

Schroders



**Schroder Pension Management
Limited**

**Solvency and Financial Condition Report
as at 31 December 2016**

Contents

Background and executive summary	4
Section A Business and performance	5
A.1 Business.....	5
A.2 Underwriting performance.....	7
A.3 Investment Performance	8
A.4 Performance and other activities	9
A.5 Any other information.....	9
Section B System of Governance	10
B.1 General information on the system of governance	10
B.2 Fit and proper requirements	13
B.3 Risk management system including the own risk and solvency assessment.....	14
B.4 Internal control	17
B.5 Internal Audit Function.....	18
B.6 Actuarial function.....	18
B.7 Outsourcing.....	18
B.8 Any other information	19
Section C Risk Profile	20
C.1 Underwriting risk	20
C.2 Market risk.....	20
C.3 Credit risk.....	21
C.4 Liquidity risk	21
C.5 Operational risk.....	21
C.6 Other material risks	22
C.7 Any other information	23
Section D Valuation for Solvency Purposes	24
D.1 Assets	24
D.2 Technical Provisions	26
D.3 Other liabilities	30
D.4 Alternative methods for valuation	30
D.5 Any other information	30
Section E Capital Management	31
E.1 Own Funds.....	31
E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR).....	31
E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR.....	32
E.4 Differences between the standard formula and any internal model used.....	32

E.5 Non-compliance with the MCR and non-compliance with the SCR.....	32
E.6 Any other information	32
Section F Governance	33
F.1 Directors' confirmation.....	33
F.2 Independent Auditor's Report.....	34
Appendix 1 Annual QRT's as at 31 December 2016	36

Background and executive summary

This Solvency and Financial Condition Report (SFCR or the Report) has been prepared to enable the clients of Schroder Pension Management Limited (SPML or the Company), and other stakeholders, to assess the financial position of the Company following the implementation of the Solvency II Directive on 1 January 2016.

The Report includes:

- a. a description of SPML's business, including its operating model and risk profile;
- b. an outline of SPML's system of governance and risk profile; and
- c. a description of the capital management policies of the Company and the solvency position of the Company as at 31 December 2016, comprising an analysis of:
 - the Company's own funds; and
 - the minimum capital requirement (MCR) and solvency capital requirement (SCR) of the Company.

The Report reflects the capital requirements of the Prudential Regulation Authority (PRA) Rulebook, 'Solvency II Firms: Reporting Instrument 2015 (PRA 2015/23)' (the Rulebook), which incorporates into the Rulebook the requirements set out in Article 51 (1) of Directive 2009/138/EC (the Solvency II Directive) and all directly applicable EU Regulations adopted in accordance with the Solvency II Directive (the Solvency II Regulations).

SPML is an indirect subsidiary of Schroders plc and provides unit-linked insurance contracts to the trustees of UK registered pension schemes and accepts reinsurance from other life insurance companies wishing to expand the range of funds available to their unit-linked pension policyholders. Some UK occupational pension schemes are established under statute rather than by trust and consequently do not have trustees. For the purposes of this document the term 'trustees' is used to include the managers of such schemes. The Company has no exposure to insurance risk under the terms of these contracts.

The Board of SPML reviews the Company's capital position on a regular basis and determines the appropriate capital to be maintained by the Company. Under normal circumstances, it is the Board's intention that the Company will maintain own funds of no less than the higher of 200% of the Company's Pillar 1 Solvency Capital Requirement and the capital requirement calculated under the Own Risk and Solvency Assessment (ORSA).

The Solvency ratio of the Company, i.e. own funds divided by the SCR, at 31 December 2016 was 384% (31 December 2015: 259%). The key driver of the rise in solvency ratio between 2015 and 2016 was a £9.0 million capital injection received from the Company's then parent, Schroder Administration Limited, on 24 March 2016. See section E.1 for further details on the Company's Own Funds.

Section A Business and performance

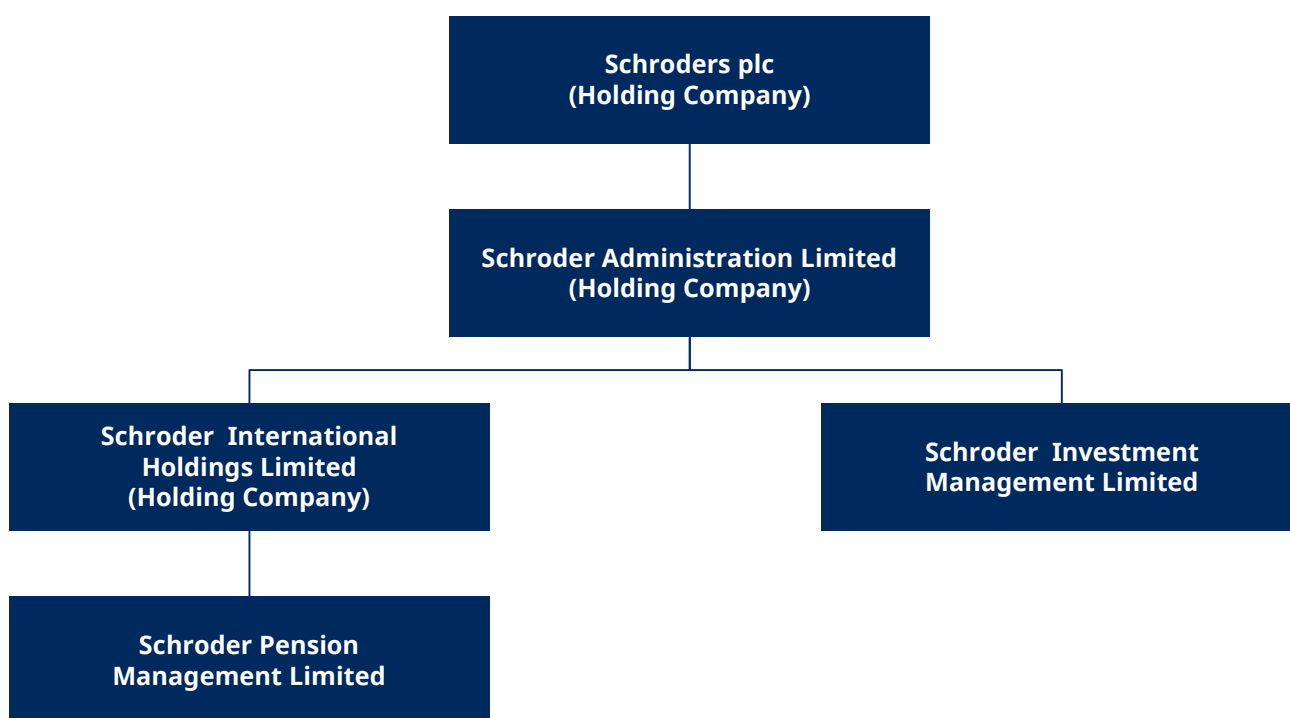
A.1 Business

SPML is a company limited by shares and is incorporated and domiciled in England and Wales. The registered address of the Company is 31 Gresham Street, London, EC2V 7QA.

SPML's immediate parent company is Schroder International Holdings Limited (SIHL) and the ultimate controlling entity is Schroders plc. SIHL and Schroders plc are both incorporated and domiciled in England and Wales. Schroders plc and its subsidiaries combine to form the Schroders Group (Schroders or the Group).

The Company did not make any distributions to its shareholder during the years ended 31 December 2015 and 2016.

Simplified Group Structure as at 31 December 2016



Supervision and External Audit

SPML is authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and the PRA. The Company is supervised by the Retail Life department of the PRA located at 20 Moorgate, London EC2R 6DA.

SPML is audited by PricewaterhouseCoopers LLP, chartered accountants and statutory auditors, 7 More London Riverside, London SE1 2RT.

Lines of business

SPML writes:

- Unit-linked insurance; and
- Unit-linked reinsurance.

Unit-linked insurance contracts are issued solely to policyholders who are trustees of UK registered pension schemes. Unit-linked reinsurance is accepted from other life insurance companies wishing to expand the range of funds available to their unit-linked UK pension scheme trustee policyholders.

All business is carried out in the United Kingdom. Contracts issued by SPML contain no financial options or investment guarantees.

SPML's operating model

SPML outsources almost all functions to Schroder Investment Management Limited (SIM), a wholly owned subsidiary of Schroders plc. The outsourcing arrangement is governed by an investment management agreement and a services agreement between SPML and SIM. SIM sub-contracts certain activities to third-party companies including J.P. Morgan Europe Limited (JPMorgan) for fund accounting services and International Financial Data Services Limited (IFDS) for transfer agency services.

SPML's Chief Actuary, Trevor Fannin, is an employee of Willis Towers Watson plc (WTW). The services provided are set out in an agreement between SPML and WTW.

SPML also contracts directly with JPMorgan Chase Bank, N.A. (JPMorgan Chase) for custody services.

SPML has no employees. Staff involved in the management and operating activities of SPML are employed by SIM and the costs of these staff are largely met by SIM, reflecting its delegated responsibilities. Costs specifically associated with managing the business of SPML are recharged to SPML from SIM or are borne directly to deliver the services. The costs borne directly by SPML are minimal, reflecting that most operating activities are performed by SIM through the outsourcing arrangements.

SIM receives a share of the fees levied by SPML in accordance with the Group's transfer pricing policy, recognising SIM's delegated responsibilities with respect to the SPML business.

SIM receives approximately 96% of the annual management fees earned by the Company for taking delegated responsibilities in respect of the SPML business. In turn, SIM pays fees to other Group companies for services provided. These can arise through investor introductions and client relationship specific investment activities or through investing via a mutual fund where contractual fees may arise.

Significant business and events

The Company implemented the Solvency II Directive on 1 January 2016.

On 24 March 2016 the Company received a £9.0 million capital injection from its parent at that time, Schroder Administration Limited (SAL), which is a wholly owned subsidiary of Schroders plc. The £9.0 million capital injection was made following a downgrade to one of the Company's banking counterparties, National Westminster Bank plc (NatWest). The capital injection enabled the Company to ensure a capital coverage ratio of at least 200% under Solvency II. These funds were subsequently loaned to Schroders plc, enabling efficient use of the cash by Schroders' Group Treasury department.

The Company's policy rules (the rules) were updated with effect from 22 December 2016. The rules govern the operation of the Company's unit-linked funds and are intended to achieve, to the extent reasonably practicable, equality of treatment amongst Schroders, its policyholders, the companies which it reinsures and their respective policyholders.

On 23 December 2016, the Company's immediate parent company transferred from SAL to Schroder International Holdings Limited, which is a wholly owned subsidiary of SAL.

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

Events since 31 December 2016

Julian Walker-Hazell was appointed as a director of the Company on 1 February 2017.

Calum Thomson was appointed as a non-executive director of the Company on 1 April 2017.

Guy Henriques was appointed as Chairman of the Company on 27 April 2017.

John Troiano resigned as a director of the Company on 12 May 2017.

The composition of the Board as at the publication date of this report is set out in section B.1.

A.2 Underwriting performance

SPML only writes unit-linked pension business and no policies include any options or guarantees. The Company is not therefore exposed to any insurance risk. The Company's underwriting performance is solely dependent on the fee income earned on unit-linked assets invested by policyholders less expenses incurred in the management of the policies.

The table below shows the movement in the Company's unit-linked assets on which management fees are charged. The increase in unit-linked assets passed on to policyholders is offset on the Company's balance sheet by an equivalent change in unit-linked liabilities. Premiums received and claims paid reflect new investments and withdrawals by policyholders in the Company's Life funds. Investment returns are passed on to policyholders and the resulting movement in the Company's balance sheet is matched by an equivalent offsetting change in unit-linked liabilities. Management charges are either deducted directly from the Life funds or are billed to and collected directly from policyholders.

Description	2016 £'000s	2015 £'000s	Variance £'000s
Premiums received	1,500,837	1,236,033	264,804
Claims	(2,257,134)	(2,456,413)	199,279
Investment return	1,305,263	43,428	1,261,835
Management fees charged directly to the life funds	(40,524)	(46,700)	6,176
Increase/(decrease) in unit-linked assets	508,442	(1,223,652)	1,732,094
(Decrease)/increase in unit-linked liabilities	(508,442)	1,223,652	(1,732,094)
Net impact on underwriting performance of the Company	0	0	0

Under the terms of the outsourcing arrangement, SIM is responsible for all activities related to the underwriting performance. The expenses associated with this agreement are correlated to, but always less than, the management fee income received meaning that the Company will always report a positive underwriting result. Management fees retained cover other operating expenses of the Company.

The table below shows the management fees earned from policyholders on unit-linked assets less expenses incurred.

Description	2016 £'000s	2015 £'000s	Variance £'000s
Net management fees charged	54,661	60,692	(6,031)
Performance fees	278	700	(422)
Net fee income before Group charges	54,939	61,392	(6,453)
Fee cedes to other Group companies			
Management fees ceded to other Group companies	(52,551)	(58,276)	5,725
Performance fees ceded to other Group companies	(267)	(672)	405
Net fee income retained after fee share to other Group companies	2,121	2,444	(323)

Net fee income decreased by £6.5 million (11%). Net management fees charged decreased by £6.0 million, or 10%, to £54.7 million (year ended 31 December 2015: £60.7 million) driven by a £747.0 million, or 7%, decrease in average AUM to £9,624.9 million (2015: £10,371.9 million). In addition, management fees reduced due to a 2 basis points (bps) fall in gross fee margins to 57 bps (year ended 31 December 2015: 59 bps).

The Company did not purchase or enter into any risk mitigation contracts during the reporting period.

A.3 Investment Performance

Financial highlights

SPML generated a profit before tax of £1.9 million for the year ended 31 December 2016, an increase of £0.1 million from the prior year (year ended 31 December 2015: £1.8 million). The rise in profit before tax was driven by a £0.3 million increase in interest income received, mainly earned on the loan to Schroders plc. This increase was partly offset by a reduction in net fee income which was driven by lower average AUM and a reduction in the average fee margin.

Investment activity with respect to unit-linked policyholders

In the year ended 31 December 2016, unit-linked liabilities increased by £508.4 million (5%) to £10,186.2 million (31 December 2015: £9,677.8 million). The movement comprises premiums of £1,500.8 million, net investment returns of £1,305.2 million, less claims of £2,257.1 million and management fees charged to the life funds of £40.5 million.

Description	2016 £'000s	2015 £'000s	Variance £'000s
Premiums received	1,500,837	1,236,033	264,804
Claims	(2,257,134)	(2,456,413)	199,279
Investment return	1,305,263	43,428	1,261,835
Management charges directly to life funds	(40,524)	(46,700)	6,176
Movement in unit-linked liabilities	(508,442)	1,223,652	(1,732,094)
Net movement in life fund	0	0	0
Net management fees charged	54,661	60,692	(6,031)
Performance fees	278	700	(422)
Net fee income	54,939	61,392	(6,453)
Fee cedes to other Group companies			
Management fees ceded to other Group companies	(52,551)	(58,276)	5,725
Performance fees ceded to other Group companies	(267)	(672)	405
Net fee income earned on investments with respect to unit-linked policyholders	2,121	2,444	(323)

SPML does not bare investment risk on behalf of policyholders. Investments held on behalf of unit-linked policyholders are made in line with the published objectives of the life funds and match liabilities one-to-one. Accordingly, the Company has a minimal exposure to future returns through fees earned (SPML retains only 4% of gross fees in line with the Group's Transfer Pricing policy).

Investment activity with respect to the Company's proprietary investments

Description	2016 £'000s	2015 £'000s	Variance £'000s
Unrealised loss on seed capital	-	(37)	37
Realised gain on seed capital	-	60	(60)
Gains on available-for-sale investments recycled to the income statement	-	190	(190)
Investment income with respect to the Company's proprietary investments	-	213	(213)
Actuarial costs	(222)	(345)	123
Audit fees	(96)	(94)	(2)
Audit related assurance services	(55)	(31)	(24)
Non-recoverable indirect taxes	(71)	(106)	35
Other expenses	(49)	(195)	146
Total operating expenses	(493)	(771)	278

The Company currently has an investment in the Schroder Special Situations Fund – Sterling Liquidity Plus Fund, which is designated as an available-for-sale asset meaning all fair value movements from date of purchase until disposal date are normally taken through other comprehensive income. Upon disposal, fair value gains or losses are recycled through the income statement in line with International Financial Reporting Standards (IFRS). The Company made a gain of £0.2 million on this investment between date of purchase and 31 December 2016 (net of tax), leaving a year end market value of £15.3 million.

Total operating expenses decreased by £0.3 million to £0.5 million (year ended 31 December 2015: £0.8 million), driven by lower levels of activity with respect to the Chief Actuary and an increase in other regulatory advisory fees.

Non-linked assets are mostly invested cautiously in cash and in the Schroder Special Situations Fund – Sterling Liquidity Plus Fund, such that changes in interest rates and other market parameters do not affect non linked asset investment decisions.

A.4 Performance and other activities

There are no other activities.

A.5 Any other information

Service agreements

The service agreements in place between SPML and SIM make provision for those Group companies to meet any costs resulting from operational failure of the services performed. The service agreements were enforced over the reporting period such that SPML did not meet any significant operational risk event losses.

Section B System of Governance

B.1 General information on the system of governance

The strategy for the Group is set by the Board of Schroders plc. SPML operates within the overall strategy of the Group. The Schroders plc Board ensures that SPML's strategy is appropriate for the Group, and that it promotes the success of the Company within the Group's overall business plan.

The Board of Directors of SPML (the Board) is the Company's government and management body for regulatory purposes. The Board meets at least four times per year. The Board is responsible for ensuring sound governance, that the operational effectiveness of the risk management and control environment is maintained and that effective risk management policies are adhered to within the Schroders Group Risk Management Framework. The Board has responsibility for providing effective oversight of those who exercise executive functions.

The Board primarily consists of employees of SIM, as well as two independent (non-executive) directors. It is supported by the SPML Risk Committee which reports to the Company's Chief Executive Officer (CEO).

The composition of the SPML Board as at the date of approval of this SFCR is detailed in the below table:

Director	Approved function
Guy Henriques*	SIMF 9 Chairman
David Heathcock	SIMF 1 Chief Executive Officer
Wayne Mepham	SIMF 2 Chief Finance Function
Julian Walker-Hazell**	CF 1 Director
Graham Aslet	SIMF 14 Senior Independent Director
Calum Thomson***	Non-Executive Director

*Appointed as Chairman on 27 April 2017. Replaced John Troiano who resigned on 12 May 2017

**Appointed 1 February 2017

***Appointed 1 April 2017

The CEO of SPML has overall responsibility for the implementation of SPML's strategy and the executive management and operation of the business. His key responsibilities include:

- **Implementing SPML's Strategy and Initiatives**
- Communication and implementation of the Company's strategy; and
- Development and maintenance of the Company's business model by the governing body.
- **Managing the day to day activities of the Company**
- Executive management of SPML's business;
- Management of the day to day business of SPML, with the exception of the matters reserved for the decision of the Board; and
- Regular reporting to the Board.
- **Maintaining an appropriate culture**
- Overseeing the adoption of the Company's culture in its day-to-day management;
- Overseeing the efficient and effective operation of SPML within regulatory and best practice parameters and in accordance with SPML specific and Group policies;
- Ensuring the operation of the Company with a framework of prudent and effective risk management;
- Ensuring the production of reporting material to support the Company's governance framework;
- Ensuring that delegated responsibilities are clearly identified within job descriptions and agreements with third parties;

- Ensuring that the relationship with internal and external suppliers is proactively managed to ensure issue resolution;
- Ensuring that the Company has complied with the obligation to ensure that every person who performs a key function is fit and proper; and
- Policies and procedures for the induction, training and professional development.

SPML Risk Committee

The purpose of the SPML Risk Committee (SRC) is to assist the SPML Board and the SPML CEO in discharging their responsibilities. The members of the SRC do not derive any management authority through membership as the SRC is purely an advisory body. Membership of the SRC is determined by the Board.

The SRC is responsible for reviewing and monitoring the adequacy and effectiveness of the process for the identification, assessment, mitigation, monitoring and management of all risks faced by SPML in achieving its business objectives. The SRC makes recommendations to the Board regarding any improvements in the SPML risk framework. The SRC reviews and monitors the adequacy and effectiveness of the process for the identification, assessment, mitigation, monitoring and management of all relevant risks faced by SPML in achieving its business objectives. Specifically the SRC aims to:

- Support effective risk management in SPML in line with the Group approach;
- Provide greater transparency on risk trends and highlight key issues;
- Support the annual ORSA and compliance with Solvency II requirements; and
- Bring together the key SPML stakeholders to discuss risk related matters of relevance to SPML.

Key roles and responsibilities

The table below details the key functions applicable to the Company:

Key function	Outsourced to	Senior Insurance Managers Regime approved function	Responsibilities
Finance	SIM	SIMF 2 – Chief Finance Officer (CFO)	Responsible for all finance activity, including financial controls, financial reporting and regulatory reporting
Risk Management	SIM	SIMF 4 – Chief Risk Officer	Responsible for the risk management framework, policies and controls in addition to identifying and monitoring SPML's key risks
Internal audit	SIM	SIMF 5 – Internal Audit	Assesses the adequacy and effectiveness of the internal control environment. Determines annual internal audit plan. Reports the results of audits which are relevant to SPML to the Board
Actuarial Function Holder	Willis Towers Watson plc	SIMF 20 – Chief Actuary	Coordinates the calculation of the Company's technical provisions, ensuring the appropriateness of the methodologies and underlying models used. Contributes to the effectiveness of the risk management system
Compliance	SIM	CF 10 – Compliance	Responsibility for ensuring that the Company is managing its regulatory risks appropriately
Financial Crime	SIM	CF 11 – Money laundering reporting	Responsibility for ensuring the effectiveness of controls around fraud risks, bribery and money laundering

SPML's remuneration policy

SPML has no employees and does not therefore incur any direct salary costs. The emoluments of the non-executive directors are borne directly by the Company.

The remuneration strategy is set at a Group level by the Group Remuneration Committee. The Group Remuneration Committee is responsible for reviewing and approving the remuneration and policies of the Group, as recommended by the Group Chief Executive. The remuneration policy is aligned to the long-term business strategy, business objectives, risk appetite, values and long-term interests of the Group and will recognise the interests of relevant stakeholders.

In reviewing the remuneration strategy and policies the Committee considers the following factors:

- That the remuneration practices in place are consistent with effective risk management and do not encourage excessive or inappropriate risk taking;
- That any performance related compensation arrangements maintain an appropriate balance between managed risk, both current and future, and reward, and that they do not encourage behaviour which is detrimental to the interests of stakeholders;
- That relevant provisions and recommendations of Remuneration Codes and other relevant regulations as these apply to the Group are properly incorporated; and
- That provisions of the UK Corporate Governance Code and the other relevant legal or regulatory requirements, together with associated guidance are fully considered.

Transactions with related parties

During the year ended 31 December 2016, the Company had the following transactions (as reported in the Company's Annual Report & Accounts) with related parties within the Schroders Group:

£'000 Income	£'000 Expenses	£'000 Amounts owed by Related Parties	£'000 Amounts owed to Related Parties
280	(54,489)	21,858	(5,897)

During the year ended 31 December 2015, the Company had the following transactions (as reported in the Company's Annual Report & Accounts) with related parties within the Schroders Group:

£'000 Income	£'000 Expenses	£'000 Amounts owed by Related Parties	£'000 Amounts owed to Related Parties
4	(60,738)	12,595	(5,756)

The amounts owed by related parties increased from £12.6 million at 31 December 2015 to £21.9 million at 31 December 2016. This was mainly driven by the £9.0 million capital injection the Company received from its then parent in March 2016 and which was subsequently loaned to Schroders plc, taking the total loan balance to £21.5 million.

All transactions with related parties are made at an arm's length basis on normal commercial terms.

B.2 Fit and proper requirements

Schroders operates in an environment where maintaining the highest possible professional standards is essential in order to minimise exposure to financial and regulatory risks and to promote the Group's reputation as a market leader.

Whilst additional focus is given to employees exercising governance or oversight roles, Schroders requires all employees to demonstrate integrity and professional competence at all times.

SPML Directors are required to adhere to the following regulatory standards:

PRA Individual Conduct Standards (required of all key function holders)

1. Act with integrity;
2. Act with due skill, care and diligence; and
3. Be open and cooperative with the FCA, the PRA and other regulatory bodies.

Senior Insurance Manager Conduct Standards

1. Take reasonable steps to ensure that the business of the firm for which you are responsible is controlled effectively;
2. Take reasonable steps to ensure that the business of the firm for which you are responsible complies with the relevant requirements and standards of the regulatory system;
3. Take reasonable steps to ensure that any delegation of your responsibilities is to an appropriate person;
4. Disclose appropriately any information of which the FCA or PRA would reasonably expect notice; and
5. Exercising responsibilities, due regard to the interests of current and potential future policyholders in ensuring the provision by the firm of an appropriate degree of protection for their insured benefits.

The section below outlines the Schroders processes and practices to ensure that relevant employees meet the fit and proper test:

Initial assessment

In order to ensure that employees recruited by Schroders have the required skills and behaviours, a clearly defined process of pre-employment screening is followed. A risk-based approach is used to assess the level of screening required, with three levels identified:

- **Tier One:** FCA Controlled Functions and Significant Influence Functions which require the most extensive screening.
- **Tier Two:** Approved Persons and others in roles that might have a higher level of risk (such as finance or payroll).
- **Tier Three:** Other new hires.

The recruitment process includes an assessment of education, professional qualifications and employment history, and uses competency based interview techniques to ascertain whether or not the candidates have the technical competence to fulfil the role for which they are applying. All hires undergo thorough reference, criminal record and regulatory sanctions checks.

For Tier One candidates, the line manager is required to provide the Group's compliance department with a competence statement. This statement outlines how the appointment complements Schroders' business strategy, how the appointment was agreed, information on the employee's background and experience and their expected impact on the role together with how the decision was made to employ them.

On-going assessment

The assessment of staff members' on-going competence for the role that they are performing is primarily the responsibility of the individual's immediate manager and is facilitated through the formal appraisal process which is documented in Human Resources policies.

All Schroder employees are required to complete an annual declaration which assesses fitness and propriety. The individual is responsible for informing Human Resources of any subsequent changes to the responses provided in the questionnaire.

Should an individual's manager or the relevant board become aware of any information that may be relevant to an assessment of fitness and propriety that was either not previously known, or which casts doubt on the individual's ability to perform their function, a full assessment is expected to be promptly undertaken at the earliest opportunity, with input from Human Resources if required.

B.3 Risk management system including the own risk and solvency assessment

Schroders plc's approach to risk management is outlined in its 'Pillar 3 Disclosures' document which is available on the Schroders' corporate website: www.schroders.com.

Risk management is performed within the context of Schroders' governance structure, with policies and procedures developing the core principles outlined within the Group risk governance framework and supplementary specialist risk frameworks as required.

Schroders' approach to risk management builds on the following core principles:

- Authority to manage the business is delegated from the Schroders plc Board of Directors to the Group Chief Executive;
- The Group Chief Executive delegates primary responsibility for the risk and controls framework within the Group and the independent monitoring and reporting of risk and controls to the Group's Chief Financial Officer (CFO);
- The Group Risk Committee (GRC) reviews and monitors the adequacy and effectiveness of the Group's Risk Management Framework, including relevant policies and limits and supports the Group CFO and the GMC in discharging their risk management responsibilities; and
- The key issues covered by the GRC are included in the reports provided regularly to the Audit and Risk Committee, a committee of the Board of Schroders plc.

In addition to the Group process, the Board of SPML is responsible for ensuring sound governance and controls are maintained, and that effective risk management policies are adhered to; furthermore the SRC support the Board in discharging their responsibilities. All relevant information and communication (e.g. minutes) are included in the Board report in order to provide the Directors with visibility and an opportunity to comment and challenge where appropriate.

SPML itself accepts little risk. Most risks are transferred to SIM by virtue of the outsourcing arrangement between the Company and SIM. Any risks specific to SPML are considered as part of the Company's ORSA Report (see below).

Risk appetite

The Schroders Group Internal Capital Adequacy Assessment Process (ICAAP) takes account of the risks accepted by the Group including those in respect of the SPML business delegated to SIM. The ICAAP is determined at the same confidence level as SPML's own risk capital assessment and provides support that relevant Group companies will be able to fulfil their contractual obligations to SPML.

There are levels of both qualitative and quantitative risk tolerance that set out the types of business that SPML will undertake, and the supporting infrastructure required.

SPML undertakes business in accordance with its strategy of being an insurance company. The Group risk appetite statement covers further areas of risk which SPML will follow Group processes. These include, but are not limited to development of new products; material expansion of existing business lines; acceptance of new clients and material changes to business processes, such as new systems or outsourcing arrangements.

The risk management process involves the setting of a series of risk limits as well as the assessment of the capital required to support a robust stress testing process.

Risk tolerance

The management of risk, both on its own balance sheet and on behalf of clients, is a core part of SPML's business.

SPML places considerable importance on the complete and accurate identification of all material risks associated with its business. The Board reviews and challenges the Risk Management Framework, including relevant limits and guidelines.

The categories of risk considered, include credit risk, market risk, liquidity risk, operational risk, insurance risk and interest rate risk amongst others. Due to the nature of SPML's operating model and the class of insurance business written, the most material risk category is that of operational risk which is contractually transferred to SIM.

The Company is not exposed to mortality or other demographic insurance risk. Other potential risk exposures are regularly assessed and the rationale documented as to why these risks are immaterial in the assessment of risk tolerance and capacity section.

The following key operational risks have been identified:

1. Fraud risk – financial crime and fraud risks;
2. Risk of unit pricing errors – execution, delivery and process management; and
3. Risk of data administration errors – execution, delivery and process management.

For each of the three key risks identified, possible loss scenarios have been developed through discussions with Schroders staff responsible for the relevant operational areas. It is feasible that a number of non-material risks could occur that in aggregate could give rise to a requirement for additional capital; however analysis shows that there is a very low cumulative impact.

Own risk and solvency assessment (ORSA)

The ORSA sets out SPML's own assessment of its capital requirements under Solvency II. The ORSA assessment is reviewed by the Board on a quarterly basis and is formally approved by the Board annually.

The ORSA is prepared by considering the risks to which SPML is exposed and the mitigating circumstances which might limit the impact of those risks. The assessment has been made for SPML as a stand-alone entity.

The ORSA capital requirement is intended to be calculated at a confidence interval of 99.5% over the Company's business planning period. This confidence interval represents SPML's own risk budget and is consistent with the risk budget of the Group. Given the relatively simple nature of the risks faced by SPML, a pragmatic approach is taken such that some elements of the calculations are considered to be stronger than 99.5% confidence. Consideration is given as to whether the capital calculated at the balance sheet date needs to be increased to allow for possible increases in capital requirements over SPML's five-year business planning period.

For risks identified as being both plausible and material, an assessment of the possible cost to SPML of those risks occurring has been made through scenario analysis. In making these assessments, account has been taken of the operating model of SPML and the ability of service providers to compensate for any operational losses. The analysis has been performed over the business planning period where possible.

The ORSA process is carried out with the full involvement and approval of the Board. During the process, a number of key staff within the Group were interviewed and their views sought on the possible risk scenarios and the mitigating circumstances. In addition, SPML's Chief Actuary was asked to provide comments and input into the process.

Particular points of note on the ORSA process are as follows:

- The report is subject to review and challenge by members of the Board and other senior Schroders staff;
- The scenarios identified as being of potentially material risk to SPML are discussed and verified with members of Schroders staff having day-to-day responsibility for the areas in question;

- Other members of Schroders staff from the risk management, finance, product development and legal areas are consulted throughout the process, their views being sought particularly on the availability of Group capital and insurance, on the ability of SPML to rely on its third-party service providers (i.e. SIM directly, and indirectly through SIM to IFDS and JPMorgan) and on the controls in place to prevent additional risk being introduced through changes to the business model, such as through new product developments;
- The Board are kept informed of progress throughout the ORSA process;
- SPML's Chief Actuary provides independent external advice on the process, and confirms that the conclusions reached are considered reasonable taking into account the information provided and on the assumption that the agreements between SPML and its service providers provide SPML with protection against losses incurred as a result of the service provider's actions; and
- The Board considers and approves the ORSA and it is taken into consideration when making decisions on behalf of the Company.

The ORSA captures all material risks in calculating its own solvency needs.

The following risks have been identified in the ORSA as being applicable to Company over the life of its insurance and reinsurance obligations:

- **Third party service provider risk:** This risk arises as SPML outsources all of its operations, relying on SIM for the majority of its functions.

SIM contracts with IFDS for transfer agency services and with JPMorgan for fund administration services, who each provide services for SPML. SPML contracts directly with JPMorgan Chase for custodian services and directly with WTW for actuarial services.

None of SPML's third-party service providers are considered to be at risk of failure at the 99.5% confidence level and it is deemed not necessary to hold any capital against this risk.

- **Credit risk:** This risk is the exposure to loss arising from a counterparty's failure to meet its contractual obligations, either as a result of business failure or intentional withholding of amounts due.

The Company holds cash or "near cash" assets in the IFDS trading account held at NatWest, with Citibank NA, JPMorgan (in its Liquidity Management Account (LMA)) and in the Schroders Special Situations Fund – Sterling Liquidity Plus Fund.

The Company assesses the credit worthiness of each of its counterparties by obtaining external ratings from reputable providers e.g. Fitch, Bloomberg. These credit ratings are then assigned a risk weighting in the Company's calculation of its capital requirement.

Credit risk has been appropriately allowed for in the Company's assessment of its solvency requirements in line with the relevant rules and regulations.

- **Custodian/sub-custodian risk:** This risk arises as SPML appoints a third-party custodian (JPMorgan Chase) as custodian of its life assets.

Securities held at a custodian are usually ring-fenced which protects against a loss in the event of insolvency of the custodian, although there may be a delay in accessing those assets. Cash balances are not ring-fenced in the same way and are less protected. In order to try and manage the risk of credit exposure in portfolios, the Group adopts a firm-wide investment limit on cash to a maximum of 5% with any one bank. An exposure greater than this 5% level is diversified.

SPML considers that the risk of loss arising from its custodian arrangements with JPMorgan Chase is outside the probability of the Pillar 2 risk assessment, given the credit rating of JPMorgan Chase and the legal agreements in place. However, since JPMorgan Chase specifically excludes liability for losses arising from insolvency of its non-JPMorgan Chase sub-custodians an estimate is made for this exposure.

Custodian/sub-custodian risk has been appropriately allowed for in the Company's assessment of its solvency requirements in line with the relevant rules and regulations.

- **Contractual risks:** SPML may be exposed to risks as a result of entering into legal agreements for the provision of services and this risk has been appropriately allowed for in the Company's ORSA.

B.4 Internal control

The Company's internal control is governed by the Board – refer to section B.1 of this report for an outline of the Company's system of governance.

SPML outsources its operations to SIM and accordingly the internal controls in place at SIM indirectly impact the Company. Details of these controls are outlined in the Internal Controls Report (ISAE 3402/AAF 01/06) which is audited annually.

Group compliance supports the SPML Board in respect of relevant regulatory developments that may impact SPML. The quarterly compliance report to the SPML Board covers: regulatory relationships and key interactions, significant compliance issues and activities, compliance monitoring and key regulatory developments. This is provided and presented by the Head of Distribution Compliance.

Responsibilities and competences of the Group compliance function are detailed in the Group compliance charter, including measures for monitoring, advising and reporting. The majority of policies in the UK Compliance Manual that address essential compliance requirements are established, implemented and maintained by Compliance. Links to relevant Group policies are also included in the manual. The manual is periodically reviewed by Compliance. Updates are made where necessary – for example to accommodate a significant regulatory development or change to internal compliance arrangements. Individual policies are reviewed by the respective owner at least annually.

B.5 Internal Audit Function

Overview

The operating model employed by SPML means that it does not have its own internal audit function. The Group's internal audit function does however perform work over areas relevant to the Company.

Role and reporting of Group Internal Audit

The role of Group Internal Audit (GIA) is to provide independent and objective challenge to and assurance over the Group's control environment through the effective evaluation of the risk management, control and governance arrangements implemented by management.

GIA is fully independent of line management with the primary reporting line to the Chairman of Schroders' Board Audit and Risk Committee (BARC). All members of the BARC are non-executive directors of Schroders plc. There is a secondary reporting line to the Group Chief Executive.

The work of GIA is reported to the:

- BARC;
- Group Risk Committee;
- Group Management Committee; and
- Subsidiary entities Board of Directors.

GIA is a stand-alone function within the Group and personnel within GIA do not perform any other functions on behalf of SPML (or any other Group entities).

B.6 Actuarial function

SPML outsources the Chief Actuary role to Willis Towers Watson (WTW). The Chief Actuary, Trevor Fannin, is an employee of WTW and is responsible for the organisation and delivery of the SPML actuarial function activities. The performance of the Chief Actuary and actuarial function is monitored by the Chief Executive Officer of SPML.

The services provided by the Chief Actuary are detailed in a statement of work and are performed in line with the requirements of the actuarial function as set out in Rule 6.1 of the PRA Rulebook: *Solvency II firms: Conditions Governing Business* and the provisions of the PRA Rulebook: *Solvency II Firms: Actuaries*. The Chief Actuary carries out the role of the "external actuary" referred to in paragraph 2.1 of PRA 2015/29 (*Solvency II Firms: Actuaries Instrument 2015*).

The activities of the actuarial function follow the requirements set out under Article 48 of the Solvency II Directive (2009/138/EC).

B.7 Outsourcing

SPML outsources its key activities for the following reasons:

- SPML's primary purpose is to act as a vehicle to 'wrap' Schroders investment solutions;
- The Company has no employees; and
- Efficiency – activities are outsourced to take advantage of Group and external expertise.

The Company, either directly or indirectly, utilises various outsourced parties to conduct these key activities. These arrangements include a direct outsourcing arrangement with SIM for various services (outlined below). SIM, in accordance with the terms of the services agreement, have outsourced transfer agency services and fund accounting services to IFDS and JPMorgan respectively. SPML also has direct outsourced relationships with WTW for Actuarial services and with JPMorgan Chase for custodian services. All of SPML's outsourced service providers are located in the United Kingdom.

SPML is bound by the Group policy with respect to outsourcing arrangements which sets out guidelines with respect to the following areas:

Guidelines on making the decision to outsource – Prior to making the decision to outsource a service, a cost benefit analysis is undertaken which includes consideration of the associated risks of delivering the services in-house versus through an outsourced service provider (including analysis of long-term operational dependencies).

Selection of provider and key governing principles – Once the outsource service provision has been approved a sponsor must be appointed. The sponsor has primary responsibility for the selection and approval process. Depending on the nature of the service required the sponsor should consider the involvement of the following departments; Group Risk, Compliance, Group Finance and Information Assurance. In most cases, it will be appropriate to involve the procurement team, based in London, who will offer guidance and support.

Due diligence – Prior to any appointment being made due diligence must be performed to confirm that the service provider can deliver the services required and will comply with its obligations.

B.8 Any other information

The Group has established a permanent and effective Compliance function which operates independently and which monitors and assesses the adequacy and effectiveness of the measures, policies and procedures put in place by the Group and the Company in relation to its regulatory requirements and advises the Board in relation to those matters.

Section C Risk Profile

SPML writes unit-linked insurance and reinsurance policies. These contracts do not include any financial options or investment guarantees. SPML's clients principally consist of institutional investors. Unit-linked insurance contracts are issued to policyholders who are trustees of UK registered pension schemes. Unit-linked reinsurance is accepted from other Life insurance companies wishing to expand the range of funds available to their own unit-linked UK pension scheme trustee policyholders. All business is carried out in the UK.

The Company's principal sources of risk are operational risk, market risk and credit risk. SPML does not accept any insurance risk.

Capital is primarily generated by the excess of fee income over expenses. The contribution to capital from investment returns on the non-linked assets is small given the nature of the investments held (normally cash and near-cash) coupled with the low interest rate environment.

If assets under management fall significantly, unless the fall is extreme, SPML's capital will not be eroded as expenses largely fall in line with SPML's lower revenue. However, in such circumstances, SPML would be forced to consider its long-term viability as part of the Schroders Group, which would depend upon whether Group companies are still being adequately compensated. If SPML was no longer economically viable for the Group, the Board might consider closing the Company and, if it were to do this, would invoke its right to terminate all contracts at up to three months notice.

If a fall in assets under management was extreme, such that SPML's expenses exceeded income, the Board would consider the options available to it, which might include renegotiating the fee payable to SIM or it might invoke its right to terminate all contracts at three months notice in sufficient time to ensure that benefits could be paid to policyholders before capital is extinguished. A significant fall in assets under management would be required before SPML's expenses exceed income given current levels of direct expenses. The Company is at risk from the failure of a counterparty to a non-linked investment. This risk is managed by the careful selection and monitoring of counterparties and by limiting exposure to any single counterparty.

C.1 Underwriting risk

For SPML, underwriting risk is essentially limited to lapse risk and expense risk within the Pillar 1 SCR, and is relatively small. SPML's business is purely related to policyholder investment in unit-linked funds. SPML does not underwrite insurance benefits of any kind or give any guarantees to policyholders on investment performance or levels of charges.

C.2 Market risk

Market risk is the risk that the value of an investment will decrease due to market factors.

The Company has exposure to market risk on its linked and non-linked assets.

Changes in the value of linked assets are matched by changes in the value of unit-linked liabilities. Therefore the Company's financial position is not directly impacted by a reduction in the value of unit-linked assets. There would be a second order impact from a reduction in the expected level of retained fee income as a result of changes in the value of unit-linked assets. If the level of unit-linked liabilities decreased to a level such that retained fee income did not cover direct expenses, losses in SPML could cause the financial position to gradually deteriorate. The Company monitors the scenarios in which current direct expenses would not be covered by retained fee income. Given current levels of AUM, the likelihood of such a scenario is considered remote. The Company's fixed expenses are low as it has no employees and outsources the majority of activities to SIM, the expenses for which vary based on levels of AUM, as described under the operating model above.

Non-linked assets are generally invested in low risk, highly liquid, investments with short durations and little exposure to market risk. The Company's exposure to counterparty default risk in relation to non-linked assets is considered under credit risk below. The Company's operations are all undertaken in the UK and revenues and expenses are all transacted in sterling. Non-linked assets are also all denominated in sterling and the Company is not therefore exposed to foreign exchange risk.

The impact of market risk on the Company's SCR is detailed in section E.2 within the market risk component.

C.3 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause the Company financial loss by failing to discharge an obligation. The Company has exposure to credit risk from its holdings in assets, other than those allocated to the unit-linked contracts, where the risk is that a counterparty will be unable to pay in full amounts when due. The Company has negligible exposure to credit risk in relation to financial assets allocated to the unit-linked contracts as the risk is principally borne by policyholders. Additionally the Company has fee debtor balances, cash and other investments. These are monitored regularly. Historically, default levels have been nil.

The credit risk attributable to settlement accounts is 100% of the nominal amount involved. However, the period of exposure is very short and the majority of the counterparties are unit trusts managed by the Schroders Group.

The Company's loan to Schroders plc is interest bearing and repayable on demand. Schroders plc was A+ rated by Fitch as at 31 December 2016 (31 December 2015: same).

The Company's own cash and cash equivalents are held with institutions which are at least BBB+ rated by Fitch (2015: same). Cash and cash equivalents balances are spread between counterparties in line with the Company's capital management policy.

Additionally, the Company holds investments in Undertakings for Collective Investment in Transferable Securities (UCITS) fund, the Schroders Special Situations Fund – Sterling Liquidity Plus Fund, which is bound by the UCITS investment concentration rules thus mitigating credit risk.

The impact of credit risk on the Company's SCR is detailed in section E.2 within the counterparty default risk component.

C.4 Liquidity risk

Liquidity risk is the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost. SPML's policy is to maintain adequate liquid resources at all times to ensure that liabilities can be met as they fall due.

SPML uses the following (highly liquid) investments as a source of liquidity for its non-linked assets:

- Corporate cash held at Citibank;
- JPMorgan Liquidity Management Account (LMA);
- Schroders Special Situations Fund – Sterling Liquidity Plus Fund.

Liquidity risk in relation to the financial instruments of the life funds are principally borne by policyholders. When policyholders withdraw funds from the Company and, if in the Company's reasonable opinion it is required to protect interests of all policyholders invested in the fund, the Company may delay payment by at least 30 days. The Schroder Fund Investment Risk Committee also monitors life fund liquidity.

Schroders seeks to ensure that each of its entities has sufficient liquidity resources at least equal to their liquidity needs, including those entities with regulatory requirements.

SPML has made a loan of £21.5 million to Schroders plc which is repayable on demand.

SPML also has access to the Group's liquidity resources and would need to make a liquidity request to the Group Capital Committee, should a requirement arise.

The Group does not provide its own liquidity to the funds or segregated mandates which it manages, and does not hold liquidity resources to be able to do so.

C.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems or from external events.

Aside from the SPML non-executive directors, staff involved in the management and operating activities of SPML are employed by SIM and the costs of these staff are met by SIM. Costs associated specifically with

managing the business of SPML are either recharged to SPML by SIM or are borne directly by SPML. SPML's direct costs are limited; reflecting that most operating activities are performed by SIM through the delegated and outsourcing arrangements.

The outsourced operating model significantly reduces SPML's operational risk exposure. Subject to any specific terms and conditions, SPML has transferred operational risk to its suppliers through its contractual arrangements. The primary source of operational risk for SPML arises due to a third party provider failure or loss, for which SPML is directly impacted or not compensated.

SPML has mitigated operational risk in its contractual arrangements with SIM, however there is counterparty risk associated with the failure of SIM to continue to provide services. The SPML Board are satisfied that SIM, and the wider Group, holds sufficient capital to support its activities. There are some operational risks that remain with SPML in the form of:

- Third party service provider risk;
- Custodian risk; and
- Other contractual risk.

See section B.3 for consideration of these risks.

C.6 Other material risks

Business strategy risk

SPML's risk profile is based on its business strategy to pursue one single line of business, which is the provision of unit-linked funds to UK registered pension schemes and authorised insurance companies. Threats to this business strategy may come from changes in tax or pension legislation, downward pricing pressure on Defined Contribution (DC) funds and poor fund performance.

SPML mitigates these threats by:

- Using membership of industry bodies to influence regulation;
- Leveraging the Group's product innovation in its DC offering to take advantage of the switch of assets out of Defined Benefit (DB) schemes; and
- Applying more rigorous oversight of its funds if there are concerns with performance.

Reputational risk

Reputational risk impacts Schroders' brand, reliability and relationship with clients and shareholders. This may arise from poor conduct or judgements; from negative financial or operational events as a result of weaknesses in systems and controls; or from taking on inappropriate client relationships or mandates.

Schroders actively monitors and manages outcomes of other risks that could drive reputational risk. Management information of errors, omissions and risk events are therefore reported to the SPML governance framework to help consider reputational impact to SPML.

Risk mitigation techniques

The Company has not purchased or entered into any risk mitigation contracts or arrangements during the reporting period.

Reinsurance

The Company has no recoverables from reinsurance contracts and has transferred no risks to special purpose vehicles.

Future management actions

SPML assumes no future management actions in calculating its Solvency Capital Requirement.

C.7 Any other information

Investment of SPML's assets in accordance with the Prudent Person Principle

SPML invests on behalf of its Life funds in line with permitted links rules and principles set out in chapter 21 of the FCA's Conduct Of Business Sourcebook, and will in the same manner going forward comply with the prudent person principle in respect of its asset allocation on behalf of its Life funds. This is accomplished by a combination of pre-trade and post-trade monitoring of investment decisions made by portfolio managers, and through compliance with risk parameters established in relation to life funds in accordance with these regulations.

Additionally, SPML acts in the best interests of its Shareholder (SIHL) when investing its own assets, taking into consideration the prudent person principle.

Risk sensitivity

The following core stress tests were applied to SPML's calculation of its Pillar 1 capital position as at 31 December 2016:

- **Mass lapse:** Considers a 65% immediate reduction to AUM, representing the scenario that all policyholders withdraw from SPML's largest Life funds; Schroder Life Diversified Growth Fund (DGF) and Schroder Life Intermediated Diversified Growth Fund (iDGF).
- **Immediate fall in annual management charges (AMC's):** Considers a 75% reduction to AMC's compared to the central scenario per the Company's business plan.
- **Increase in lapse rates:** Considers uplift in lapse rates to 150% of the central scenario level as per the Company's business plan.
- **Doomsday scenario:** Considers a worst case scenario where a number of adverse events occurs simultaneously.
- **Counterparty credit downgrade:** Considers the impact of a downgrade of SPML's counterparties by one credit quality step.
- **Increase in direct expenses:** Considers uplift in the Company's direct expenses to 300% of the central scenario level as per the Company's business plan.
- **Oversell:** Considers uplift in premiums to 300% of the central scenario level as per the Company's business plan.

Under each of the stress scenarios summarised above, SPML maintained a solvency coverage ratio of at least two times.

Section D Valuation for Solvency Purposes

The below sets out the Company's approach to valuing its assets and liabilities for solvency purposes.

In general, the valuation method is aligned with IFRS and so the basis of preparation aligns with the accounting policies outlined in the notes to Company's financial statements. A brief description of the valuation basis and any differences to these methods are outlined in the relevant sections below.

SPML has two lines of business, unit-linked insurance business written as direct contracts and unit-linked reinsurance accepted on similar terms. All business is pensions business. A summarised balance sheet as at 31 December 2016 is provided below.

As at 31 December 2016 (£'000)	Reference to QRT S.02.01.02	Financial Statements	Solvency II value	SFCR Reference
Assets				
Deferred Tax Asset	R0040	-	54	D1.1
Collective Investment Undertakings	R0180	15,294	15,294	D1.2
Assets held for index-linked and unit-linked contracts	R0220	10,103,568	10,103,568	D1.3
Insurance and intermediaries receivable	R0360	30,990	30,990	D1.4
Receivables (trade, not insurance)	R0380	38,013	38,013	D1.5
Cash and cash equivalents	R0410	87,672	87,672	D1.6
Total assets	R0500	10,275,537	10,275,591	
Liabilities				
Best estimate	R0710	10,186,232	10,185,831	D2
Risk margin	R0720	-	683	D2
Technical provisions - unit-linked	R0690	10,186,232	10,186,514	
Financial liabilities	R0810	2,630	2,630	D3.3
Insurance and intermediaries payables	R0820	33,706	33,706	D3.1
Payables (trade, not insurance)	R0840	14,372	14,372	D3.2
Total Liabilities	R0900	10,236,940	10,237,222	
Excess of assets over liabilities		38,597	38,369	

D.1 Assets

The valuation methodology of each type of asset within the regulatory balance sheet shown above has been provided below. There has been no change to the recognition and valuation bases used or to estimate during the reporting period. All assumptions and judgements have been detailed within the valuation of each section in the above Solvency II balance sheet.

D1.1 Deferred Tax

The deferred tax balances are measured on the same basis as those used for IFRS (IAS 12 Income Taxes) as set out in the notes to the Company's financial statements. Differences in the deferred tax balances arise where balance sheet items are recognised on a different basis for Solvency II. As set out in section D.2., the inclusion

of the present value of future profits and risk margin in the Solvency II technical provisions is the key difference between the Solvency II technical provisions and the statutory liabilities. A deferred tax asset or liability is established to reflect effective profit or loss due to such differences. As at 31 December 2016, the Solvency II technical provisions were £282k higher than statutory liabilities; therefore a deferred tax asset of £54k has been included to reflect the tax relief on this effective loss.

D1.2 Collective Investment Undertakings (CIU's)

Investments in CIU's are measured at fair value.

D1.3 Assets held for index-linked and unit-linked contracts

SPML issues unit-linked investment contracts without fixed terms whose fair value is dependent on the fair value of the underlying financial assets and derivatives.

Each instrument has been categorised using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities, daily priced funds, gilts and exchange-traded derivatives; and
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data included within Level 1 for the asset or liability and principally comprise corporate bonds and foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market, an evaluated price based on a compilation of primarily observable market information or industry standard calculations, utilising vendor fed data and information readily available via external sources. For funds not priced on a daily basis, e.g. real estate funds, the net asset value which is issued monthly or quarterly is used.

Further information on valuation is set out in note 8 of the Company's financial statements.

D1.4 Insurance receivables

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

D1.5 Trade receivables

As with Insurance receivables above, Trade receivables are measured at amortised cost using the effective interest rate method, less any impairment.

D1.6 Cash and cash equivalents

These are cash at bank and in hand and short-term deposits with an original maturity of up to three months, and are held at amortised cost. The book value of such assets approximates their fair value.

D.2 Technical Provisions

Technical provisions have been determined as the sum of the best estimate liabilities and risk margin. The best estimate liabilities have been determined as the value of units allocated to in-force contracts at the valuation date less a best estimate calculation of the excess of policy charges over expenses over a three month period. The three month projection period reflects the contract boundary for all in-force policies, as the Company has the ability to terminate all contracts subject to a notice period of three months.

A deterministic cash-flow projection method is used to calculate the best estimate of the excess of policy charges over expenses, hereafter referred to as the present value of future profits (PVFP) to the contract boundary. This involves estimating the policy charges and expenses cash-flows that the Company expects to receive and incur respectively in each month of the three month projection period, based on the business in force at the valuation date and using a single set of best estimate projection assumptions. The net cash flow in each month is then discounted to the valuation date to give a present value.

The policy charges cash-flows are annual management charges which are either deducted directly from unit-linked funds, or otherwise invoiced directly to policyholders.

The expense cash flows fall into two categories:

- Expenses that are contractually defined as a percentage of annual management charges received (and which can never exceed annual management charges received); and
- Other expenses, or “direct expenses”, that are fixed or variable monetary amounts.

Economic assumptions are based on market data at the valuation date. The rate of withdrawal of assets under management is based on actual experience over a five year period up to the valuation date. Expenses, other than those which are contractually defined, are based on the Company’s budgeted expenses from its business plan. The average rate of fee income received is in line with the assumption in the SPML business plan.

There is no obligation for policyholders to pay additional premiums other than, for some policies, where charges are invoiced and paid by way of premiums. The technical provisions therefore include no allowance for additional premiums other than such charges.

The contracts written by the Company contain no options or guarantees other than charge guarantees for a period of not more than three months.

An aggregate approach across all business is used to calculate the PVFP to the contract boundary, that is, cash-flows are projected for the business as a whole, not at an individual policy level. This approach implicitly assumes that the direct expenses are apportioned over individual policies on a pro rata basis based on the monetary amount of annual management charge each policy is expected to generate net of the expenses that are contractually defined as a percentage of the annual management charge. The aggregate approach is considered appropriate given the homogeneous nature of the contracts written and the low materiality of the PVFP to the contract boundary. The aggregate calculation involves a number of simplifications, none of which are considered material over the projection term due to the short projection period and the dynamics of the calculation: The simplifications are:

- Unit growth on all linked-assets (both UK and overseas) is taken as the UK basic risk-free yield curve. The use of currency or country specific growth rates would not lead to a materially different result;
- Unit funds are projected net of the average rate of annual management charge. In practice, a proportion of policyholders are invested in zero annual management charge funds and pay annual management charges on an invoiced basis. The projection will therefore slightly understate the value of units and hence understate charges deducted from funds. The extent of the understatement is not material; and
- The use of an average annual management charge rate, expenses payable under transfer pricing agreements converted to an average percentage of fee income and an aggregate withdrawal rate implicitly assumes that the mix of unit-linked investments remains constant over the projection period. Calculations at a more granular level would not lead to a materially different result.

Given all business has a three month contract boundary, the risk margin has been determined over a one year period (the minimum permitted under Solvency II regulations), and has been calculated on the result of the SCR at the valuation date but with the result of the market risk module set to equal zero on the assumption that market risks could be hedged if required.

Technical provisions – Direct unit-linked insurance business

Technical Provision Item	31 December 2016 £'000s	31 December 2015 (Unaudited) £'000s
Best estimate liabilities:		
Unit liabilities	7,273,062	7,260,850
PVFP to the contract boundary	(286)	(292)
Total best estimate liabilities	7,272,776	7,260,558
Risk margin	487	570
Total technical provisions	7,273,263	7,261,128

Technical provisions – Unit-linked reinsurance accepted business

Technical Provision Item	31 December 2016 £'000s	31 December 2015 (Unaudited) £'000s
Best estimate liabilities:		
Unit liabilities	2,913,170	2,416,940
PVFP to the contract boundary	(115)	(97)
Total best estimate liabilities	2,913,055	2,416,843
Risk margin	196	190
Total technical provisions	2,913,251	2,417,033

Assumptions

Given the similarities between the two lines of business written, the same assumptions are used for both lines. The assumptions used at the valuation date, (and at the previous valuation date if different) are:

- Starting unit prices: 100% of the unit prices at the valuation date.
- Unit growth before management charges and investment expenses: UK basic risk-free yield curve.
- Annual management charges: Average rate, net of rebates, at the valuation date.
- Withdrawals: 18% per annum (2015: 13% per annum).
- Amounts payable under transfer pricing arrangements in force at the valuation date, expressed as an average percentage of fee income based on the assets under management at the valuation date, 96% of fee income (2015: same); and
- Direct expenses of £48k per month (2015: £65k).
- Projection period: 3 months (2015: same).
- Expense inflation: 3% per annum (2015: same).
- Discount rate: UK basic risk-free yield curve.

Policyholder behaviour

The contracts written by the Company contain no options or guarantees other than charge guarantees for a period of not more than three months and relevant policyholder behaviour is limited to:

- The payment of additional premiums for investment;
- Switching investments between the different internal unit-linked funds maintained by the Company; and
- Partial and full withdrawals.

Given that there is no obligation to pay additional premiums for investment, the calculation of technical provisions assumes that no further premiums are payable. In reality, additional premiums are expected to be received on some policies, particularly those written as inward reinsurance. In the year to the valuation date of 31 December 2016, £1,501 million of additional investment premiums was received.

Switching investments between the different internal unit-linked funds maintained by the Company is permitted. Such switching activity is usually associated with policyholders' periodic review of investments and will take into account information that is unknown to the Company. Switching activity is therefore difficult to predict.

Management actions

The technical provisions assume no future management actions.

Judgements associated with the value of technical provisions

All business written by the Company is unit linked pensions business with no investment guarantees. The unit liabilities of the Company are matched by holding the assets upon which the unit liability is determined and as such the Company is not exposed to insurance risk. The Company has the unilateral right to terminate contracts subject to three months' notice. This is a typical policy clause for the type of business written by the Company which is sold only to institutional investors.

The expense agreements in place between SPML and other companies within the Group are such that SPML retains a modest percentage of fee income. The fee income retained is sufficient to cover expenses incurred directly by the Company in the normal course of business.

The technical provisions for solvency purposes have been calculated on the basis of a short contract boundary. Under this methodology cash flows relating to the insurance contracts written by the Company are included in the calculation of the best estimate liabilities and associated risk margin, up until the point at which the Company has the unilateral right to terminate the contract. This methodology is proportionate to the nature, scale and complexity of the business and results in a capital requirement that is appropriate to the risks accepted by the Company.

There is some uncertainty as to how the contract boundary should be applied to this type of business. Under an alternative interpretation cash-flows in respect of the business in-force are assumed to continue until the natural expiry of the policies (be that by death, retirement, or transfer to another provider), irrespective of the Company's ability to terminate the contracts. Applying this approach under the standard formula, results in a reduction to the Company's best estimate liability that is partly offset by an increased risk margin and an increase in the Company's Solvency Capital Requirement. The overall effect of this is to increase the technical provisions plus capital requirements in aggregate. If the Company was required to apply this approach, management would seek to change the terms of the agreement with SIM to increase the level of fees retained by SPML in stressed conditions. This would have the effect of reducing the increase in the capital requirements and risk margin and as a result the overall change in the technical provisions and capital requirements is not expected to be material.

Reconciliation with the financial statements

All contracts written by the Company are treated as investment contracts under the accounting rules applicable to the Company, being International Financial Reporting Standards (IFRS). The accounting treatment for such contracts is to value the contracts at "fair value", essentially the market value of the assets within the unit-linked funds, and no less than the amount that would be payable upon immediate surrender. The technical provisions reported in the Company's external financial statements are therefore taken as the policyholder liabilities of £10,186.2 million (the total of the unit-linked liabilities shown in the Technical Provisions tables above). The technical provisions for solvency purposes are £0.3 million higher than the technical provisions reported in the financial statements, reflecting the PVFP to the contract boundary and the risk margin.

Reinsurance

The Company has no recoverables from reinsurance contracts and has transferred no risks to special purpose vehicles.

Adequacy of data and checks performed

The data used to calculate the technical provisions is considered of appropriate quality with no significant deficiencies. There are no recommendations to improve the data used.

The Chief Actuary, in carrying out the year end valuation for the Company as at 31 December 2016, carried out the following checks with respect to the adequacy of data received as follows:

- Performed checks on the data, relevant to the nature of the data, to determine the adequacy or otherwise of the data. The checks include investigating the consistency of information from different sources, the consistency of information year-on-year (both treatment and quantum) and reasonableness checks on values; and
- The Chief Actuary queried a number of items with the Company, particularly with regards to reconciling JPMorgan Chase and IFDS unit data and on the reconciliation between accrued expenses booked in the financial statements and actual expenses in the year. All queries were resolved.

Other considerations

The Company has:

- No technical provisions calculated as a whole;
- No contracts that have been unbundled; and
- Not used an economic scenario generator.

D.3 Other liabilities

There is no material additional information to report, other than as reported in this document. No alternative methods of valuation have been used and no financial statements values have been used that are not Solvency II compliant.

D3.1 Insurance payables

Insurance payables are recorded initially at fair value and subsequently at amortised cost. As noted in D1.4 Insurance receivables, there is no observable market for payables and the value of discounting is expected to be immaterial. As a result, there is no difference between IFRS and Solvency II values.

D3.2 Trade payables

These liabilities are valued as per 3.1 above.

D3.3 Financial liabilities

Financial liabilities are measured at fair value as at the valuation date.

D.4 Alternative methods for valuation

Assets backing unit linked liabilities are measured at fair value in accordance with IFRS. See section D1.3. for valuation methods used.

D.5 Any other information

There is no material additional information to report.

Section E Capital Management

E.1 Own Funds

As at 31 December 2016, Own Funds were £38.4 million (31 December 2015: £27.7 million) of which £26.5 million (31 December 2015: £17.5 million) was permanent share capital and £11.9 million (31 December 2015: £10.2 million) retained profit and loss and other reserves. There was an increase in Own Funds over the reporting period of £10.7 million predominantly due to the £9.0 million cash injection from the Company's parent, as well as profits after tax and other comprehensive income earned of £1.7 million. Surplus own funds are loaned back to Schroders plc or are invested in the Schroder Special Situations Fund – Sterling Liquidity Plus Fund.

It is the Board's intention that the Company will maintain own funds of no less than the higher of 200% of the Company's Pillar 1 SCR and the capital requirement calculated under the ORSA. The Board actively monitors this position on a regular basis, taking into consideration the time horizon used for the Company's business planning.

The Company's Own Funds are materially free of any liens and encumbrances. There is a limited deferred tax asset included in Own Funds is classified as Tier 3 capital. Given the magnitude of this asset it is eligible for covering the Minimum Capital Requirement and the Solvency Capital Requirement.

The Solvency ratio of the Company, i.e. own funds divided by the SCR, at 31 December 2016 was 384% (31 December 2015: 259%). The key driver of the rise in solvency ratio between 2015 and 2016 is the £9.0 million capital injection received from SAL on 24 March 2016.

A summary of the actual position as at 31 December 2016 is shown below:

Capital Resources (£m)	38.4
SCR (£m)	10.0
Surplus Capital (£m)	28.4
Solvency Ratio	384%
MCR (£m)	4.5

No Own-Funds items are subject to the transitional arrangements referred to in Article 308b (9) and (10) of Directive 2009/138/EC.

Article 311 paragraph 1 (b) of Directive 2009/138/EC requires the regular supervisory report to include 'appropriately stressed capital plans'. Management considers the capital position under a number of stressed scenarios to assess the robustness of the SPML balance sheet as set out in the ORSA report.

As illustrated in section D, there are no material differences to the Company's excess of assets over liabilities on an IFRS basis versus a Solvency II basis.

E.2 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

SPML uses the standard formula to calculate the SCR. SPML does not use undertaking specific parameters and does not apply a matching adjustment.

SPML is taking a proportionate, simplified and prudent approach in calculating the SCR for market risk in that all unit-linked assets are assumed to be invested in "Type 2" equities as defined in Article 168 of the Commission Delegated Regulation (EU) 2015/35.

The standard formula SCR calculation for SPML is dominated by the SCR in relation to operational risk which, for the business written by SPML, is a function of expenses.

The next most significant contribution to the SCR is that in relation to counterparty default risk, which is determined on non-linked assets only. SPML transfers counterparty default risk on unit-linked assets to policyholders under the terms of its policy contract and has therefore interpreted Articles 189 to 215 of the Commission Delegated Regulation (EU) 2015/35 as there being no requirement to hold capital in respect of assets held within its unit-linked funds.

Amounts in £m	31 Dec 16	31 Dec 15 (Unaudited)
Assets	10,275.6	9,750.4
Less technical provisions		
Unit reserve	10,186.2	9,677.8
Value of in-force business	(0.4)	(0.4)
Risk margin	0.7	0.8
Total technical provisions	(10,186.5)	(9,678.2)
Less liabilities	(50.7)	(44.6)
Own funds	38.4	27.7
SCR		
Operational risk	9.7	11.2
Market risk	0.5	0.5
Life underwriting risk	0.4	0.4
Counterparty default risk	1.6	1.4
Diversification across risk modules	(0.5)	(0.5)
Tax adjustment	(1.7)	(2.2)
Total SCR	10.0	10.7
Capital surplus	28.4	17
SCR coverage ratio	384%	259%
MCR	4.5	4.8

E.3 Use of the duration-based equity risk sub-module in the calculation of the SCR

SPML is not using the duration-based equity risk sub-module option set out in Article 304 of Directive 2009/138/EC.

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

SPML is not using an internal model.

E.5 Non-compliance with the MCR and non-compliance with the SCR

SPML currently complies, and expects to fully comply over the business planning time period, with both the MCR and SCR.

E.6 Any other information

There is no other material information regarding the capital management of the Company.

Section F Governance

F.1 Directors' confirmation

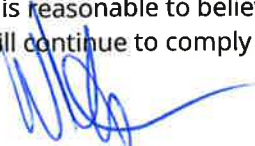
Approval by the Board of Directors of the Solvency and Financial Condition Report and Reporting Templates

We certify that:

- The Solvency and Financial Condition Report has been properly prepared in all material respects in accordance with the PRA rules and Solvency II regulations.

We are satisfied that:

- Throughout the financial year ended 31 December 2016, SPML has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to SPML.
- It is reasonable to believe, at the date of publication of the SFCR, that SPML has continued to comply, and will continue to comply in future.



SPML Board of Directors
18 May 2017

F.2 Independent Auditor's Report

Report of the external independent auditors to the Directors of Schroder Pension Management 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

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2016:

The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 31 December 2016, (**the Narrative Disclosures subject to audit**); and Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.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 Solvency and Financial Condition Report**'.

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

The 'Summary', 'Business and performance', 'System of governance' and 'Risk profile' elements of the Solvency and Financial Condition Report;

Company template S.05.01.02;

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

The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report (**the Responsibility Statement**).

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 31 December 2016 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & I)), International Standard on Auditing (UK) 800 and International Standard on Auditing (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report.

Emphasis of Matter – Basis of Accounting

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

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

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

Auditors' Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

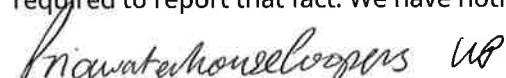
It is our responsibility to form an independent opinion, in accordance with applicable law, ISAs (UK & I) and ISAs (UK) 800 and 805 as to whether the information subject to audit in the relevant elements of the Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based. ISAs (UK & I) require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the relevant elements of the Solvency and Financial Condition Report sufficient to give reasonable assurance that the relevant elements of the Solvency and Financial Condition Report are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the relevant elements of the Solvency and Financial Condition Report. In addition, we read all the financial and non-financial information in the Solvency and Financial Condition Report to identify material inconsistencies with the audited relevant elements of the Solvency and Financial Condition Report. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

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 read the Other Information and consider whether it is materially inconsistent with the relevant elements of the Solvency and Financial Condition Report and our knowledge obtained in the audits of the Solvency and Financial Condition Report and of the Company'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 this regard.



PricewaterhouseCoopers LLP

Chartered Accountants

London

18 May 2017

Appendix 1 Annual QRT's as at 31 December 2016

S.02.01.02 – Balance Sheet

Assets	Solvency II value
	C0010
R0010 Goodwill	-
R0020 Deferred acquisition costs	-
R0030 Intangible assets	-
R0040 Deferred tax assets	54
R0050 Pension benefit surplus	-
R0060 Property, plant & equipment held for own use	-
R0070 Investments (other than assets held for index-linked and unit-linked contracts)	15,294
R0080 Property (other than for own use)	-
R0090 Participations and related undertakings	-
R0100 Equities	-
R0110 Equities – listed	-
R0120 Equities – unlisted	-
R0130 Bonds	-
R0140 Government Bonds	-
R0150 Corporate Bonds	-
R0180 Collective Investment Undertakings	15,294
R0190 Derivatives	-
R0200 Deposits other than cash equivalents	-
R0210 Other investments	-
R0220 Assets held for index-linked and unit-linked contracts	10,103,568
R0230 Loans and mortgages	-
R0240 Loans on policies	-
R0250 Loans and mortgages to individuals	-
R0260 Other loans and mortgages	-
R0270 Reinsurance recoverables from:	-
R0280 Non-life and health similar to non-life	-
R0290 Non-life excluding health	-
R0300 Health similar to non-life	-
R0310 Life and health similar to life, excluding index-linked and unit-linked	-
R0320 Health similar to life	-
R0330 Life excluding health and index-linked and unit-linked	-
R0340 Life index-linked and unit-linked	-
R0350 Deposits to cedants	-
R0360 Insurance and intermediaries receivables	30,990
R0370 Reinsurance receivables	-
R0380 Receivables (trade, not insurance)	38,013
R0390 Own shares	-
R0400 Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410 Cash and cash equivalents	87,672
R0420 Any other assets, not elsewhere shown	-
R0500 Total assets	10,275,591

S.02.01.02 – Balance Sheet – Liabilities

Liabilities		Solvency II value
		C0010
R0510	Technical provisions – non-life	-
R0520	Technical provisions – non-life (excluding health)	-
R0530	TP calculated as a whole	-
R0540	Best Estimate	-
R0550	Risk margin	-
R0560	Technical provisions – health (similar to non-life)	-
R0570	TP calculated as a whole	-
R0580	Best Estimate	-
R0590	Risk margin	-
R0600	Technical provisions – life (excluding index-linked and unit-linked)	-
R0610	Technical provisions – health (similar to life)	-
R0620	TP calculated as a whole	-
R0630	Best Estimate	-
R0640	Risk margin	-
R0650	Technical provisions – life (excluding health and index-linked and unit-linked)	-
R0660	TP calculated as a whole	-
R0670	Best Estimate	-
R0680	Risk margin	-
R0690	Technical provisions – index-linked and unit-linked	10,186,514
R0700	TP calculated as a whole	-
R0710	Best Estimate	10,185,831
R0720	Risk margin	683
R0730	Other technical provisions	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	-
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	2,630
R0820	Insurance & intermediaries payables	33,706
R0830	Reinsurance payables	-
R0840	Payables (trade, not insurance)	14,372
R0850	Subordinated liabilities	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	Total liabilities	10,237,222
R1000	Excess of assets over liabilities	38,369

S.05.01.02 – Premiums, claims and expenses by line of business

		C0210	C0220	C0230	C0300
	Life	Line of Business for: life obligations			Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	
	Premiums written				
R1410	Gross	-	-	1,500,837	1,500,837
R1420	Reinsurers' share	-	-	-	-
R1500	Net	-	-	1,500,837	1,500,837
	Premiums earned				
R1510	Gross	-	-	1,500,837	1,500,837
R1520	Reinsurers' share	-	-	-	-
R1600	Net	-	-	1,500,837	1,500,837
	Claims incurred				
R1610	Gross	-	-	2,257,134	2,257,134
R1620	Reinsurers' share	-	-	-	-
R1700	Net	-	-	2,257,134	2,257,134
	Changes in other technical provisions				
R1710	Gross	-	-	-	-
R1720	Reinsurers' share	-	-	-	-
R1800	Net	-	-	-	-
R1900	Expenses incurred	-	-	53,044	53,044
	Administrative expenses				
R1910	Gross	-	-	9,577	9,577
R1920	Reinsurers' share	-	-	-	-
R2000	Net	-	-	9,577	9,577
	Investment management expenses				
R2010	Gross	-	-	28,607	28,607
R2020	Reinsurers' share	-	-	-	-
R2100	Net	-	-	28,607	28,607
	Claims management expenses				
R2110	Gross	-	-	-	-
R2120	Reinsurers' share	-	-	-	-
R2200	Net	-	-	-	-
	Acquisition expenses				
R2210	Gross	-	-	14,365	14,365
R2220	Reinsurers' share	-	-	-	-
R2300	Net	-	-	14,365	14,365
	Overhead expenses				
R2310	Gross	-	-	495	495
R2320	Reinsurers' share	-	-	-	-
R2400	Net	-	-	495	495
R2500	Other expenses				
R2600	Total expenses	-	-	53,044	53,044
R2700	Total amount of surrenders	-	-	-	-

S.12.01.02 – Life and Health SLT Technical Provisions

		Index-linked and unit-linked insurance			Accepted reinsurance		
		Contracts without options and guarantees	Contracts with options and guarantees	Annuities stemming from non-life accepted insurance contracts and relating to insurance obligation other than health insurance obligations (Gross)	Total (Life other than health insurance, incl Unit-linked)	Total (Health similar to life insurance)	
		C0030	C0040	C0050	C0140	C0150	C0210
R0010	Technical provisions calculated as a whole	-	-	-	-	-	-
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	-	-	-	-	-	-
	Technical provisions calculated as a sum of BE and RM	-	-	-	-	-	-
	Best estimate						
R0030	Gross Best Estimate		10,185,831			10,185,831	-
R0040	Total recoverables from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default		-	-	-	-	-
R0050	Recoverables from reinsurance (except SPV and Finite Re) before adjustment for expected losses		-	-	-	-	-
R0060	Recoverables from SPV before adjustment for expected losses		-	-	-	-	-
R0070	Recoverables from Finite Re before adjustment for expected losses		-	-	-	-	-
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		10,185,831	-		10,185,831	-
R0100	Risk margin	683				683	-
	Amount of the transitional on Technical Provisions						
R0110	Technical Provisions calculated as a whole					-	-
R0120	Best estimate					-	-
R0130	Risk margin					-	-
R0200	Technical provisions – total	10,186,514				10,186,514	-

S.23.01.01 – Own Funds

Basic own funds		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	26,500	26,500	-	-	-
R0030	Share premium account related to ordinary share capital	-	-	-	-	-
R0040	Initial funds, members' contributions or the equivalent basic own – fund item for mutual and mutual-type undertakings	-	-	-	-	-
R0050	Subordinated mutual member accounts	-	-	-	-	-
R0070	Surplus funds	-	-	-	-	-
R0090	Preference shares	-	-	-	-	-
R0110	Share premium account related to preference shares	-	-	-	-	-
R0130	Reconciliation reserve before deduction for participations	11,815	11,815	-	-	-
R0140	Subordinated liabilities	-	-	-	-	-
R0160	An amount equal to the value of net deferred tax assets	54	-	-	-	54
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
R0220	Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	-	-	-	-	-
Deductions						
R0230	Deductions for participations in financial and credit institutions	-	-	-	-	-
R0290	Total basic own funds after deductions	38,369	38,315	-	-	54
Ancillary own funds						
R0300	Unpaid and uncalled ordinary share capital callable on demand	-	-	-	-	-
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual – type undertakings, callable on demand	-	-	-	-	-
R0320	Unpaid and uncalled preference shares callable on demand	-	-	-	-	-
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	-	-	-	-	-

R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	-			
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	-			
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			
R0370	Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	-			
R0390	Other ancillary own funds	-			
R0400	Total ancillary own funds	-		-	-
Available and eligible own funds					
R0500	Total available own funds to meet the SCR	38,369	38,315	-	54
R0510	Total available own funds to meet the MCR	38,315	38,315	-	-
R0540	Total eligible own funds to meet the SCR	38,369	38,315	-	54
R0550	Total eligible own funds to meet the MCR	38,315	38,315	-	-
R0580	SCR	9,982			
R0600	MCR	4,492			
R0620	Ratio of Eligible own funds to SCR	384%			
R0640	Ratio of Eligible own funds to MCR	853%			
Reconciliation reserve					
R0700	Excess of assets over liabilities	38,369			
R0710	Own shares (included as assets on the balance sheet)				
R0720	Foreseeable dividends, distributions and charges				
R0730	Other basic own fund items	26,554			
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	-			
R0760	Reconciliation reserve before deduction for participations	11,815			
Expected profits					
R0770	Expected profits included in future premiums (EPIFP) – Life business	-			
R0780	Expected profits included in future premiums (EPIFP) – Non- life business	-			
R0790	Total Expected profits included in future premiums (EPIFP)	-			

S.25.01.21 – Solvency Capital Requirement – for undertakings on Standard Formula

		Regular reporting		
		C0030	C0040	C0050
		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
R0010	Market risk	496	496	-
R0020	Counterparty default risk	1,581	1,581	-
R0030	Life underwriting risk	384	384	-
R0040	Health underwriting risk	-	-	-
R0050	Non-life underwriting risk	-	-	-
R0060	Diversification	(542)	(542)	
R0070	Intangible asset risk	-	-	
R0100	Basic Solvency Capital Requirement	1,919	1,919	
Calculation of Solvency Capital Requirement		C0100		
R0120	Adjustment due to RFF/MAP nSCR aggregation			
R0130	Operational risk	9,714		
R0140	Loss-absorbing capacity of technical provisions	-		
R0150	Loss-absorbing capacity of deferred taxes	(1,651)		
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC			
R0200	Solvency Capital Requirement excluding capital add-on	9,982		
R0210	Capital add-ons already set			
R0220	Solvency capital requirement	9,982		
Other information on SCR				
R0400	Capital requirement for duration-based equity risk sub-module	-		
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	-		
R0420	Total amount of Notional Solvency Capital Requirement for ring fenced funds	-		
R0430	Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	-		
R0440	Diversification effects due to RFF nSCR aggregation for article 304	-		
R0450	Method used to calculate the adjustment due to RFF/MAP nSCR aggregation		Simplification at risk sub-module level	
R0460	Net future discretionary benefits	-		

S.28.01.01– Minimum Capital Requirement – Non-Composite

Linear formula component for life insurance and reinsurance obligations		C0040		
R0200	MCR _L Result	71,301	C0050	C0060
			Net (of reinsurance/SPV) best estimate and TP calculated as a whole provisions	Net (of reinsurance/SPV) total capital at risk
R0210	Obligations with profit participation – guaranteed benefits		-	
R0220	Obligations with profit participation – future discretionary benefits		-	
R0230	Index-linked and unit-linked insurance obligations		10,185,831	
R0240	Other life (re)insurance and health (re)insurance obligations		-	
R0250	Total capital at risk for all life (re)insurance obligations			-
Overall MCR calculation		C0070		
R0300	Linear MCR	71,301		
R0310	SCR	9,982		
R0320	MCR cap	4,492		
R0330	MCR floor	2,495		
R0340	Combined MCR	4,492		
R0350	Absolute floor of the MCR	3,332		
R0400	Minimum Capital Requirement	4,492		