



## Suffolk Life Annuities Limited

# Solvency and Financial Condition Report (SFCR) Year End 2025

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## Summary

The purpose of the Solvency Financial and Condition Report (SFCR) is to provide information about the capital position as at 31 December 2025 of Suffolk Life Annuities Limited (SLAL) based on the UK Solvency II requirements as primarily defined and regulated by the Prudential Regulation Authority (PRA).

This report sets out different aspects of SLAL's business and performance, risk profile, valuation methods used for solvency purposes and its capital management practices.

## Business Performance

The principal activity of SLAL is the provision of pension administration services principally for Self-Invested Personal Pension Schemes ("SIPPs") through non-participating individual insurance contracts. SLAL is therefore regarded as an insurance company, is subject to UK Solvency II rules and its capital position is determined by the Standard Formula as set out in the Solvency II Directive.

SLAL is a private limited company, limited by shares, registered in England and Wales, and incorporated and domiciled in the United Kingdom under the Company Act 2006. It is authorised and regulated by the PRA and is also regulated by the Financial Conduct Authority (FCA).

SLAL is a member of the group headed by Nucleus Financial Platforms Limited (the Group). The Group's principal activity is providing the administration of SIPPs, Small Self-Administered Pension Schemes (SSASs), wrap platform administration, pension portfolio administration and pension scheme administration. SLAL's ultimate parent company is Plutus Topco Limited, which is the investment vehicle through which shareholders hold their investments in the Group.

For the year ended 31 December 2025 SLAL made a profit after tax of £447k (2024: £359k).

## System of Governance

SLAL's system of governance encompasses the overall framework, structure and processes adopted to ensure it meets the requirements of a robust risk management function. Section B of the report provides details of the overarching risk management framework, alongside the key roles, responsibilities and committees providing oversight and direction to support the Suffolk Life (SL) Combined Board.

SLAL utilises the 'three lines of defence' model. The risk governance framework enables the SL Executive Committee, SL Combined Board, Nucleus Financial Platforms (NFPL) Board, NFPL Board Audit Committee and NFPL Board Risk Committee (alongside the other regulated entities within the Group) to be satisfied that the embedded risk culture is effectively dealing with risks to which the wider Group may be exposed. The key elements of the framework include:

## Summary (continued)

### System of Governance (continued)

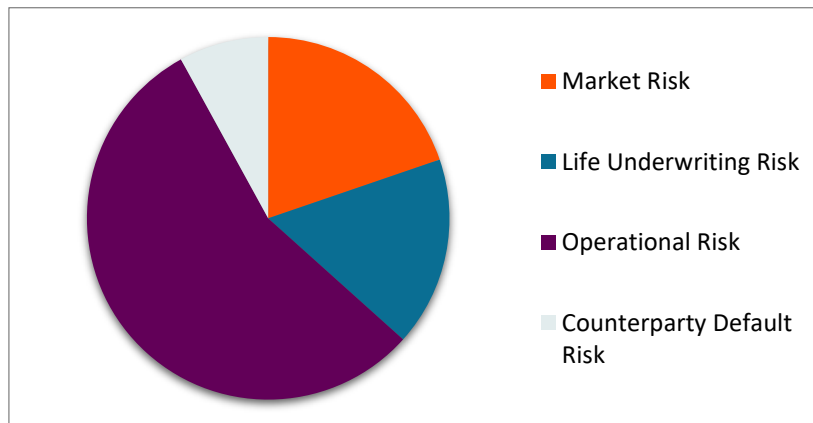
- Defined roles and responsibilities for Executive, Board and the wider business.
- Focused risk appetite statements approved by the Board Risk Committee.
- Risk Management Framework, Policies and Procedures.
- Regular analysis by SL Executive Committee, SL Combined Board and Group Board Risk Committee of material risk exposures for SLAL via the robust governance structure.

Further information regarding Systems of Governance are detailed in [Section B](#).

### Risk Profile

SLAL is a unit-linked business that does not provide any guarantees on its products. The main sources of risk exposure for SLAL are Operational Risk and from the recognition of future profits on SLAL's UK Solvency II balance sheet which drive the Solvency Capital Requirement (SCR) risks.

The chart below sets out SLAL's risk profile, based on the SCR determined on a standard formula basis:



### Summary (continued)

#### Valuation for Solvency Purposes

SLAL's UK Solvency II balance sheet is constructed under the UK Solvency II rules and guidance. The table below sets out the SLAL's UK Solvency II balance sheet as at 31 December 2025 and 31 December 2024:

£'000	31 Dec 2025	31 Dec 2024
<b>Assets</b>		
Assets held for index-linked and unit-linked contracts	3,639,503	3,599,933
Other Assets	9,574	9,826
<b>Total Assets</b>	<b>3,649,077</b>	<b>3,609,759</b>
<b>Liabilities</b>		
Technical provisions - index-linked and unit-linked	3,632,208	3,592,968
Other Liabilities	8,499	8,683
<b>Total Liabilities</b>	<b>3,640,707</b>	<b>3,601,651</b>
<b>Own Funds</b>	<b>8,370</b>	<b>8,109</b>

#### Capital Management

SLAL's capital management strategy is to ensure that there are sufficient Own Funds to meet the SCR and Minimum Capital Requirement (MCR), whichever is the biting requirement, as well as the Directors' internal view of the required capital over the planning horizon.

As at the 31 December 2025 the biting capital requirement was the MCR which was £3,500k (2024: £3,500k) and Own Funds totalled £8,370k (2024: £8,109k). This gives Own Funds coverage of 239% (2024: 232%), well within SLAL's risk appetite. The SCR for SLAL as at the 31 December 2025 was £3,460k (2024: £3,487k) and Own Funds coverage of the SCR was 242% (2024: 233%).

SLAL monitors its capital coverage monthly as part of management's finance and risk review. During the period SLAL has maintained compliance with both the SCR and MCR and its target capital coverage.

SLAL's capital items are all classified as Tier 1 capital.

### Directors Statement

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the UK Solvency II Regulations.

We are satisfied that:

- a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the UK Solvency II Regulations as applicable to the insurer; and
- b) It is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

Signed on behalf of the Board of Directors.

*Jennifer Woods*

Jennifer Woods  
Director

Date: 30 March 2026

## Auditors Report

### REPORT OF THE EXTERNAL INDEPENDENT AUDITOR TO THE DIRECTORS OF SUFFOLK LIFE ANNUITIES LIMITED ('THE COMPANY') PURSUANT TO RULE 4.1 (2) OF THE EXTERNAL AUDIT PART OF THE PRA RULEBOOK APPLICABLE TO SOLVENCY II FIRMS

#### Report on the Audit of the relevant elements of the 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 2025:

- the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Company as at 31 December 2025, ('the Narrative Disclosures subject to audit'); and
- Company templates IR.02.01.02, IR.12.01.02, IR.23.01.01, IR.25.04.21, IR.28.01.01 ('the Templates subject to audit').

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

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

- the 'Executive summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the SFCR;
- Company templates IR.05.02.01 and IR.05.03.02;

In our opinion, the information subject to audit in the relevant elements of the SFCR of the Company as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rulebook for Solvency II firms, 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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the 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 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 SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rulebook for Solvency II firms, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the 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 SFCR, 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:

- Assessing the key assumptions underpinning management's future forecasts. This included analysing their alignment with our independent understanding of the Company's operations, market position, available industry data, and the anticipated macroeconomic environment.
- Performing a comparative analysis of historical forecasts against actual results. Evaluating the accuracy and potential biases inherent in management's forecasting methodologies.
- Inspecting the Company's Own Risk and Solvency Assessment (ORSA) report to evaluate completeness of risks considered within going concern assessment.
- Evaluating the adequacy and appropriateness of disclosures made in the financial statements.

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 SFCR is authorised for issue.

## Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the 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 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 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 Solvency and Financial Condition Report**

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA Rulebook for Solvency II firms which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A and the PRA Rulebook for Solvency II firms.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a 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 Solvency and Financial Condition Report**

It is our responsibility to form an independent opinion as to whether the relevant elements of the SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rulebook for Solvency II firms which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A and the PRA Rulebook for Solvency II firms.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the 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 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 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 about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks 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; 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 actuarial, tax, property valuations and IT specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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, our procedures included 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 the 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 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 with the PRA and FCA.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of Suffolk Life Annuities Limited's 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 Suffolk Life Annuities in accordance with Rule 4.1 (2) of the External Audit Part 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 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.



Stephen Williams

For and on behalf of Deloitte LLP  
Statutory Auditor  
Edinburgh, United Kingdom

30 March 2026

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

### Solo standard formula

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

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

## Section A: Business and Performance

### A1: Business

#### A1.1: Name, legal form and registered offices

Suffolk Life Annuities Limited is a company limited by shares incorporated and registered in England and Wales.

The registered office of SLAL is:  
153 Princes Street  
Ipswich  
Suffolk  
IP1 1QJ

#### A1.2: Name and contact details of the supervisory authority

Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

Financial Conduct Authority  
12 Endeavour Square  
E20 1JN

#### A1.3: Name and contact details of the external auditor

Deloitte LLP  
9 Haymarket Square  
Edinburgh  
EH3 8RY

#### A1.4: Qualifying holdings in the undertaking

During the reporting period 100% of qualifying holdings of SLAL were held by Suffolk Life Group Limited.

#### A1.5: UK Solvency II reporting currency

SLAL reports on a UK Solvency II basis in GBP.

#### A1.6 Reporting Period

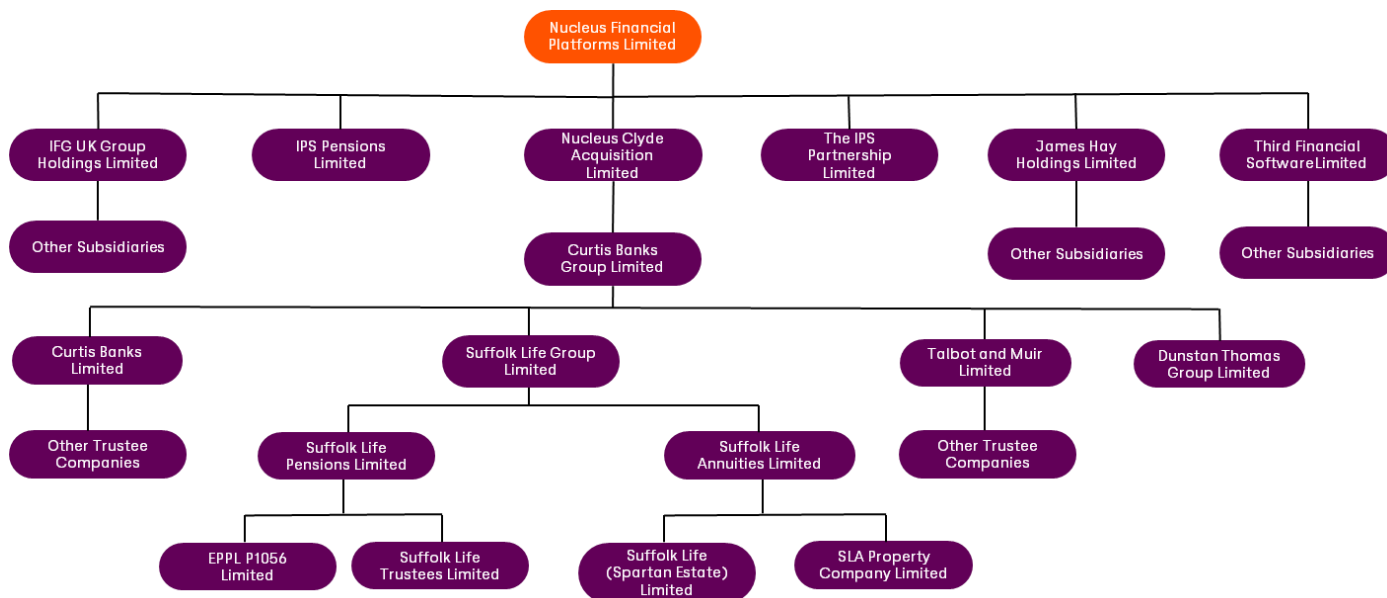
This report covers the year to 31 December 2025 and the financial position as at 31 December 2025.

**Section A: Business and Performance (continued)**

**A1: Business (continued)**

**A1.7: SLAL position within the legal structure of the Group**

SLAL's position within the legal structure of the Group is set out in structure chart below:



**A1.8: Any significant business or other events over the reporting period**

There have not been any significant events during or after the reporting period.

**A1.8.1: Product Range Changes**

There have been no product changes during the year.

**A1.8.1.1: New products**

SLAL has not written any new products during the reporting period.

**A1.8.1.2: Product design changes**

The products that SLAL writes have not changed during the reporting period.

## Section A: Business and Performance (continued)

### A1: Business (continued)

#### A1.8: Any significant business or other events over the reporting period (continued)

##### A1.8.2: Company structure and changes

The following changes in the Directors of SLAL occurred during the reporting period and up to the date on which the SFCR was signed:

Remained in office	Appointments	Resignations
Alastair Clarkson (Chairman)	Jennifer Woods (Director)	Peter Docherty (Director)
Michael Regan (Director - CEO)		Richard Hoskins (Non-executive Director)
Cathryn Riley (Non-executive Director)		Clare Bousfield (Non-executive Director)

### A2: Underwriting performance

The following table sets out SLAL's underwriting performance (all activity relates to the UK) over the year:

£'000	31 Dec 2025	31 Dec 2024	Variance
<b>Premiums written</b>			
Gross	132,422	174,557	(42,136)
Net	132,422	174,557	(42,136)
<b>Claims incurred</b>			
Gross	433,022	313,026	119,994
Net	433,022	313,026	119,994
<b>Expenses</b>			
Overhead expenses	11,808	12,580	(772)
Investment management expenses	38,146	38,188	(42)
<b>Total expenses</b>	<b>49,954</b>	<b>50,768</b>	<b>(814)</b>

## Section A: Business and Performance (continued)

### A2: Underwriting performance (continued)

As SLAL's products are comprised of unit-linked long-term contracts held in pension wrappers the underwriting performance does not materially impact SLAL's income or risk profile. Income is generated from the charging of fixed annual and event-based fees. Please refer to [Section C](#) for the impact on the risk profile.

Premium income is received through:

- The payment of pension contributions.
- Transfers-in of existing SPPs and similar self-invested products.
- New investments into trustee investment plan (TIP) contracts.

Claims result from:

- The drawing of retirement benefits.
- Dis-investments from TIPs.
- Transfers out to other pension products offered by other pension providers.
- Payment of pension death benefits.

Expenses for SLAL are split between the overhead expenses borne by SLAL directly, and the investment management expenses which are paid by policyholders from the unit-linked fund.

### A3: Investment performance

Assets held to cover technical provisions are selected by policyholders, or their appointed advisers, or where applicable, by asset managers selected by the policyholders and appointed for the purpose by SLAL. The assets are legally and beneficially owned by SLAL. SLAL is required to maintain assets to match its policyholder liabilities at all times.

The following assets are held to cover technical provisions for unit linked liabilities:

Assets held to cover unit linked liabilities (£'000)	31 Dec 2025	31 Dec 2024	Variance
Property (other than for own use)	1,126,217	1,118,765	7,452
Bonds	92,551	80,954	11,597
Equities and holdings in collective investments undertakings	2,167,591	2,154,929	12,662
Cash and cash equivalents	70,373	107,708	(37,335)
Deposits other than cash equivalents	220,189	179,214	40,975
Other assets	11,673	9,553	2,120
<b>Total assets</b>	<b>3,688,594</b>	<b>3,651,123</b>	<b>37,471</b>
Other liabilities	(49,091)	(51,190)	(2,099)
<b>Net assets</b>	<b>3,639,503</b>	<b>3,599,933</b>	<b>39,570</b>

## Section A: Business and Performance (continued)

### A3: Investment performance (continued)

The following assets were held by SLAL for the shareholders:

Assets held for shareholders (£'000)	31 Dec 2025	31 Dec 2024	Variance
Deferred tax asset	-	1	(1)
Cash and cash equivalents	6,260	5,953	307
Other assets	3,314	3,872	(558)

### A3.1: Information on income and expenses arising from investments over the reporting period

The following returns and expenses were incurred on the unit linked assets during the year:

Investments for the benefit of policyholders (£'000)	31 Dec 2025	31 Dec 2024	Variance
Rental income	81,234	80,850	384
Interest receivable	10,688	9,650	1,038
Investment income from listed and other investments	36,921	40,497	(3,576)
Net realised gains on investments	33,575	41,126	(7,551)
Net unrealised gains on investments	215,898	144,243	71,655
Investment expenses and charges	(38,146)	(38,188)	42
<b>Total net investment return</b>	<b>340,170</b>	<b>278,177</b>	<b>61,992</b>

## Section A: Business and Performance (continued)

### A3: Investment performance (continued)

#### A3.2: Information about any gains and losses recognised directly in equity over the reporting period

The following table sets out the changes in equity over the reporting period:

(£'000)	Share capital	Retained earnings	Total
Balance at 1 January 2024	1	769	770
Profit for the financial year	-	359	359
Dividends paid	-	(400)	(400)
Balance at 31 December 2024	1	728	729
Profit for the financial year	-	447	447
Dividends paid	-	(400)	(400)
<b>Balance at 31 December 2025</b>	<b>1</b>	<b>775</b>	<b>776</b>

#### A3.3: Information about any investments in securitisation over the reporting period

SLAL was not exposed to any investments in securitisation over the period.

### A4: Performance of other activities

SLAL's only activity is that of a unit-linked insurer. SLAL offers unit-linked SIPP policies through non-participating individual insurance contracts.

The following income arose from the insurance activities of SLAL:

(£'000)	31 Dec 2025	31 Dec 2024	Variance
Operating income	12,148	12,962	(814)
Other income	276	1	275
<b>Total income</b>	<b>12,424</b>	<b>12,963</b>	<b>(539)</b>

Operating income for the year comprises of fees and commissions derived from the administration of SIPPS under non-participating individual insurance contracts in the United Kingdom, and interest retained from policyholder cash balances.

Other income for the year comprises primarily of interest earned on shareholder cash balances.

**Section A: Business and Performance (continued)**

**A4: Performance of other activities (continued)**

SLAL incurred total operating expenses of £11,808k (2024: £12,580k) in relation to its insurance activities. This includes fees of £10,840k (2024: £11,898k) payable to Suffolk Life Pensions Limited (SLP) for the provision of administration services – see [Section B7](#) (outsourcing).

**A5: Any other information**

There are no other material aspects to disclose which are not covered in the above sections.

## Section B: System of Governance

### B1: General Information on the system of governance

SLAL's system of governance encompasses the overall framework, structure and processes adopted to ensure it meets the requirements of a robust risk management function. This section of the report provides details of the overarching risk management framework, alongside the key roles, responsibilities and committees providing oversight and direction to the SL Combined Board.

#### B1.1: Structure of the SLAL system of governance

The Chief Executive Officer for SLAL and SLP (SL Chief Executive Officer) is responsible for running the business on a day-to-day basis, as authorised by the SL Combined Board. The Chief Executive Officer for SLAL and SLP (SL Chief Executive Officer) is responsible for running the business on a day-to-day basis, as authorised by the SL Combined Board. Material decisions are discussed monthly by the SL Executive Committee (SL ExCo) and escalated to the SL Combined Board when required. The SL Combined Board meets as a minimum four times a year. Further details are set out below.

#### B1.2: SLAL system of governance

A summary of the SLAL system of governance is set out below. Further details are provided within the Group Management Responsibilities Map, which covers governance arrangements for the Group.

##### B1.2.1: Roles and duties of the SL Combined Board

There is a combined board providing leadership and oversight of SLAL and SLP. Whilst a Combined Board with the same members for the purposes of efficiency as well as to ensure Suffolk Life business expertise is applied consistently across each entity, the Board focuses on entity level strategy, risk, conduct, customer outcomes, and regulatory compliance. The SL Combined Board oversees the effective management and long-term success of the companies as regulated entities within the Group.

The SL Combined Board meets at least quarterly with additional board meetings being convened when required. The Board of Directors carries the responsibility for the oversight of the business and sets its strategy and risk appetite in line with the overarching group risk appetite approved by the Board Risk Committee. The SL Combined Board operates under a defined set of Terms of Reference and Matters Reserved, which establishes the Board's remit, decision-making authority and boundaries within the wider governance framework. Together, they provide clarity on how the Board conducts its business and discharges its responsibilities across the combined entities in line with regulatory expectations.

##### B1.2.2: SL Executive Committee (SL ExCo) and group-level Executive Committee (ExCo).

Escalations are also received from the SL ExCo, a newly established committee specifically discussing matters regarding SLAL and SLP. The SL ExCo supports the SL Chief Executive Officer to discharge his responsibilities for SLAL and SLP, ensuring that where required key material matters and decisions are properly discussed, evidenced, recorded and where relevant escalated. Matters of significant challenge arising from the SL ExCo discussion are reported by the SL Chief Executive Officer to the SL Combined Board, as appropriate, for awareness and/or a decision or approval.

**Section B: System of Governance (continued)**

**B1: General Information on the system of governance (continued)**

**B1.2: SLAL system of governance (continued)**

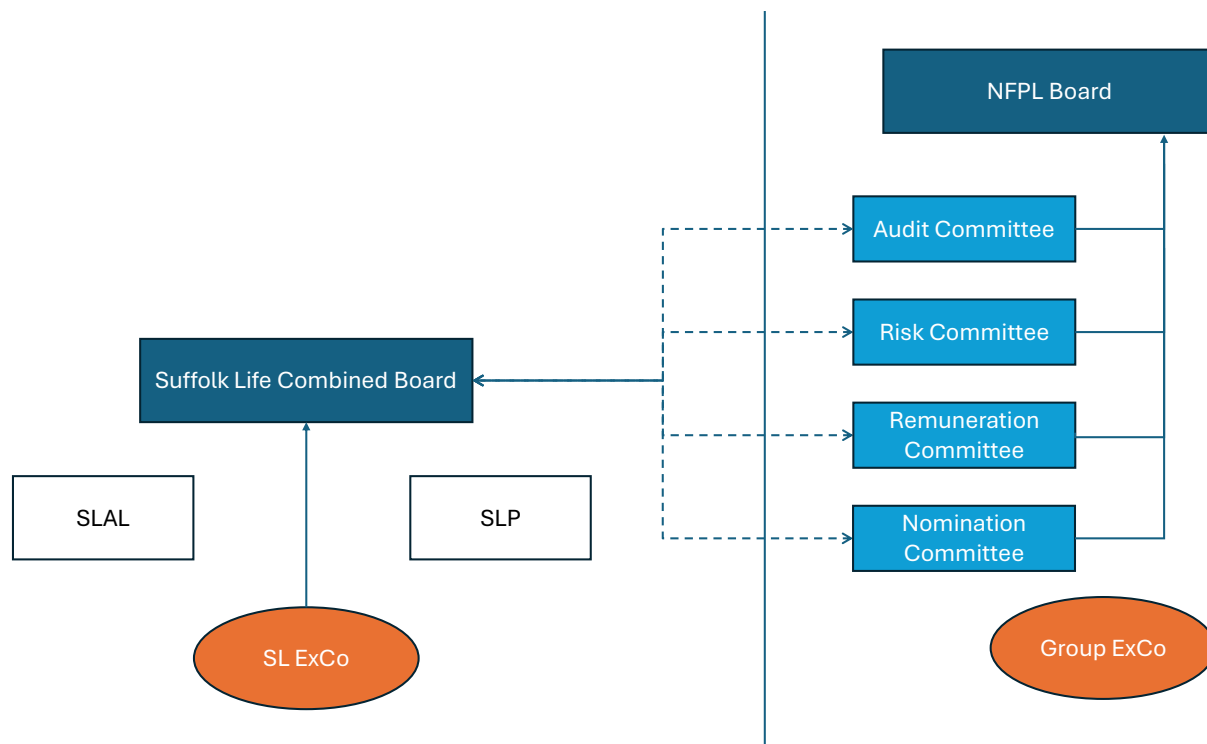
The SL ExCo also interacts with the group-level ExCo, which considers the wider strategic objectives and risk appetite of the Group. The SL ExCo can determine a different risk appetite, provided these remain within the boundaries approved at group level (i.e. may be less than, but cannot exceed group appetite).

To facilitate the effective discharge of responsibilities, there is an Executive governance framework of SME forums supporting each SMF holder with oversight of the wider group.

**B1.2.3: SL Combined Board committees**

The SL Combined Board has delegated the following responsibilities to the relevant Group Committees Each Group Committee acts under its approved Terms of Reference:

- Audit Matters delegated to the Group Audit Committee - Oversight of financial reporting, external audit, internal audit, control environment and assurance matters relating to the Company.
- Risk Matters delegated to the Group Risk Committee - Oversight of risk framework, risk appetite, and relevant material risk exposures.
- Remuneration Matters delegated to the Group Remuneration Committee - Oversight of remuneration policy and remuneration decisions for relevant in-scope roles.
- Nomination Matters delegated to the Group Nomination Committee - Oversight of appointments to the SL Combined Board and key management appointments.



**Section B: System of Governance (continued)**

**B1: General Information on the system of governance (continued)**

**B1.2: SLAL system of governance (continued)**

**B1.2.4: Key functions**

As per SS35/15, and in accordance with the Conditions Governing Business and the EU Solvency II Delegated Regulation, as a minimum the Key Functions encompass Risk Management, Compliance, Internal Audit and Actuarial. Additional Key Functions have been set out to ensure coverage for the business as below.

Key Function	Key Activities
Risk Management	<ul style="list-style-type: none"> <li>• Effective risk management system</li> <li>• Facilitate the implementation of the risk management system</li> <li>• Inform PRA of each ORSA</li> </ul>
Compliance	<ul style="list-style-type: none"> <li>• Setting a governance framework to ensure compliance with relevant FCA rules</li> <li>• Reporting to boards on compliance matters</li> <li>• Advising boards on impact of legal and regulatory changes</li> <li>• Advising boards on compliance with Solvency II</li> <li>• Ensure appropriateness and completeness of data used in calculation of technical provisions</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• An effective internal audit function that includes an evaluation of the adequacy and effectiveness of the internal control system, and report findings to the boards</li> </ul>
Actuarial	<ul style="list-style-type: none"> <li>• Coordinates the calculation of technical provisions</li> <li>• Ensures models are appropriate</li> <li>• Assesses sufficiency and quality of data used in technical provisions</li> <li>• Compares best estimates against experience</li> <li>• Informs the SL Combined Board of the reliability and adequacy of the calculation of technical provisions</li> <li>• Oversees the calculation of technical provisions</li> <li>• Expresses an opinion on the overall underwriting policy</li> <li>• Expresses an opinion on the adequacy of reinsurance arrangements</li> <li>• Contributes to the effective implementation of the risk management systems</li> </ul>

Other Key Functions involved in running SLAL include: Finance; Operations; Property, Propositions (product); Propositions (pricing); IT; Financial Crime and Money Laundering (MLRO); Human Resources; and General Counsel (Certified Function).

## Section B: System of Governance (continued)

### B1: General Information on the system of governance (continued)

#### B1.3: SLAL governance changes over the period

An SL ExCo was established during 2025 to give greater focus on SLAL and SLP specific matters. In tandem with this change, an SL Combined Board was established, with SLAL and SLP specific matters previously dealt with under a Curtis Banks Group Combined Board (see A1.7 for the entities within Curtis Banks Group Limited). There are no other significant governance changes to note.

#### B1.4: Remuneration Committee and policies

The Group Remuneration Committee has delegated authority from the SL Combined Board to discharge required responsibilities on remuneration. The Group Remuneration Committee is a committee of the Group Board responsible for ensuring that the overall reward philosophy for all employees is consistent with achievement of the Group's strategic objectives, aligned to the Group's purpose, values and risk appetite. It oversees, challenges and approves the Group's remuneration approach ensuring it is in the best interests of the Group and relevant stakeholders (including customers and shareholders).

SLAL does not have any direct employees, and therefore there are no fixed or variable remuneration requirements based solely on SLAL activities. Each employee engaged in SLAL activities holds a wider group role and responsibilities. As such, assessment is made on overall group performance. Supplementary pension or early retirement schemes are also not offered specifically for SLAL activities.

The principal duties of the Group Remuneration Committee are to:

- Have responsibility for setting the remuneration policy for the Chief Executive Officer, Chair, the Executive Directors, and such other members of the Executive Management as it is designated to consider (including ensuring regulatory standards are met). Remuneration includes salary, bonus, performance-related payments, discretionary payments, pension rights, share options, benefits in kind, compensation payments and all terms and conditions of employment and fees paid to a company which makes available the services of a director.
- Recommend and monitor the level and structure of remuneration for senior leaders and those identified as material risk takers.
- Determine the policy for, and scope of, pension arrangements for each Executive Director and other Executive Management.
- Review Executive Directors' and other Executive Management employment terms as required to ensure that the contracts meet the needs of the business, encourage performance within Group risk appetite and comply with regulatory requirements and good practice.

#### B1.5: Material transactions over the period

There have been no material transactions during the period.

## Section B: System of Governance (continued)

### B1: General Information on the system of governance (continued)

#### B1.6: Adequacy of systems of governance

The groupwide governance structure is reviewed on an annual basis and considered to be adequate for a firm of the scale, complexity and risk profile of SLAL. An SL ExCo was established during 2025 to give greater focus on SLAL and SLP specific matters.

The entity Terms of Reference for SL ExCo and SL Combined Board are updated annually to reflect the apportionment of responsibility and ensure clear channels of decision making are in place.

### B2: Fit and proper requirements

#### B2.1: Overview

SLAL maintains procedures for ensuring that Board members and individuals responsible for key governance functions are 'fit' (i.e. have appropriate qualifications, knowledge and experience) and 'proper' (i.e. they are of good repute and integrity).

#### B2.2: Determining an individual's fitness and propriety

SMFs are assessed pre-appointment and at least annually against honesty, integrity, reputation, competence and capability, and financial soundness. Adverse information triggers event-driven reassessment and remediation or regulatory notification where required.

A defined procedure is in place to ensure that the fitness and propriety of applicants is carefully considered before an application to the regulator is submitted for approval. The SL Combined Board will not support an application for approval or a notification if it believes that the candidate fails to meet any element of the fit and proper test.

These criteria are also important when assessing the continuing fitness and propriety of approved persons and SMF function holders. At least annually, individuals will be required to certify that there has been no change to the information provided at the point of approval and consequently, the fitness and propriety status remains unchanged.

The Group also employs the following procedures to assess fitness and propriety:

- Performance against internal policies and procedures;
- Annual vetting checks;
- Annual CPD completion requirements;
- Annual performance reviews and competency assessment, and
- Annual self-attestation, with review by the employee's line manager.

## Section B: System of Governance (continued)

### B3: Risk management system including own risk and solvency assessment

#### B3.1: Risk management system overview

The risk governance framework enables the Group Board and SL Combined Board to be satisfied that the risks to which the Group may be exposed are being appropriately identified and managed, and that the risks of significant financial loss or damage to our reputation are being minimised.

Compliance with the requirements is supported by the assurance that key elements of the risk environment are kept under review and that all matters arising are recorded and reported within the risk management framework. A risk management system is fully embedded to support oversight and escalation of key risk exposures, key performance indicators and remedial action plans where required.

Risk exposures are recorded on departmental risk registers and discussed within the appropriate functional risk forums. A regular assessment of key controls and mitigating risk factors is performed by business management. Key risks and mitigating actions are escalated to the Executive Risk and Compliance Committee (ERCC) if required. The risk framework helps manage the approach to risk based capital requirements.

#### B3.2: Risk governance

The risk management framework comprises of the following key sections. Further details are provided below:

- Role of the Board and Executive Team
- Risk Strategy
- Risk Appetite
- Policy Framework
- Three Lines of Defence Model
- Mandate of the Risk Team
- Risk Identification, Measurement & Control
- Risk Monitoring, Aggregation & Reporting
- Risk and Control Self-Assessment (RCSA) Process
- Culture
- Resources & Capabilities

#### B3.3: Role of the Board and Executive Team

The Group Board, and in turn the SL Combined Board, are responsible for ensuring maintenance of a sound system of internal control and risk management. This includes setting risk appetite, reviewing risk and control processes to support its strategy and objectives, and undertaking an annual assessment of these processes. The risk management framework is established to operate across all entities in a consistent and holistic manner. Therefore, the Group Board and SL Combined Board delegates certain responsibilities for risk oversight to the SL ExCo or ERCC.

## Section B: System of Governance (continued)

### B3: Risk management system including own risk and solvency assessment (continued)

#### B3.4: Risk appetite

SLAL adheres to the Group's risk management framework. SLAL has limited tolerance for significant operational losses due to the likely reputational damage and costs associated with these. The risk appetite framework for the group outlines the primary risks applying to the Group, including SLAL. The framework sets out acceptable and tolerable limits within which the Group will operate with the aim of achieving its corporate objectives. This is reviewed and approved by the Group Board on an annual basis, with the SL Combined Board approving appetite specifically for SLAL.

#### B3.5: Policy framework

Our policies are an essential part of how we manage risk in our business and the risk appetite thresholds within which we should manage those risks. The Group's policy framework provides a consistent set of principles that our policies should meet, aligned to our Group Board approved risks. The policy framework sets out how we create and maintain all our policies, how we communicate them across the business, and how we monitor that they are operating successfully.

#### B3.6: Three lines of defence model

SLAL utilises the 'three lines of defence' model, whereby:

- First Line - Business management and front line staff manage risks. The systems, internal controls, overall control environment and business culture of SLAL is critical in anticipating and ensuring timely escalation of risks that arise or may arise. The business relies on the first line teams to have primary accountability for managing their own risks and understanding where tolerances may be breached.
- Second Line - The Risk Team and governance committees oversee and challenge the management of risk. This line provides the oversight and guidance where necessary, and maintains the tools used by the first line in managing their risks. The second line escalates risks via the group wide governance framework, supporting both the first line and the Senior Managers in understanding the key risks to the business.
- Third Line - Internal Audit provides assurance that risks are effectively managed and that there is appropriate oversight and information flow to the relevant boards. This function is outsourced to a third party, who are responsible for internal audit for all regulated entities within the Group. The Group Audit Committee are responsible for the ongoing monitoring and review of the effectiveness of the internal audit function.

#### B3.7: Mandate of the Risk Team

Risk management is the responsibility of all business managers and directors. They are supported in this role by the Risk Team who promote implementation of the risk management framework in line with the risk appetite. Additional second line support is also provided by the Compliance and Financial Crime teams in second line as well as the Customer Outcomes Assurance team that provides assurance and monitoring services for the Group based on risk experience and other activities that may require thematic analysis from time to time.

## Section B: System of Governance (continued)

### B3: Risk management system including own risk and solvency assessment (continued)

#### **B3.7: Mandate of the Risk Team (continued)**

Internal Audit provide independent assurance to boards on the effectiveness of the risk management framework, adherence to the framework by business divisions and other areas of thematic review that may be agreed from time to time. The Risk Team may also determine ad-hoc thematic reviews are required on certain topics. These would be driven by current prevailing risks and by expected emerging risks.

#### **B3.8: Risk identification, measurement and control**

It is the responsibility of everyone to be involved in risk identification and to notify business managers of emerging risks in their area, so that these risks can be assessed and appropriate controls put in place. A structured framework has been established to support the identification and assessment of risk, with horizon/emerging risk scanning embedded within functional risk forums, Senior Leadership Team discussions and specialist forums (e.g. regulatory developments). The Chief Risk Officer and Risk Team support the process of risk identification and assessment and provide objective review and challenge within these meetings.

Risks are assessed on an inherent basis (i.e. if no controls were in place to reduce the level of risk). The risks are then assessed after evaluating controls that are in place and how effective those controls are in mitigating or managing the inherent risk. This second assessment is termed 'the residual risk' and measures the risk we are left with based on successful operation of the control environment.

Risk assessments take into account many factors including previous risk experience, incident resolution and the results of investigations, legacy reviews and gap analysis. Likewise similar factors should be taken into account in assessing mitigating controls, which should also consider design and actual performance of the control. The residual risk is then reviewed against risk appetite.

Low impact/likelihood risks are monitored via the sub-committees within the governance structure. These only require escalation and discussion when certain thresholds are breached or risk exposure is determined to be increasing. This means functional risk forums are able to focus on a number of the low level risks affecting their area, and are able to identify where these risks may combine to form a more significant risk. At such a point, the aggregate risk arising may be escalated to the ERCC.

#### **B3.9: Risk monitoring, aggregation & reporting**

When a risk has been identified and assessed, senior management must determine their response to it.

The SL Combined Board expects that all significant risks and all those outside the appetite of the firm will have mitigating actions in place to deal with the risk in line with one of the courses of action detailed above.

## Section B: System of Governance (continued)

### B3: Risk management system including own risk and solvency assessment (continued)

#### B3.9: Risk monitoring, aggregation & reporting (continued)

Significant risks cannot be accepted except under very limited circumstances, and then only after Board approval to risk accept for a defined period, if unavoidable in the short-term. Where we determine that further actions are required to mitigate a risk, these must be recorded in the appropriate risk register. Actions should have an appropriate owner, be specific, realistic and have an action completion date or milestone to completion.

#### B3.10: Culture

For the framework to operate successfully, it must build on the culture and behaviours within the business. The risk aware culture in place within the Group is based upon the following principles:

- There is openness and transparency in how decisions are made and risks managed.
- All significant business decisions should be aligned with the Group's strategy.
- Senior Managers with risk taking authorities are expected to act as a 'prudent person'. In making decisions, they should demonstrate clear consideration of the impact on the rest of the business.
- Business managers own the risks and risk management processes associated with the activities for which they are responsible. They must aim to manage these without errors in their processes.
- It is acknowledged that no system of control is fail-safe and that risk events will occur. Managers and employees must report these and address them in good time using the appropriate risk management system.
- Individuals are able to make decisions within delegated authorities. A robust governance structure enables decision makers to make informed decisions for complex matters.
- Risk oversight committees are forums for managers to review and challenge how key risks are identified and managed within the risk framework and agree extensions or limitations of risk appetite.

#### B3.11: Resources & capabilities

One of the key considerations to ensure an effective risk framework is the knowledge and experience of the existing staff within the Group. The Chief Risk Officer and Executive Team, supported by senior managers across the business, will ensure that each department has adequate capacity and understanding to fully embed an aligned risk culture across the business. The key elements of the overarching risk framework will highlight any deficiencies via the reporting of risk, key risk indicators, risk events or control failures via the governance structure.

#### B4: Internal control system

The SL Combined Board has overall responsibility for ensuring that an adequate and effective system of internal control is maintained in the Company. In practise the oversight and management of these systems involves participation of the boards, board committees, Senior Managers, Risk, Finance and business managers. Information on the risk management framework is set out above in section B3.

## Section B: System of Governance (continued)

### B4: Internal control system (continued)

The internal control system is designed to manage or mitigate, rather than eliminate the risk. The internal control system enables SLAL and the wider Group to operate efficiently and respond to any significant or evolving risks that could prevent or limit the achievement of business objectives and strategy.

#### B4.1: Risk

The Risk function provides confidence to the SL Combined Board that the business is effectively managing its day-to-day risk exposures.

The Risk function engages with the business to evaluate risks and then assists the SL Combined Board in decisions of whether to terminate, treat, transfer or tolerate the given risk. This in turn protects customers, SLAL and the wider Group from potential detriment that could be financial, reputational or outside of risk appetite.

The Chief Risk Officer (SMF4) is a member of the SL ExCo, Group ExCo and SL Combined Board. A report is provided at each meeting confirming the status against newly crystallised risks, ongoing inherent risks, and any other items of note from a risk perspective. These are monitored to resolution, and if necessary provided to the Group Board for information.

Key risks of an agreed impact or likelihood are escalated to the ERCC from respective departmental committees, where they are discussed and management actions put in place, if necessary, to mitigate or eliminate the risk.

All staff within the group are responsible for notifying the Chief Risk Officer of any breach of applicable laws and regulations that fall within the scope of their responsibilities. Upon receipt of notification, the Chief Risk Officer discusses remedial actions with the business. Where material, further reporting is made to the SL ExCo, ERCC and SL Combined Board.

#### B4.2: Compliance

The Compliance Function is part of the Group's overall corporate governance structure. It is responsible for the monitoring, managing and reporting of the compliance risks to which SLAL is exposed. As part of wider reporting on second line matters, the Chief Risk Officer reports to the SL ExCo, SL Combined Board, ERCC and Group Risk Committee on compliance specific matters. These may include regulatory developments or general performance metrics through key performance indicators specific to SLAL.

### B5: Internal Audit function

The Internal Audit Function for 2025 was outsourced to BDO, who have delegated responsibility to ensure an effective independent internal audit function is in place, including an evaluation of the adequacy and effectiveness of the internal control system, with findings reported to boards if necessary. Audit matters are discussed at ERCC and the Group Audit Committee, with information provided to SL ExCo and SL Combined Board as required based on findings from relevant group-level audits.

## Section B: System of Governance (continued)

### B5: Internal Audit function (continued)

The scope for the internal audit reviews is determined by the business strategy as well as an ongoing assessment of the key risks facing the Group and how well these risks are being managed. Audits focussed on specific regulated entities will be conducted where specific topics need to be reviewed (e.g. UK Solvency II). Outsourcing this role provides comfort to the SL Combined Board that matters of audit focus are free from influence, including audit scoring and communication of results. Any conflicts of interest that may influence objectivity or independence are managed accordingly.

### B6: Actuarial function

This function (SMF20) is outsourced to Grange Consultancy Management Limited. The SMF20 is an attendee of SL ExCo, and provides actuarial support and challenge to both the quantitative and qualitative data that forms the UK Solvency II return and the underlying assumptions approved by the SL Combined Board. This ensures the appropriate skill and expertise is applied to assist the SL Combined Board in performing this key function.

The function reviews the calculation and methodology behind the Quantitative Reporting Template (QRT) data (e.g. Technical Provisions/SCR/MCR) and seeks evidence that data is calculated in line with UK Solvency II guidelines. The Chief Actuary ensures this by maintaining clear and regular communication with the SMF2 and SMF4 function holders, by attending the SL Combined Board meetings, and regularly providing challenge and other expertise in relation to the SMF20 function where required.

### B7: Outsourcing

SLAL adheres to the Third-Party Management Policy for the Group. The policy defines the approach to third-party management, ensuring effective performance and efficient oversight of outsourced third-party services. SLAL will only work with third-parties where it can realise service, financial and/or risk benefits in accordance with the commercial goals, regulatory responsibilities and within risk appetite.

The following functions were outsourced as at 31 December 2025:

- Pension scheme administration to SLP, a sister company fully owned by Suffolk Life Group Limited. SLAL considers SLP to be providing a critical service as scheme administrator and as such consideration is given on an annual basis by the SL Combined Board as to whether the 'Insourcing Agreement' remains current, appropriate and commercially viable. SLP sub-outsources all back-office administration to FNZ (UK) Limited. SLAL's primary administration agreement remains with SLP, however, the key risks noted for SLAL consider FNZ as a key third party involved in the administrative activities for SLAL policyholders.
- One of the Key Functions under UK Solvency II (the Chief Actuary role and actuarial function), is outsourced to Gordon Wood of Grange Consultancy Management Limited. The Chief Actuary works with the Chief Risk Officer to provide appropriate challenge to the models, assumptions and methodologies used under UK Solvency II reporting.

## Section B: System of Governance (continued)

### B7: Outsourcing (continued)

- The Internal Audit Function for 2025 was outsourced to BDO. BDO have delegated responsibility to ensure an effective internal audit function is in place, including an evaluation of the adequacy and effectiveness of the internal control system, with findings reported to boards if necessary. There is no requirement for a firm of SLAL's size to assign the specified SMF function to an individual at SLAL.

The services provided by those outsourcers listed are all within the UK.

### B8: Own Risk and Solvency Assessment (ORSA)

SLAL completes an ORSA report as part of its annual reporting process. The ORSA report provides data that SL ExCo and SL Combined Board can use as part of its wider risk management strategy, primarily in the form of post-stress test capital position results. These results assist the SL Combined Board in forming the key risks, and whether these fall within the defined risk appetite for the coming year. The results also promote board level discussion of developments in the industry that SLAL operates within. These discussions in turn assist the SL Combined Board in reviewing the key risks, thus adopting a pro-active approach to the risk appetite setting cycle.

The ORSA assessment is forward-looking, in that it considers the current business and risk profile as well as any anticipated external influences. This ensures that SLAL can meet the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) on an ongoing basis, although this is assessed on a more frequent basis as part of the monthly capital monitoring undertaken within the Finance department. SLAL has a risk appetite to maintain a capital buffer above the biting requirement.

The ORSA also sets out details of how the SL Combined Board decides on the appropriateness of the Standard Formula Model for the business that SLAL operates. The SL Combined Board believes that the use of the Standard Formula appropriately fits the risk profile of the business that SLAL writes, this being unit-linked policies.

The ORSA process is aligned with the risk management framework and is a fundamental tool in assessing the respective risks to strategy both now and in the future. The ORSA Report, which is approved annually by the SL Combined Board, will therefore consider the following:

- Is there a clear and consistent statement of SLAL's risk appetite and tolerance.
- Are newly identified risks escalated to senior management promptly.
- Does the ORSA Report contain clear statements of risk for effective use in strategy planning.
- Are key stakeholders leading the business culture on risk awareness.

### B9: Any other information

There are no other material aspects of the system of governance which are not covered in the above sections.

### Section C: Risk Profile

SLAL operates in a low-risk environment. This is primarily driven from the business being unit linked, with no guarantees, with the investment risk being borne by the policyholder. The risk to SLAL is further reduced by income being generated from the policies via fixed monetary fees. As such income is not dependent on the value of the underlying assets held in the unit linked contracts.

For the calculation of the SCR, the Standard Formula Model has been assessed as being appropriate for the risk profile of SLAL. SLAL has a combined Standard Formula SCR of £3,461k as at 31 December 2025 (2024: £3,487k). Pre-diversification and before taking an allowance for the loss-absorbing capacity of deferred taxes (LACDT), the SCR is £5,434k (2024: £5,377k).

£'000	31 Dec 2025	31 Dec 2024	Variance
SCR (before diversification)	5,434	5,377	57
less: Diversification Module - Life Underwriting Risk	(181)	(166)	(15)
less: Intra-module diversification	(640)	(562)	(78)
less: Allowance for LACDT	(1,153)	(1,162)	9
<b>SLAL SCR</b>	<b>3,460</b>	<b>3,487</b>	<b>(27)</b>

### Risk profile and drivers

The risk profile for SLAL is comprised of the following risks:

1. Life Underwriting Risk
2. Market Risk
3. Credit Risk
4. Liquidity Risk
5. Operational Risk
6. Regulatory Risk

Each of these risks is considered in detail in the following sections.

Each of these risks is driven by a distinct factor. Policy numbers drive Life Underwriting Risk and Operational Risk. The Interest Rate Risk sub module within Market Risk is driven by changes in the risk-free rate.

### Section C: Risk Profile (continued)

#### Change in the risk profile over the year to 31 December 2025

The table below details the risk profile for SLAL:

£'000	31 Dec 2025	31 Dec 2024	Variance
Market Risk SCR Module	1,038	986	52
Life Underwriting Risk SCR Module	887	683	204
Operational Risk SCR Module	2,908	3,143	(235)
Counterparty default risk SCR Module	420	399	21
less: Diversification	(640)	(562)	(78)
less: Allowance for deferred tax liability offset	(1,153)	(1,162)	9
<b>SLAL SCR</b>	<b>3,460</b>	<b>3,487</b>	<b>(27)</b>

#### C1: Underwriting Risk

As SLAL products are comprised of unit-linked long-term contracts held in pension wrappers the exposure to life underwriting risk is limited to the expense, mortality and lapse risk modules within the Standard Formula.

The exposure to expense risk for SLAL is driven by an unexpected increase in the costs incurred in the operation of the business. The administration of policies is outsourced to SLP, another Group company. The costs incurred by SLAL under the administration agreement are linked to the policy fees charged by SLAL to policyholders which are of a fixed monetary value. The agreement does not allow for any unexpected changes and as such the administration fee is not exposed to the standard formula scenario. The remaining exposure to expense risk to SLAL is from the costs incurred from licensing fees, regulatory fees, audit fees and the fee for the outsourcing of the actuarial function. In the calculation of the SCR these are stressed in line with the standard formula calculation.

Exposure to lapse risk for SLAL occurs from either an unexpected increase to the lapse rate or a sudden mass lapse of policies. This reduces the policies in force, resulting in a loss in future income, reducing the value in force which increases Technical Provisions. The agreement between SLAL and SLP includes a clause that allows the administration fee to be reduced, in the event that SLAL experiences a lapse up or mass lapse event.

For SLAL, the exposure to mortality risk occurs from an unexpected increase in mortality rates of the policyholders. This reduces the policies in force, resulting in a loss in future income, reducing the value in force which increases Technical Provisions.

## Section C: Risk Profile (continued)

### C1: Underwriting Risk (continued)

There is no direct risk to SLAL's capital on death or transfer out of the policyholder as only the value of the underlying assets is paid out. There are no options or guarantees that would give rise to a claim on SLAL's capital. However, the Solvency II balance sheet allows the recognition of the value of future expected profits by way of a 'negative non-unit liability'. If deaths or transfers were to exceed the best estimate assumption, a write-down of this balance would be required. The capital to fund this is explained below.

#### C1.1: Life Underwriting Risk as at 31 December 2025

The Life Underwriting Risk for SLAL moved from £683k for the year ending 31 December 2024 to £887k for the year ending 31 December 2025. The £204k increase in underwriting risk has been primarily driven by the £211K increase in lapse risk sub module. There has been no increase to the underlying lapse risk. Reduced lapse rates have led to an increase in the future cash flows which has increased the impact of the stress.

#### C1.2: Risk appetite and tolerance statement

As mentioned in section C1, the policies written by SLAL are all unit-linked long-term contracts. SLAL does not offer any guarantees on its current book of business and also accepts that lapses may be outside of its control if a policyholder wishes to transfer to an alternative provider..

### C2: Market Risk

Market Risk arises from the level or volatility of market prices of financial instruments. Exposure to Market Risk is measured by the impact of movements in the level of financial variables such as stock prices, interest rates, immovable property prices and exchange rates. The products that SLAL writes are unit-linked, with the Market Risk arising from the assets held in these contracts being borne by the policyholder. As the income received from SLAL is based on a fixed fee, rather than a percentage of assets held in the unit-linked contracts, SLAL's income is not exposed to most Market Risk.

SLAL is primarily exposed to Market Risk from the movement in the risk-free rate used to model the value of in force business. Increases in the risk-free rate will result in future cash flows being discounted more heavily reducing the value in force.

#### C2.1: Market Risk as at 31 December 2025

The £1,038k Market Risk requirement for SLAL is driven by interest rate risk. This has increased from £986k as at 31 December 2024. The main change in the risk profile for the Market Risk module is due an overall increase in the risk-free rates used to calculate the non-unit linked best estimate of liabilities ('BEL') over the projection period.

## Section C: Risk Profile (continued)

### C2: Market Risk (continued)

#### C2.3: Risk appetite and tolerance statement

All contracts and products offered by SLAL are unit-linked in nature, with any Market Risk being borne by the policyholder. The policyholder (and their financial adviser or asset manager, if applicable) make the investment choices and as such bear the loss or benefit from any change in fund value.

The SL Combined Board look to avoid risk regarding the investment of Shareholders assets. SLAL, as part of the wider group, generates bank interest from the deposit accounts Shareholder funds are held in. The SL Combined Board does not view additional risk from holding investments other than cash in deposit accounts as sufficiently rewarding, given that the economic environment is still uncertain and volatile. Therefore, this appetite is unlikely to change in the short-term.

### C3: Credit Risk

Credit Risk is the risk that SLAL is exposed to lower returns or loss if another party fails to perform its financial obligations. SLAL is exposed to Credit Risk from the failure of the institutions that hold the cash reserves that make up Shareholders assets. Credit Risk arising from the investments that makes up the unit-linked fund is borne by policyholders.

#### C3.1: Counterparty Default Risk

SLAL is exposed to Counterparty Default Risk from the depositing of Shareholder assets with Barclays Bank. The £420k (2024: £399k) of Counterparty Default Risk for SLAL is driven from £6,260k of cash (2024: £5,953k) being held in a credit institution which is A rated by Fitch. There was an increase of £21k in counterparty default risk over the year to 31 December 2025.

#### C3.2: Risk appetite and tolerance statement

All cash deposits held by SLAL are subject to pre-approval through the Executive governance framework of SME forums, which supports each SMF holder with oversight of the wider group. Deposits are only held with Investment Grade institutions or higher.

The SL combined Board may consider using alternative banking institutions in the future, although this is dependent on the overall banking environment. If there is a limited pool of Investment Grade institutions, careful analysis and consideration would be undertaken regarding the use of alternative providers. These may be considered under a lower exposure limit.

### C4: Liquidity Risk

#### C4.1: Risk appetite and tolerance statement

The SL Combined Board has a balanced appetite towards Liquidity Risk. This is to ensure that the allocation of financial resources is optimised while ensuring there is a robust control environment in place to mitigate the risk of any breaches of regulatory requirements or failing to meet liabilities when they fall due. SLAL takes into account the regulatory capital that it is required to hold and the liquidity of the chosen investments. SLAL maintains funds (as mentioned in [Section C3](#)) in deposit accounts with a banking institution rated at Investment Grade and above.

## Section C: Risk Profile (continued)

### C4: Liquidity Risk (continued)

#### C4.1: Risk appetite and tolerance statement (continued)

Liquidity Risk is assessed as part of a wider assessment of risks posed to the Own Funds of SLAL and managed accordingly. Should the available funds fall outside of SLAL's risk appetite, SLAL has in place management actions that can be implemented including:

- Postponing dividend payments to Suffolk Life Group Ltd
- Access to additional capital from the wider group.
- As part of the agreement with SLP in relation to the administration services SLP conducts on its behalf, there is a reduction in payments made to SLP if certain events were to impact SLAL (e.g. a mass lapse event).

### C5: Operational Risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events. For SLAL this risk is primarily driven from the outsourced administration performed by SLP.

The operational risk requirement for SLAL was £2,908k as at 31 December 2025. This requirement decreased over the year from £3,143k as at 31 December 2024 due to the decrease in expenses used to calculate Operational Risk. The expenses decreased from lower fees being paid to SLP under the administration agreement.

#### C5.1: Risk appetite and tolerance statement

Operational risk for SLAL is one of the major components of the SCR. The SL Combined Board are comfortable with the low and stable level of operational risk taken as part of running the business but are keen to avoid major stresses to the SCR that may impact its ability to maintain capital coverage. SLAL takes a balanced approach to managing Operational Risk. The policies, procedures and governance arrangements in place to support effective management of the risk and control framework. These allow us to monitor the exposure to events that could lead to major business issues, negative customer outcomes, and/or significant financial loss, and to take remedial action where necessary.

This risk is also linked with group risk, given that the administration for SLAL's products is carried out by a subsidiary company, SLP, which outsources to FNZ (UK) Limited. Given the nature of the Company's business model, SLAL chooses to accept certain risks with the administrative services provided by SLP to SLAL. These risks are controlled through the group governance structure (see [Section B1.2.3](#)).

## Section C: Risk Profile (continued)

### C6: Other material risks

Other risks that are not considered in the Standard Formula but are materially different in the ORSA are covered below:

#### C6.1: Regulatory Risk

SLAL operates in a highly regulated and specialist industry and therefore is susceptible to any significant regulatory or legislative policy changes from a variety of regulatory bodies. Any changes will influence the overall framework for the design, marketing and distribution of products, the acceptance and administration of business, and the regulatory capital that is required to be held. SLAL looks to avoid Regulatory Risk, reflecting the unwillingness of the business to be exposed to significant issues or disputes on associated matters.

The SL Combined Board regards compliance with regulation as fundamentally important and is continuously monitoring regulatory changes and industry opinion to ensure that it meets its regulatory obligations now and in the future. The SL Combined Board and wider group set aside a development budget at the start of each financial year to specifically address any regulatory changes that are on the horizon. Legislative updates are fully analysed and the business model adapted to meet any regulatory changes.

#### C6.2: Material risk concentrations

SLAL is not exposed to any material risk concentrations.

#### C6.3: Stress Testing

As part of the annual ORSA cycle, scenario and stress tests are conducted on SLAL's Own Funds to ensure continued compliance with the SCR and MCR. The scenarios and stress tests are designed by the SL ExCo and reviewed and approved by the SL Combined Board, with input from the Board Risk Committee. The scenarios and stress tests are focussed on specific one-off business events which are related to key risks identified as part of regular risk monitoring. The following tests were conducted for the 2025 process:

1. Operational resilience is a priority for both the FCA and PRA. If SLP is not able to effectively administer the SLAL, regulatory sanctions may be imposed on SLAL as the SIPP Operator for its own book of business. In failing to exercise due skill, care and diligence and for not taking reasonable care in organising and controlling its affairs responsibly, SLAL incurs regulatory fines of £1.5m and remedial activity costs £0.5m.
2. Service levels for clients continue to deteriorate during 2025, and this drives an increased level of lapses from SLAL clients. This scenario considers the top 8 largest adviser firms (by policies in force) moving clients away to an alternative SIPP provider. There are no perceived changes to staffing levels as policies would move on a case-by-case basis as part of standard BAU procedures.

## Section C: Risk Profile (continued)

### C6: Other material risks (continued)

#### C6.3: Stress Testing (continued)

3. Administrative error results in a data breach that is not notified to impacted clients. SLA, as a Data Controller, is deemed as failing to fulfil its obligations to protect its customer's personal data and SLAL receives a fine proportionate to the level of the breach. The Information Commissioner's Office (ICO) can impose fines of up to 20 million Euros or 4% of group worldwide turnover. The fine is set at £1.5m, which is comparable to fines issued by the ICO for similar breaches. The wider Nucleus group are required to investigate safeguards that can be implemented to prevent future reoccurrence, resulting in system and control enhancement costs of £1m. However, as this cost is centralised, only a portion is allocated to SLAL.
4. Due to economic factors, commercial tenants of the property book may struggle to make rental payments, increasing SIPP rent debt levels. Where rental income is being used to service annual fees and loan repayments, these liabilities can no longer be met, resulting in a potential increase in property lapse rates, both through voluntary client activity and through forced sales via SLAL's order of disposal process. Approximately 30% of the property book is mortgaged, with 25% of these clients utilising the SIPP rental income to service loans and/or fees (7.5% of the total commercial property book). Lenders could take legal action for failing to service loans and may withdraw existing loans with other clients. This results in reputational damage and an increase in policy lapses of 5% per year.

The testing for each scenario was completed by adjusting the inputs into the balance sheet modelling by the impacts defined in the scenario.

The stress and scenario testing for the 2025 ORSA cycle has found that SLAL continues to meet its SCR and MCR requirements over the three-year planning horizon in all the completed tests.

#### C6.4: Adherence to the Prudent Person Principle

The nature of SLAL's products allows the policyholder to make their own investment decisions. To ensure the prudent person principle is adhered to, SLAL's contracts set out that policyholders can only invest in assets included on a list of allowable investments. The allowable investments are set by the Board.

The investments made by policyholders are monitored by SLP, with oversight delegated by the SL Combined Board through the Executive governance framework of SME forums, which supports each SMF holder with oversight of the wider group. Where the list of allowable investment is breached, the policyholder is asked to sell the investment. If the policyholder fails to sell the investment, then SLAL has the contractual right to force a sale of the investment.

## Section C: Risk Profile (continued)

### C7: Any other information

#### C7.1: Standard formula appropriateness

An assessment has been undertaken that determined that the standard formula was appropriate for the calculation of SLAL's SCR.

Key points to note in the assessment of Standard Formula appropriateness are as follows:

- As the underlying principle of products that SLAL writes is to allow policyholders self-investment via a unit-linked fund, the majority of the insurance-based risk faced by SLAL is passed on to the policyholder.
- The core risks to SLAL's financial stability are through the recognition of future profits on the balance sheet via the non-unit linked BEL (value in force). As the volatility of the inputs into the calculation of the non-unit linked BEL pose the greatest risk to the available Own Funds, it has been concluded that the Standard Formula calculation provides the best fit for quantifying these risks.
- The Standard Formula output for Operational Risk shows the largest deviation from the internally calculated basis. In this case, the Standard Formula gives a higher requirement than the internal calculation. Although higher this is seen to be appropriate to use as an offset to some of the risks not covered within the Standard Formula.

There are currently no planned strategic changes, that the Board is aware of, that will affect the risk profile of SLAL over the medium term meaning the Standard Formula will remain appropriate for the calculation of SLAL's SCR over the current planning horizon.

## Section D: Valuation for Solvency Purposes

The valuation of assets, Technical Provisions and other liabilities for UK Solvency II is broadly in line with the financial statements which are prepared by SLAL on an FRS 101 basis. The following sections set out the basis for valuation and differences between the UK Solvency II basis and the Financial Statements. SLAL does not apply either the volatility adjustment or matching adjustment, and no transitional measures are applied.

### D1: Assets

The table below provides details of all material classes of assets of SLAL and their value under both UK Solvency II and the financial statements as at 31 December 2025.

£'000	UK Solvency II Basis	Financial Statements
<b>Assets held for index-linked and unit-linked contracts</b>		
Property (other than for own use)	1,126,217	1,126,217
Equities and holdings in collective investments undertakings	2,167,591	2,167,591
Bonds	92,551	91,903
Deposits other than cash equivalents	220,189	220,189
Cash and cash equivalents	70,373	70,373
Receivables	11,673	12,321
Debts owed to credit institutions	(28,766)	(28,766)
Payables	(6,860)	(6,860)
Other liabilities	(13,465)	(13,465)
<b>Total assets held for index-linked and unit-linked contracts</b>	<b>3,639,503</b>	<b>3,639,503</b>
<b>Other assets (other than assets held for index-linked and unit-linked contracts)</b>		
Deferred tax assets	-	1
Cash and cash equivalents	6,260	6,260
Receivables	3,314	3,314
<b>Total other assets</b>	<b>9,574</b>	<b>9,575</b>
<b>Total assets</b>	<b>3,649,077</b>	<b>3,649,078</b>

## Section D: Valuation for Solvency Purposes (continued)

### D1: Assets (continued)

The only differences between the valuation of assets on the UK Solvency II basis and the financial statements are that:

- accrued income on bonds of £648k is shown within receivables in the financial statements, but is included as part of the bond valuation on the UK Solvency II basis; and
- the deferred tax asset of £1k is netted against the deferred tax liability in the UK Solvency II balance sheet.

The assets shown in the above table are valued using the following methodology:

#### **Property (other than for own use)**

Investment properties have been valued at the year-end using the most recent independent professional valuations. Where the most recent valuation has taken place before the year-end date, adjustments are made by applying an appropriate indexation factor (sourced from the MSCI UK Quarterly Property Index) that reflects changes in value specific to the category and geographical location of each property. Independent professional valuations are conducted in response to specific events, such as changes in ownership or property transfers, leading to irregular timing. While the majority of properties have been either professionally valued or purchased within the last five years, a smaller portion of properties were last professionally valued over five years ago. The indexation compensates for changes in the value since the latest professional valuation up to the year-end reporting date. The indexation applied is therefore a critical accounting estimate to the valuation of investment properties.

#### **Equities and holdings in collective investments undertakings**

SLAL determines the value of equities based on the observable market prices. Where a market price is not available the price of the assets will be set to zero. SLAL does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or the relevant stock exchange.

#### **Bonds**

SLAL determines the value of Bonds based on the observable market prices. Where a market price is not available the price of the assets will be set to zero. SLAL does not have an internal pricing team, all prices are obtained from an independent third party, and this will either be the collective investment scheme manager or relevant stock exchange. Accrued interest is included in the bond values under the UK Solvency II basis but is reported as part of receivables in the FRS 101 financial statements.

## Section D: Valuation for Solvency Purposes (continued)

### D1: Assets (continued)

#### **Deposits other than cash equivalents**

Deposits other than cash equivalents are fixed term deposits with a maturity date greater than 3 months from the date of acquisition.

#### **Cash and cash equivalents, and Receivables**

Cash and cash equivalents include cash in hand, deposits held at call with banks, treasury bills and other short term highly liquid investments with original maturities of three months or less. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. There is no difference between the UK Solvency II valuation and the FRS 101 valuation.

#### **Debts owed to credit institutions**

Debts owed to credit institutions represent loans and borrowings and are recognised initially at the fair value of the consideration received less attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. There is no difference between the UK Solvency II valuation and the FRS 101 valuation.

#### **Payables and other liabilities**

Payables and other liabilities are recognised and initially measured at cost, due to their short-term nature, and subsequently measured at amortised cost. All of SLAL's payables and other liabilities are non-interest bearing. There is no difference between the UK Solvency II valuation and the FRS 101 valuation.

#### **Deferred tax assets**

The deferred tax assets reflect the excess of depreciation over capital allowances for some historic fixed assets. This is netted against the deferred tax liability in the UK Solvency II balance sheet.

### D2: Technical Provisions

The value of the Technical Provisions corresponds to the amount that would have to be paid to transfer the insurance obligations immediately to another insurance undertaking. This value is calculated in line with UK Solvency II requirements as the sum of the BEL and risk margin.

The BEL is calculated as the expected present value of all future cash flows associated with the insurance business based on market consistent economic assumptions, and best estimate non-economic assumptions. The risk margin is calculated in line with the UK Solvency II requirements using the cost of capital method.

## Section D: Valuation for Solvency Purposes (continued)

### D2: Technical Provisions (continued)

£'000	UK Solvency II Basis	Financial Statement
Index-linked and unit-linked best estimate liability (BEL)	3,631,338	3,639,503
Risk margin	870	-
<b>Total Technical Provisions</b>	<b>3,632,208</b>	<b>3,639,503</b>

The key differences are:

The inclusion of the future cash flow of £8,165k in the Index-linked and unit-linked best estimate liability for the UK Solvency II balance sheet reduces the insurance liabilities; and The inclusion of the risk margin of £870k in the UK Solvency II balance sheet.

#### D2.1: Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes

The assumptions and methodology for the best estimate liability and risk margin are set out in the following sections.

#### D2.1: Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes (continued)

##### D2.1.1: Methodology applied in deriving the Technical Provisions

In accordance with section 2.4 of the [Technical Provision](#) part of the PRA handbook, the value of Technical Provisions shall be equal to the sum of a BEL and a risk margin.

For SLAL the BEL is comprised of two elements:

1. The liabilities from the unit-linked policies which match the assets held for the unit-linked contracts.
2. The value in force, calculated using the methodology in [Section D2.1.1.1](#).

##### D2.1.1.1: BEL valuation methodology

The BEL of the value in force corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate.

The calculation of the future cash flows for the BEL is based upon up-to-date and credible information and realistic assumptions and is performed using adequate, applicable and relevant actuarial and statistical methods.

The BEL is calculated gross, without deduction of the amounts recoverable from reinsurance contracts. SLAL does not use any such reinsurance agreements.

## Section D: Valuation for Solvency Purposes (continued)

### D2: Technical Provisions (continued)

#### D2.1.1.2: Guarantee and option valuation methodology

The products that SLAL writes are all investment-based contracts that do not offer any financial/non-financial guarantees or contractual options. SLAL's remuneration is derived from a fixed monetary fee.

#### D2.1.2: Methodology applied in deriving the risk margin

The risk margin represents the amount that theoretically would have to be paid to another insurer (in addition to the best estimate of liability) to compensate them for taking on the insurance liabilities. It is based on the principle of allowing for the cost of holding capital to support risks which cannot be readily hedged. These include Underwriting Risk, Credit Risk related to reinsurance and special purpose vehicles and Operational Risk.

##### D2.1.2.1: Elements included in the SCR for Risk Margin projection

SLAL considers Lapse Risk, Expense Risk, Mortality Risk, Counterparty Default Risk and Operational Risk to be non-hedgeable. As such the SCR for these risks is included in the calculation of the risk margin.

##### D2.1.2.2: Steps in the risk margin calculation

The risk margin for SLAL is calculated using the following steps:

1. Calculate the non-hedgeable risks that are run-off by policies and the non-hedgeable risks that are not run off by policies;
2. The non-hedgeable risks that are run-off by policies are projected over the projection horizon reducing each year in line with the reduction in policies;
3. The non-hedgeable risks that are not run off by policies are projected over the projection horizon;
4. The projected non-hedgeable risks that are run-off by policies and the non-hedgeable that are not run off by policies are summed to give a total non-hedgeable SCR and a tapering factor is applied as set out in PRA regulation;
5. 4% cost of capital is applied to the projected non-hedgeable SCR for each year which is then discounted using the risk-free rate; and
6. The discounted cost of capital is then summed to give the total risk margin.

##### D2.1.2.3: The projection of the SCR

For the calculation of the risk margin the SCR is projected in line with the policy numbers over the cash flow projection horizon for each product group.

## Section D: Valuation for Solvency Purposes (continued)

### D2: Technical Provisions (continued)

#### D2.1: Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes (continued)

##### D2.1.3: Key assumptions in deriving the Technical Provisions

This section covers key assumptions used to derive the BEL component of the Technical Provisions for SLAL. The assumptions used are set out in the following table:

Assumption	31 Dec 2025	31 Dec 2024
<b>Lapses</b>		
SIPPs	6.0%	6.3%
Protected Rights	7.6%	7.5%
Private Funds	6.3%	9.1%
Property TIPs	5.7%	5.8%
<b>Average fee income per policy</b>		
SIPPs	£1,260	£1,220
Protected Rights	£460	£440
Private Funds	£1,040	£1,020
Property TIPs	£440	£410
<b>Expenses</b>		
Total expenditure	£711,921	£730,653
Regulatory fees	£184,693	£231,317
Long term assumption for Financial Services Compensation Scheme (FSCS)	£31,000	£52,000
Regulatory expenses	£479,997	£431,720
Licensing and professional fees	£16,231	£15,616
<b>Economic assumptions</b>		
Expense Inflation	3.25%	3.25%
Fee inflation	4.25%	4.25%

## Section D: Valuation for Solvency Purposes (continued)

### D2: Technical Provisions (continued)

#### D2.1: Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes (continued)

##### D2.1.3.1: Relevant risk-free rate applied in deriving the Technical Provisions

The risk-free rate published by PRA is used to calculate the Technical Provisions. As at 31 December 2025 SLAL does not utilise volatility adjustments.

##### D2.1.3.2: Lapses

The lapse assumption is derived based on lapse experience analysis performed for each product group. The policy lapse experience analysis is based on the policy count numbers, i.e. lives basis rather than sum assured. Three years of experience data was used to determine the lapse assumption. The experience data was collected directly from the administration system where each type of lapse is recorded.

The types of policy termination considered in setting the lapse assumption were:

- Transfer to another pension provider including products offered by other members of the Nucleus group;
- Termination during cooling off period;
- Annuity purchase from another provider on retirement; and
- Depletion of fund using pension freedoms.

##### D2.1.3.3: Expenses

The following expenses are included in the calculation of Technical Provisions:

#### Regulatory fees

The regulatory fees incurred by SLAL for operating as a regulated entity comprise fees from both the PRA and FCA. Regulatory fees include the fees and levies from the FCA, PRA, Money Advice Service (MAS), Financial Ombudsman Service (FOS) and the Pension Guidance Service.

#### Financial Services Compensation Scheme (FSCS)

In addition to the regulatory fees described above, SLAL also incurs fees in respect of the FSCS.

#### External audit expenses (included in regulatory expenses)

The expense incurred by SLAL from the annual external audit of the financial statements and the UK Solvency II requirements.

#### Internal audit expenses (included in regulatory expenses)

SLAL's share of the group's cost for the internal audit function performed by BDO.

#### Actuarial services (included in regulatory expenses)

The fees incurred from the outsourcing of the actuarial function.

#### Licensing and professional fee

The fee incurred from the use of a data license from the London Stock Exchange.

## Section D: Valuation for Solvency Purposes (continued)

### D2: Technical Provisions (continued)

#### D2.1: Bases, methods and main assumptions used for its valuation of liabilities for solvency purposes (continued)

##### D2.1.3.3: Expenses (continued)

###### SLP administration fee

The fee paid to SLP for the provision of administration services. In the cash flow projection this is 90% of annual fee income after the deduction of regulatory fee and regulatory expenses. This is reduced to 80% of fee income in the modelling of the mass lapse and lapse up standard formula scenario as per the agreement between SLAL and SLP.

The expense assumptions above are increased in line with the expense inflation assumption for each year in the cash flow projection.

##### D2.1.3.4 Mortality and morbidity assumptions

For the calculation of cash flows for the 31 December 2025 a mortality rate has been explicitly calculated. The mortality rate reduces the policy numbers in each year of the cash flow modelling.

The mortality rate is calculated using the CMI table S4 series mortality table. The average age of the policyholders in the below table is used as starting point of the calculation.

Product Line	Average Age 31 Dec 2025	Average Age 31 Dec 2024
SIPPs	69	68
Protected Rights	66	65
Private Funds	60	59
Property TIPs	59	59

The following adjustment factors are applied to the mortality rates in the CMI table S4 series mortality table to more closely match policyholder behaviour.

Product Line	Mortality Factor 31 Dec 2025	Mortality Factor 31 Dec 2024
SIPPs	16.80%	18.56%
Protected Rights	39.56%	39.42%
Private Funds	47.56%	53.82%
Property TIPs	22.19%	24.62%

## Section D: Valuation for Solvency Purposes (continued)

### D2: Technical Provisions (continued)

#### D2.2: Uncertainty associated with the value of Technical Provisions

Uncertainty in the valuation of technical provisions is most likely to be found in the modelling of the future cash flows which only impacts the value in force. The uncertainty will be driven from the methodology chosen to model the cash flows and the assumptions used in the cash flows. There is also a level of uncertainty in the methodology used for calculating the risk margin where the non-hedgeable SCR is apportioned across the product groups based on the product group's share of the future cash flows.

The uncertainty in assumptions is managed by comparing past assumptions with experience when deriving the assumption for the current reporting period.

#### D2.3: Differences between the bases, methods and main assumptions used for the valuation for solvency purposes and those used for valuation in financial statements

The differences between the valuation of technical provisions under a UK Solvency II basis and FRS 101 basis have been outlined in Section [D2.1](#) and [E1.2](#).

### D3: Other liabilities

The following table sets out the differences between the UK Solvency II balance sheet and the financial statements for other liabilities.

£'000	UK Solvency II Basis	Financial Statements
Provisions other than Technical Provisions	105	105
Deferred tax liability	2,517	-
Deferred income	-	2,817
Payables	5,877	5,877
<b>Total other liabilities</b>	<b>8,499</b>	<b>8,799</b>

The key differences are:

- The recognition of a deferred tax liability of £2,517k on the UK Solvency II balance from the tax on the future cash flows and excluding the deferred income.
- Deferred income of £2,817k, which is not recognised under the UK Solvency II requirements.

## Section D: Valuation for Solvency Purposes (continued)

### D3: Other liabilities (continued)

The deferred tax liability is included on the UK Solvency II balance sheet to recognise the amounts of income taxes payable in future periods in respect of taxable temporary differences between UK Solvency II and FRS 101 and from the tax impact of excluding the deferred and accrued income on the UK Solvency II balance sheet. The deferred tax liability is calculated by applying the current tax rate to the Risk Margin, the value in force and the deferred fee income adjustments. The tax rate used as at 31 December 2025 was 25% (2024: 25%).

#### D3.1: Contingent liabilities

As at 31 December 2025, SLAL did not hold any contingent liabilities on its balance sheet.

#### D3.2: Provisions other than Technical Provisions

As at 31 December 2025, SLAL held a provision for other risks of £105k (2024: £nil) on its balance sheet. An equivalent provision of £44k was reported within payables at 31 December 2024.

### D4: Alternative methods for valuation

The assets held to cover linked liabilities includes investment properties. All investment properties have been valued at the year end with reference to the most recent professional valuation or acquisition price and are further adjusted by applying the corresponding property index specific to each property's category and geographical location. Valuation techniques may include discounted cash flow calculations using net current rent and estimated future rent and terminal values; they may also include yield methodology calculations using market rental values capitalised with a market capitalisation rate. Both of these are further validated against actual market transactions to produce a final valuation.

The frequency of professional valuation is based on the policyholder needs and product requirements. Given the large volume of properties, obtaining professional valuations for each property regularly is not considered feasible for reporting purposes. As such, the use of indexation represents the most practical and best estimate available.

While the indexation method carries a degree of estimation uncertainty, this valuation method only impacts the value held in the unit linked fund and has no impact on the Solvency position of SLAL. The Directors consider this approach appropriate and that market movements are reasonably reflected.

Other than the method of valuing investment properties described above, no other alternative valuation methods are used by SLAL.

### D5: Any other information

No future management actions are used in the calculation of Technical Provisions.

## Section E: Capital Management

### E1: Own Funds

#### E1.1: Management of the Own Funds

SLAL is owned by a single shareholder (SLG) and its shares are fully paid up. SLAL has no debt financing, nor does it have any plans to raise debt or issue new shares in the short or medium term.

SLAL's Own Funds are held entirely as cash deposits in a bank account, excluding net debtors. No other forms of investment are held to support SLAL's Own Funds position and there is no intention to change the disposition of own fund items going forward.

The medium-term capital management plan set by the Board is as follows:

- Own Funds to be maintained at an acceptable level in excess of the SCR (or MCR where relevant).
- No capital is planned to be issued in the short or medium term.
- Own Funds items (other than the value arising from existing policies) are invested in bank deposits.

SLAL has a simple capital structure with all capital items classified as Tier 1 Own Funds, with the ability to cancel dividends on ordinary share capital. There are no restrictions on the availability of SLAL's Own Funds to support the SCR or MCR. The Reconciliation Reserve comprises retained profits and valuation differences between UK Solvency II and FRS 101 (see [Section E1.2](#)).

£'000	31 Dec 2025	31 Dec 2024	Variance
Called up share capital	1	1	-
Reconciliation Reserve	8,369	8,108	261
<b>UK Solvency II Basic Own Funds</b>	<b>8,370</b>	<b>8,109</b>	<b>261</b>

## Section E: Capital Management (continued)

### E1: Own Funds (continued)

#### E1.2: Analysis of change from FRS 101 equity to Basic Own Funds

The following table sets out the difference between FRS 101 and UK Solvency II Own Funds. These items make up the reconciliation reserve.

£'000	31 Dec 2025
FRS 101 Net Assets	776
Adjustments for FRS 101 components	
Deferred Income	2,817
Adjustments UK Solvency II components	
Risk Margin	(870)
Value in force	8,165
Net Deferred Tax	(2,518)
<b>UK Solvency II Own Funds</b>	<b>8,370</b>

The key difference between FRS 101 net assets and Solvency II Own Funds are:

- Deferred fee income which is not recognised under the UK Solvency II requirements;
- The addition of the Risk Margin which is a UK Solvency II requirement;
- The addition of the value in force on the UK Solvency II balance sheet which reduces Technical Provisions. These are floored to zero on the FRS 101 balance sheet; and
- The recognition of deferred tax liability on the UK Solvency II balance sheet from the tax on the future cash flows and exclusion of deferred income and accrued income on the UK Solvency II balance sheet.

## Section E: Capital Management (continued)

### E2: SCR and MCR

#### E2.1: Detail on the capital requirements for SLAL

(£'000)	Standard Formula or Internal Model	31 Dec 2025	31 Dec 2024	Variance
Available Own Funds		8,370	8,109	261
SCR				
Market Risk SCR Module	Standard Formula	1,038	986	52
Life Underwriting Risk SCR Module	Standard Formula	1,068	849	219
Operational Risk SCR Module	Standard Formula	2,908	3,143	(235)
Counterparty default risk SCR Module	Standard Formula	420	399	21
Diversification		(821)	(728)	(93)
Allowance for DTL offset		(1,153)	(1,162)	9
<b>Total SCR</b>		<b>3,460</b>	<b>3,487</b>	<b>(27)</b>
SCR Surplus		4,910	4,622	288
<b>MCR</b>		<b>3,500</b>	<b>3,500</b>	<b>-</b>
MCR Surplus		4,870	4,609	261

There has been an overall decrease of £27k in the SCR from the 31 December 2024 position.

## Section E: Capital Management (continued)

### E2: SCR and MCR (continued)

#### E2.2: Calculation of MCR

Under UK Solvency II regulations, the MCR is calculated as a linear function of a set or subset of the following variables:

- The technical provisions
- Written premiums
- Capital-at-risk
- Deferred tax
- Administrative expenses

The variables are measured net of reinsurance. The MCR requirement should not fall below 25% or exceed 45% of the SCR. There is an absolute floor to the MCR of £3,500k (2024: £3,500k).

SLAL is subject to the absolute floor of the MCR of £3,500k.

#### E2.3 Simplifications and parameters used in deriving the SCR

SLAL has not adopted any of the simplifications outlined in the UK Solvency II rules or used any entity specific parameters in calculating the SCR. Proportional modelling simplifications have been used in calculating the SCR and Risk margin considering the nature, scale and complexity of the underlying risks of SLAL.

#### E2.4: Disclosure of capital add-ons to SCR

SLAL is not subject to any capital add-ons.

### E3: Differences between Standard Formula and any Internal Model used

SLAL does not use an internal model.

### E4: Non-compliance with the MCR and non-compliance with the SCR

SLAL has maintained compliance with both the MCR and SCR during the reporting period.

### E5: Any other information

There is no further material information.

## APPENDIX 1 - QUANTITATIVE REPORTING TEMPLATES

All templates in £'000s

The following templates are not applicable to the Company and are therefore not included in the SFCR:

- IR.05.04.02 – Non-life income and expenditure
- IR.17.01.02 – Non-life technical provisions
- IR.19.01.21 – Non-life insurance claims
- IR.22.01.21 – Long-term guarantee and transitional measures
- IR.28.02.01 – MCR for firms which carry on both long-term insurance business and general insurance business

### IR.02.01.02

#### Balance sheet

	Solvency II value
	C0010
<b>Assets</b>	
R0030 Intangible assets	
R0040 Deferred tax assets	0
R0050 Pension benefit surplus	
R0060 Property, plant & equipment held for own use	0
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	0
R0080 <i>Property (other than for own use)</i>	0
R0090 <i>Holdings in related undertakings, including participations</i>	0
R0100 <i>Equities</i>	0
R0110 <i>Equities - listed</i>	
R0120 <i>Equities - unlisted</i>	
R0130 <i>Bonds</i>	0
R0140 <i>Government Bonds</i>	0
R0150 <i>Corporate Bonds</i>	0
R0160 <i>Structured notes</i>	0
R0170 <i>Collateralised securities</i>	0
R0180 <i>Collective Investments Undertakings</i>	0
R0190 <i>Derivatives</i>	
R0200 <i>Deposits other than cash equivalents</i>	0
R0210 <i>Other investments</i>	0
R0220 Assets held for index-linked and unit-linked contracts	3,639,503
R0230 Loans and mortgages	0
R0240 <i>Loans on policies</i>	0
R0250 <i>Loans and mortgages to individuals</i>	
R0260 <i>Other loans and mortgages</i>	
R0270 Reinsurance recoverables from:	0
R0280 <i>Non-life and health similar to non-life</i>	
R0315 <i>Life and health similar to life, excluding index-linked and unit-linked</i>	0
R0340 <i>Life index-linked and unit-linked</i>	0
R0350 Deposits to cedants	0
R0360 Insurance and intermediaries receivables	
R0370 Reinsurance receivables	
R0380 Receivables (trade, not insurance)	3,314
R0390 Own shares (held directly)	
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410 Cash and cash equivalents	6,260
R0420 Any other assets, not elsewhere shown	
R0500 <b>Total assets</b>	<b>3,649,077</b>

	Solvency II value
	C0010
<b>Liabilities</b>	
R0505 Technical provisions - total	3,632,208
R0510 <i>Technical provisions - non-life</i>	0
R0515 <i>Technical provisions - life</i>	3,632,208
R0542 Best estimate - total	3,631,338
R0544 <i>Best estimate - non-life</i>	
R0546 <i>Best estimate - life</i>	3,631,338
R0552 Risk margin - total	870
R0554 <i>Risk margin - non-life</i>	
R0556 <i>Risk margin - life</i>	870
R0565 Transitional (TMTP) - life	0
R0740 Contingent liabilities	
R0750 Provisions other than technical provisions	105
R0760 Pension benefit obligations	
R0770 Deposits from reinsurers	
R0780 Deferred tax liabilities	2,517
R0790 Derivatives	
R0800 Debts owed to credit institutions	0
R0810 Financial liabilities other than debts owed to credit institutions	
R0820 Insurance & intermediaries payables	
R0830 Reinsurance payables	
R0840 Payables (trade, not insurance)	5,877
R0850 Subordinated liabilities	0
R0860 <i>Subordinated liabilities not in Basic Own Funds</i>	
R0870 <i>Subordinated liabilities in Basic Own Funds</i>	0
R0880 Any other liabilities, not elsewhere shown	
R0900 <b>Total liabilities</b>	3,640,707
R1000 <b>Excess of assets over liabilities</b>	8,370

IR.05.02.01

Premiums, claims and expenses by country: Life obligations

	C0150	C0160	C0170	C0180	C0190	C0200	C0210
	Top 5 countries (by amount of gross premiums written)						Total Top 5 and home country
R1400	Home Country						
	C0220	C0230	C0240	C0250	C0260	C0270	C0280
<b>Premiums written</b>							
R1410	Gross	132,422					132,422
R1420	Reinsurers' share						0
R1500	Net	132,422					132,422
<b>Premiums earned</b>							
R1510	Gross						0
R1520	Reinsurers' share						0
R1600	Net	0					0
<b>Claims incurred</b>							
R1610	Gross	433,022					433,022
R1620	Reinsurers' share						0
R1700	Net	433,022					433,022
R1900	Net expenses incurred	49,954					49,954

IR.05.03.02

Life income and expenditure

	Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
	C0010	C0020	C0030	C0040	C0050	C0060	C0070
<b>Premiums written</b>							
R0010	Gross direct business	132,422					132,422
R0020	Gross reinsurance accepted						0
R0030	Gross	0	132,422	0	0	0	132,422
R0040	Reinsurers' share						0
R0050	Net	0	132,422	0	0	0	132,422
<b>Claims incurred</b>							
R0110	Gross direct business	433,022					433,022
R0120	Gross reinsurance accepted						0
R0130	Gross	0	433,022	0	0	0	433,022
R0140	Reinsurers' share						0
R0150	Net	0	433,022	0	0	0	433,022
<b>Expenses incurred</b>							
R0160	Gross direct business	49,954					49,954
R0170	Gross reinsurance accepted						0
R0180	Gross	0	49,954	0	0	0	49,954
R0190	Reinsurers' share						0
R0200	Net	0	49,954	0	0	0	49,954
R0300	Other expenses						
<b>Transfers and dividends</b>							
R0440	Dividends paid						400

IR.12.01.02  
Life technical provisions

<b>Best estimate</b>	
R0025	Gross Best Estimate (direct business)
R0026	Gross Best Estimate (reinsurance accepted)
R0030	<b>Gross Best Estimate</b>
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re
R0100	<b>Risk margin</b>
<b>Amount of the transitional on Technical Provisions</b>	
R0140	TMTP - risk margin
R0150	TMTP - best estimate dynamic component
R0160	TMTP - best estimate non-dynamic component
R0170	TMTP - amortisation adjustment
R0180	<b>Transitional Measure on Technical Provisions</b>
R0200	<b>Technical provisions - total</b>

Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
C0010	C0020	C0030	C0040	C0050	C0060	C0070
	3,631,338					3,631,338
						0
0	3,631,338	0	0	0	0	3,631,338
						0
0	3,631,338	0	0	0	0	3,631,338
						0
	870					870
						0
						0
						0
0	0	0	0	0	0	0
0	3,632,208	0	0	0	0	3,632,208



IR.25.04.21

**Solvency Capital Requirement**

**Net of loss absorbing capacity of technical provisions**

	C0010
<b>Market risk</b>	
R0070 Interest rate risk	1,038
R0080 Equity risk	0
R0090 Property risk	0
R0100 Spread risk	0
R0110 Concentration risk	0
R0120 Currency risk	0
R0125 Other market risk	0
R0130 Diversification within market risk	0
R0140 <b>Total Market risk</b>	<b>1,038</b>
<b>Counterparty default risk</b>	
R0150 Type 1 exposures	420
R0160 Type 2 exposures	0
R0165 Other counterparty risk	0
R0170 Diversification within counterparty default risk	0
R0180 <b>Total Counterparty default risk</b>	<b>420</b>
<b>Life underwriting risk</b>	
R0190 Mortality risk	100
R0200 Longevity risk	0
R0210 Disability-Morbidity risk	0
R0220 Life-expense risk	235
R0230 Revision risk	0
R0240 Lapse risk	734
R0250 Life catastrophe risk	0
R0255 Other life underwriting risk	0
R0260 Diversification within life underwriting risk	-181
R0270 <b>Total Life underwriting risk</b>	<b>887</b>
<b>Health underwriting risk</b>	
R0280 Health SLT risk	0
R0290 Health non SLT risk	0
R0300 Health catastrophe risk	0
R0305 Other health underwriting risk	0
R0310 Diversification within health underwriting risk	0
R0320 <b>Total Health underwriting risk</b>	<b>0</b>
<b>Non-life underwriting risk</b>	
R0330 Non-life premium and reserve risk (ex catastrophe risk)	0
R0340 Non-life catastrophe risk	0
R0350 Lapse risk	0
R0355 Other non-life underwriting risk	0
R0360 Diversification within non-life underwriting risk	0
R0370 <b>Non-life underwriting risk</b>	<b>0</b>
R0400 <b>Intangible asset risk</b>	<b>0</b>
<b>Operational and other risks</b>	
R0422 Operational risk	2,909
R0424 Other risks	0
R0430 <b>Total Operational and other risks</b>	<b>2,909</b>
R0432 <b>Total before all diversification</b>	<b>5,434</b>
R0434 Total before diversification between risk modules	5,253
R0436 Diversification between risk modules	-640
R0438 <b>Total after diversification</b>	<b>4,613</b>
R0440 Loss absorbing capacity of technical provisions	0
R0450 Loss absorbing capacity of deferred tax	-1,153
R0455 Other adjustments	0
R0460 <b>Solvency capital requirement including undisclosed capital add-on</b>	<b>3,460</b>
R0472 Disclosed capital add-on - excluding residual model limitation	0
R0474 Disclosed capital add-on - residual model limitation	0
R0480 <b>Solvency capital requirement including capital add-on</b>	<b>3,460</b>
R0490 Biting interest rate scenario	increase
R0495 Biting life lapse scenario	mass

