIBOR use the LIBOR forward curve as published by the Bank of England;
- where a contract does not state a fixed maturity date, a very long maturity date is assumed. For the purposes of the model this is the same as the contract being in perpetuity;

- subordinated liability valuation equals the sum of all discounted cash flows;
- the cash flow discount rate is equal to the LIBOR spot curve (approximately equal to the risk-free rate) as published by the Bank of England plus a spread that is proportional to the movement in the subordinated liability insurance index; and
- the spread is equal to the subordinated liability's spread at inception or revaluation plus the percentage movement in the subordinated liability insurance index.

D.3.2.3 Any other liabilities, not shown elsewhere

Other material liabilities include tenant deposits, intercompany balances, other taxation liabilities, balances with brokers and accruals. They are not discounted and valued at the amount expected to be paid in the future.

D.3.2.4 Insurance and intermediaries payables

These are the balance of outstanding claims payable to policyholders, commissions payable and policyholder premiums received in advance.

Subsidiaries value insurance and intermediaries payables on an accruals basis.

D.3.2.5 Deferred Tax Liabilities

All deferred tax liabilities in the Group consolidated balance sheet are from its subsidiaries.

Full details of the balances held by the regulated undertakings can be found in their respective SFCRs. Web addresses are available in Appendix 1.

Across the Group, deferred tax liabilities are valued in accordance with Article 15 of the Delegated Regulations, being the difference between the values recognised in accordance with the Solvency II Directive and the values recognised for tax purposes at a tax rate that will be applicable to those values.

D.3.2.6 Reinsurance Payables

These are payments past due to reinsurers at the reporting date. Payments are valued at the future cash amount the subsidiaries expect to pay.

D.3.2.7 Payables (Trade, not Insurance)

Trade payables are payments billed by suppliers for goods and services supplied or tax payable. These payments are valued at the future cash amount expected to be paid.

D.3.2.8 Derivatives

See Section D.1.2.19 for recognition and valuation basis applied to derivative contracts.

D.3.2.9 Pension Benefit Obligations

Pension benefit obligations represent the total of the net deficit for each defined benefit pension schemes across the Group.

In terms of scheme membership and value of scheme net assets, three of these are material in size. The remaining ones are immaterial.

All schemes are closed to new members and also to future accruals. The schemes are funded by contributions into separately administered trust funds. The benefits paid from the defined benefit schemes are based on percentages of the employees' final salary for each year of pensionable service.

In the UK, the pension scheme is subject to statutory increases although discretionary increases are also possible. In Ireland, increases are discretionary.

In accordance with valuation principles set out under IAS 19, the net obligation of the company's defined benefit schemes represents the present value of the obligation to employees in respect of past service, less the fair value of the plan assets. External scheme actuaries calculate the present value of the obligations quarterly. The present value of the obligation is determined by discounting the estimated future cash flows. The discount rate is based on the market yield of high quality corporate bonds that have maturity dates approximating to the terms of the pension liability. The estimated future cash-flows are based on the accrued past service benefits and future inflation, salary inflation and financial and demographic assumptions.

The following table shows the nature and composition of the defined benefit pension scheme assets.

Asset Type	2020 £m Fair Value	2020 %	2019 £m Fair Value	2019 %
Equities and Property	811.3	45%	781.1	49%
Corporate Bonds	846.4	47%	732.6	45%
Gilts and Cash	141.3	8%	100.9	6%
Fair value of scheme assets	**1,799.0**	**100%**	**1,614.6**	**100%**

Table 19: Defined benefit pension assets

The nature of the scheme liabilities is shown in the following table.

Benefit Obligation	2020 £m	2019 £m
Benefit obligation at 1 January	(1,686.0)	(1,564.8)
Current service cost	(1.1)	(1.0)
Past service cost	-	-
Net interest cost	(29.6)	(36.4)
Actuarial gain/(loss)	(124.8)	(188.6)
Contributions by plan participants	-	-
Curtailment gain	6.1	1.7
Benefits paid	35.5	37.3
Foreign exchange movement	(64.9)	65.8
Benefit obligation at 31 December	**(1,864.8)**	**(1,686.0)**

Table 20: Scheme liabilities

The composition of the Pension benefit obligation, as stated in the consolidated balance sheet, is shown below.

Pension Benefit Obligation	2020 £m	2019 £m
Assets	1,799	1,615
Liabilities	(1,865)	(1,686)
Pension Benefit Obligations	**(66)**	**(71)**

Table 21: Pension benefit obligations

D.3.2.10 Provisions other than Technical Provisions

This includes onerous contract provisions, severance provisions, customer complaints provisions and legal provisions.

The Group derives the value of each provision by management reviewing and evaluating the expected outflow required to settle the liability to which the provision applies.

D.3.2.11 Debts owed to Credit Institutions

Debts owed to credit institutions include payments pending bank clearing and collateral received from a credit institution in relation to an investment made. Both are valued at face value.

D.3.2.12 Financial Liabilities Other Than Debts Owed to Credit Institutions

This includes lease obligations as required by IFRS 16. Lease obligations are valued as the net present value of lease obligations at commencement, plus interest, less any payments made.

D.3.2.13 Contingent Liabilities

Contingent liabilities must be recognised on the balance sheet under Solvency II. The value of contingent liabilities is equal to the expected present value of future cash flows required to settle the contingent liability over the lifetime of that contingent liability, using the basic risk-free interest rate term structure. Details of the contingent liabilities can be found in the subsidiaries' SFCRs.

D.3.3 Other Liability Valuations – Solvency II and C-IFRS

Under Section 401 of the Companies Act 2006, the Company, as a wholly owned subsidiary of a parent company established outside of the European Economic Area, is exempt from producing consolidated financial statements.

Significant differences in other liability values for material liability classes recorded on the Solvency II balance sheet and on the C-IFRS balance sheet at 31 December 2020 are shown in the table below.

Liability class £m	Document Reference	2020 Solvency II value	2020 Unaudited C-IFRS value	2020 Difference
Subordinated Liabilities in BOF	D.3.3.1	1,071.6	1,231.5	(160.0)
Other Technical Provisions	D.3.3.2	0	109.6	(109.6)
Deferred tax liabilities	D.3.3.3	257.9	186.0	71.9
Deposits from reinsurers	D.3.3.4	10,887.5	10,830.9	56.5
Provisions other than Technical Provisions	D.3.3.5	49.6	93.1	(43.4)
Any other liabilities, not elsewhere shown	D.3.3.6	649.8	680.9	(31.0)
Liabilities without significant valuation differences	n/a	957.2	963.6	6.4
Total other Liabilities		**13,873.6**	**14,095.5**	**(221.9)**

Table 22: Significant valuation differences in material liability classes

D.3.3.1 Subordinated Liabilities

The difference in value of subordinated liabilities is due to the distinction between amortised cost and fair value methodologies:

- C-IFRS values subordinated liabilities at amortised cost using the effective interest method. This valuation includes the liability's initial measurement, less repayment of principal, plus or minus the cumulative amortisation of the difference in its initial and maturity amounts; and
- Under Solvency II, subordinated liabilities are measured at fair value using a valuation model as described in Section D.3.2.2.

D.3.3.2 Other Technical Provisions

The valuation difference is due to the difference in treatment of the Deferred Income Reserve. Under C-IFRS, revenue is recognised with reference to the stage of completion of the transaction. For certain long-term business this means revenue is recognised in the accounting periods in which the services are provided. Revenue that is to be recognised in a subsequent period is deferred and recognised as a liability (in the Deferred Income Reserve) until the service is provided. When the service is provided this reserved amount is converted to revenue.

Under Solvency II, the income is recognised at receipt leaving no Deferred Income Reserve.

D.3.3.3 Deferred Tax Liabilities

The difference in value of the deferred tax liability between the Solvency II and C-IFRS values is due to the tax impact of differences in timings of outflows from asset and liability valuations.

D.3.3.4 Deposits from Reinsurers

The deposits from reinsurers amounts in Solvency II and C-IFRS reflect the different methodologies for the valuation of assets upon which these values are based.

D.3.3.5 Provisions other than Technical Provisions

The valuation difference is due to the difference in treatment of the Deferred Income Reserve. Under C-IFRS, revenue is recognised with reference to the stage of completion of the transaction. For certain long-term business this means revenue is recognised in the accounting periods in which the services are provided. Revenue that is to be recognised in a subsequent period is deferred and recognised as a liability (in the Deferred Income Reserve) until the service is provided. When the service is provided this reserved amount is converted to revenue.

Under Solvency II, the income is recognised at receipt leaving no Deferred Income Reserve.

D.3.3.6 Any Other Liabilities, Not Elsewhere Shown

A large part of the CLE business is held in a UWP fund. UWP products share features with both unit-linked and with-profits contracts. CLE has classified its UWP business as with-profits for Solvency II, based on EIOPA guidance, and shows the policy liabilities in unit-linked liabilities. Under C-IFRS this business is classified as unit-linked although there is no difference in the valuation basis.

D.3.4 Differences between CLG and Subsidiary valuations

For Solvency II purposes, there are no differences in the bases, methods and main assumptions used to value the Group’s other liabilities at a CLG level to those used by its subsidiaries.

D.4 Alternative Methods for Valuation

CLG and CLL apply alternative methods of valuation to ERM assets. These assets are included in Other Investments in CLG’s consolidated balance sheet (QRT S.02.01).

D.4.1 Equity release mortgage assets

Equity release assets primarily acquired through the MGMA business transfer are held in a bare trust. The trust has issued a senior note held by the Matching Adjustment Portfolio and a junior note held outside of the Matching Adjustment Portfolio. Neither the notes issued by the trust nor the ERM assets are traded and so do not have an observable market value. As a result, it is necessary to use alternative methods to derive the value for these assets.

The ERM assets have been valued by calculating a projection of the expected payments to be received on the loans and then discounting those future payments. These projected payments allow for the expected future loan interest payments, loan repayments, expenses and the impacts of the NNEG feature. The NNEG feature means that the loan redemption proceeds will not be greater than the value (at the time of loan redemption) of the property, on which the loan is secured. Stochastic modelling is used to capture the expected cost of this feature, which will depend on the expected rate and volatility of future house price growth.

The discount rate used reflects the risk-free interest rate term structure plus a spread above the risk-free rate. The spread includes a market related element and a further element to include allowance for the high illiquidity arising from a non-trading asset.

D.4.2 Senior Trust note

The senior note issued by the Trust has a schedule of future fixed payments. An assessment of the ability of the Trust to meet these payments when due has been made, which included stochastic modelling, and based on this assessment a credit rating has been assigned to the senior note. The senior note has been valued by discounting the schedule of future payments due.

The discount rate used reflects the then current risk-free structure as well as the assessed credit rating and includes some allowance for the illiquidity arising from a non-traded asset.

D.4.3 Junior Trust note

The junior note has been valued as the residual value of the assets in the Trust after including allowance for the expected costs of operating the Trust. As a result, the total value of the two notes held by CLL, issued by the Trust, is equal to the value of the assets held in the Trust (save for a reduction to allow for the costs of running the Trust).

D.4.4 Valuation uncertainty

The valuation of the ERM assets is derived using a number of assumptions regarding future experience. A robust assumption setting process is followed in order to ensure that uncertainty is understood and experience relative to these assumptions is regularly monitored.

D.5 Any other Information

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

E Capital Management

E.1 Own Funds

Under Solvency II, insurers are required to hold enough capital to cover the risk of their assets not being sufficient to cover their liabilities. The main capital requirement is the SCR (unaudited). There is also a lower MCR. Own Funds are the excess of assets over liabilities which are available to meet capital requirements and are divided into basic Own Funds, held on the balance sheet and ancillary Own Funds which can be letters of credit or guarantees, but they require supervisory approval. Currently, the Company holds no ancillary Own Fund items.

E.1.1 Capital Management Policies and Processes

The Company's Group Capital Management Policy is supported by its Capital Management Plan. The Capital Management Plan is produced annually and forecasts the solvency ratio and dividend payments over a three year time horizon using the business strategy set out in the annual business plan together with detailed capital projections, sensitivity stresses and scenario tests on capital requirements from the ORSA. The Group Capital Management Plan goes through a review and approval process and is ultimately approved and signed off by the Board.

CLG aims to manage its Own Funds so that its solvency position stays above the target limit specified in the Capital Management Plan. The range has sufficient coverage above the SCR (unaudited) to ensure the Company is able to meet all of its ongoing financial liabilities.

E.1.2 Structure of Own Funds

Own Funds are divided into three tiers based on their permanence and ability to absorb losses, with Tier 1 being of the highest quality.

At 31 December 2020, CLG's Own Funds consisted of:

Description	2020 £m	2019 £m
Tier 1 - unrestricted		
Issued share capital	404.2	404.2
Share premium account	1,605.2	1,605.2
Shareholder contributions	597.7	597.7
Reconciliation reserve	1,689.1	2,241.3
Surplus arising on ring fenced funds	0.1	0.2
Tier 2		
Subordinated liabilities	1,071.6	952.4
Own Funds restriction for other financial undertakings	(13.4)	(16.0)
Other restrictions	0	0
Tier 3		
Tier 3 assets	34.4	0
Total	**5,388.8**	**5,784.9**

Table 23: Structure of Own Funds

The Group's basic Own Funds agree to the Solvency II valuation of the excess assets over liabilities plus subordinated liabilities, taken from the Company's Solvency II balance sheet. CLG has no Ancillary Own Funds.

CLG uses Method 1, as referred to in Articles 230 and 233 of Directive 2009/138/EC, to consolidate its subsidiaries' balances. Under Method 1, those subsidiaries in which CLG holds a controlling interest and which are classed as insurance holding companies, Insurance or Reinsurance undertakings, or ancillary service units (service companies) are fully consolidated on a line-by-line basis. All other company types (including property management companies and fund management companies) are treated as participations and are included on a

Solvency II net asset basis in the balance sheet. Companies in which CLG owns a minority interest, or that are dormant, are not included in the consolidation.

The reconciliation reserve includes the excess of net assets of the consolidated Company, on a Solvency II basis, over and above the share capital, premium and member contributions.

Intra-group transactions, in so far as they relate to transactions between companies within CLG that are fully consolidated under Method 1, are eliminated as part of the consolidation process. Transactions with companies that lie outside the Group (even if they are part of the greater Lifeco group) and transactions with companies that are consolidated under the adjusted equity method, and included as participations, are not eliminated as part of the Group consolidation.

The Own Funds restriction for other financial undertakings represents the requirement to replace Own Funds as calculated under Solvency II with the Own Funds as calculated under the undertakings' local sectoral rules. These funds would all count as Tier 1 funds under the local capital basis, where local tiering is applied. This is for the thirteen other non-insurance financial undertakings in the group.

31 December 2020			**£m**	
Name of undertaking	**Type of undertaking**	**Own Funds on SII basis**	**Own Funds on own sectoral basis**	**SCR* on own sectoral basis**
Canada Life Asset Management Limited	Investment firm	16.0	11.2	6.7
Canada Life European Real Estate Limited	Investment firm	0.8	0.8	0
Canada Life Fund Managers (UK) Limited	Non regulated, carrying out financial activities	1.5	1.5	0
Irish Life Investment Managers Limited	Investment firm	26.7	21.4	11.7
Setanta Asset Management Limited	Investment firm	11.5	8.5	2.8
Summit Asset Managers Limited	Investment firm	0.8	0.5	0.3
Cornmarket Group Financial Services	Undertaking carrying out financial activities	25.4	25.4	6.2
Canada Life Platform Limited	SIPP operating company	25.6	25.6	1.8
Clearview Investments & Pensions Limited	Undertaking carrying out financial activities	0.2	0.2	0
APT Wealth Management Limited	Undertaking carrying out financial activities	1.4	1.4	0.6
Conexim Advisors Limited	Undertaking carrying out financial activities	0.7	0.8	0.4
Invesco Limited	Undertaking carrying out financial activities	1.4	1.4	0.1
Stonehaven UK Ltd	Undertaking carrying out financial activities	5.2	5.3	2.8
Total		**117.2**	**103.7**	**33.3**

* SCR unaudited

Table 24: Own Funds - unaudited

The previous table compares the Own Funds for the thirteen non-insurance financial undertaking companies in the Group as calculated on a Solvency II basis using the methods laid out for them by their own local regulator.

E.1.2.1 Own Funds to meet Solvency Capital Requirement

31 December 2020 Description	2020 £m	2019 £m
Tier 1 – unrestricted	4,296.3	4,848.5
Tier 2	1,071.6	952.4
Tier 3	34.4	0
Restrictions	(13.4)	(16.0)
Eligible Own Funds to meet SCR	5,388.8	5,784.9
Solvency Capital Requirement *	3,611.4	3,748.0
Solvency Capital Ratio	**149.2%**	**154.4%**

* SCR unaudited

Table 25: Own Funds to meet solvency capital requirement

E.1.2.2 Own Funds to meet Minimum Capital Requirement

31 December 2020 Description	2020 £m	2019 £m
Tier 1 – unrestricted	4,296.3	4,848.5
Tier 2	261.6	252.9
Tier 3	34.4	0
Restrictions	(117.2)	(99.4)
Eligible Own Funds to meet MCR	4,440.7	5,002.0
Minimum Capital Requirement	1,308.1	1,264.4
Minimum Capital Ratio	**339.5%**	**395.6%**

Table 26: Own Funds to meet minimum capital requirement

E.1.2.3 Restrictions on Own Funds to meet Capital Requirements

There are regulatory restrictions on the proportion of capital requirements that can be met by Tier 2 and 3 basic Own Funds in determining the eligible Own Funds to meet the SCR (unaudited) and MCR capital requirements. The impact of these restrictions is shown in the table below.

Solvency II rules on Own Fund tiering	2020 % Coverage	2019 % Coverage	Comment
Tier 1 Own Funds must be at least 50% of SCR*	119%	129%	No restrictions
Tier 3 Own Funds must be less than 15% of SCR*	1%	0%	No restrictions
Tier 2+3 Own Funds must not exceed 50% of SCR*	31%	25%	No restrictions
Tier 1 Own Funds must be at least 80% of MCR	328%	383%	No restrictions
Tier 2 Own Funds must be less than 20% of MCR	20%	20%	Tier 2 Own Funds in excess of 20% of MCR are ineligible. However, CLG has sufficient Tier 1 Own Funds to cover the MCR.

* SCR unaudited

Table 27: Own Fund restrictions

E.1.3 Subordinated Liabilities

The subordinated liabilities held within the Group are shown in the following table.

31 December 2020		£m				
Description	**Company**	**Nominal Amount**	**Fair value**	**Coupon rate**	**Maturity date**	**Future call dates**
Undated 2013 subordinated loan	CLG	150.9	354.6	5.5%	None	7 July 2023
Dated 2013 subordinated loan	CLG	99.2	158.6	5.25%	July 2043	7 July 2023
Dated 2017 subordinated loan	CLG	75.0	74.5	LIBOR +2.9%	Dec 2047	30 June 2028
Dated 2005 subordinated loan	CLL	90.0	84.2	LIBOR +1.05%	June 2035	None
Dated 2006 subordinated loan	CLL	50.0	74.6	5.9%	May 2036	None
Undated 2006 subordinated loan	CLL	80.0	189.2	5.9%	None	None
Dated 2016 subordinated loan	CLL	70.0	79.6	LIBOR +4.2%	Sep 2032	None
Undated 2016 subordinated loan	CLL	40.0	56.2	LIBOR +4.2%	None	None
Total		**655.1**	**1,071.6**			

Table 28: Subordinated liabilities

E.1.4 Material Differences

Below we set out a quantitative and qualitative explanation of any material differences between equity as shown in CLG's unaudited C-IFRS balance sheet and the excess of assets over liabilities as calculated for Solvency purposes.

The following table highlights the material differences between C-IFRS and Solvency II net assets.

Description	2020 £m
Canadian IFRS net assets (unaudited)	**3,960.9**
Goodwill and Intangible Assets	(669.7)
Technical Provision Valuation Adjustment	537.7
Commercial Mortgages	407.0
Corporate Bonds	389.8
Deferred Acquisition Costs	(326.9)
Subordinated Liabilities	160.0
Deferred Tax Valuation Difference	(76.2)
Other	(52.1)
SII Excess of assets over liabilities	**4,330.6**

Table 29: Material differences between C-IFRS and Solvency II

The rationale for material differences are set out below:

E.1.4.1 Goodwill and Intangible Assets

Goodwill and intangible assets are not allowable as assets under Solvency II valuation rules.

E.1.4.2 Technical Provisions

Differences arise because the methodologies and assumptions used to calculate the Solvency II technical provisions are different to those used to calculate C-IFRS actuarial reserves.

E.1.4.3 Commercial Mortgages

Under C-IFRS commercial mortgages are valued using the amortised cost method. Under Solvency II, commercial mortgages are valued at fair value.

E.1.4.4 Corporate Bonds

This section includes private placements which are valued at fair value under Solvency II but under C-IFRS are valued at amortised cost and are inclusive of accrued interest.

E.1.4.5 Deferred Acquisition Costs

Deferred acquisition costs are not allowable as an asset under Solvency II.

E.1.4.6 Subordinated Liabilities

Subordinated debt is calculated using a fair valuation model under Solvency II. Under C-IFRS subordinated debt is calculated using an amortised cost model.

E.1.4.7 Deferred Tax Valuation Difference

Differences arise because the methodologies and assumptions used to calculate the Solvency II technical provisions are different to those used to calculate C-IFRS actuarial reserves and consequently the difference in the deferred tax balance will arise.

E.1.5 Distributions made to Shareholders

During 2020, £540m of dividends was paid to CLIH, the parent company (2019: £289.6m).

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Calculating the Solvency Capital Requirement

The SCR (unaudited), at 31 December 2020 is shown below.

Description	2020 £m	2019 £m
PIM Credit Risk SCR	1,321	1,648
PIM Longevity Risk SCR	851	790
PIM Catastrophe Risk SCR	389	389
Market Risk	1,335	1,125
Life Underwriting Risk	1,045	543
Health Underwriting Risk	472	406
Counterparty Risk	118	95
Operational Risk	208	197
Non-Life	5	8
Diversification	(2,049)	(1,308)
Gross SCR*	**3,696**	**3,892**
Loss absorbing capacity of deferred tax (restricted)	(267)	(291)
Loss absorbing capacity of TPs	(12)	(13)
Adjustment due to Ring Fenced Funds	160	128
Capital Requirement for non-insurance entities (consolidated using the adjusted equity method)	33	32
Group SCR*	**3,611**	**3,748**
Own Funds	**5,389**	**5,785**
Solvency Ratio	**149%**	**154%**
MCR	**1,308**	**1,264**

* SCR unaudited

Table 30: Solvency Capital Requirement

CLG uses Method 1 to consolidate all its subsidiaries' SCRs (unaudited).

ILA and CLReI use simplifications in the counterparty default risk module. ILH uses a simplification for the calculation of lapse risk within the health underwriting risk module. No additional simplified SCR (unaudited) calculations are applied at CLG level.

No undertaking-specific parameters have been used in the calculation of the Standard Formula.

E.2.2 Solvency Capital Requirement by Entity

The SCR (unaudited), at 31 December 2020, split by entity is shown in the following table.

Entity	2020 £m	2019 £m
SCR* based on consolidated data for all CLG insurance entities, holding and service companies		
Insurance entities		
CLL	2,484	2,551
ILA	970	906
Elimination of CLL's SCR in respective of its participation in ILG[1]	(525)	(475)
CLE	387	347
CLReI	193	176
MGMA	0	205
ILH	55	45
CLIAI	27	24
Pension Schemes		
CLIH Pension Scheme	31	33
UK Pension Scheme	66	71
ILA Pension Scheme	47	65
Proportional share of the relevant sectoral capital requirements for credit institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies and institutions for occupational retirement provision		
Non insurance entities	33	32
Total CLG Pre Consolidation	**3,768**	**3,981**
Total CLG Post Consolidation	**3,611**	**3,748**

* SCR unaudited

Table 31: Capital position by entity

[1]Elimination of capital requirements held in CLL in respect of their strategic participation in Irish Life. At CLG level ILG is treated as a subsidiary and we look through to its underlying assets and liabilities and fully consolidate. We therefore need to deduct the SCR (unaudited) held by CLL in respect of the participation to avoid any double counting of ILG in the consolidation.

There was a decrease in the SCR (unaudited) over 2020. Although interest rate movements over the year led to an increase in the SCR (unaudited), this was more than offset by the impact of the risks ceded from CLL under a new quota share reinsurance arrangement.

E.2.3 Group Diversification Effect

The following table shows the material sources of group diversification effects, at 31 December 2020.

At 31 December 2020 £m	**Sum of risk sub-modules (undiversified)**	**Diversified risk module**	**Diversification benefit within risk module**
PIM Credit Risk SCR		1,322	
PIM Longevity Risk SCR		851	
PIM Catastrophe Risk SCR		389	
Market	1,745	1,331	414
Life	1,601	1,052	549
Health	539	472	67
Non-Life	7	5	2
Counterparty Default		117	
Operational		208	
Diversification benefit (across risk modules)		(1,904)	
Loss absorbing capacity of deferred tax		(267)	
Capital Requirement for non-insurance entities		33	
SCR*		**3,611**	

* SCR unaudited

Table 32: Group diversification effect

There are material diversification benefits both within each risk module, and across the combined CLG SCR (unaudited) compared to the sum of the solo SCRs (unaudited), due to the diversity of business and risks across CLG.

E.2.4 Calculation of the Minimum Capital Requirement

The following table shows the inputs to the MCR calculation at 31 December 2020.

MCR Inputs	**2020 £m**	**2019 £m**
Linear MCR	1,308	1,264
SCR*	**3,611**	**3,748**
MCR cap	1,625	1,687
MCR floor	903	937
Combined MCR	1,308	1,264
Absolute floor of MCR	3	3
MCR	**1,308**	**1,264**

* SCR unaudited

Table 33: MCR calculation

The MCR has increased over the year, primarily due to an increase in unit-linked insurance obligations within ILA.

E.3 Use of the Duration-based Equity Risk Sub-module (unaudited)

CLG does not use the duration-based equity risk sub-module for the calculation of its SCR (unaudited).

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

E.4.1 CLG's use of the PIM

CLG and CLL received approval to use a PIM for the calculation of the SCR (unaudited) from 31 December 2019.

The PIM covers the following risk components within CLL:

- Longevity Risk under the Life Underwriting risk module;
- Credit Risk; and
- Life and Health Catastrophe Risk.

The Standard Formula is used to calculate the SCR (unaudited) for all other risk components and for all other CLG subsidiaries. Use of the PIM extends beyond the calculation of the SCR (unaudited) and is integrated into the decision making and risk management framework of the business. This includes:

- Commercial and strategic decisions such as pricing of new business and assessment of business investments;
- Business Planning and ORSA;
- Risk Management including setting the risk appetite and risk limits; and
- Solvency Monitoring and Capital Management.

E.4.2 Methodology

The PIM defines capital requirements as the value-at-risk of the change in Basic Own Funds over a 1-year horizon with 99.5% confidence. Using historic data and expert judgement, statistical distributions are fitted to the underlying risk drivers for each PIM risk component. These distributions are then used to calculate the change in Basic Own Funds for each PIM risk component at the required percentiles. For the calculation of the SCR (unaudited) the individual capital requirement for each PIM risk component is set as loss in Basic Own Funds at the 99.5th percentile.

The individual capital requirements for the PIM risks are aggregated using correlation matrices, reflecting dependencies among risks under stressed conditions, to determine the total PIM capital requirement which is then aggregated with the Standard Formula capital requirements to determine the SCR (unaudited).

E.4.3 Differences to Standard Formula

The main differences in methodology and assumptions between the Standard Formula and PIM are:

- **Longevity:** The Standard Formula applies a single mortality stress to base table mortality. The PIM longevity methodology is more granular, stressing both the risk drivers for base table mortality and mortality improvements and applying different stresses to each of the lines of business.
- **Credit Risk:** The Standard Formula applies a prescribed stress varying by duration, asset type and credit rating. The PIM methodology is more granular and calibrated for the Company's credit exposure, with specific calibrations for asset types such as commercial mortgages and equity release mortgages, which are not explicitly considered under the Standard Formula. The PIM also makes an allowance for gilt-swap spread risk which is not allowed for under the Standard Formula.
- **Life and Health Catastrophe Risk:** The Standard Formula life catastrophe stress is a fixed additional mortality stress. The Standard Formula health catastrophe stress is the combination of a morbidity stress arising from a pandemic and terrorism event, with the terrorism event only applied to the largest geographical exposure. The PIM methodology models both pandemic and terrorism risk for both life and health catastrophe calibrated to the Company's portfolio.

E.4.4 Nature and Appropriateness of Internal Model Data

A combination of internal (e.g. experience data) and external (e.g. market data) is used to calibrate the PIM. Where no data of suitable quality is available expert judgement has been applied.

All internal model data is assessed for completeness, accuracy and appropriateness in line with the Company's Data Governance Standard. A detailed assessment and justification of the data choices used in the PIM, including, where appropriate, a comparison to alternative data sources, has been documented and approved as part of the overall governance of the PIM methodology.

E.5 Non-compliance: Minimum Capital Requirement and Solvency Capital Requirement (unaudited)

We are required to report on any periods of non-compliance with the MCR and significant non-compliance with the SCR (unaudited) during the reporting period. There have been no periods of non-compliance with the MCR or with the SCR (unaudited) during the 2020 reporting period.

E.6 Any other Information (unaudited)

There is no further material information to report in relation to capital management.

Directors' Responsibility Statement

The Canada Life Group (U.K.) Limited

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

Financial period ended 31st December 2020

The directors of the Company are satisfied that, to the best of their knowledge:

1. the SFCR was been prepared in all material respects in accordance with the PRA rules and Solvency II regulations, as applicable to the Company;

2. throughout the financial year in question, the Company has complied in all material respects with the requirements of the PRA rules and Solvency II regulations as they apply to the Company; and

3. it is reasonable to believe that, at the date of publication of the SFCR, the Company has continued to comply with the PRA rules and Solvency II regulations; and the Company intends to so comply in the future.

Approved by the Board of Directors

and signed on behalf of the Board

David Harney

Director

11th May 2021

Report of the External Independent Auditor

Report of the external independent auditor to the Directors of The Canada Life Group (U.K.) Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Chapter 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 ('SFCR')

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2020:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Group SFCR of the Company as at 31 December 2020, ('the Narrative Disclosures subject to audit'); and
- Group templates S.02.01.02, S.22.01.22, S.23.01.22, S32.01.22 ('the Group Templates subject to audit').

The Narrative Disclosures subject to audit and the Group Templates subject to audit are collectively referred to as the 'relevant elements of the Group SFCR'.

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

- information contained within the relevant elements of the Group SFCR set out above which are, or derive from the Solvency Capital Requirement, as identified in the Appendix to this report;
- the 'Executive Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Group SFCR;
- Group templates S05.01.02, S05.02.01, S.25.02.22;
- Information calculated in accordance with the previous regime used in the calculation of the transitional measures 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;
- the written acknowledgement by management of their responsibilities, including for the preparation of the Group SFCR ('the Responsibility Statement');
- 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').

To the extent the information subject to audit in the relevant elements of the Group SFCR 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 SFCR of the Company 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 and ISA (UK) 805, 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 Company in accordance with the ethical requirements that are relevant to our audit of the Group SFCR in the UK, including the Financial Reporting Council's (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.

Emphasis of Matter – Basis of Accounting

We draw attention to the 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Group SFCR, which describe the basis of accounting. The Group SFCR 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 SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the Group SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the SFCR is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Considering as part of our risk assessment, the nature of the company, its business model and related risks including, where relevant, the impact of Brexit and COVID-19, the requirements of the applicable financial reporting framework and the systems of internal control;
- Evaluating management's method to assess the entity's ability to continue as a going concern, determining if the method selected is appropriate in the context of the applicable financial reporting framework and our understanding of the entity;
- Challenging the reasonableness of the capital forecasts by evaluating the historical accuracy of forecasts prepared by management;
- Evaluating the company's current year performance including ongoing liquidity and solvency monitoring; and
- Assessing the reverse stress tests and pandemic scenario analysis performed by management.

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 Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Group SFCR 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 SFCR, 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 SFCR 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 SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

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

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 SFCR are prepared, in all material respects, with 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 SFCR 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 SFCR.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at https://www.frc.org.uk/auditorsresponsibilities. The same responsibilities apply to the audit of the Group SFCR.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK and the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), the pensions legislation and relevant tax legislation; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, actuarial, financial instruments, real estate and credit risk regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas: valuation of equity release mortgages (ERMs), significant assumptions used for actuarial reserving and fair value adjustments in relation to mortgages and subordinated liabilities.

For the valuation of equity release mortgages, we performed the following procedures:

- We obtained an understanding of the relevant controls over the valuation process, including the company's review and approval of the key judgements and assumptions used to value the ERMs;
- We inspected management's basis papers and challenged the assumptions applied, in particular the valuation interest rate and house pricing inflation assumptions, by comparison with those used by peers and in industry studies, and benchmarked these to industry data including Land Registry indices, and using our real estate specialists where appropriate; and
- To assess the model used to value ERMs is functioning as intended, we recalculated the fair value of a sample of ERM policies using our independent ERM valuation model.

For the significant assumptions used for actuarial reserving, we performed the following procedures:

- We obtained an understanding of the controls over the assumption-setting process;
- We substantively tested (including recalculation) a sample of in-year experience studies relating to the significant assumptions identified above. This included testing the data and calculations used in the experience study, assessing the appropriateness of the experience study methodology for each sample selected, and assessing the resulting conclusions with respect to the revised assumptions;
- Where the timing and amount of an assumption change, or a decision not to make a change required significant management judgement, we examined on a sample basis the supporting documentation to validate the reasonableness of the assumption change, including consideration of possible management bias;
- Where externally available models or data are used in the assumption setting-process, we assessed, on a sample basis, management's use of this information in the assumption setting process and its relevance;
- Where appropriate, we compared the assumptions selected by management to those used by peer companies i.e. those with significant exposure to similar risks; and
- We challenged the appropriateness of holding short-term COVID-19 reserve adjustments versus making adjustments to the long-term assumptions.

For the fair value adjustments in relation to mortgages and subordinated liabilities, we performed the following procedures:

- We obtained an understanding of the relevant controls over the valuation process, including the key judgements and assumptions used to value the mortgages and subordinated liabilities;
- We consulted with our credit risk specialists to assess the models used to calculate the fair value of mortgages;
- We substantively tested the inputs and valuation data used in the commercial mortgages model including:
    - We agreed the contractual cash flows are those which have been used in the model;
    - We assessed the appropriateness of the 5, 10 and 15 year gilt curve used;
    - We assessed the accuracy of the components of the discount margin (liquidity premium, default spread, cost of capital and fixed additional spread); and
- We performed specific procedures over the application of the model and changes to the model from the prior year;
- We engaged our financial instruments specialists to test the fair values of the subordinated liabilities.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing correspondence with the PRA and FCA and reviewing internal audit reports.

Other Matter

The Company has authority to calculate its Group Solvency Capital Requirement using a partial internal model ("the Model") 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 Model, or whether the Model is being applied in accordance with the Company's application or approval order.

As the company is exempt from the preparation of consolidated financial statements under Section 401 of the Companies Act 2006, we have not audited the corresponding statutory accounts values in the disclosures of Section D: Valuation for Solvency Purposes and Section E: Capital Management of the Solvency and Financial Condition Report, given that these disclosures have been produced under a non-standard accounting framework.

Report on Other Legal and Regulatory Requirements

Sectoral Information

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter 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 Chapter 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 The Canada Life Group (U.K.) Limited 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 relation to this matter.

Use of our Report

This report is made solely to the Directors of The Canada Life Group (U.K.) Limited in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the Group SFCR and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the PRA, for our audit work, for this report or for the opinions we have formed.

Andrew Holland, FCA (Senior Statutory Accountant)
Statutory Auditor
Bristol, United Kingdom
11 May 2021

Appendix – relevant elements of the Group Solvency and Financial Condition Report that are not subject to audit

Group internal model

The relevant elements of the Group SFCR that are not subject to audit comprise:

- The following elements of Group template S.02.01.02:
  - Row R0550: Technical provisions – non-life (excluding health) – risk margin
  - Row R0590: Technical provisions – health (similar to non-life) – risk margin
  - 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 measure 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 R0060: Non-available subordinated mutual member accounts 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 R0610 – Minimum consolidated Group SCR
  - Row R0650 – Ratio of Eligible own funds to Minimum consolidated Group SCR
  - Row R0680: Group SCR
  - Row R0690: Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included in D&A
  - 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’.

Appendix 1 Web addresses for CLG insurance and reinsurance subsidiaries

Canada Life Assurance Europe plc (CLE)	www.canadalife.de
Canada Life International Assurance (Ireland) dac (CLIAI):	www.canadalife.co.uk/international
Canada Life Re Ireland (CLReI)	www.canadalifere.com
Canada Life Limited (CLL):	www.canadalife.co.uk
Irish Life Assurance plc (ILA):	www.irishlife.ie
Irish Life Health dac (ILH):	www.irishlifehealth.ie

Annex

The Canada Life Group (U.K.) Limited

Solvency and Financial Condition Report

Disclosures

31 December

2020

(Monetary amounts in GBP thousands)

Annex

General information

Participating undertaking name	The Canada Life Group (U.K.) Limited
Group identification code	213800EKLMOKKEP7XL89
Type of code of group	LEI
Country of the group supervisor	GB
Language of reporting	en
Reporting reference date	31 December 2020
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the group SCR	Partial internal model
Method of group solvency calculation	Method 1 is used exclusively
Matching adjustment	Use of matching adjustment
Volatility adjustment	Use of volatility adjustment
Transitional measure on the risk-free interest rate	Use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	Use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.01.02 - Premiums, claims and expenses by line of business
S.05.02.01 - Premiums, claims and expenses by country
S.05.02.01 - Premiums, claims and expenses by country
S.22.01.22 - Impact of long term guarantees measures and transitionals
S.23.01.22 - Own Funds
S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model
S.25.02.22 - Solvency Capital Requirement - for groups using the standard formula and partial internal model
S.32.01.22 - Undertakings in the scope of the group

Annex

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	34,369
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	151,901
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	31,822,525
R0080	*Property (other than for own use)*	1,508,474
R0090	*Holdings in related undertakings, including participations*	360,812
R0100	*Equities*	1,998,364
R0110	*Equities - listed*	1,998,364
R0120	*Equities - unlisted*	0
R0130	*Bonds*	25,823,796
R0140	*Government Bonds*	9,549,102
R0150	*Corporate Bonds*	15,047,377
R0160	*Structured notes*	0
R0170	*Collateralised securities*	1,227,317
R0180	*Collective Investments Undertakings*	638,001
R0190	*Derivatives*	23,587
R0200	*Deposits other than cash equivalents*	611,750
R0210	*Other investments*	857,741
R0220	Assets held for index-linked and unit-linked contracts	55,033,489
R0230	Loans and mortgages	3,383,858
R0240	*Loans on policies*	1,123
R0250	*Loans and mortgages to individuals*	4
R0260	*Other loans and mortgages*	3,382,731
R0270	Reinsurance recoverables from:	13,409,112
R0280	*Non-life and health similar to non-life*	69,012
R0290	*Non-life excluding health*	-5,349
R0300	*Health similar to non-life*	74,361
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	13,391,662
R0320	*Health similar to life*	74,061
R0330	*Life excluding health and index-linked and unit-linked*	13,317,600
R0340	*Life index-linked and unit-linked*	-51,561
R0350	Deposits to cedants	3,639,969
R0360	Insurance and intermediaries receivables	202,476
R0370	Reinsurance receivables	127,032
R0380	Receivables (trade, not insurance)	220,793
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	
R0410	Cash and cash equivalents	265,246
R0420	Any other assets, not elsewhere shown	876,090
R0500	**Total assets**	**109,166,860**

Annex

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	64,892
R0520	*Technical provisions - non-life (excluding health)*	-7,964
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	-9,431
R0550	*Risk margin*	1,467
R0560	*Technical provisions - health (similar to non-life)*	72,856
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	68,167
R0590	*Risk margin*	4,689
R0600	Technical provisions - life (excluding index-linked and unit-linked)	36,197,179
R0610	*Technical provisions - health (similar to life)*	1,354,205
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	1,118,850
R0640	*Risk margin*	235,355
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	34,842,973
R0660	*TP calculated as a whole*	4,469,903
R0670	*Best Estimate*	29,186,985
R0680	*Risk margin*	1,186,086
R0690	Technical provisions - index-linked and unit-linked	54,700,542
R0700	*TP calculated as a whole*	55,275,990
R0710	*Best Estimate*	-843,972
R0720	*Risk margin*	268,524
R0740	Contingent liabilities	10,325
R0750	Provisions other than technical provisions	49,631
R0760	Pension benefit obligations	65,740
R0770	Deposits from reinsurers	10,887,450
R0780	Deferred tax liabilities	257,895
R0790	Derivatives	69,127
R0800	Debts owed to credit institutions	26,914
R0810	Financial liabilities other than debts owed to credit institutions	24,192
R0820	Insurance & intermediaries payables	505,500
R0830	Reinsurance payables	177,739
R0840	Payables (trade, not insurance)	77,662
R0850	Subordinated liabilities	1,071,587
R0860	*Subordinated liabilities not in BOF*	
R0870	*Subordinated liabilities in BOF*	1,071,587
R0880	Any other liabilities, not elsewhere shown	649,845
R0900	**Total liabilities**	**104,836,220**
R1000	**Excess of assets over liabilities**	**4,330,640**

Annex

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of business for: accepted non-proportional reinsurance				Total
		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	Misc. financial loss	Health	Casualty	Marine, aviation and transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
	Premiums written																	
R0110	Gross - Direct Business	444,805																444,805
R0120	Gross - Proportional reinsurance accepted							450					77,833					78,283
R0130	Gross - Non-proportional reinsurance accepted													0			1,365	1,365
R0140	Reinsurers' share	324,781						427					64,297	0			188	389,693
R0200	Net	120,024						23					13,536	0	0	0	1,177	134,759
	Premiums earned																	
R0210	Gross - Direct Business	424,859																424,859
R0220	Gross - Proportional reinsurance accepted							150					25,113					25,263
R0230	Gross - Non-proportional reinsurance accepted													0			3,035	3,035
R0240	Reinsurers' share	310,220						143					21,316	0			985	332,664
R0300	Net	114,638						8					3,797	0	0	0	2,050	120,493
	Claims incurred																	
R0310	Gross - Direct Business	289,149																289,149
R0320	Gross - Proportional reinsurance accepted							50					21,222					21,272
R0330	Gross - Non-proportional reinsurance accepted													39			-530	-491
R0340	Reinsurers' share	206,014						48					20,161	0			249	226,472
R0400	Net	83,135						3					1,061	39	0	0	-780	83,458
	Changes in other technical provisions																	
R0410	Gross - Direct Business																	0
R0420	Gross - Proportional reinsurance accepted																	0
R0430	Gross - Non-proportional reinsurance accepted													0			0	0
R0440	Reinsurers' share													0				0
R0500	Net	0						0					0	0	0	0	0	0
R0550	**Expenses incurred**	111,040						5					2,673	46	0	0	315	114,079
R1200	**Other expenses**																	
R1300	**Total expenses**																	114,079

S.05.01.02

Premiums, claims and expenses by line of business

Life

		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	Health reinsurance	Life reinsurance	Total
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	313,398	527,648	5,784,599	1,813,538				2,311	8,441,495
R1420	Reinsurers' share	36,344	109,105	80,864	3,186,328				11,208	3,423,849
R1500	Net	277,054	418,542	5,703,735	-1,372,790			0	-8,896	5,017,646
	Premiums earned									
R1510	Gross	313,747	527,648	5,784,599	1,813,138				2,325	8,441,457
R1520	Reinsurers' share	36,782	109,105	80,864	3,186,328				9,528	3,422,607
R1600	Net	276,965	418,542	5,703,735	-1,373,190			0	-7,204	5,018,849
	Claims incurred									
R1610	Gross	205,683	152,110	4,506,637	2,083,390				500,032	7,447,851
R1620	Reinsurers' share	24,389	27,167	29,668	1,056,276				394,875	1,532,374
R1700	Net	181,294	124,943	4,476,969	1,027,114			0	105,157	5,915,477
	Changes in other technical provisions									
R1710	Gross	10,971	108,400	2,405,857	929,850				-308,576	3,146,502
R1720	Reinsurers' share	-17,453	-8,844	37,037	2,294,198				-224,019	2,080,919
R1800	Net	28,425	117,244	2,368,819	-1,364,348			0	-84,557	1,065,583
R1900	**Expenses incurred**	68,692	52,695	284,242	217,316			0	11,786	634,733
R2500	**Other expenses**									27,514
R2600	**Total expenses**									662,247

S.05.02.01

Premiums, claims and expenses by country

Non-life

		C0010	C0020	C0030	C0040	C0050	C0060	C0070
		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations			Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
R0010			IE	IT	FR	DE		
		C0080	C0090	C0100	C0110	C0120	C0130	C0140
	Premiums written							
R0110	Gross - Direct Business		444,805					444,805
R0120	Gross - Proportional reinsurance accepted		73,511		4,771			78,283
R0130	Gross - Non-proportional reinsurance accepted		0	0	1,126	238		1,365
R0140	Reinsurers' share		389,693					389,693
R0200	Net	0	128,623	0	5,898	238	0	134,759
	Premiums earned							
R0210	Gross - Direct Business		424,859					424,859
R0220	Gross - Proportional reinsurance accepted		23,667		1,597			25,263
R0230	Gross - Non-proportional reinsurance accepted		0	1,753	1,163	119		3,035
R0240	Reinsurers' share		332,664					332,664
R0300	Net	0	115,862	1,753	2,760	119	0	120,493
	Claims incurred							
R0310	Gross - Direct Business		289,149					289,149
R0320	Gross - Proportional reinsurance accepted		20,738		534			21,272
R0330	Gross - Non-proportional reinsurance accepted		-901	249	161			-491
R0340	Reinsurers' share		226,472					226,472
R0400	Net	0	82,514	249	695	0	0	83,458
	Changes in other technical provisions							
R0410	Gross - Direct Business							0
R0420	Gross - Proportional reinsurance accepted							0
R0430	Gross - Non-proportional reinsurance accepted			0	0			0
R0440	Reinsurers' share							0
R0500	Net	0	0	0	0	0	0	0
R0550	**Expenses incurred**		114,079					114,079
R1200	**Other expenses**							
R1300	**Total expenses**							114,079

S.05.02.01

Premiums, claims and expenses by country

Life

		C0150	C0160	C0170	C0180	C0190	C0200	C0210
		Home Country	Top 5 countries (by amount of gross premiums written) - life obligations			Top 5 countries (by amount of gross premiums written) - life obligations		Total Top 5 and home country
R1400			IE	DE	IT	US	GR	
		C0220	C0230	C0240	C0250	C0260	C0270	C0280
	Premiums written							
R1410	Gross	2,148,665	5,511,258	780,740	0	442	390	8,441,495
R1420	Reinsurers' share	2,895,249	528,601	0	0	0	0	3,423,849
R1500	Net	-746,584	4,982,658	780,740	0	442	390	5,017,646
	Premiums earned							
R1510	Gross	2,149,847	5,510,024	780,740	0	442	403	8,441,457
R1520	Reinsurers' share	2,895,686	526,921	0	0	0	0	3,422,607
R1600	Net	-745,839	4,983,103	780,740	0	442	403	5,018,849
	Claims incurred							
R1610	Gross	2,696,762	4,436,407	250,781	9,744	54,157	0	7,447,851
R1620	Reinsurers' share	834,625	697,749	0	0	0	0	1,532,374
R1700	Net	1,862,137	3,738,658	250,781	9,744	54,157	0	5,915,477
	Changes in other technical provisions							
R1710	Gross	818,408	2,123,845	196,602	684	6,963	0	3,146,502
R1720	Reinsurers' share	2,149,395	-68,475	0	0	0	0	2,080,919
R1800	Net	-1,330,986	2,192,320	196,602	684	6,963	0	1,065,583
R1900	**Expenses incurred**	164,265	266,325	203,611	531	0	0	634,733
R2500	**Other expenses**							27,514
R2600	**Total expenses**							662,247

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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
R0010	Technical provisions	90,962,613	1,226,992	173,118	201,992	1,482,280
R0020	Basic own funds	5,285,051	-993,863	-28,537	-81,578	-1,216,546
R0050	Eligible own funds to meet Solvency Capital Requirement	5,388,804	-993,863	-28,537	-81,578	-1,251,544
R0090	Solvency Capital Requirement	3,611,446	0	7,975	12,707	1,032,303

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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					
R0010	Ordinary share capital (gross of own shares)	404,155	404,155			
R0020	*Non-available called but not paid in ordinary share capital at group level*	0				
R0030	Share premium account related to ordinary share capital	1,605,219	1,605,219			
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	597,650	597,650			
R0050	Subordinated mutual member accounts	0				
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	50	50			
R0080	*Non-available surplus funds at group level*	0				
R0090	Preference shares	0				
R0100	*Non-available preference shares at group level*	0				
R0110	Share premium account related to preference shares	0				
R0120	*Non-available share premium account related to preference shares at group level*	0				
R0130	Reconciliation reserve	1,689,197	1,689,197			
R0140	Subordinated liabilities	1,071,587		0	1,071,587	
R0150	*Non-available subordinated liabilities at group level*	0				
R0160	An amount equal to the value of net deferred tax assets	34,369				34,369
R0170	*The amount equal to the value of net deferred tax assets not available at the group level*	0				
R0180	Other items approved by supervisory authority as basic own funds not specified above	0				
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at group level*	0				
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities**	117,176	117,176			
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	117,176	117,176	0	0	0
R0290	**Total basic own funds after deductions**	5,285,051	4,179,094	0	1,071,587	34,369
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Own funds of other financial sectors					
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund managers, UCITS management companies	101,482	101,482			
R0420	Institutions for occupational retirement provision	0				
R0430	Non regulated entities carrying out financial activities	2,272	2,272			
R0440	**Total own funds of other financial sectors**	103,753	103,753	0	0	

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Own Funds

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	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)	5,285,051	4,179,094	0	1,071,587	34,369
R0530	Total available own funds to meet the minimum consolidated group SCR	5,250,682	4,179,094	0	1,071,587	
R0560	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)	5,285,051	4,179,094	0	1,071,587	34,369
R0570	Total eligible own funds to meet the minimum consolidated group SCR (group)	4,440,715	4,179,094	0	261,621	
R0610	**Minimum consolidated Group SCR**	1,308,103				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	339.48%				
R0660	**Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	5,388,804	4,282,847	0	1,071,587	34,369
R0680	**Group SCR**	3,611,446				
R0690	**Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A**	149.21%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	4,330,640
R0710	Own shares (held directly and indirectly)	
R0720	Forseeable dividends, distributions and charges	0
R0730	Other basic own fund items	2,641,443
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non available own funds	0
R0760	**Reconciliation reserve**	1,689,197
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	909,560
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	17,296
R0790	**Total Expected profits included in future premiums (EPIFP)**	926,856

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S.25.02.22

Solvency Capital Requirement - for groups using the standard formula and partial internal model

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

USP Key

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

USP Key

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
1	10100I	Interest rate risk interest rates down	25,061		0	
2	10200I	Interest rate risk Interest rates up	0		0	
3	10400I	Equity risk	595,622		0	
4	10600I	Property risk	197,302		0	
5	10700I	Spread risk	289,852		0	
6	1071AI	Spread Risk: Default risk-free bond	258,903	258,903	0	
7	1071BI	Spread Risk: Corporate bond (incl. 1-yr transition and default risk allowance)	2,254,328	2,254,328	0	
8	1075AI	Spread Risk: CREL (incl. 1-yr transition and default risk allowance)	411,959	411,959	0	
9	1075BI	Spread risk equity release mortgage spread risk	79,103	79,103	0	
10	1076AI	Spread Risk: ERM Liability Offset	6,609	6,609	0	
11	1076BI	Spread Risk: Non-ERM liability offset	-1,270,194	-1,270,194	0	
12	10799I	Spread risk diversification within credit risk	-419,372	-419,372	0	
13	10800I	Concentration risk	3,706		0	
14	10900I	Currency risk	650,421		0	
15	19900I	Diversification within market risk Includes pension scheme; calculated using stan	-427,333		0	
16	20100I	Type 1 counterparty risk	88,613		0	
17	20200I	Type 2 counterparty risk	32,104		0	
18	29900I	Diversification within counterparty risk	-3,030		0	
19	30100I	Mortality risk	138,126		0	
20	30200I	Longevity risk	203,489		0	
21	30210I	Longevity risk longevity Base	274,084	274,084	0	
22	30220I	Longevity risk longevity Improvements	777,850	777,850	0	
23	30299I	Longevity risk diversification within longevity risk	-200,496	-200,496	0	
24	30300I	Disability-morbidity risk	157,916		0	
25	30400I	Mass lapse	620,544		0	
26	30500I	Other lapse risk			0	
27	30600I	Expense risk	356,051		0	

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Solvency Capital Requirement -
for groups using the standard formula and partial internal model

USP Key

For life underwriting risk:
1- Increase in the amount of annuity benefits
9 - None

USP Key

For health underwriting risk:
1- Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

USP Key

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

	Unique number of component	Component description	Calculation of the Solvency Capital Requirement	Amount modelled	USP	Simplifications
Row	C0010	C0020	C0030	C0070	C0090	C0120
28	30800I	Life catastrophe risk	125,876		0	
29	30810I	Life Pandemic Risk	115,194	115,194	0	
30	30820I	Life Terrorism Risk	143,670	143,670	0	
31	30890I	Life Catastrophe Adjustment	54,166	54,166	0	
32	39920I	Diversification within life underwriting risk includes pension scheme; calculated	-557,402		0	
33	40100I	Health mortality risk	73		0	
34	40200I	Health longevity risk	30,513		0	
35	40300I	Health disability-morbidity risk	380,038		0	
36	40400I	Health SLT mass lapse	130,921		0	
37	40500I	Health SLT other lapse risk			0	
38	40600I	Health expense risk	30,642		0	
39	41100I	NSTL health premium and reserve risk	35,082		0	
40	41200I	NSTL health lapse risk	25,752		0	Y
41	41600I	Health CAT risk	109,395		0	
42	41610I	Health Pandemic Risk	19,171	19,171	0	
43	41620I	Health Terrorism Risk	61,319	61,319	0	
44	41690I	Health Catastrophe Adjustment	-4,644	-4,644	0	
45	49900I	Diversification within health underwriting risk calculated using standard formula	-269,951		0	
46	50300I	Non-life premium and reserve risk	4,122		0	
47	50500I	Non-life catastrophe risk	2,714		0	
48	50600I	Non-life Lapse	162		0	
49	59900I	Diversification within non-life underwriting risk	-1,523		0	
50	70100I	Operational risk	208,341		0	
51	80140I	Other risks	0		0	
52	80200I	Loss-absorbing capacity of technical provisions	-11,522		0	
53	80300I	Loss-absorbing capacity of deferred tax	-266,954		0	
54	80400I	Other adjustments	0		0	

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S.25.02.22

Solvency Capital Requirement - for groups using the standard formula and partial internal model

		C0100
	Calculation of Solvency Capital Requirement	
R0110	Total undiversified components	5,466,375
R0060	Diversification	-2,048,594
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency capital requirement excluding capital add-on**	3,578,188
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement for undertakings under consolidated method**	3,611,446
	Other information on SCR	
R0300	Amount/estimate of the overall loss-absorbing capacity of technical provisions	-11,522
R0310	Amount/estimate of the overall loss-absorbing capacity ot deferred taxes	-266,954
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	2,739,844
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	145,439
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	692,904
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0
R0470	Minimum consolidated group solvency capital requirement	1,308,103
	Information on other entities	
R0500	Capital requirement for other financial sectors (Non-insurance capital requirements)	33,259
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management*	33,259
R0520	*Institutions for occupational retirement provisions*	0
R0530	*Capital requirement for non- regulated entities carrying out financial activities*	0
R0540	Capital requirement for non-controlled participation requirements	0
R0550	Capital requirement for residual undertakings	0
	Overall SCR	
R0560	SCR for undertakings included via D and A	0
R0570	**Solvency capital requirement**	3,611,446

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S.32.01.22

Undertakings in the scope of the group

Row	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	Criteria of influence: % capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Inclusion in the scope of Group supervision: YES/NO	Date of decision if art. 214 is applied	Group solvency calculation: Method used and under method 1, treatment of the undertaking
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
1	IE	635400JGZZI8GHR8QG76	LEI	1939 ILIV Consulting Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
2	IE	6354007DSGDEHWVF7T25	LEI	Acumen & Trust DAC	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
3	IE	635400SV1WVURPOMZF20	LEI	Acumen & Trust Pension Trustees DAC	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
4	GB	213800HGKGFNFSUWZV95	LEI	Albany Life Assurance Company Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
5	IE	635400OPE1JFGG2MP752	LEI	APT Wealth Management Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
6	IE	635400BCM3M2ONRIHM02	LEI	APT Workplace Pension Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	90.00%	90.00%	90.00%		Dominant	90.00%	Included in the scope		Method 1: Adjusted equity method
7	IE	635400FAX6V29RD4PX38	LEI	APTFS Nominees Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
8	IE	635400MHWYMM9ANURP69	LEI	BCRM Financial Holdings (Ireland) DAC	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
9	GB	213800BSUBWOZNAEYR31	LEI	Canada Life (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
10	GB	213800N6FQGY4U7I2F47	LEI	Canada Life Asset Management Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
11	IE	213800ZK7A1XGTCD2U22	LEI	Canada Life Assurance Europe plc	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
12	IE	635400IDLU81ASLAZH81	LEI	Canada Life Dublin Dac	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
13	IE	635400XTV9YKQ5KNAM59	LEI	Canada Life Europe Investment Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
14	IE	635400YDFGPIPRXAKJ29	LEI	Canada Life Europe Management Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
15	GB	2138006PCDCPNVPDRM64	LEI	Canada Life European Real Estate Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
16	GB	2138002XKQVZND4LB513	LEI	Canada Life Fund Managers (U.K.) Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
17	GB	213800UDG1MA9AN21X52	LEI	Canada Life Group Services (U.K.) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
18	IE	635400H1ZCYDF1SHUW64	LEI	Canada Life Group Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
19	GB	213800FRKLFQ7WK4W562	LEI	Canada Life Holdings (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
20	GB	213800RUVUGJAQB2IX80	LEI	Canada Life Home Finance Trustee Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
21	IE	635400L3E1R493ERBV46	LEI	Canada Life International Assurance (Ireland) DAC	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
22	IE	210942	Specific code	Canada Life Ireland Holdings Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
23	IE	635400CHXZPQFC47PW74	LEI	Canada Life Irish Holding Company Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
24	GB	2138008IED3SFNHHTU96	LEI	Canada Life Irish Operations Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
25	GB	JD3QAJDNG52JLJXV1L22	LEI	Canada Life Limited	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
26	GB	213800BMEYTWCIMCNK49	LEI	Canada Life Management (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
27	GB	54930039E2N3MDVMYE05	LEI	Canada Life Platform Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
28	GB	13089624	Specific code	Canada Life Platform Nominee Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
29	IE	635400ZKUEHGWBDMWG28	LEI	Canada Life Re Ireland Dac	Composite undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
30	GB	213800PF5I8D9Y411Q90	LEI	Canada Life Services (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
31	GB	213800NN7XPQAAJL8O82	LEI	Canada Life SIPP Trustee Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
32	GB	2138009TKVN8NB93HA61	LEI	Canada Life Trustee Services (U.K.) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
33	GB	213800WGR4ZZCZ4GL911	LEI	Canada Life UK Staff Pension Trustee Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
34	IE	33613	Specific code	City Life Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
35	IE	635400SECKC2JQUFPY74	LEI	CL Abbey Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
36	IE	635400GT362UFLJWGZ19	LEI	Clearview Investments & Pensions Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
37	GB	213800MY6OLHCKCTMV02	LEI	CLFIS (U.K.) Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
38	IE	635400YCEMRA2M95SK72	LEI	Conexim Advisors Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
39	IE	635400GGXFZAHNQE8Y22	LEI	Cornmarket Group Financial Services Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
40	GB	635400FBR5OL6NLRFR10	LEI	Cornmarket Insurance Services Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
41	IE	635400GEZ19SGQ8UII22	LEI	Cornmarket Retail Trading Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
42	GB	2138009Z2YMNSZF44G47	LEI	EIS Financial Services Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

Annex

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Undertakings in the scope of the group

									Criteria of influence							Inclusion in the scope of Group supervision		Group solvency calculation
	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
Row	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
43	DE	HRB 14781	Specific code	FINUM. Finanzhause AG	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
44	DE	HRB 26516	Specific code	FINUM.Pension Consulting GMbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
45	DE	391200T0Z260ZBVBR133	LEI	FINUM.Private Finance AG	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	BAFin	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
46	AT	FN 259478	Specific code	FINUM.Private Finance AG	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
47	DE	HRB 25981	Specific code	FINUM.PRIVATE Finance Holding GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
48	AT	FN 332819	Specific code	FINUM.PRIVATE Finance Holding GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
49	IE	635400CNPZNMPLLFGL81	LEI	GloHealth Financial Services Limited	Non-regulated undertaking carrying out financial activities as defined in Article 1 (52) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
50	GB	2138007RWKPR2PXQW727	LEI	Hotel Operations (Cardiff) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
51	GB	21380039AGLO5KWGMZ12	LEI	Hotel Operations (Walsall) Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
52	IE	635400DADGYDGWIUDS23	LEI	ILGAPT Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
53	IE	635400UH7Z5V2GIYYZ62	LEI	ILGWM Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
54	US	635400YXOAFSOBHZXV22	LEI	Ilona Financial Group, Inc.	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
55	IE	635400JW5GK2ZTTWOK19	LEI	ILP Pension Trustees Dac	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
56	IE	6354009KK2LTCN6JWN73	LEI	Invesco Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
57	IE	6354007UUVRKBKCOOZ27	LEI	Invesco Trustees Dac	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	75.00%	75.00%	75.00%		Dominant	75.00%	Included in the scope		Method 1: Adjusted equity method
58	IE	635400BSMKY1KO9XGH57	LEI	Irish Life Associate Holdings Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
59	IE	YYV6S3OE6EWZYI2FFW31	LEI	Irish Life Assurance plc	Life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
60	IE	635400NNVQODVERAJD14	LEI	Irish Life Financial Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
61	IE	635400NX6YMZWZPAHW47	LEI	Irish Life Group Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
62	IE	635400ENG5BJ2BD86T55	LEI	Irish Life Group Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
63	IE	213800CKQ3LRQAANL691	LEI	Irish Life Health Dac	Non life insurance undertaking	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
64	IE	TWBHJZDB2TYBXZPLM625	LEI	Irish Life Investment Managers Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
65	IE	635400P6FF1QJF1XSP02	LEI	Irish Life Irish Holdings Unlimited Company	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
66	IE	635400AFPORY5TCRDO46	LEI	Irish Life Trustee Services Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
67	LI	FL-002.576.091-3	Specific code	JDC B-LAB GmbH	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
68	DE	HRB 29119	Specific code	JDC Geld.de GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
69	DE	391200HVYXFJ2R1BIN92	LEI	JDC Group AG	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
70	DE	HRB 27242	Specific code	JDC plus GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
71	DE	HRB 161915	Specific code	Jung, DMS & Cie. Aktiengesellschaft	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
72	AT	FN 40432	Specific code	Jung, DMS & Cie. GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Austrian Financial Market Authority & BaFin	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
73	DE	HRB 21441	Specific code	Jung, DMS & Cie. Pool GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
74	DE	HRB 23439	Specific code	Jung, DMS & Cie. Pro GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	28.00%	28.00%	28.00%		Significant	28.00%	Included in the scope		Method 1: Adjusted equity method
75	AT	FN 364745	Specific code	Jupoo finance GmbH	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	14.28%	14.28%	14.28%		Significant	14.28%	Included in the scope		Method 1: Adjusted equity method
76	GB	2138007VQUE3VPXQH311	LEI	MGM Advantage Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
77	GB	213800I8ASHT4JBJ5M03	LEI	MGM Advantage Services Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
78	IE	635400KORI18AZDMXO39	LEI	Platform Capital Holdings Limited	Mixed financial holding company as defined in Article 212 (1)(h) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
79	IE	635400OGCJBX1UFS6F61	LEI	Setanta Asset Management Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
80	GB	2138005YYDH5JQ2ORW68	LEI	Stonehaven UK Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Financial Conduct Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
81	IE	635400TRDOEXCZ27MV80	LEI	Summit Asset Managers Limited	Credit institution, investment firm and financial institution	Company limited by shares or by guarantee or unlimited	Non-mutual	Central Bank of Ireland	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
82	GB	213800EKLMOKKEP7XL89	LEI	The Canada Life Group (U.K.) Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares or by guarantee or unlimited	Non-mutual	Prudential Regulation Authority	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Full consolidation
83	IE	635400VJGWKKUV94ZB87	LEI	Vestone Limited	Other	Company limited by shares or by guarantee or unlimited	Non-mutual	N/A	100.00%	100.00%	100.00%		Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method

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