Chesnara

ANNUAL REPORT AND ACCOUNTS

2024

WELCOME TO THE **CHESNARA ANNUAL REPORT & ACCOUNTS** FOR YEAR ENDED 31 DECEMBER 2024

WELCOME

OVERVIEW

STRATEGIC REPORT

CORPORATE GOVERNANCE

IFRS FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

CONTENTS

OVERVIEW

AN INTRODUCTION TO CHESNARA

CHESNARA PLC IS A **EUROPEAN LIFE AND PENSIONS CONSOLIDATOR,** LISTED ON THE LONDON STOCK EXCHANGE SINCE 2004. WE ADMINISTER JUST UNDER **ONE MILLION POLICIES** ACROSS THE GROUP WHICH OPERATES AS COUNTRYWIDE ASSURED IN THE UK, AS THE WAARD GROUP AND SCILDON IN THE NETHERLANDS AND AS MOVESTIC IN SWEDEN.

At Chesnara, with customers at the forefront of all we do, we focus on three things:

OUR STRATEGIC OBJECTIVES

MAXIMISE VALUE FROM EXISTING BUSINESS

The efficient management of life assurance and pension policies.

1

ACQUIRE LIFE AND PENSIONS BUSINESSES

Creating value through acquiring new companies or books of business.

2

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

Writing new business where we are confident that conditions will ensure the products are value adding, meet our required hurdle rates and ultimately support longer-term cash generation.

3

This focus has enabled us to deliver strong levels of cash generation, a growing dividend and a robust and stable solvency position over the last 20 years. And we look forward with confidence in our ability to continue this delivery in the future.

Who we are and where we came from

The Group initially consisted of Countrywide Assured (CA), a closed life and pensions book demerged from Countrywide plc, a large estate agency group, over 20 years ago.

The Group today comprises both open-book and closed-book operations having grown through:

- the acquisitions of predominantly closed UK businesses (into CA);
- the purchase of an open life and pensions business in Sweden, now known as Movestic;
- acquisitions of both a closed-book acquisitive group (Waard Group) and an open life and pensions business in the Netherlands (Scildon); and
- writing new business in Movestic (mainly pensions and custody accounts), Scildon (mainly term insurance) and more recently in CA (mainly onshore bonds).

See pages 7 to 11 for further detail on our history and businesses.

Looking forward, we are committed to transitioning to be a sustainable and net zero group across our operational and financed emissions (by 2050) and this commitment is a key factor in our corporate decision making.

What we do

We help protect customers and their dependants through the provision of life, health and disability cover and enable policyholders to meet their financial needs in the future by providing savings and pensions products.

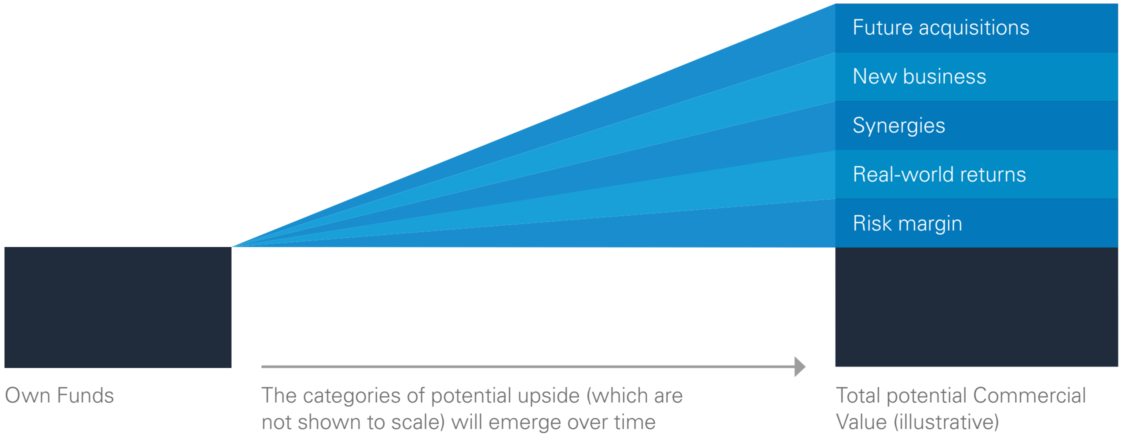
How we create value

For customers

- We deliver an effective customer experience with good standards of service operations, clear communication and competitive fund performance. We also offer customers the ability to invest in sustainable funds.
- Product reviews across the Group help to ensure good customer outcomes and, in the UK, have been updated to be aligned to the new Consumer Duty requirements.
- Customers can also be confident in the security of their policies through the robust solvency levels we operate our businesses to.

For shareholders

- Surpluses emerge from the existing books of business through efficient management of the policy base and good capital management practices. This enables dividends to be paid from the subsidiaries to Chesnara, which in turn can fund M&A and an attractive shareholder dividend which has grown each year since our listing in 2004.
- Growth from both our proven acquisition model and from writing profitable new business has a positive impact on the Own Funds[†] of the business and supports longer-term cash generation[†]. Market returns above a risk-free rate of return are a further potential area of positive value growth. The diagram below illustrates the primary sources of growth that then ultimately contribute towards surplus emergence.



[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

AN INTRODUCTION TO CHESNARA

How we operate

- Chesnara has a centrally defined governance and Risk Management Framework operating across the Group and all its divisions.
- This framework aligns to our strategy and enables us to grow the business and deliver strong financial results while remaining within the Board's stated risk appetite.
- Our management teams have clear responsibilities and are accountable for the delivery of set objectives and the identification and management of risks and opportunities, including those arising from climate change.
- We are committed to transitioning to be a sustainable and net zero group (across our operational and financed emissions) and this commitment is a key factor in our corporate decision making.
- Our team has significant experience and a proven track record in governing, acquiring and successfully integrating life and pension businesses.
- Acquisitions form a key part of our strategy and are assessed against stringent financial criteria, adopting a robust risk-based due diligence process.
- We write new business where we are confident that conditions will ensure the products are both value adding and will support the Group's cash generation in the long term.
- We maintain robust solvency and liquidity levels as part of our wider Capital Management Framework.
- In the UK, we adopt a largely outsourced operating model, whereas our overseas divisions use outsourced services on a more selective basis.

	UK	SWEDEN	NETHERLANDS	CHESNARA GROUP
ASSETS UNDER ADMINISTRATION†	£6bn^Δ	£5bn	£3bn	£14bn
OWN FUNDS	£177m	£186m	£222m	£643m
IFRS CAPITAL BASE†	£151m	£99m	£280m	£449m
POLICIES†	c290k^Δ	c280k	c370k	c940k^Δ

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†Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

ΔIncludes impact of Canada Life portfolio acquisition, expected to Part VII and migrate during 2025.

DELIVERING OUR STRATEGY

Focusing on our three strategic objectives has enabled us to deliver sustainable growth in cash generation over the long term supported by:

14 successful acquisitions across 3 territories since 2004, 5 of which have taken place since 2022.

We have a range of deal structures with flexible financing options including:

- Value-enhancing 'bolt-on' deals to more transformative acquisitions
- Capability to find value in the UK, Netherlands and beyond
- Flexible and efficient deal funding solutions
- Ability to find expedient solutions to de-risk where required.

A well-established and robust Capital-Allocation Framework to assess M&A, ensuring that deals:

- Enhance cash generation in the medium term
- Deliver positive impact on the Group's Own Funds per share in the medium term
- Are within the Group's risk appetite
- Have been subject to appropriate due diligence
- Deliver positive customer outcomes.

In the last three years, we have deployed c£100m of capital resources and delivered c£60m of incremental Economic Value, including our most recently announced deal with Canada Life UK in December 2024. And we are confident we can continue to deliver further value upside from acquisitions in the future.

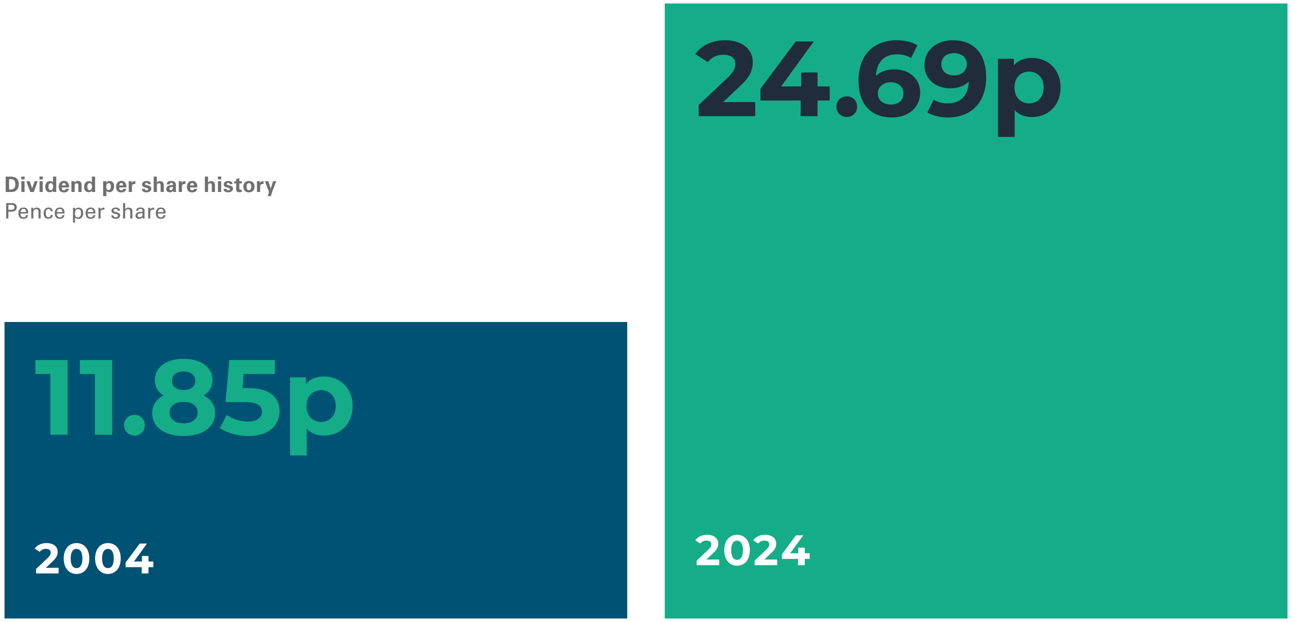
14 SUCCESSFUL ACQUISITIONS ACROSS **3** TERRITORIES SINCE 2004

DELIVERING STRONG CUSTOMER OUTCOMES IS CENTRAL TO OUR PURPOSE

- Close to one million customers trust us to manage their pensions, life assurance or other savings and investments policies.
- Customers and their advisors can be confident that they hold policies with a well-capitalised Group where financial stability is central to our culture and values.
- We carry out regular reviews across the Group to ensure that our customers' investment returns remain competitive.
- Our overriding philosophy of 'putting the customer first' and breadth of product offering ensures a rewarding financial future for our customers and supports the delivery of a service that meets their needs.

20 SUCCESSIVE YEARS OF FULL YEAR DIVIDEND GROWTH

We recognise the importance of providing stable and attractive dividends to our shareholders. A proposed full year 2024 dividend of 24.69p per share represents an increase of 3% on the prior year. This is our twentieth successive year of dividend growth; an unbroken track record since entry to the FTSE in May 2004, with growth consistently above underlying medium-term UK inflation rates*. During our 20-year history, we have paid cumulative dividends of £502m.



Dividend per share history
Pence per share

A proposed full year dividend of 24.69p per share represents an increase of 3% on the prior year.

TOTAL DIVIDEND PER SHARE MORE THAN DOUBLED

Year-on-year Commercial Cash Generation† growth of 14% to £60m with continued strong dividend coverage of 160%

Commercial Cash Generation is defined as the movement in the Group’s Solvency II surplus above its Board-approved internal capital requirements, excluding the impact of certain cyclical items such as the symmetric adjustment. It is the surplus available to service dividends and debt costs and to reinvest in the business, including through acquisitions. In 2024, the Group’s Commercial Cash Generation of £60m represents 1.60x coverage of the 2024 dividend and cumulative Commercial Cash Generation of £240m has provided 1.37x coverage of the dividend over 2020 to 2024.

Over 655% of pre-dividend Economic Value† growth since listing in 2004

The Group generates long-term Economic Value (EcV)† growth[1] from the efficient management of existing policies and, to a more material extent, by growing the portfolio through M&A activity and new business profits. EcV growth also arises over time as investment returns exceed risk-free returns. Since listing, the Group has generated incremental EcV, pre-dividends of £502m, of £906m, supporting its strong cash generation profile. This includes a contribution of £69m delivered in 2024 (pre-dividend and FX impact).

Our new performance measure, IFRS Capital Base†, grew by 10% to £528m during 2024, before allowance for FX and dividends, while Group IFRS Pre-Tax Profit also increased year on year, rising to £21m (2023: £2m). This growth means that we have an increased store of future value available from our insurance business. IFRS Capital Base is deemed a better measure of the value of our business than IFRS Net Equity, as it takes into account the store of deferred profits held in the balance sheet, including those as yet unrecognised profits from writing new business and acquisitions.

*Further information on the Group’s shareholder dividend policy can be found in the Directors’ Report on page 136.

[1] EcV growth is shown net of new equity in relation to prior corporate acquisitions (£148m) and excluding cumulative dividends paid (£502m).

†Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

2024 FINANCIAL HIGHLIGHTS

COMMERCIAL CASH GENERATION[1]

£60M

2023: £52M

ⓘ Financial review p49

ECONOMIC VALUE[3]

£531M

31 DECEMBER 2023: £525M

ⓘ Financial review p50

Notes:

Items 1 to 5 below are Alternative Performance Measures (APMs) used by the Group to supplement the required statutory disclosures under IFRS and Solvency II, providing additional information to enhance the understanding of financial performance. Further information on these APMs can be found throughout the Financial Review and in the APM appendix on pages 260 to 261.

1. Cash generation is calculated as the movement in the Group's surplus Own Funds above the Group's internally required capital, as determined by applying the Group's prudent Capital Management Policy, which has Solvency II rules at its heart. Commercial Cash Generation is used as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. It excludes the impact of technical adjustments and modelling changes; representing the Group's view of the Commercial Cash generated by the business. The 2023 comparator is shown as inclusive of day one acquisition impacts.
2. Assets Under Administration (AuA) represents the sum of all financial assets on the IFRS balance sheet. *Note – This measure was previously referred to as 'Funds under Management' (FuM). There has been no change to the basis of calculation.*
3. Economic Value (EcV) is a financial metric derived from Solvency II. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the Group.
4. Economic Value Earnings are a measure of the value generated in the period, recognising the longer-term nature of the Group's insurance and investment contracts.
5. New Business Contribution represents the best estimate of cash flows expected to emerge from new business written in the period. It is deemed to be a more commercially relevant and market consistent measurement of the value generated through the writing of new business, in comparison to the restrictions imposed under the Solvency II regime. *Note – This measure was previously referred to as 'commercial new business'. There has been no change to the basis of calculation.*
6. Solvency is a fundamental financial measure which is of paramount importance to investors and policyholders. It represents the relationship between the value of the business as measured on a Solvency II basis and the capital the business is required to hold – the Solvency Capital Requirement (SCR). Solvency can be reported as an absolute surplus value or as a ratio.

[Δ] *Includes impact of Canada Life portfolio acquisition, expected to Part VII and migrate during 2025.*

On 31 December 2024 the PRA's restatement of Solvency II assimilated law came into force. Throughout the document we refer to the new regime as Solvency II, in line with the name of the prudential regime in PRA policy material.

**The IFRS prior year comparatives have been restated following a change in the accounting methodology applied to the portfolio transfer into the UK from Canada Life Ltd. Further details are set out in the Note A2 in the 'IFRS Financial Statements'.*

SOLVENCY COVERAGE RATIO[6*]

203%

31 DECEMBER 2023: 205%

ⓘ Capital management p46

ASSETS UNDER ADMINISTRATION (AuA)[2]

£14BN[Δ]

31 DECEMBER 2023: £11BN

ⓘ Financial statements p149

ECONOMIC VALUE EARNINGS[4]

£69M

2023: £59M

ⓘ Financial review p51

NEW BUSINESS CONTRIBUTION[5]

£9M

2023: £10M

ⓘ Business review pages 40 to 45

IFRS PRE-TAX PROFIT

£21M

2023: £2M**

ⓘ Financial review p53

IFRS CAPITAL BASE

£449M

2023: £479M

ⓘ Financial review p53

> The Group has delivered strong Commercial Cash Generation and value growth, including through a further UK acquisition, supporting a proposed 3% increase in our full year dividend, our 20th year of consecutive dividend increases.
>
> **LUKE SAVAGE, CHAIR**

CHAIR'S STATEMENT

Increase in the full year dividend by 3%

I am pleased to report that we are proposing that our shareholders will receive a total dividend of 24.69p per share, an increase of 3% on the prior year, and the 20th consecutive year that we have increased the full year dividend.

Cash generation and financial strength

Our proposed dividend is underpinned by strong levels of cash generation and financial stability again in 2024, despite a continued backdrop of volatile geopolitical and macro-economic factors.

Each of our operating divisions contributed to the Group's Commercial Cash Generation of £60m, an increase of 14% compared to the same period in 2023 and against a total dividend cost of £37m.

Our Solvency II Coverage Ratio of 203% remained stable throughout 2024 and remains significantly above our normal operating range of 140%-160%. The Group's diversified business model and our risk-based approach to financial management is fundamental to providing financial security to our customers. Our strong and resilient balance sheet continues to provide us with considerable strategic flexibility to invest in our businesses and pursue further M&A opportunities as they arise.

Operational delivery

Across the Group, our operating divisions continue to perform strongly in support of the Group's key strategic priorities.

In the UK, we announced our second portfolio acquisition from Canada Life UK – a closed portfolio of onshore bond and pensions products. We are pleased to continue our relationship with Canada Life following our acquisition of their UK life insurance policies and this latest transaction illustrates our ability to add scale and provide attractive returns to our UK business.

The transfer of the earlier Canada Life UK Life insurance portfolio acquisition to our new outsource partner, SS&C, completed successfully in February 2025, marking a significant milestone for this programme.

The operational activities to transfer existing UK insurance portfolios to SS&C are also progressing, with plans to migrate the remaining in-scope books within its portfolio over the next 18 to 24 months, including the recently announced deal with Canada Life.

In the Netherlands, we announced our intention to merge our Scildon and Waard businesses (subject to approval by De Nederlandsche Bank). The proposed legal merger is expected to take place in mid-2025 with further integration significantly simplifying our operating model in the Netherlands, alongside ongoing initiatives to upgrade the IT estate and improve customer and broker experiences.

In Sweden, we have seen strong growth in our custodian business as we continue to build new partnerships and further diversify our distribution model. Overall new business sales momentum remains strong, benefitting from ongoing enhancements to our product offerings and the digitisation of our service offerings.

It has been another year of significant delivery across the Group and, as ever, I want to thank staff for their continued efforts and dedication.

Our people

Over 2024, we maintained our focus on ensuring that the Group benefits from a broad range of skills and expertise on our Boards.

In April, we appointed Tom Howard as our Group CFO and Executive Director on the Chesnara Board and, at the same time, we announced that Mark Hesketh was stepping off the Chesnara Board to allow his appointment as Chair of our UK life company, Countrywide Assured plc.

We also confirmed that as Jane Dale will have served her third successive three-year term, she will not be seeking re-election at our Annual General Meeting in May 2025, in line with UK Corporate Governance Code for listed companies. Jane, who has also been Chair of the Audit & Risk Committee, will have served nine years as a non-executive director of the Group and has made an immense contribution to Chesnara's success over this period. On behalf of the Board, I want to thank Jane for her dedication to Chesnara and she leaves with our best wishes for the future.

At the same time, I am delighted to announce that we have appointed Gail Tucker to the Chesnara Board. Gail brings a wealth of experience to Chesnara, particularly in the UK and European listed life insurance sector and I want to welcome her to Chesnara and very much look forward to working with her. Gail will chair the Chesnara Audit & Risk Committee and, subject to regulatory approval, will also join the CA Board where she will also chair their Audit & Risk Committee.

Purpose

At Chesnara, we help to protect customers and their dependants by providing life, health, and disability cover or savings and pensions solutions to meet future financial needs. These are very often customers that have come to us through acquisition, and we are committed to ensuring that they remain positively supported by us.

We have always managed our business in a responsible way and have a strong sense of acting in a fair manner, giving full regard to the relative interests of all stakeholders.

Maintaining our strong capital position and delivering strong and sustainable financial returns will always remain of key importance. It underpins our desire to offer compelling returns to our shareholders, to meet our debt investor coupon payments and importantly, to ensure our customers can be confident in the ongoing financial strength of our business.

As a purpose-driven organisation, we continue to balance our responsibilities across the 3Ps – Profit, People and Planet.

Sustainability is a key part of the strategy of the Group and we are progressing well against our objectives. Sustainability is a key input into decision making across the Group and all of our people completed mandatory sustainability training in 2024. Ongoing delivery of this training is now a key part of our people's broader learning journeys and professional development.

A key pillar of our commitments is to deliver a just transition to become a net zero group. During 2024, we announced our initial interim 2030 emission reduction target. By 2030, our target is to reduce the scope 1 and 2 emissions of the in-scope assets by 50% from a baseline of 2023. In-scope assets are corporate bonds and listed equity, which we can control or influence. All assets, alongside our operational activities, remain in scope of our 2050 net zero target. During 2024, we have seen a reduction of 13% in the calculated normalised emissions for our full portfolio against our 2023 baseline, together with a 25% reduction in our operational emissions, meaning we are on track to achieve our target. Absolute scope 3 emissions from our investments have increased during the year though and so we also continued to engage with our key asset managers and partners in our value chain to be able to understand their own net zero journeys and identify areas of focus.

As a recent signatory to the Principles for Responsible Investment, and as a member of bodies such as the United Nations Global Compact, UK Sustainable Investment and Finance Association and the Institutional Investors Group on Climate Change, we continue to engage on initiatives that create solid foundations for longer-term change together with shorter-term actions that will begin to make a real-world positive impact.

Our Annual Sustainability Report (available on the Chesnara plc website) provides further details of our sustainability commitments, long-term targets and the activities underpinning our sustainability strategy.

Outlook

Our financial results in 2024 demonstrate that our diversified business model continues to deliver strong levels of cash generation, value growth and positive shareholder returns.

Our outlook for M&A remains positive and we have a strong capital base and ambition to support further acquisitions.

Luke Savage
Chair
26 March 2025

Our strong financial performance and additional UK acquisition in 2024 underpin our positive outlook for 2025 and beyond.

STEVE MURRAY, CEO

CHIEF EXECUTIVE OFFICER'S REPORT

We have again remained disciplined in driving delivery against our three areas of strategic focus, namely:

1. **Running our in-force insurance and pensions books efficiently and effectively;**
2. **Seeking out and delivering value-enhancing M&A opportunities; and**
3. **Writing focused, profitable new business where we are satisfied an appropriate return can be made.**

We have just under 1 million policies across the Group and our people take pride in the responsibility that comes with delivering for our policyholders every single day.

This focus helped us deliver a strong financial result for the year with Commercial Cash Generation of £60m, continued strong solvency of 203% and incremental EcV of £69m. And as Luke highlighted, this has supported us proposing an increase in the full year dividend of 3% to 24.69 pence per share.

Continued strategic delivery driving growth in cash generation, future value and dividends.

Operational delivery has continued

We have continued to make positive progress delivering the ambitious change agenda we set ourselves and that will help ensure we have modern and sustainable operating platforms right across the Group.

In the UK, work on our transition and transformation (T&T) programme, which will lead to the transfer of our various UK books of business to SS&C's more modern policy administration system, continues to progress well. Our first migration was successfully completed in February 2025. And we successfully met the UK Consumer Duty deadline for closed books in July 2024 and are making positive progress implementing our fully funded plan. As part of this activity, we have made further positive changes for a number of our UK customers and there has been no material financial impact on the Group from any of the changes we are making here. It was also pleasing to secure our second transaction with Canada Life UK in December 2024. The Part VII transfer of policies from our first deal with Canada Life completed in Q1 2025.

In the Netherlands, our teams have been working hard on the new DORA (Digital Operational Resilience Act) regulation and associated work required to meet this new standard. We have also begun the preparation work to bring our two Dutch businesses together to create bigger scale and more sustainable business. This merger, which is planned for July 2025 and remains subject to local regulatory approvals, should also enable us to drive further synergies above and beyond some of the local restructuring work that was completed in December 2024. Regulatory submissions have now been completed and we have consolidated our teams based in Hilversum into one single location in December 2024.

And in Sweden, our team's also worked hard on implementing the new DORA regulations, in advance of the January 2025 deadline. Further work has been completed to enable us to more effectively promote and sell our risk product offerings as well as enabling better integration with broker firms. The leadership team has also been strengthened in the year with joiners in our custodian business, operations and IT.

Creating a more sustainable Chesnara

We continue to make progress against our three sustainability commitments on our journey to transition to become a sustainable Chesnara. We strongly believe we have a responsibility to consider the needs of all our stakeholders, balancing people, planet and profit over the long term. We actively review our sustainability strategy and priorities to ensure that we are working to address the needs of our stakeholders and managing the risks and opportunities presented by a changing world.

Our targets and key aspects of progress are:

- Net zero emissions by 2050 – in 2024, we published our initial interim 2030 decarbonisation target for a 50% intensity reduction from our 2023 baseline figures in the scope 1 and 2 emissions for our listed equity and corporate fixed income investments which we are able to influence or control. During 2024, we saw a 13% reduction in the calculated normalised scope 1 and 2 emissions from our investments and a 25% reduction in our absolute operational emissions, which are very positive movements. Absolute emissions from our investments did increase, however, driven by an increase in scope 3 emissions, which is partly due to increased Assets Under Administration (AuA). Visibility of the causes of these movements is still limited but we are taking positive actions to reduce emissions and further detail on these is provided in our Annual Sustainability Report.
- Investments in nature and social impact solutions – during the year, we increased our investments in positive solutions and held £135m at the end of 2024, representing an increase of approximately 65% compared to 2023.
- A business where everyone feels welcome – we have continued to commit time and resource to ensuring the Group is an inclusive organisation. Activities including volunteering, internships, enhancing customer care, and focusing on employee wellbeing have been supplemented by delivering sustainability-related training to all employees in the Group.

M&A continues alongside other management actions

We have proactively and diligently assessed a number of M&A opportunities across 2024. This has included our participation in multiple due diligence processes, primarily on a bilateral basis, as well as work on legal documentation. We announced another UK acquisition on 23 December and our second portfolio deal with Canada Life. Our latest deal involves the acquisition of a portfolio of c17k onshore bond and personal pensions. We expect an uplift in Economic Value of around £11m from the deal against the £2m of consideration paid. The first step of the deal has been executed by way of a reinsurance agreement between both parties.

We retain significant fire power for future acquisitions and can immediately deploy around £200m in support of deals. We have additional financing options available as well, should we have the opportunity to execute a larger value-enhancing opportunity.

Alongside the extensive activity this year on M&A, we have continued to seek out other management actions to enhance cash generation and/or value. We extended the Group's FX hedge during the year and also extended the mass lapse reinsurance arrangements we have in the UK, both of which have reduced SCR and enhanced cash generation.

CHIEF EXECUTIVE OFFICER'S REPORT

Positive sales momentum in Sweden and the UK, with discipline maintained in the Netherlands

Overall, New Business Contribution remained broadly flat this year at £9m vs £10m in 2023.

Movestic has continued to see strong sales in both our Group pension and custodian business where total sales are at their highest level for five years. We have continued to see transfers out at a higher level than our longer-term assumption (albeit in line with the short-term provision we made in the balance sheet in 2024). Overall, it has been a stronger year than 2023, being the first full year under Sara Lindberg's leadership, and we see further opportunities to expand our partnerships in 2025.

It was a tougher market in the Netherlands for our main term life product with overall new business materially lower compared to the same period in 2023. However, it has been pleasing to see the team maintain their disciplined approach to pricing against this more challenging market backdrop.

In the UK, we have continued to see positive flows into our intermediated onshore bond proposition and we have been engaging positively with other platforms in the market with a view to potentially expanding our distribution of this product.

Continued work to strengthen our team

Luke highlighted the additional talent that has joined the Chesnara Board, including Tom Howard who joined us from Aviva in April. As a reminder, Tom has held a variety of senior roles within Aviva plc, including Director of Mergers & Acquisitions for Aviva Group and CFO for Aviva's Life and General Insurance business in Ireland. Tom brings with him an extensive European actuarial and financial reporting background. He has made a positive start to life at Chesnara and is focused on improving our capital allocation discipline as well as helping to drive further M&A momentum.

We also announced Edwin Bekkering's appointment to the position of CFRO (Chief Financial & Risk Officer) in Scildon, following the appointment of Pauline Derkman as our new CEO 18 months ago. Edwin has extensive experience in senior finance roles in major financial institutions including at Athora, Vivat, SNS Reaal and ABN AMRO. Pauline and Edwin are also proposed as the CEO and CFRO of the planned merged business in the Netherlands.

Outlook

It has been pleasing to see continued strong cash and economic earnings generation in 2025. Whilst the volatile geopolitical and macro-economic backdrop persists, and will continue to be a material factor in all our markets, we remain confident that the Chesnara business model will continue to generate cash across a wide variety of market conditions, as it has done this year and over its history.

We also remain positive on the outlook for further M&A, where we remain very active and continue to see a positive pipeline of opportunities. We believe we are well placed to execute further value accretive deals for shareholders.

Our people have continued to deliver across a number of material operational programmes and for our customers in the period. I thank them again for their efforts.

As I highlighted in the interim results, we celebrated our 20th anniversary as a listed Company in May 2024. Chesnara has delivered 20 years of positive returns for shareholders and I look forward to continuing to deliver for our investors going forward. And the excellent work of our teams again this year further supports my belief that there is a lot to look forward to here at Chesnara.

Steve Murray
Chief Executive Officer
26 March 2025

CHIEF FINANCIAL OFFICER'S REPORT

2024 has been another year of growth for Chesnara. Our diversified business model continues to deliver strong and resilient financial performance, supporting increased returns to our shareholders.

TOM HOWARD, CFO

CHIEF FINANCIAL OFFICER'S REPORT

Overview

I am delighted to have joined Chesnara at this exciting stage of the Company's development. I have been incredibly impressed by the drive and commitment of the team and want to express my thanks to colleagues for the warm welcome they have given me since joining the Group in April 2024.

I am pleased to say that 2024 was another year of strong and resilient cash generation for the Group, with £60m of Commercial Cash generated, an increase of 14% compared to 2023. Each of our operating divisions contributed positively to this result, supporting strong coverage of the dividend and our debt servicing costs.

The Solvency Coverage Ratio of 203% remains comfortably above our operating range of 140%-160% and continues to be resilient to a wide range of financial scenarios and provides the Group with significant scope to pursue M&A and other investment opportunities as they arise.

The Group continues to grow, with AuA increasing to £14bn (2023: £11bn), benefitting from positive investment returns on existing business, the addition of the Canada Life portfolio acquisition and value generated from new business written.

The Economic Value of the Group grew from £525m to £531m with positive contributions from operating activities, acquisitions and market conditions, partially offset by stronger expense and demographic assumptions.

This strong set of financial results underpins the Board's recommendation to increase the full year dividend by 3% to 24.69p per share.

CASH RESULT

Commercial Cash Generation
£60m
FY 23: £52m

Dividend cover
1.60x
FY 23: 1.45x

CAPITAL POSITION

Solvency II Ratio
203%
FY 23: 205%

IFRS leverage
31%
FY 23: 30%

FUTURE VALUE GENERATION

EcV
£531m
FY 23: £525m

AuA
£14bn
FY 23: £11bn

IFRS Capital Base
£449m
FY 23: £479m

Full year dividend 24.69p per share, **up 3%** YoY

Business performance

UNITED KINGDOM

Own Funds increased by £29m (2023: £51m) and SCR reduced by £5m (2023: increase of £2m), resulting in a pre-dividend Solvency Coverage Ratio of 182% (2023: 179%). The growth in Own Funds arose primarily from the impact of positive economic conditions on the in-force book, the second acquisition from Canada Life and the writing of profitable new business over the period. The extension of existing mass-lapse reinsurance arrangements, alongside existing book run-off, supported the reduction in SCR. The UK division held a Solvency II surplus (before foreseeable dividends) of £60m above its Board's risk appetite level (2023: £60m) and made remittances of £35m to Group Centre over 2024. IFRS Pre-Tax Profits of £28m (2023: £3m) arose from strong investment returns, albeit lower than prior year, and a much-improved positive insurance result in the year, with the combined effect of these broadly netting off. The prior year pre-tax profits were suppressed by a £21m impairment of AVIF (Acquired Value of In Force) related to the CASLP book.

SWEDEN

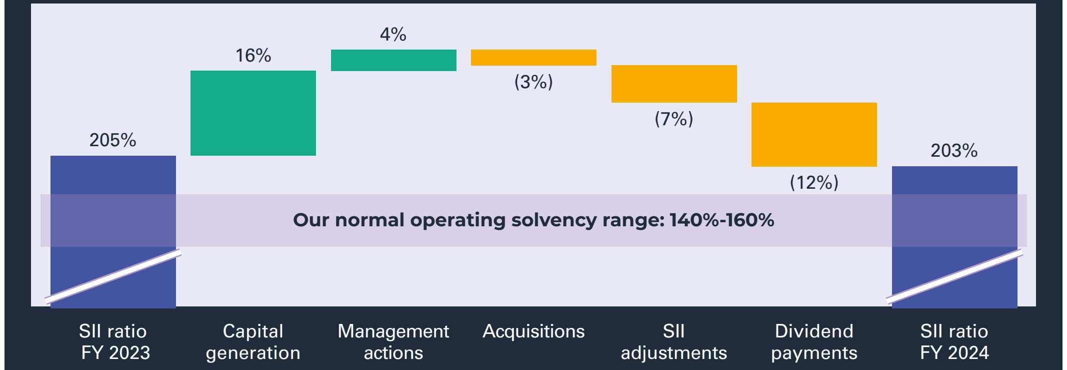
Solvency surplus generation of £10m arose from an increase in Own Funds of £15m (2023: £10m) offsetting an increase in SCR of £5m (2023: £13m), with a closing Solvency Coverage Ratio (before foreseeable dividends) of 153% (2023: 153%). The increase in Own Funds and SCR were both largely driven by positive market movements, alongside an adverse consolidation impact on surplus due to depreciation of SEK against the pound and elevated levels of short-term persistency experience. The business unit held a pre-dividend Solvency II surplus of £40m above its Board's risk appetite level (2023: £39m) and made remittances of £3m to Group Centre. IFRS Pre-Tax Profit of £10m (2023: £5m) arose from higher AuA generating higher fee income and fund rebates. A positive contribution from the risk business also meant that the insurance result was much improved compared to the prior year.

NETHERLANDS

Solvency surplus generation of £3m arose from a reduction in Own Funds of £4m (2023: £32m) and a reduction in SCR of £7m (2023: £19m), with a closing Solvency Coverage Ratio (before foreseeable dividends) of 237% (2023: 230%), noting the 2023 comparators included the day one impact of the Conservatrix acquisition. Own Funds benefitted from the impact of cost management actions in Scildon, but were more than offset by the impact of foreign exchange movements on consolidation. The reduction in SCR was driven primarily by lower expense risk with partial offset from higher market risk due to a lower interest rate environment. The Group's Dutch entities held a Solvency II surplus of £68m above its Board's risk appetite levels and made remittances of £7m to Group Centre (2023: £4m). IFRS Pre-Tax Profit of £5m (2023: £23m) with the reduction primarily being driven by a positive but less favourable investment return in the year compared to 2023, whilst the 2023 result also included a £7m day one gain from the Conservatrix acquisition.

Capital & cash management

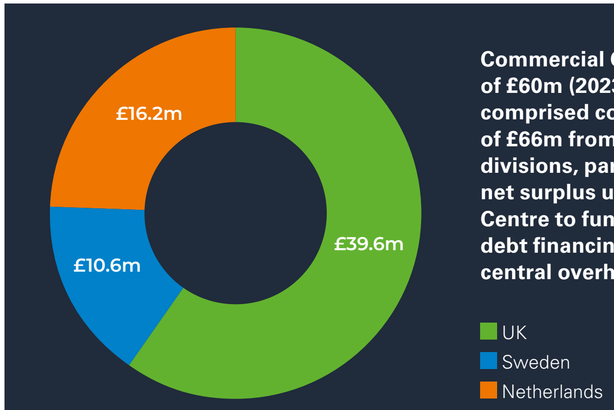
Solvency II capital position



At 31 December 2024, Group Solvency II surplus was £327m and the Group's Solvency II Coverage Ratio was 203% (2022: £351m and 205% respectively).

The change in surplus since 31 December 2023 is driven by the positive impacts of capital generation from the Group's operating activities and market conditions, in addition to management actions taken in the year offset by dividend payments, the application of Tier 2/3 valuation restrictions and foreign exchange impacts. The Solvency Capital Requirement of £316m includes a £93m benefit from Group diversification and the benefits of the Group's foreign exchange hedging arrangements.

Cash generation



Commercial Cash Generation of £60m (2023: £52m) comprised contributions of £66m from the operating divisions, partially offset by net surplus usage at Group Centre to fund M&A activities, debt financing costs and central overheads.

The contribution from the operating divisions of £66m (2023: £73m) benefitted from favourable market conditions across our operating territories, robust new business performance and stronger operating performance relative to 2023. Group Centre surplus usage reflected Group Centre and debt servicing costs, partially offset by capital benefits from Group diversification and foreign exchange hedging facilities.

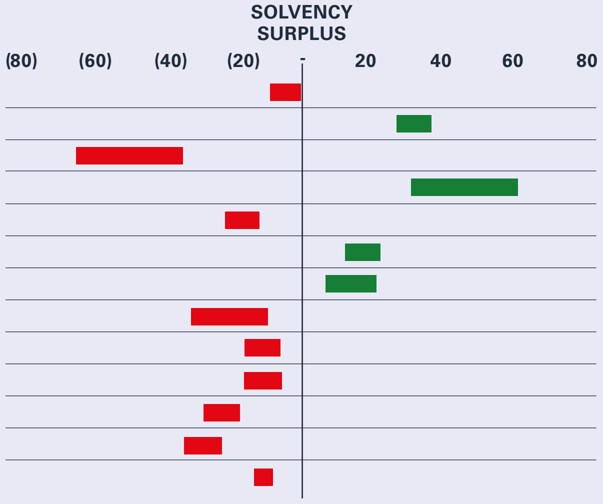
Commercial Cash Generation represents 1.60x coverage of the total 2024 dividend, demonstrating that the Group has ample resources to finance ongoing debt and dividend commitments whist maintaining a strong Solvency Coverage Ratio.

Centre liquidity

Group Centre held liquid resources of £109m at FY 2024, and this is expected to increase to £130m by half year 2025 following the receipt of planned Dividend Remittances from our operating divisions, net of Group Centre costs over the same period. This illustrates that we are continuing to generate sufficient cash from our operating divisions to fund our dividends, debt and Group Centre costs without impacting the Solvency Coverage Ratio.

Sensitivities

Impact range £m	SOLVENCY RATIO
20% sterling appreciation	33.6%
20% sterling depreciation	(12.3)%
25% equity fall	6.4%
25% equity rise	(4.6)%
10% equity fall	2.6%
10% equity rise	(1.9)%
1% interest rate rise	6.1%
1% interest rate fall	(8.4)%
50 bps credit spread rise	(3.6)%
25 bps swap rate fall	(4.7)%
10% mass lapse	(0.2)%
1% inflation	(9.9)%
5% mortality increase	(3.6)%



Each individual bar in the diagram illustrates the estimated impact range (£m) of the respective sensitivities and whether that impact is positive (green) or negative (red).

The Group regularly assesses the resilience of the Solvency II Coverage Ratio against a range of scenarios as part of its internal risk management processes.

Market risks largely arise from foreign exchange rate movements, changes in equity valuations and movements in interest rates and inflation. Solvency surplus is most sensitive to the effect of equity movements on the value of the Group's AuA and the consequent impact on future earnings from charges levied on these AuA.

The Group reviews the matching profile of its liabilities relative to their matching assets on an ongoing basis. As a result, the impact on solvency surplus of interest rate movements is not significant. The inflation stress measures a permanent increase in inflation in all future years. This significantly increases the Group's exposure to future costs and reduces solvency surplus accordingly. It is worth noting that the sensitivities make no allowance for recovery management actions that the Group would apply in case of a prolonged stress event. These potential actions are regularly reviewed as part of the Group's ongoing risk management processes.

Demographic risks mainly comprise lapse risk from early surrenders and mortality risk on our protection and investment books. The Group manages lapse risk through a combination of active customer engagement, high levels of customer service and mass-lapse reinsurance arrangements. The Group manages mortality and longevity risk through its reinsurance arrangements and reviews the overall reinsurance programme on a regular basis.

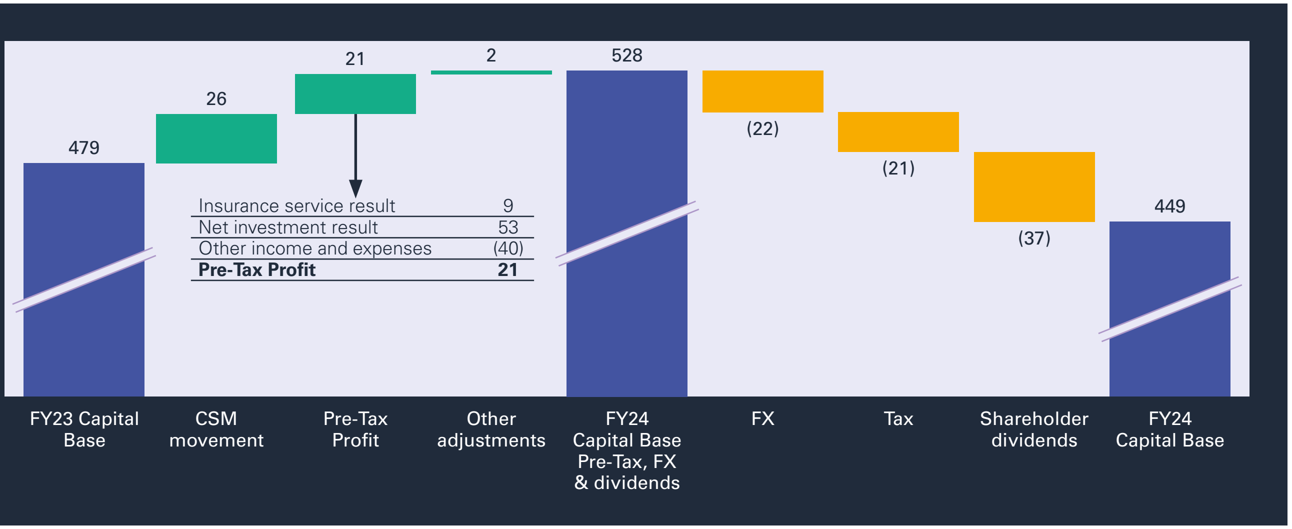
CHIEF FINANCIAL OFFICER’S REPORT

Leverage
Leverage of 31% remained broadly unchanged as the impact of the increased CSM largely offset the decrease in IFRS equity. Our leverage ratio remains in line with our long-term preference of 30% or less and we continue to see opportunities to manage leverage in line with or below our preferred level into the longer term.

Capital management actions
Management actions are an important component of our strategy to maximise value from existing business. In 2024, we renewed the Group’s foreign exchange derivative instrument, further reducing capital requirements relating to the risk of extreme foreign exchange movements. In our UK division, mass-lapse reinsurance arrangements were extended to provide the Group with further capital relief against the risk of extreme lapse events. Taken in aggregate, these actions increased the Group’s Solvency Ratio by 5%.

IFRS

IFRS Pre-Tax Profit
Group IFRS Pre-Tax Profit of £20.8m is £19.1m higher than 2023 (£1.7m) with an improved insurance service result, a positive but lower investment result and an improvement in fee income net of expenses.



Insurance service result	9
Net investment result	53
Other income and expenses	(40)
Pre-Tax Profit	**21**

IFRS insurance result
The insurance service result comprises the revenue and expenses from providing insurance services to policyholders and excludes economic impacts. Assumption changes only apply to the insurance service result to the extent that they relate to groups of onerous contracts in a ‘loss component’ position.

The insurance service result of £8.6m (2023: loss of £5.2m) comprises a relatively stable and positive contribution from the release of the CSM and the Risk Adjustment of £22.2m (2023: £23.0m). This is offset by some adverse experience primarily in the Netherlands and assumption changes on lines of onerous contracts also in the Netherlands, with these impacts being much more significant in the prior year, resulting in the overall loss.

IFRS investment result
The investment result comprises the economic result from all the Group’s assets together with the impacts to its insurance and investment contract liabilities.

The positive investment result of £52.7m (2023: £71.7m) reflects the strong market performance in the year, although the investment returns from equities and fixed income securities did not reach the levels seen in 2023.

Fees, commission and other operating income
Fee, commission and other operating income mainly comprises the fee income generated in the UK and Sweden from unit-linked contracts measured under IFRS 9.

The income generated in the year after removing the effects of Swedish policyholder yield tax, which has an equal and opposite offset within ‘Other Operating Expenses’, was £73.4m (2023: £71.5m) with equity market returns in the UK and Sweden being the largest contributory factors to the result.

Other operating expenses and financing costs
Other operating expenses comprises those costs incurred by the Group that are not incurred from servicing insurance contracts, with such costs being reported within the insurance result.

After stripping out the impact of the policyholder yield tax noted above, the total other operating expenses and finance costs in the year was £113.9m (2023: £143.0m), with the prior year amount also being impacted by an impairment of AVIF in the UK segment of £21.0m.

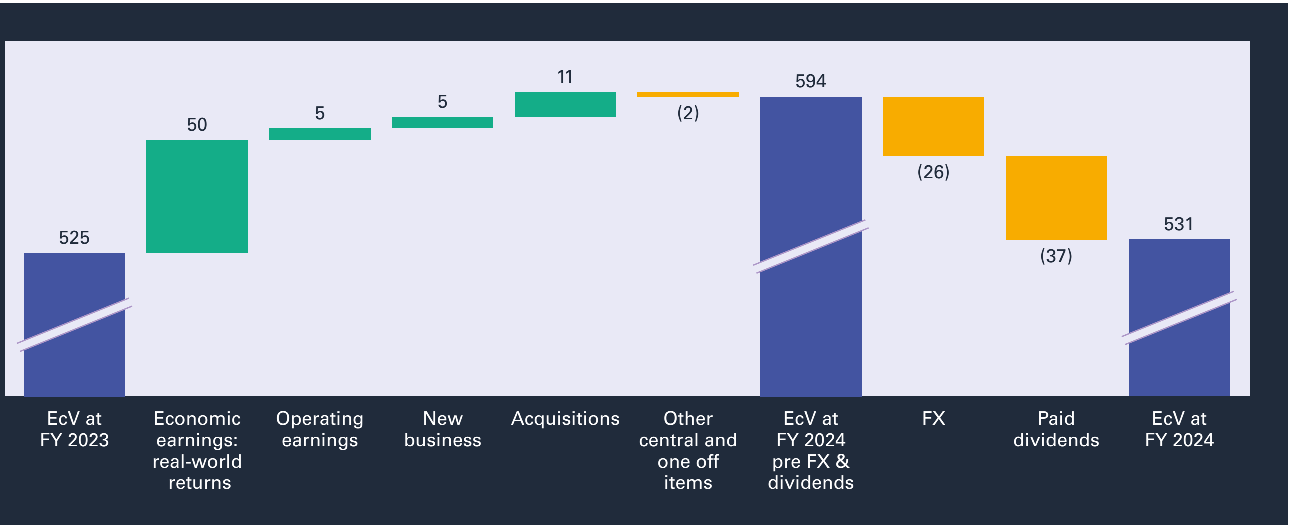
IFRS Capital Base
Before allowing for the 2024 dividend, the IFRS Capital Base of £449.1m increased by £6.2m over 2024 as a result of the positive IFRS profit after tax of £3.9m, the increase in CSM net of tax of £15.2m and negative impacts going through ‘other comprehensive income’ or directly to shareholder equity of (£12.8m), these being mainly in respect of foreign exchange impacts.

In December 2024, the Group announced that agreement had been reached with Canada Life to transfer an in-force portfolio to Chesnara’s UK division. This acquisition contributed £0.7m to the increase in CSM gross of tax, however this amount reflects the profits to be earned in the reinsurance phase only, during which it will be accounted for at the reinsurance contract level under IFRS 17. Following the legal transfer of the underlying policies, IFRS 9 will then apply, as the policies are investment contracts and profits will therefore be recognised as the fee income is earned.

A further £6.8m of CSM gross of tax arose from new business in Scildon, offset by £18.9m released to the income statement. The closing CSM on the balance sheet will be earned over the coverage period of the policies to which it relates, and the expected earnings pattern is such that after 10 years more than 40% will remain to be earned.

Economic Value Earnings

The Economic Value of the Group represents the present value of future profits from existing business, plus the adjusted net asset value of non-insurance business within the Group. Group EcV Earnings of £69m increased by £10m (2023: £59m) with economic earnings being the largest component of Economic Value Earnings, reflecting favourable market conditions throughout 2024.



EcV Economic Earnings
Positive global equity market movements contributed strongly to the growth in the value of AuA[†] over 2024, increasing the store of future value available from investment-linked portfolios. This was partially offset by the impact of foreign exchange movements, primarily from the strengthening of Sterling against the Euro and the Swedish Krona.

EcV Operating Earnings
EcV Operating Earnings of £10m (2023: £6m) were supported by strong contributions from the Group's Dutch businesses, and a small year-on-year increase in contribution from new business.

The contribution from the in-force portfolio and new business was partially offset by a strengthening of short-term lapse assumptions in the Group's Swedish division, mortality assumptions in the Netherlands and expense assumptions in the UK. Whilst these effects had the impact of reducing EcV Operating Earnings by £8m, this is less marked than the prior year (2023: (£15m)), reflecting cost-containment and risk-management actions taken throughout 2024.

Other EcV Earnings
The acquisition of the Canada Life portfolio results in an up-front EcV gain of c£11m. Other non-operating items include the positive impact or risk margin releases (£23m), offsetting central financing costs (including Tier 2 coupon payments) of £11m.

Economic Value as at 31 December 2024
Before allowing for dividends of £37m, the Economic Value of the Group grew to £568m (2023: £525m).

Dividend

Our continued strong performance along with our strong and resilient solvency position has supported the directors' decision to recommend a 3% increase in the total dividend to 24.69p per share (2023: 23.97p).

Outlook

Chesnara has now delivered 20 years of consecutive dividend increases to our shareholders. Looking forward, we continue to have a strong line of sight to future cash generation over the medium and longer term. We have opportunities to further optimise future value generation from our existing portfolio through continued capital and investment management actions.

Our capital and liquidity resources remain strong and resilient to market movements and position us strongly to generate further sources of future value through acquisitions and investment in our operating divisions.

Tom Howard

Tom Howard
Chief Financial Officer
26 March 2025

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

STRATEGIC REPORT

OUR STRATEGY, BUSINESS MODEL AND CULTURE & VALUES

Our strategy focuses on delivering value to customers and shareholders, mindful of the interests of other stakeholders, through our three strategic objectives, executed across our three territories.

OUR STRATEGY

STRATEGIC OBJECTIVES

Read more on **p28**

MAXIMISE VALUE FROM EXISTING BUSINESS

Managing our existing customers efficiently, whilst delivering good outcomes, is core to delivering our overall strategic aims.

KPIs

- **Cash generation**
- **EcV Earnings**
- **Customer outcomes**
- **IFRS Pre-Tax Profit**
- **IFRS Capital Base**

1

ACQUIRE LIFE AND PENSIONS BUSINESSES

Acquiring and integrating companies into our business model is key to continuing our growth journey.

KPIs

- **Cash generation**
- **EcV growth**
- **Customer outcomes**
- **Risk appetite**
- **IFRS Pre-Tax Profit**
- **IFRS Capital Base**

2

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

Writing profitable new business supports the growth of our Group and helps mitigate the natural run-off of our book.

KPIs

- **EcV growth**
- **Customer outcomes**
- **IFRS Pre-Tax Profit**
- **IFRS Capital Base**

3

BECOMING A SUSTAINABLE CHESNARA

HOW WE ORGANISE OURSELVES

UK	NETHERLANDS		SWEDEN	DIVISION
COUNTRYWIDE ASSURED Read more on **p40**	**WAARD GROUP** Read more on **p44**	**SCILDON** Read more on **p44**	**MOVESTIC** Read more on **p42**	OPERATING COMPANY
Linked pension business; life insurance, covering both index-linked and unit-linked; endowments; whole of life; annuities and some with profit business.	Mainly term life policies, with some unit-linked and non-life policies.	Protection, individual savings and group pensions contracts.	Predominantly unit-linked pensions and savings. Also provides life and health product offerings as well as custodian business.	KEY PRODUCTS
c290k	**c128k**	**c240k**	**c280k**	NUMBER OF POLICIES
Onshore bond sold through Investment platforms.	n/a	Sold through a broker network.	Largely through a network of brokers and partners, although some is directly to customers.	DISTRIBUTION METHOD

UNDERPINNED BY A ROBUST RISK MANAGEMENT AND GOVERNANCE FRAMEWORK

OUR BUSINESS MODEL

STAKEHOLDERS	INVESTORS	CUSTOMERS	REGULATORS	STAFF	SUPPLIERS AND PARTNERS	THE PLANET & NATURAL ENVIRONMENT
OBJECTIVES	Competitive returns through attractive dividends and share price growth for shareholders and a dependable coupon payment for debtholders	Good outcomes	Financial stability and regulatory compliance	Attract, promote and retain quality staff Job satisfaction and motivation	Long-term reliable relationships	Progress to being a sustainable group
KPIs	Cash generation[†] EcV[†] growth Solvency Coverage Ratio	Good outcomes Investment return	Good outcomes Solvency Coverage Ratio	Staff survey results Staff retention rates	Quality of service Tracking expenditure Openness of relationship	Operational emissions Financed emissions Energy usage Investment in positive solutions

Chesnara

OUR CULTURE AND VALUES	Responsible risk-based management for the benefit of all our stakeholders	Fair treatment of customers	Maintain adequate financial resources	Provide a competitive return to our investors	Robust regulatory compliance	A just transition to a sustainable group
STAKEHOLDERS	– Shareholders – Debtholders – Staff – Suppliers and partners – Natural environment – Customers	– Customers	– Customers – Regulators – Staff	– Shareholders – Debtholders	– Shareholders – Debtholders – Customers – Regulators – Natural environment	– All stakeholders including the planet

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

OUR STRATEGY

Our strategy focuses on three areas: the efficient management of our existing business, the creation of value through acquisitions and writing profitable new business.

STRATEGIC OBJECTIVE	WHY THIS MATTERS	HOW WE DELIVER OUR BUSINESS MODEL
1 **MAXIMISE VALUE FROM EXISTING BUSINESS**	Delivering on the commitments we have made to customers is fundamental to the success of the Group. Existing books of policies are the principal source of the Group's cash generation[†] and Economic Value[†] and are at the heart of the investment case for our shareholders and debtholders. If we do not do a good job for our customers then we will not have the right to execute against our other two strategic objectives.	A centralised governance oversight and corporate management team ensures robust and consistent governance across the Group. Operational execution is devolved to our divisions to ensure the Group benefits from strong divisional management teams and reflects the need to ensure that processes are fit for purpose locally. The core operations of our UK division follow a largely outsourced business model. The core operating activities of our businesses in Sweden and the Netherlands are predominately managed internally. We create value and generate cash through: – running our in-force books of business efficiently and effectively; – executing management actions that create long-term value and/or generate cash; – optimising the risk/reward balance in how we invest our assets and generate future returns; – accessing broader Group diversification synergies; and – ensuring our customer processes deliver good outcomes (recognising Consumer Duty requirements for UK customers) and remain robust and in line with customer expectations, which in turn supports stronger persistency.
2 **ACQUIRE LIFE AND PENSIONS BUSINESSES**	Bringing value enhancing acquisitions into the Group maintains and potentially enhances the efficiency of the operating model, creates a source of ongoing value enhancement and sustains the longer-term cash generation potential of the Group.	– Identify potential deals through an effective network of our own relationships, supplemented by advisors and industry associates. – Assess deals by applying well established criteria which consider the impact on cash generation, Economic Value and solvency under the best estimate and stressed scenarios and the impact of the deal on the enlarged Group's risk profile. – Minimise transaction risk through stringent risk-based due diligence procedures and the senior management team's acquisition experience and positive track record. – Finance deals with debt, equity and/or cash depending on the size and cash flows of each opportunity. – Work cooperatively with regulators.
3 **ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS**	The Group financial model supports incremental value generation through writing profitable new business. New business activity supplements the growth delivered from the management of our in-force portfolio and periodic acquisitions.	– In the UK, new business is primarily sold via advisors who provide new customers with access to our onshore bond product via a selection of investment platforms. – In Sweden, we primarily focus on unit-linked pensions and savings business, distributed largely through brokers, and custodian business distributed by partners, albeit with an ambition to grow our risk protection business. – In the Netherlands, we sell protection products and, individual savings contracts via a broker-led distribution model. – New business terms are regularly reviewed to ensure that they remain competitive in their respective markets whilst maintaining profitable returns to the Group.

RISKS: FOR FURTHER INFORMATION ON PRINCIPAL RISKS LISTED PLEASE SEE THE RELEVANT CODES ON PAGES 61-67

HOW WE MEASURE DELIVERY	**RISKS:** WHAT CAN STOP US MEETING THIS OBJECTIVE?	**RISKS:** WHAT CAN WE DO ABOUT THIS?	UPDATE
Customer outcomes This is measured through monitoring: – customer service metrics; – policyholder fund performance against industry and market expectations; – customer complaint levels; and – our compliance with regards to regulatory conduct matters. **Financial outcomes** Cash generation is the surplus generated by the Group over its capital requirements, as set by the Board. Economic Value is a prudent estimate of the potential future store of cash generation available to the Group from the efficient management of the in-force portfolio and so is an important measure of the long-term performance of the Group.	– **PR1** Adverse investment market conditions can result in lower assets under management and hence lower fee income from unit-linked business. For products with guarantees, this can increase the cost of fulfilling the guarantees. – **PR4** Increased lapses on cash generative/value enhancing products. – **PR4** **PR6** Loss of key brokers, or aggressive competitor pricing, can result in increases in the level of customers moving to competitors. – **PR2** Regulatory change can potentially impact the cash flows arising from the existing business. – **PR5** Expenditure levels could exceed those assumed. – **PR1** Foreign currency fluctuations can impact the sterling value emerging from overseas operations. – **PR10** Weakness in modelling results may lead to poor decisions regarding strategic, operational or investment matters.	– Active investment management to deliver competitive investment returns for policyholders, within agreed risk appetite levels. – Outsourcer service level arrangements that ensure strong customer service standards. – Strong expense management to ensure that the cost base is efficient, well controlled, predictable and within direct management influence. – Close monitoring of persistency levels and strong customer service standards help manage lapse rates and ensure customers do not unknowingly exit when it is not in their interest to do so. – Implementation of efficient reinsurance and hedging strategies. – Strong model controls including do/check/review and adherence to Technical Actuarial Standards, plus independent internal and external review and sign off. – Strengthening controls and documentation around financial reporting and decision making models, and improving the independent testing of those controls through the operational resilience programmes and in preparation for the new Corporate Governance code.	**UK** Pages 40-41 **SWEDEN** Pages 42-43 **NETHERLANDS** Pages 44-45
Financial outcomes Acquisitions must meet the hurdle-rate financial returns required by our capital allocation policies and must be attractive relative to alternative uses of the Group's capital resources. **Customer outcomes** Acquisitions must ensure we protect, or ideally enhance, customer interests. **Risk appetite** Acquisitions should normally align with the Group's documented risk appetite. If a deal is deemed to sit outside our risk appetite, the financial returns must be suitably compelling.	– **PR3** A lack of value adding acquisition opportunities come to market, the investment case for the Group diminishes over time. – **PR3** **PR9** There is the risk that we make an inappropriate acquisition that adversely impacts the financial strength of the Group. – **PR10** Inaccurate model outputs during due diligence stage could potentially lead to overestimating the value of acquisitions, resulting in over payment.	– Operating in three territories increases our options thereby reducing the risk that no further value adding deals are done. – Additional investment has been made in resources that support our M&A efforts. – A broader target market also increases the potential for deals that meet our strategic objectives. – Each acquisition is supported by a financial deal assessment model which includes high quality financial analysis. This is reviewed and challenged by management and the Board.	**UK** Pages 40-41 **SWEDEN** Pages 42-43 **NETHERLANDS** Pages 44-45
Financial outcomes New business activity must meet the hurdle-rate financial returns and deliver an acceptable level of New Business Contribution to the Group. **Customer outcomes** New business activity must ensure we protect, or ideally enhance, customer interests.	– **PR8** The attractiveness of products can be influenced by economic conditions, politics and the media. – **PR6** **PR8** **PR9** New business volumes are sensitive to the quality of service to intermediaries and the end customer. – **PR8** In Sweden, new business remains relatively concentrated towards several large brokers and private banks. – **PR8** A competitive market puts pressure on new sales margins. – **PR10** Inaccurate assumptions modelling resulting in writing unprofitable new business.	– In the UK, looking to expand the platforms that we work with. – In Sweden, continuing to extend the breadth of broker support and develop more digital and automation capabilities. – Ensuring good quality of service to existing network of intermediaries. – Focusing on other margin drivers beyond product pricing, such as the fund management operation. – Enhancing business processes and product offering to be attractive to brokers and consumers.	**UK** Pages 40-41 **SWEDEN** Pages 42-43 **NETHERLANDS** Pages 44-45

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

OUR CULTURE & VALUES

Our values and culture are strongly influenced by our responsibility to a range of key stakeholders including customers, regulators, wider society and our investors. They underpin the delivery of our core strategic objectives.

WHY IS IT IMPORTANT?	WHAT WE HAVE DONE
FAIR TREATMENT OF CUSTOMERS The fair treatment of customers across the Group is our primary responsibility. It is also important to our business strategy as it promotes stronger relationships with our customers, distributors and regulators. When applying the terms of our customer contracts, coupled with guidance and requirements set out by our local regulators, we place a high priority on ensuring good outcomes for our customers.	– **UK:** Continued to deliver good levels of service to our customers, meeting the high standards expected by our regulators, including work to deliver the ongoing operational resilience programme (which is on track for the 31 March 2025 deadline) and formation of a fully-funded plan in compliance with the Consumer Duty rules for the closed-book business (completed in line with the regulatory deadline of 31 July 2024). The UK division has also continued to proactively maintain contact with long-standing customers and to reunite customers with unclaimed assets. – **Sweden:** Continued to enhance our digital offering to customers, having updated the division's digital service to allow both those nearing retirement and those customers with a longer time-horizon, to simulate retirement and plan their decumulation strategy. The division has also focused on broader ways it can support our customers, including individually adapted pension plans and sustainable investments. The offering within the life and health insurance business segment has been further developed and re-launched during the year.
RESPONSIBLE RISK-BASED MANAGEMENT FOR THE BENEFIT OF ALL OF OUR STAKEHOLDERS In managing the business, it is essential that our decision making assesses the risk impact of any decision. We achieve this by understanding the key risk drivers of the business plan and strategy, as well as by making sure we monitor the potential impact of these risks across our whole range of stakeholders.	– The ORSA (Own Risk and Solvency Assessment) process is fully embedded across the Group. It provides a clear articulation of our risk appetite, ensures that strong risk oversight applies on an ongoing basis, and acts as a key input to inform risk-based decision making. – We have enhanced the Group's Cyber Response Framework and performed simulation testing. – Delivered our continuous improvement regime regarding how we manage risk across the Group, supported by our annual systems of governance review.
PROVIDE A COMPETITIVE RETURN TO OUR INVESTORS As a public company, we seek to offer an attractive investment proposition for investors. As most of our shareholders hold our shares through income-focused investment funds, we are conscious of the importance of delivering an attractive and sustainable dividend to our investors. Debt-holders also want confidence in our ability to service our debt costs. We also recognise the benefit of an investment that offers clarity and consistency of performance.	– Continued our impressive track record of increasing our dividend for the last 20 years, even during turbulent investment market conditions. – Delivered strong cash generation with all divisions contributing to provide coverage of 160% against the shareholder dividend. – Maintained a robust solvency position in all divisions and at Group level, supporting the continued dividend growth and providing substantial headroom for future acquisitions.
ROBUST REGULATORY COMPLIANCE Working constructively with our regulators and complying with regulatory requirements and guidance is imperative to the delivery of our objectives. Regulators' desire for robust and responsible governance is very much part of our culture and a principal priority for the Chesnara Board.	– Maintained robust solvency levels across the Group and all divisions, above regulatory requirements. – Continued to place a high priority on compliance, maintaining an open dialogue with our regulators. – Continued to monitor forthcoming non-financial reporting frameworks to ensure we implement them in line with their effective date.
MAINTAINING ADEQUATE LIQUIDITY Ensuring we have liquidity to meet our ongoing financial obligations requirements is fundamental to the sound financial management of the business.	– We use the business plan to project cash flows over the forthcoming five-year period. – We assess the liquidity of the Group on a regular basis, working to an internal buffer and this is also considered as part of all acquisition processes to ensure we finance the deals in the most efficient way whilst also maintaining an adequate level of liquidity to meet the ongoing financial obligations of the business.
A JUST TRANSITION TO A SUSTAINABLE GROUP Whilst we recognise the urgency for change and the opportunities that can arise from transitioning to a low-carbon economy and environmentally sustainable society, our work will be guided by key principles of a just transition, ensuring the most vulnerable are not left behind.	Further information on what we are doing and the outcomes are included on pages 74 to 91 and in our Annual Sustainability Report.

Risk management is at the heart of what we do and embedded within our robust Governance Framework.

	THE OUTCOMES
– **Netherlands:** Waard launched its digital customer portal in the year, making it easier for customers to access documents. Scildon simplified its product portfolio and further digitalised its customer and advisor portals. In 2025, the Group intends to merge our two Dutch entities, and will ensure that customers continue to receive high quality service over this change period, and into the future as part of a larger, more sustainable combined business. – Where customer complaints arise, we have continued to manage them in accordance with the appropriate regulatory practice. – We have closely monitored any regulatory developments to ensure we continue to treat our customers fairly in accordance with changing regulatory requirements.	– Generally, a low level of complaints across the Group has continued. – Transparent customer communications, supporting better customer outcomes. – Good ongoing service levels over the course of the year, with a high level of customer satisfaction. – More individually adapted communication and services, leading to higher customer engagement. – Delivered positive investment returns for customers.
	– Robust solvency coverage over the course of the year. – Ongoing constructive dialogue with regulators across the different territories in which the Group operates. – Strong results from the annual review of the systems of governance across the business.
– Remained active in the M&A market and completed one further value adding UK acquisition in 2024. – Monitored our leverage ratio, ensuring it remains in line with our ambition of 30% over the medium to longer term.	– Dividend growth track record continues, with 3% dividend per share growth in 2024. – Completed a further acquisition during 2024, adding additional value and cash flow to the Group. – TSR of 17.4% delivered for 2022-24 (2021-23: 14.7%).
	– Ongoing constructive relationships with UK, Swedish and Dutch regulators. – Continued adherence to internal governance policies and principles. – Continued oversight of the Group's sustainability agenda and targets. – The UK division met the 31 July 2024 deadline for the closed-book operations to comply with the FCA's Consumer Duty regulation. The division is also on track to meet the 31 March 2025 deadline for the FCA's Operational Resilience regulation. – Materially compliant with DORA requirements in Sweden and the Netherlands by the January 2025 deadline, with further activity during 2025 to fully embed into operations. – Reviewed compliance with the guidance of the FCA's anti-greenwashing rule, as part of the Sustainability Disclosure Requirements and investment labels. – Progressed our implementation of the Corporate Sustainability Reporting Directive in our Dutch entities and continued to review the timeline of other frameworks. We are considering the impact of the EU Omnibus proposals announced in February 2025, which would mean we would no longer have to implement CSRD across the Group.
	– Strong closing Group Centre liquidity holdings at the end of 2024 of £109m, significantly exceeding our internal buffer. Pro forma Group Centre liquidity of £130m forecast 30 June 2025, after allowing for the expected receipt of further divisional cash remittances, net of certain Group Centre costs.

SECTION 172 • THE BOARD'S APPROACH

Our Section 172 reporting seeks to communicate the Board's approach to decision making, an overview of our key stakeholders and how stakeholders are considered by the Board when making decisions.

This section of the Annual Report and Accounts is therefore designed to provide insight into how the directors of Chesnara have discharged their responsibilities under Section 172 of the Companies Act, and having had regard to the matters set out in Section 172 (1) (a) to (f) when performing their duties.

Section 172 statement

The directors of Chesnara believe that they have acted in a way that they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have had regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company to maintain a reputation for high standards of business conduct; and

f) the need to act fairly between members of the Company.

The following disclosures provide further insight supporting the above statement over the course of 2024. The disclosures have been split into three key sections:

The Board's approach
The overall approach taken by the Board in ensuring that the requirements of Section 172 are met.

Key stakeholders
This covers the key stakeholders that the Board considers are important to the long-term success of the Company; how the Company depends on these stakeholders; how key stakeholders are impacted by the decisions of the Company; and how we engage with those stakeholders.

Significant decisions
This covers the significant decisions made by the Board during the year and how the directors have considered key stakeholders and discharged their responsibilities under Section 172 in making these decisions.

The Board's approach

Role of the Chair
As described on page 99 within the Corporate Governance Report, it is the role of the Chair to lead the Board in the determination of the Group's strategy; to ensure that the Board is furnished with sufficient information in order to support its decision making; and to ensure that relevant stakeholders have been taken into account when making decisions.

Business planning
The principal process supporting the longer-term decision making of the Board is the Group business planning process. This is a three-stage process that takes place throughout the course of the year, as follows:

STAGE 1

STRATEGIC PLANNING

The preliminary stage of the business planning process allows the Board to review and challenge the strategy of the Group.

STAGE 2

REVIEW AND CHALLENGE OF DIVISIONAL AND GROUP OPERATIONAL PLANS

Following completion of the strategic planning, including any associated feedback to the operating business units, operational plans are developed by the respective management teams and reviewed by the Group Senior Leadership Team. The key objectives of these operational plans are explicitly linked to the strategic objectives of the Group, ensuring that the key management actions support the delivery of the Group strategy.

STAGE 3

DETAILED BUSINESS PLANS SUPPORTED BY FINANCIAL PROJECTIONS

Final business plans are then produced at both a divisional and Group level. These include the agreed operational deliverables for the short to medium term and their associated risks and opportunities, alongside the associated financial projections.

The business planning process for 2024 confirmed that the Board continues to support the Group's strategic objectives:

1

MAXIMISE VALUE FROM EXISTING BUSINESS

Managing our existing customers efficiently whilst delivering good outcomes is core to delivering our overall strategic aims.

2

ACQUIRE LIFE AND PENSIONS BUSINESSES

Acquiring and integrating companies into our business model is key to continuing our growth journey.

3

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

Writing profitable new business supports the growth of our Group and helps mitigate the natural run-off of our book.

The strategy of the Group has regard for the following core culture and value principles:

- Fair treatment of customers
- Responsible risk-based management for the benefit of all of our stakeholders
- Providing a competitive return to our investors
- Robust regulatory compliance
- Maintaining adequate financial resources
- A just transition to a sustainable group.

These are described in more detail on pages 26 to 31.

Each key objective within the Group business plan is supported by relevant information to support the review and challenge process by the Board, having regard to the factors required by Section 172 (1) (a) to (f).

Further information on how the Board considers each key stakeholder group is provided on pages 34 to 36.

The projected financial and non-financial outcomes of the business plan process allows the Board to consider both the shorter-term and longer-term consequences of the plan in the context of all our stakeholders. The key financial items/metrics that the Board considers are shown below.

Key financial metrics in the business planning process:

CASH GENERATION†

SOLVENCY COVERAGE

ECONOMIC VALUE†

IFRS PROFITS

IFRS CAPITAL BASE & GROUP LEVERAGE

RETURN ON IFRS EQUITY

RETURN ON CAPITAL

SHAREHOLDER DIVIDENDS

DIVISIONAL CASH REMITTANCES

EXPENSES

NEW BUSINESS CONTRIBUTION†

Governance Framework and Board reporting

Long-term decision making of the Board is supported by the Group's Governance Framework, which is set out in the Corporate Governance Report.

Regular Board meetings and robust reporting requirements (underpinned by a schedule of matters reserved for the Board) allow the Board to operate effectively, fulfil its responsibilities (including in relation to Section 172 (1) (a) to (f) of the Companies Act 2006) and provide valuable oversight. One of the key additional sources of reporting to the Board is the Group's quarterly management information (MI) pack. This is designed to be a 'one stop' holistic view of the Group as a whole and covers, amongst other things, the following items of relevance to the requirements of Section 172:

- Divisional updates, including financial results, business plan progress, key customer initiatives, regulatory interactions, operational performance (including updates on key outsourcer, supplier and employee matters);
- Matters pertaining to investor relations;
- Consolidated financial results;
- Investment performance analysis, covering both customer and shareholder returns;
- Progress updates on key objectives within the business plan and projects;
- Risk matters affecting the Group; and
- Sustainability updates.

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† Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

SECTION 172 • KEY STAKEHOLDERS

The following table identifies the key stakeholders that the Board considers are important to the long-term success of the Company. It provides insight into how the Company engages with these stakeholders and how they are considered when making strategic decisions. Matters arising in relation to each stakeholder group are communicated by management to the Board in a management information (MI) pack at each Board meeting.

	DEPENDENCIES OF BUSINESS ON THE STAKEHOLDER	IMPACT OF BUSINESS ON THE STAKEHOLDER	HOW WE ENGAGE WITH THE STAKEHOLDER	KPIs MONITORED RELATING TO THE STAKEHOLDER
CUSTOMERS	Our customers are key to the long-term success of the Group, both in terms of retaining existing customers and attracting new ones to our open books of business. Without our customers, the Group would cease to exist.	Our primary concern is ensuring that our customers receive consistently strong outcome from a well-capitalised and financially secure company. Our financial management and culture & values statements demonstrate that this is embedded across the Group. We closely manage all aspects of the customer journey, covering customer experience, communications, policyholder expectations, product value for money, and our solvency coverage levels.	Our primary engagement with customers comes from a combination of outward communication, coupled with customer contact, be it through policy changes, queries or claims. From an outwards communication perspective, our aim is to ensure we provide transparent and understandable information to our customers, be it in the form of regular written letters/booklets, information available on our website or through any other material made available to customers. From the perspective of responding to customer contact, we seek to make our processes as helpful to the customer as possible, mindful of different customer group preferences. This involves ensuring that our customer contact staff are well trained for telephony or email correspondence and making other technology available where feasible (such as the use of apps). We obtain feedback on the way we engage with our customers through periodic market research or customer focus groups.	Policy lapses Complaints Service levels Customer survey scores Policyholder investment returns Customer engagement
EQUITY INVESTORS	Having a strong and stable shareholder base is critical for the long-term success of the Group. It allows us to pursue our long-term strategy, including the potential for raising new capital for acquisition purposes.	Any business decision that is made that affects either the future dividend payments of the Group or its long-term sustainability may be of significant interest to our investors. If either of those elements are put under pressure, it could reduce confidence in the Group, and could lead to a reduction in shareholder returns.	We primarily engage with investors through the following key channels: – Formal public financial reporting, which we produce every six months. – Meetings with current and potential investors during the year, including as part of investor roadshows after formal results and at investor conferences. – Our Annual General Meeting. – Periodically, we hold ‘investor days’ with our shareholders and other market related stakeholders, which are designed to provide further insight into our business and give investors an opportunity to meet a wider range of Chesnara senior management. – We will periodically contact investors for feedback in advance of formal publication of matters, such as material changes to our Remuneration Policy. If we seek to raise additional debt or equity, our investors are actively engaged at the appropriate point in the process.	Dividend growth Share price TSR Significant investor purchases/sales Cash generation Solvency Coverage Ratio Economic Value IFRS Capital Base & Leverage IFRS Pre-Tax Profit Investor feedback Net zero targets
DEBT INVESTORS	The support of our debt investors facilitates the pursuit of our long-term strategy, including the potential for raising new capital for acquisition purposes.	Any business decision that is made that affects the Group’s long-term sustainability may be of significant interest to our debt investors, and any decision that could reduce capacity is likely to reduce confidence in the Group.	We primarily engage with debt investors through the following key channels: – Formal public financial reporting, which we produce every six months. – Meetings with debt investors, including as part of investor roadshows after formal results and at investor conferences.	Debt investor feedback Fitch Long-Term Issuer Default Rating Gearing ratio Price of listed debt instruments Cash generation and Solvency Coverage Ratio Net zero targets

† Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

It is worth noting that not all stakeholders have the same interests and whilst there is considerable overlap, they can at times conflict. The Board's role is to weigh these factors up when setting the strategy and operational plans of the business.

	DEPENDENCIES OF BUSINESS ON THE STAKEHOLDER	IMPACT OF BUSINESS ON THE STAKEHOLDER	HOW WE ENGAGE WITH THE STAKEHOLDER	KPIs MONITORED RELATING TO THE STAKEHOLDER
SUPPLIERS AND PARTNERS	Key suppliers and partners include our banks, outsourcers, intermediaries and professional services providers. We depend on them for various aspects of our business model. *Banks:* Access to ongoing short-term lending to support our business. *Outsourcers:* Supporting the day-to-day policy administration, customer contact and associated accounting of our business, primarily in the UK, together with the decarbonisation of their operations to support our own net zero plans. *Intermediaries and partners:* Distributing our products in the UK, Sweden and the Netherlands. *Suppliers:* Support and advice from our key suppliers, including professional services, together with the decarbonisation of their operations to support our own net zero plans. *Derivative counterparties:* Provision of financial instruments to enable us to manage our risk profile in line with our tolerances. *Rating agency:* Fitch has assigned an investment grade credit rating for the Group's subordinated debt, which supports the Group in raising capital at attractive rates of interest. *Asset managers:* Support the delivery of positive investment outcomes for customers through the management of certain assets on behalf of the Group and its divisions and in the transition of our investment portfolio to net zero.	Our various suppliers and partners are impacted by the Group as follows. *Banks:* Our banking partners earn a return on the facilities they provide and take a keen interest in ensuring we manage our finances and strategy in a way that minimises their risk of loss. *Outsourcers:* Our outsourcers have an opportunity to share in the growth of the Group through further acquisitions or portfolio transfers. Our outsourcers rely on the ongoing financial stability of the Group to ensure that the services they provide continue to be paid for by the Group. *Intermediaries and partners:* Selling our products is a source of immediate and ongoing revenue for our intermediaries. When dealing with the end customer, intermediaries and partners rely on quality information being provided by us in a timely manner. *Suppliers:* For key suppliers of the Group, we are likely to be an important source of revenue, and therefore the Group's ongoing success in terms of delivering its growth plans and remaining financially stable will be of interest to our suppliers. *Derivative counterparties:* They manage their own risk exposures through the derivative instruments or make a return as market makers for the trades. *Rating agencies:* Any business decision that affects the Group's long-term sustainability may be of significant interest to Fitch and could impact the credit rating assigned. *Asset managers:* Our asset management partners earn fees on the assets they manage and have an opportunity to share in the success of the Group through additional assets brought into the Group through new business and acquisitions.	*Banks:* Our regular engagement with our banks takes the form of quarterly covenant compliance reporting, which is required for our existing Revolving Credit Facility (RCF) debt arrangement. On an ad-hoc basis, we engage with our banks in the event of a change in our business or to seek new funding, say to support an acquisition. In the event of an acquisition where we would like to secure more short-term debt funding, we work with banks and other advisors to ensure that we are providing relevant information to support the banks' decision making process. *Outsourcers:* We view having strong, open and honest relationships with our outsourcers as key to the long-term success of our business. We engage with our outsourcers through various scheduled meetings, focusing on a combination of specific function-driven relationship meetings and wider meetings focusing on the overall relationship. It is important that our outsource partners are suitably informed regarding business developments in the Group, and that the Group is aware of any relevant business changes in our outsourcers. This ongoing communication enhances the relationships and works towards maintaining the longer-term success of the Group. We are also working with our outsourcers to ensure they support the delivery of our emission targets. *Intermediaries and partners:* We strive to work closely with our intermediaries, engaging in a variety of ways. In both Movestic and Scildon, all intermediaries have access to a partner website, where they can administer customer processes and obtain information as required. The Swedish division also hosts annual meetings to engage with intermediaries, facilitating two-way discussion around products, services and market developments. Other areas of engagement include frequent meetings with intermediaries and partners, on an individual basis. *Suppliers:* A number of the Group's suppliers take the form of the provision of a service or advice as opposed to the supply of goods. For these suppliers, our engagement focuses on ensuring that the service or advice is fit for purpose and meets the intended scope. This typically involves up-front interaction in scoping the work, coupled with close monitoring of progress throughout the duration of the services. The Group ensures that it adheres to supplier payment terms. We are also engaging with our key suppliers to understand how they will be able to support the delivery of our sustainability targets and goals. *Derivative counterparties:* Once a risk exposure has been identified that we want to manage, we engage with the derivative counterparty about the structures available to mitigate that risk. This engagement process continues through to execution of the trade and on an ongoing basis via regular reporting during the life of the instrument. *Rating agencies:* In addition to the annual ratings review process, we regularly engage with Fitch to discuss the strategy, operational and financial performance of the Group. We also liaise with Fitch on an ad-hoc basis in advance of any key events, such as acquisitions or other key corporate activity. *Asset managers:* Regular meetings are held with our main asset management partners to review the investment mandates in place with significant focus on the underlying performance of the investments and their fit with our sustainability objectives.	Leverage ratio[†] EcV position[†] Solvency levels IFRS Return on Equity Service levels Adherence to timescales Cost efficiency Quality of service Credit rating applied to Chesnara plc and its subsidiaries Investment performance Financed and operational emissions of key third parties

SECTION 172 • KEY STAKEHOLDERS

	DEPENDENCIES OF BUSINESS ON THE STAKEHOLDER	IMPACT OF BUSINESS ON THE STAKEHOLDER	HOW WE ENGAGE WITH THE STAKEHOLDER	KPIs MONITORED RELATING TO THE STAKEHOLDER
REGULATORS	Compliance with regulatory requirements is fundamental to the success of the Group. Without it, we would not be able to maintain our existing status as a life and pensions provider.	The manner in which the Group manages itself, both from a prudential and conduct perspective, will dramatically affect how regulators view and interact with Chesnara and its subsidiaries. The higher risk that the Group is deemed to be to the regulator, the more focus that Chesnara and its subsidiaries are deemed to require. In addition, through being a member of the ABI, the Group also has the potential opportunity to respond to and shape future regulatory change in the UK.	Our engagement with regulators generally takes the following forms: – Regulators across the Group typically have regular routines and practices in place to support the delivery of their oversight objectives. This typically takes the form of periodic meetings with management, and involves the Group furnishing regulators with relevant information, such as quarterly and annual financial risk reporting. The Group fully supports this process. – The Group management will also typically engage with regulators as and when required should there be a business update that would warrant this; for example at the appropriate point during an acquisition process. – Annual regulatory college meeting where a number of the Group's regulators meet with the Group CEO and CRO.	Relationship with supervisory team Formal feedback from regulators
STAFF	Our people are a key asset and drive the development and deliver the strategy of the Group. We recognise that to be able to meet the expectations that we have set ourselves, we need to ensure that we continue to attract, promote and retain high quality candidates. Without high performing and motivated staff, the Group would not be able to deliver against its strategic aims.	We aim to provide a place of work that supports and develops the Group's employees, and we recognise that the Group's day-to-day culture and its overall remuneration and benefits package also have a significant effect on employees.	Chesnara and its subsidiaries have various mechanisms in place to ensure appropriate levels of engagement exist with employees. This involves: – Completing staff feedback surveys. – Holding regular update briefings covering matters such as business performance, policy updates or any other matters that are relevant to employees. – Holding regular employee forums to discuss any employee-related matters. – Having an appointed non-executive director (NED) who is responsible for employee-related matters and engages with local HR directors and employee forums. – Ensuring that we have relevant employee policies in place and that these are available to our employees. – Having robust whistleblowing policies in place. Our corporate and social responsibility statement on pages 71 to 91 provides further information.	Staff surveys Feedback from employee forums Feedback from appointed NED Staff turnover Diversity information
THE PLANET AND NATURAL ENVIRONMENT	Our business relies on natural capital and the environment, both for our operations and our investments. Changes in the natural environment and the effects of climate change can potentially affect the way we operate our businesses, and the returns to our customers and shareholders. We are committed to applying sustainability-based decision making across the Group.	Our main impact is from the assets in which we and our policyholders invest and their carbon and wider impact on nature. For our own operations, the main category of emissions are those arising from goods and services purchased from suppliers. The impact of our investment decisions and the investment choices made by our customers are wide-ranging and will continue to be a key focus area as we transition to become a sustainable group and work towards our net zero targets.	We impact the planet and natural environment through the business decisions that we and our policyholders make. Ensuring that sustainability is at the heart of our decision making is critical to ensuring that we consider the planet and natural environment. Our business units are working closely with their respective fund managers to fully embed sustainability within our own investment decision making criteria. For policyholders who choose where they wish to invest, we provide access to a range of sustainability-focused funds, and we continue to provide relevant material so that they can make informed decisions. In regard to our own operations, our business units are taking practical steps to reduce our emissions and minimise the impact that we have on the environment, as described on pages 74 to 91. Climate change risk is monitored as part of our risk identification and assessment processes (see pages 60 to 67 and 74 to 91).	CO_2e financed and operational emissions Climate Value at Risk Energy consumption ESG risk scores Value of assets invested within our definition of positive solutions

SECTION 172 • SIGNIFICANT DECISIONS

The principal process that the Board uses to make shorter and longer-term decisions is the Group business planning process. Key decisions also arise outside of the business planning process depending on how the business develops during the year and the challenges and opportunities that it faces. The table below lists the key decisions made by the Board during 2024 and how the directors have considered the factors required by Section 172 in making these decisions, including their regard for matters set out in Section 172(1)(a) to (f).

SIGNIFICANT DECISION		OTHER STAKEHOLDER CONSIDERATIONS
PROPOSED MERGER OF SCILDON AND WAARD	**OVERVIEW** During the year, the Board approved the potential merger of the two Dutch subsidiaries, Scildon and Waard, and submission of the required documents to local regulators for approval. The merger is expected to complete in July 2025. The emergent Dutch division will trade under the Scildon brand. **KEY CONSIDERATIONS** a) Customers' interests will continue to be protected or enhanced. b) The proposed merger will enhance the long-term prospects of the business from efficiencies that scale will bring. c) The interests of employees within the two entities was a significant consideration during the process, as the merger will result in organisational restructuring. Management engaged with employees through the Works Council in Scildon following the decision and a positive opinion was received from their independent considerations. In addition, the Nomination & Governance Committee considered the proposals for the senior roles. d) A key part of the implementation plan will be ensuring the merger brings no detriment to customers. e) The merged entity will trade under the Scildon brand which has a strong reputation in the Netherlands for high standards of business conduct. **PRIMARY BENEFICIARIES** **Customers:** The proposed merger should create a larger, more sustainable organisation that can even better support the needs of current and future customers. **Shareholders:** The merger is expected to improve the Solvency Coverage Ratio, cash generation and EcV Earnings of the Group in the short and longer term.	**Staff:** The merger will impact the day-to-day work for employees of Scildon and Waard. Implementation plans are being put in place with steps included to make this transition run as smoothly as possible. **Customers:** Throughout the transitionary period of the merger, ensuring that it does not detrimentally affect customers and continuing to foster the relationship with our customers is a priority. **Regulators:** The Dutch regulator, De Nederlandsche Bank (DNB), will be interested in ensuring that the merger does not cause any prudential or conduct issues.
ACQUISITION ANNOUNCED IN THE YEAR	**OVERVIEW** The Board is required to approve any acquisitions that the Group enters into. In addition to this, the Board reviews and approves any 'firm' material acquisition offers. In December 2024, the UK division reached agreement with Canada Life UK to acquire a closed portfolio of unit-linked bonds and legacy pension business with total AuM of £1.5bn. The deal was initially executed via a reinsurance agreement, with the policies expected to transfer to Countrywide Assured through a Part VII insurance business transfer process once court approval is obtained. **KEY CONSIDERATIONS** a) The UK division is largely closed to new business; therefore, acquisitions are the primary source of growth for the business. As such, this decision improves the long-term prospects of the division which benefits multiple shareholders including staff, our UK suppliers and partners. b) The impact on employees of completing the acquisition was considered through the process and in discussion with the seller. c) Ensuring that customers would not be adversely affected by the acquisition and continue to receive good outcomes was fundamental to the decision making process. We consulted with our regulators in advance of completing the acquisition. d) Our due diligence process in assessing potential acquisitions includes an initial and ongoing assessment of sustainability criteria against our goals and commitments. e) The Board considered how the acquisition would impact the business' reputation for high standards of business conduct. **PRIMARY BENEFICIARIES** **Customers:** The customers of the acquired portfolio will wish that their policies continue to be administered in line with expectations, and that they continue to be prudently managed. As part of the Part VII process, we ensure all policyholders continue to receive the same benefits in their existing policies with the same level of security after the transfer. **Shareholders:** The acquisition resulted in a day 1 EcV gain of £11m (in excess of the expected day 1 gain as quoted in the announcement of £8m).	**Staff:** The decision is of interest to the staff of our existing Group given it supports our growth ambitions which provides greater financial stability and development opportunities. **Regulators:** The FCA and PRA are responsible for approving elements of the Part VII documents and ensuring that the Company continues to remain compliant with regulations during the reinsurance period and after the Part VII. **Suppliers:** Our outsource partner, SS&C, will be administering the policies once the Part VII is complete, and therefore has an interest in the acquisition. Our ratings agencies were engaged in advance of the completion of the acquisition. **IFAs:** Financial advisors who recommended these products to the impacted customers will want to feel confident that the products will continue to be supported.

SECTION 172 • SIGNIFICANT DECISIONS

SIGNIFICANT DECISION		OTHER STAKEHOLDER CONSIDERATIONS
STAFF AND REMUNERATION DECISIONS	**OVERVIEW** Over the course of the year, there were a number of significant staff and remuneration related decisions, the most notable of which are: – Tom Howard was appointed as a director of Chesnara plc. He joined as Group CFO in April 2024. – Dave Rimmington stood down as a director and as Group Finance Director. – Stefan Klohammar was appointed as CEO of the subsidiary Movestic Fonder AB in September 2024. – Pauline Derkman and Edwin Bekkering are proposed as the CEO and CFRO of the future merged business in the Netherlands, subject to regulatory approval. – UK staff were invited to a 2024 issuance of the approved save as you earn (SAYE) scheme. – Salary increases across the UK as part of the annual review. **KEY CONSIDERATIONS** Each decision was discussed by the Board giving consideration as to the relevant merits of each item and whether the cost was appropriate given the current economic climate. For each of the decisions, the impact, the benefits and the position in the market and relative to competitors were considered (where appropriate). a) The Board considered the long-term impact of their choice of leadership and remuneration. b) The impact of expanding employees’ benefits packages on employees was considered by the Board. c) The Board considered the impact the Group’s leadership has on the Group’s reputation for high standards of business conduct. **PRIMARY BENEFICIARIES** The appointment of appropriately skilled and experienced Board members and senior leaders is in the interest of all our stakeholders. **Staff:** The primary stakeholder affected by the SAYE decision is the UK workforce, as this directly affects their benefits packages.	**Shareholder:** Investment in staff provides a sustainable environment and workforce, which in turn is expected to have a positive impact on the business. Both in advance of the 2024 AGM and following shareholders’ votes on the 2023 Directors’ Remuneration Report, the Chair of the Remuneration Committee engaged with major shareholders and a number of changes and clarifications were made as a result.
GOVERNANCE CHANGES	**OVERVIEW** Mindful of non-executive director tenures, during the year we commenced the search for a new independent non-executive member of the Chesnara Board. In January 2025, Gail Tucker was appointed as a NED and a member of the Audit & Risk Committee, and the Nomination & Governance Committee. Gail also joins the Board of Chesnara’s UK subsidiary, Countrywide Assured plc as a Non-Executive Director and it is intended will chair its Audit & Risk Committee subject to regulatory approval. Jane Dale, Non-Executive Director, will stand down at the AGM having completed her 9-year term. At the same time, Gail Tucker will be appointed as Chair of the Audit & Risk Committee. In addition, there have been a number of other changes: Karin Bergstein stood down as a Non-Executive Director of the Movestic Board, and Mark Hesketh stood down as a Non-Executive Director of the Chesnara Board and was appointed as the Chair of the CA Board. **KEY CONSIDERATIONS** Governance Code guidance, as well as skills, experience, geographical knowledge & capability, diversity, segregation and adequate oversight were all taken into account by the Nominations & Governance Committee in its deliberations. So too was the broader skills matrix of the Board as a whole. **PRIMARY BENEFICIARIES** Strong governance and a breadth of knowledge, experience and capability in the Board and its committees puts the Company in the best possible position to drive positive outcomes for all our stakeholders.	
APPLICATION OF CAPITAL MANAGEMENT AND DIVIDEND POLICIES	**OVERVIEW** Every year, the Board is required to consider what level of dividends are appropriate for shareholders, whilst also ensuring that it continues to adhere to its own Capital Management Policy. Dividend proposals are subject to Board approval, with proposed final dividends being included in a resolution voted for at the Annual General Meeting. During 2024, the Board approved the year end 2023 final dividend, amounting to 15.61p per share, and the interim 2024 dividend of 8.61p per share. **KEY CONSIDERATIONS** The Directors’ Report on page 135 provides information on the key considerations made by the Board when approving dividends. The aim is to satisfy investor expectations by delivering an attractive dividend, with steady growth where possible. This dividend cannot and will not be delivered at the expense of financial security, be it to solvency or liquidity. In the process of approving a dividend, the Board is presented with a paper by management which considers the various aspects of the dividend decision, including cash generation, solvency, leverage, the Group’s acquisition strategy and investor expectations. a) The Board ensures that the payment of a dividend does not jeopardise the long-term prospects of the Group. b) The AGM allows Chesnara to engage with shareholders, ensuring fair consideration across all members, and informs dividend and capital management decisions. **PRIMARY BENEFICIARIES** **Shareholders** are the primary beneficiaries of dividends.	**Banks:** Our bankers are considered in terms of the impact of distributions on our liquidity and solvency position. **Regulators and customers:** These stakeholders are considered in the context of ensuring that the solvency position of the Group remains robust.

SIGNIFICANT DECISION		OTHER STAKEHOLDER CONSIDERATIONS
DECISIONS UNDERPINNING REGULATORY ACTIVITIES	**OVERVIEW** Over the course of the year, a number of key regulatory projects were progressed or completed. The most material were: – Consumer Duty in the UK – with a deadline of 31 July 2024 to comply for closed books. – EU DORA regulations which entered into force 17 January 2025. **KEY CONSIDERATIONS** **Consumer Duty** – The CA Board were responsible for setting clear objectives for consumer outcomes and ensuring these were aligned with the overall business strategy. The CA Board received appropriate MI on the relevant customer segments to effectively assess customer outcomes. Material decisions were put to the relevant Board or committee for approval. **DORA** – The local Boards were responsible for setting and approving the digital operational resilience strategy and ensuring this aligns to the overall business objectives. This involved determining the Governance Frameworks for risk identification and mitigation, incident reporting and the criteria for identifying critical ICT suppliers. **PRIMARY BENEFICIARIES** **Customers**, as any changes made to processes or policies are likely to impact them.	**Regulators** have a vested interest to ensure compliance.
EMBEDDING SUSTAINABILITY INTO OUR BUSINESS	**OVERVIEW** We have continued to embed sustainability into our processes and decision making across the Group. This is in line with our commitment to become a sustainable Chesnara, including being a net zero Group by 2050. In reaching its decision to continue with our sustainability strategy, the Board considered the rationale for investing time and expenses in becoming a sustainable Chesnara. The Board, supported by the oversight and direction provided by the Group Sustainability Committee, has considered the importance of managing the transition to net zero of the investments we hold, being an organisation where all stakeholders feel welcome and decarbonising our own operations and supply chain. The strategic importance of these activities, together with their potential to provide risk mitigation for issues such as climate change, continued to be assessed by the Board. Notable areas of focus during 2024: – Determining our interim financed emissions reduction target, as detailed in our 2023 Annual Report and Accounts; – In addition to our existing training schedule, providing sustainability training for all employees across the Group to ensure that all colleagues have a foundation of knowledge of key issues such as climate change, biodiversity loss, equality, diversity and inclusion and key governance principles; – Embedding sustainability as a key consideration in the acquisition process for potential businesses and portfolios; – Enhancing our climate risk assessment to further understand the resilience of our investment portfolio to climate change; – Developing our initial transition plan, for publication later this year, which will detail the steps we will take to start the transition to net zero; and – Engaging with our key asset managers and partners in our supply chain to understand their own plans and priorities. **KEY CONSIDERATIONS** a) Being a sustainable group helps to ensure our long-term success and therefore provides more certainty over long-term returns for shareholders. b) The decision takes due account of the welfare of our colleagues, valuing the diverse needs and perspectives of this group of stakeholders. It raises awareness of the relevance of sustainability in our day-to-day operations, providing opportunities to work in an organisation making positive contributions to society and the planet. c) Embedding sustainability provides customers with the confidence that we continue to do the right thing, alongside developing our sustainable product offerings for policyholders looking for sustainable investment opportunities, and improves the sustainability of investment returns where we are responsible for investment decisions. It also gives customers the benefit of more accessible and inclusive services. d) A just transition to being a net zero organisation, and one which directs capital to positive solutions, delivers positive outcomes for the planet and environment. e) Our sustainability practices confirm our commitment to meet our regulatory obligations and comply with disclosure requirements, in line with our reputation for good business conduct. **PRIMARY BENEFICIARIES** **All shareholders** are impacted by the Group being a sustainable business.	**Asset managers**: Our asset managers are fundamental to the transition to net zero for financed emissions and sustainability criteria forms part of our selection and oversight processes. We will continue to have active engagement to ensure that our targets are met. **Suppliers and outsourcers:** Sustainability criteria forms part of our supplier selection and oversight processes.

BUSINESS REVIEW UK

The UK division manages c290k policies covering linked pension business, life insurance, endowments, annuities and some with-profit business. The division is largely closed to new business, generating future value through small levels of new business, investment returns on unit-linked policies, increments to existing policies and periodic acquisitions.

MAXIMISE VALUE FROM EXISTING BUSINESS

Capital & value management

The division has continued the programme of migrating the existing books of business to SS&C Technologies as part of the long-term strategic partnership entered into in 2023. This now includes the migration and integration of the Canada Life acquisitions. In December, the UK division extended the scope of its existing mass-lapse reinsurance arrangements, further reducing its associated capital requirements.

Customer outcomes

The division met the 31 July 2024 deadline for the closed-book operations to comply with the FCA's Consumer Duty regulation. This regulation sets high standards for consumer protection and focuses on ensuring firms act in a way to deliver good outcomes for customers. The division is also on track to meet the 31 March 2025 deadline for the FCA's Operational Resilience regulation.

Governance

The insurance business of CASLP was transferred to Countrywide Assured on 31 December 2023. CASLP Limited was de-authorised in Q3 2024, and the remaining assets were subsequently transferred to Countrywide Assured. The Company was dissolved in January 2025. The division has supported the wider Group's sustainability programme over the course of the year and rolled out training for staff across the business to help embed sustainability into day-to-day decision making.

FUTURE PRIORITIES

- Continued migration of the majority of the existing and the acquired books of business to SS&C.
- Implementation of identified potential capital management actions.
- Finalisation of the operational resilience programme to ensure the regulatory deadline of 31 March 2025 is met.
- Continued focus on delivering good customer outcomes and maintaining strong customer service performance.
- Continued engagement with our asset managers on progress towards net zero and investing in positive solutions and wider support of the groupwide sustainability programme including focus on operations, social purpose and reporting.

KPIs

Commercial Cash Generation:
£40m
(2023: £49m)

SII ratio (pre dividend):
182%
(2023: 183%)

SII ratio (post dividend):
135%
(2023: 149%)

EcV Earnings:
£20m
(2023: £38m)

IFRS Pre-Tax Profit:
£28m
(2023: £3m noting the 2023 result included a one off impairment charge of £21m).

Dividend remittances in 2024:
£35m

Analysis of the segmental movements are available on pages 47 and 49 to 54.

ACQUIRE LIFE AND PENSIONS BUSINESSES

In December 2024, the UK division reached agreement with Canada Life UK to acquire a closed portfolio of unit-linked bonds and legacy pension business with a total AuA of £1.5bn. This transaction is being initially executed via a reinsurance agreement, with the policies expected to transfer to the Group through a Part VII insurance business transfer process following court approval.

During 2024, work progressed on the Part VII transfer of the Canada Life individual protection business acquired in May 2023 under a reinsurance agreement. The transfer completed on 24 February 2025 following court approval.

FUTURE PRIORITIES

- Support the Group in identifying and delivering UK acquisitions.
- Continue to deliver strong financial outcomes from past acquisitions.

KPIs

Acquisitions in the year have added:

- Day 1 OF: **£10m**
- Day 1 EcV: **£11m**
  (£3m in excess of the expected day 1 gain as quoted in the announcement of £8m)
- AuM: **£1.5bn**
- Policies: **17,000**

In the last three years, acquisitions have added **£39m** of EcV at group level.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

The division generated positive new business profits, through significantly increased volumes of the on-platform onshore bond. This resulted in a New Business Contribution of £2m.

Increased demand for the onshore bond is being driven in part by changes to personal tax allowances. The Autumn Budget 2024 strengthened the attractiveness of the product due to changes in capital gains tax and inheritance tax.

The division has developed a suite of advisor-facing technical product documents and a tax tool which will go live in early 2025 and continues to work on opportunities to improve the advisor and customer proposition with platform partners.

FUTURE PRIORITIES

- Continue to enhance the customer and advisor proposition.
- Expand distribution of the onshore bond with existing and new platform partners.
- Work with our strategic outsource partner to leverage technology to generate administrative efficiencies.

KPIs

APE:
£13m
(2023: £7m)

New Business Contribution:
£2m
(2023: £2m)

BUSINESS REVIEW SWEDEN

Our Swedish division consists of Movestic, a life and pensions business which is open to new business. It offers personalised unit-linked pension and savings solutions through brokers, together with custodian products via private banking partners and is well regarded within both communities.

MAXIMISE VALUE FROM EXISTING BUSINESS

Capital & value management

Over 2024, the division saw growth in AuA driven by positive total net client cash flows and favourable investment markets. High transfer activity within the Swedish occupational pension segment has continued, affecting both inward and outward transfer flows. Inflows within both the unit-linked and the custodian lines grew compared to the prior year, generating a positive net client cash flow.

Customer outcomes

During 2024, Movestic released an updated version of its digital service which helps customers to plan their retirement, start withdrawing and change how they receive their occupational pension. To enable increased individual adaptation, more flexible terms for pension withdrawals were launched during the year. An additional digital service within salary sacrifice savings was launched during the year, and more customers than ever signed up for individual pension advice within the 'Movestic Freedom' concept.

Governance

Movestic's sustainability programme is aligned to the Group's strategy and commitments, forming the basis of Movestic's own sustainability work and targets. The EU commission adopted a new regulatory framework, Digital Operational Resilience Act (DORA), and over 2024, work progressed on this project to ensure compliance when it came into force. Work in the year also concluded that Movestic is outside the scope of the EU-adopted Corporate Sustainability Reporting Directive and the Global Minimum Tax regulations which were implemented in Swedish law in 2024.

FUTURE PRIORITIES

- Continue building solid and long-term sustainable value creation for customers and investor stakeholders through a diversified business model.
- Continue offering modern and individually adapted high-quality solutions within pension, savings and health insurance, and expand customer-focused digital services.
- Increase the use of automation, streamline processes, and improve administrative efficiency and control.
- Ensure group sustainability reporting processes are embedded into everyday operations.
- Monitor developments in the regulatory landscape.

KPIs

Commercial Cash Generation:
£11m
(2023: £nil)

SII ratio (pre dividend):
153%
(2023: 153%)

SII ratio (post dividend):
151%
(2023: 147%)

EcV Earnings:
£31m
(2023: £7m)

IFRS Pre-Tax Profit:
£10m
(2023: £5m)

Dividend remittances in 2024:
£7m
(payment in Q4 2024 and Q1 2025)

Analysis of the segmental movements are available on pages 47 and 49 to 54.

ACQUIRE LIFE AND PENSIONS BUSINESSES

We have been engaging with other market participants and investment bank advisors in order to better understand potential opportunities for inorganic growth in the market.

FUTURE PRIORITIES

- Seek out opportunities to bring in additional scale through M&A.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

New Business Contribution of £5m over 2024 which is an increase on the prior year result of £3m.

The division expanded its custodian distribution network in 2024, two new partner collaborations were launched in 2024 and a project to onboard another new partner in custodian sales is ongoing, the launch is planned for early 2025.

To improve distribution and sales within the life and health insurance segment, the division launched a new, updated risk insurance offering, as well as new technical integrations for brokers and partners during the year.

A new partnership for the distribution of the digital life insurance product has also been entered into over the course of the year.

FUTURE PRIORITIES

- Continue to build customer value and loyalty through further enhancement of the division's offering, consisting of individually adapted pension and savings and life and health products, and associated digital services. Focus on both growing new business and retention activities.
- Continued development and enhancement of partnerships with our intermediaries within both the unit-linked and custodian business.
- Continued focus on growing the life and health insurance business to diversify and offer our customers a broader selection.

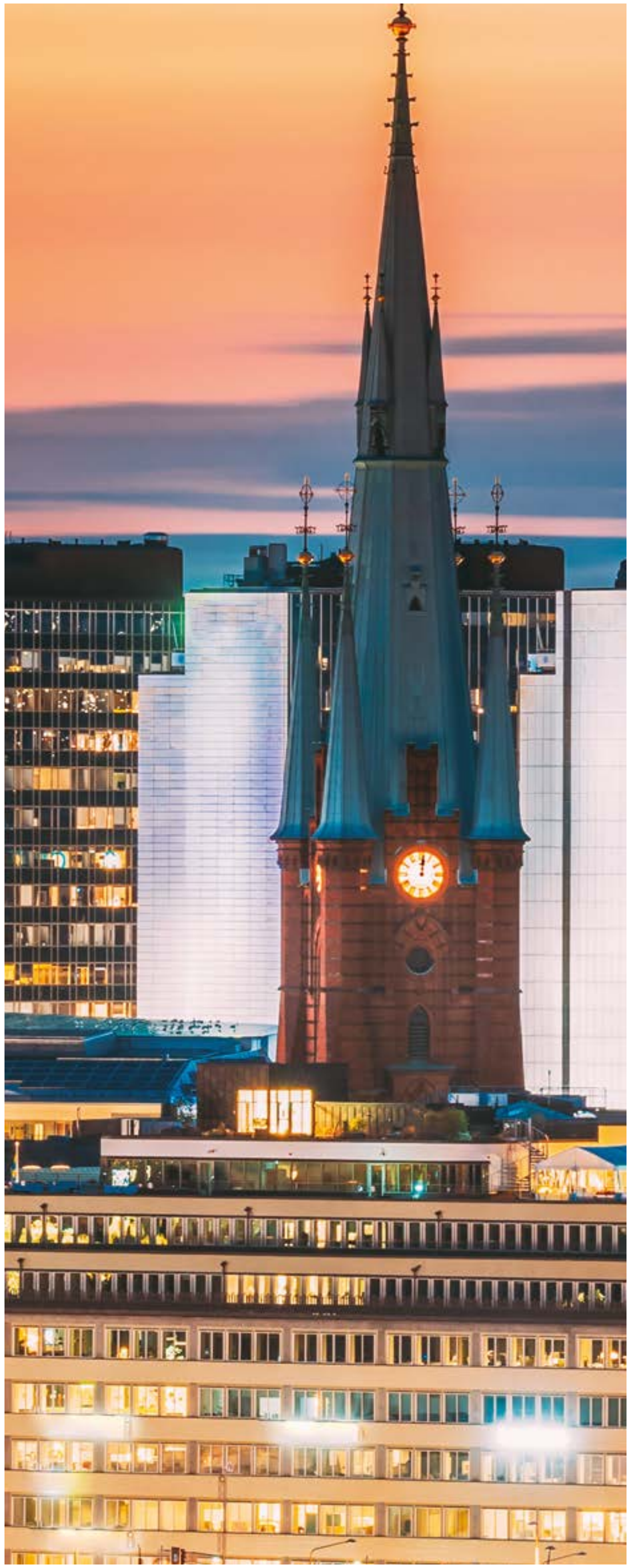
KPIs

APE:
£100m
(2023: £65m)

New Business Contribution:
£5m
(2023: £3m)

Occupational pension market share:
4.4%
(2023: 4.4%)

Custodian accounts market share:
12.2%
(2023: 7.7%)



BUSINESS REVIEW NETHERLANDS

Our Dutch businesses deliver growth through our acquisitive closed-book business, Waard, and our open-book business, Scildon, which seeks to write profitable term, investments and annuity business.

MAXIMISE VALUE FROM EXISTING BUSINESS

Capital & value management

Scildon's enhancement of its IT infrastructure completed in 2024, generating operating and cost efficiencies. Scildon also conducted asset reviews to provide more efficient interest rate hedges, replaced short-duration government bonds with investments in money market funds to improve its overall return profile and is increasing its investment in mortgage funds to improve its asset/liability matching positions. Waard also made changes to its asset mix to improve longer-term expected returns. The proposed merger of the two Dutch businesses will result in a division stronger than the sum of its parts, through scale and synergies.

Customer outcomes

Scildon has continued to make improvements to its customer offering through new products and digitalisation options. Waard launched its digital customer portal, making it easier for customers to access their documents in digital format.

Governance

During 2024, the businesses progressed the implementation of the requirements of the Digital Operational Resilience Act (DORA), becoming compliant by the January 2025 implementation date. Work progressed over the year in respect of the implementation of the Corporate Sustainability Reporting Directive (CSRD), with both companies completing their double materiality assessments and gap analyses in 2024. We are considering the impact of the EU Omnibus proposals announced in February 2025, which would mean we would no longer have to implement CSRD across the Group. In January 2024, Chesnara Holdings BV was dissolved resulting in Scildon, Waard Leven and Waard Schade becoming directly owned by Chesnara plc. Chesnara Holdings BV was de-registered in April 2024. During the year, the division prepared all of the required documents relating to the potential merger and submitted these to the local regulator for approval in January 2025.

FUTURE PRIORITIES

- Complete the proposed merger of the Waard and Scildon businesses (subject to regulatory approvals), enhancing the scale, efficiency and longer-term sustainability of the Group's Netherlands division.
- Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.
- Ensure customers continue to receive high-quality service throughout the change period of the merger.
- Regular engagement with customers to improve service quality, as well as enhance existing processes, infrastructure, and customer experiences.
- Consider the impact of the EU Omnibus proposals announced in February 2025 on the business's requirements under the Corporate Sustainability Reporting Directive (CSRD).
- Prepare the roadmap for investments to become net zero in 2050.

KPIs

Commercial Cash Generation:
£16m
(2023: £24m)

SII ratio (pre dividend):
Waard **350%**
Scildon **205%**
(2023: 377% Waard
and 184% Scildon)

SII ratio (post dividend):
Waard **324%**
Scildon **205%**
(2023: 353% Waard
and 184% Scildon)

EcV Earnings:
£21m
(2023: £41m of which £21m related to the day 1 gain from Conservatrix)

IFRS Pre-Tax Profit:
£5m
(2023: £23m)

Dividend remittances in 2024:
£7m

Analysis of the segmental movements are available on pages 47 and 49 to 54.

ACQUIRE LIFE AND PENSIONS BUSINESSES

The division has continued to support the Group's acquisition strategy by assessing M&A opportunities and processes, including due diligence activity, as appropriate.

FUTURE PRIORITIES

- Continue to remain active in seeking acquisitions and have actively examined opportunities during the year.
- Will continue to engage with possible vendors during 2025 on opportunities.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

Scildon generated a New Business Contribution of £2m (2023: £5m), against a backdrop of continued suppressed term market volumes and pressure on pricing. Scildon has maintained a disciplined approach to pricing, albeit at lower volumes.

In April 2024, Scildon launched a Stop Smoking lifestyle proposition on new business, reflecting its focus on expanding offerings to customers. The initiative won an award in the Customer Interest category of the Adfiz Performance Survey 2025.

KPIs

New Business Contribution:
£2m
(2023: £5m)

Term assurance market share:
10.6%
(2023: 11.2%)

FUTURE PRIORITIES

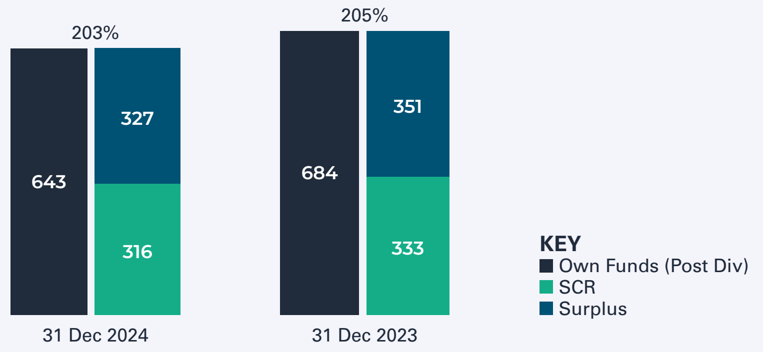
- Simple focused product portfolio offering primarily sold through IFAs with digital options where preferred by customers.
- Look to offer more sustainable solutions for our unit-linked proposition.

CAPITAL MANAGEMENT • SOLVENCY II

The Group's Solvency Coverage Ratio is significantly above the upper end of our operating range of 140% to 160%.

GROUP SOLVENCY

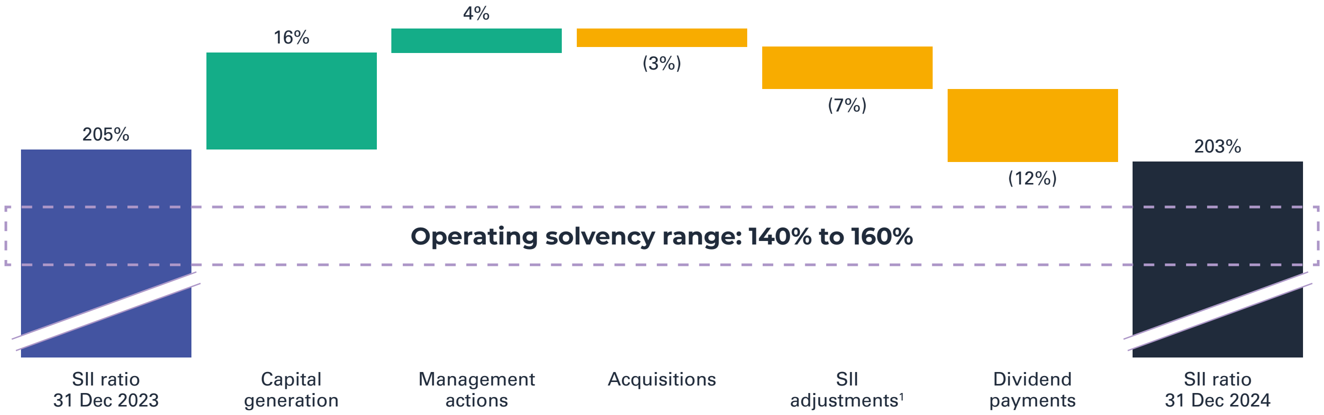
Solvency position



Group Solvency II surplus is £327m (2023: £351m) with a Solvency Coverage Ratio of 203% (2023: 205%), which includes the proposed final 2024 dividend of £24m and payment of the interim 2024 dividend of £13m.

Own Funds include the impact of a £32m rise in the Tier 2/3 restriction and a £10m day 1 gain from the acquisition of the policy portfolio from Canada Life. The SCR reduced in 2024, mainly due to a general fall in market and life underwriting risk, with a rise in LACDT in UK and Dutch businesses.

Solvency coverage movement



CONTINUED ROBUST SOLVENCY COVERAGE OF 203%

Note:

1. SII adjustments includes change in the fair value of the T2 asset and the Symmetric Adjustment, included associated movements in T2/T3 restrictions.

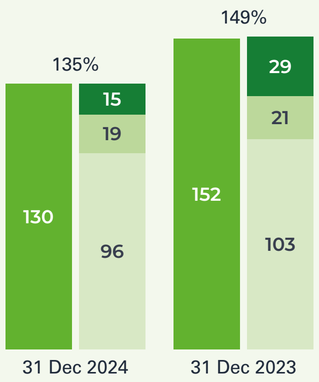
DIVISIONAL SOLVENCY

Solvency position

UK

The rise in surplus (pre-foreseeable dividend of £45m) to £60m (2023: £29m) includes growth in Own Funds and an SCR reduction during 2024. Key drivers of the increase in Own Funds included the portfolio acquisition from Canada Life UK, new business profits and economic returns (rising equities and bond income).

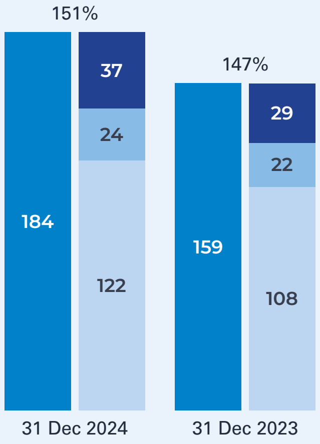
KEY
■ Own Funds (Post Div)
■ SCR
■ Buffer
■ Surplus



SWEDEN

Surplus growth of £11m (pre-foreseeable dividend of £2.5m) was underpinned by economic factors, with unit-linked equity returns driving the increase in Own Funds, offsetting adverse lapse experience. A smaller rise in SCR was also largely attributable to the impact of positive market conditions on the equity risk component of the SCR.

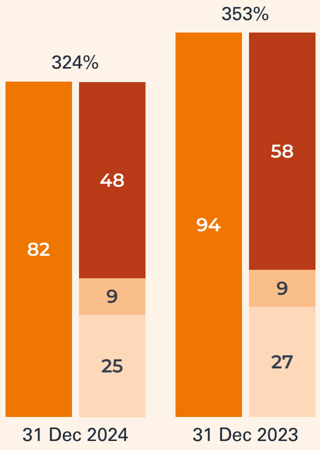
KEY
■ Own Funds (Post Div)
■ SCR
■ Buffer
■ Surplus



NETHERLANDS – WAARD GROUP

The reduction in Solvency II surplus (£10m) includes the Own Funds impact of a foreseeable dividend (£7m) and a transfer of capital to the Group, following liquidation of Chesnara BV. The reduction in SCR was primarily due a fall in life underwriting risks and an increase in LACDT, offsetting a rise in market risks.

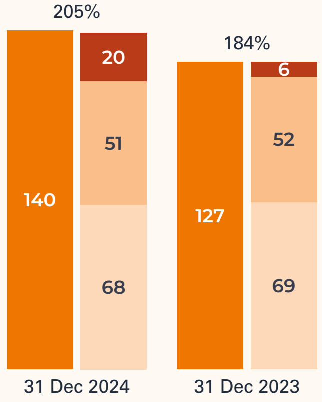
KEY
■ Own Funds (Post Div)
■ SCR
■ Buffer
■ Surplus



NETHERLANDS – SCILDON

Growth in Solvency II surplus arose from higher Own Funds with a broadly flat SCR over the period. Growth was driven by positive operating variances, and operating assumption changes from cost management actions. An increase in LACDT outweighed rises in expense and lapse risks, resulting in a small reduction in SCR (£1m).

KEY
■ Own Funds (Post Div)
■ SCR
■ Buffer
■ Surplus



The graphs on this page present the divisional view of the solvency position which may differ to the position of the individual insurance company(ies) within the consolidated numbers. Note that year end 2023 figures have been restated using 31 December 2024 exchange rates in order to aid comparison at a divisional level.

CAPITAL MANAGEMENT • SENSITIVITIES

The Group's solvency position remains strong and we proactively evaluate the main factors that can affect our solvency.

The diagram below provides some insight into the immediate impact of certain sensitivities on the Group's Solvency Coverage Ratio and solvency surplus.

Foreign exchange: Appreciation of sterling relative to our overseas currencies reduces the value of overseas surplus with partial mitigation from the Group currency hedge.

Equity valuations: Lower equity valuations reduce the Group's AuA. In turn, this decreases the value of Own Funds and the associated SCR as the value of the funds exposed to market risk reduce. The reduction in SCR is limited by the impact of the Solvency II symmetrical adjustment.

Interest rates: An interest rate fall has a more adverse effect on surplus than an interest rate rise. Group solvency is less exposed to rising interest rates, as a rise in rates causes capital requirements to fall, increasing solvency.

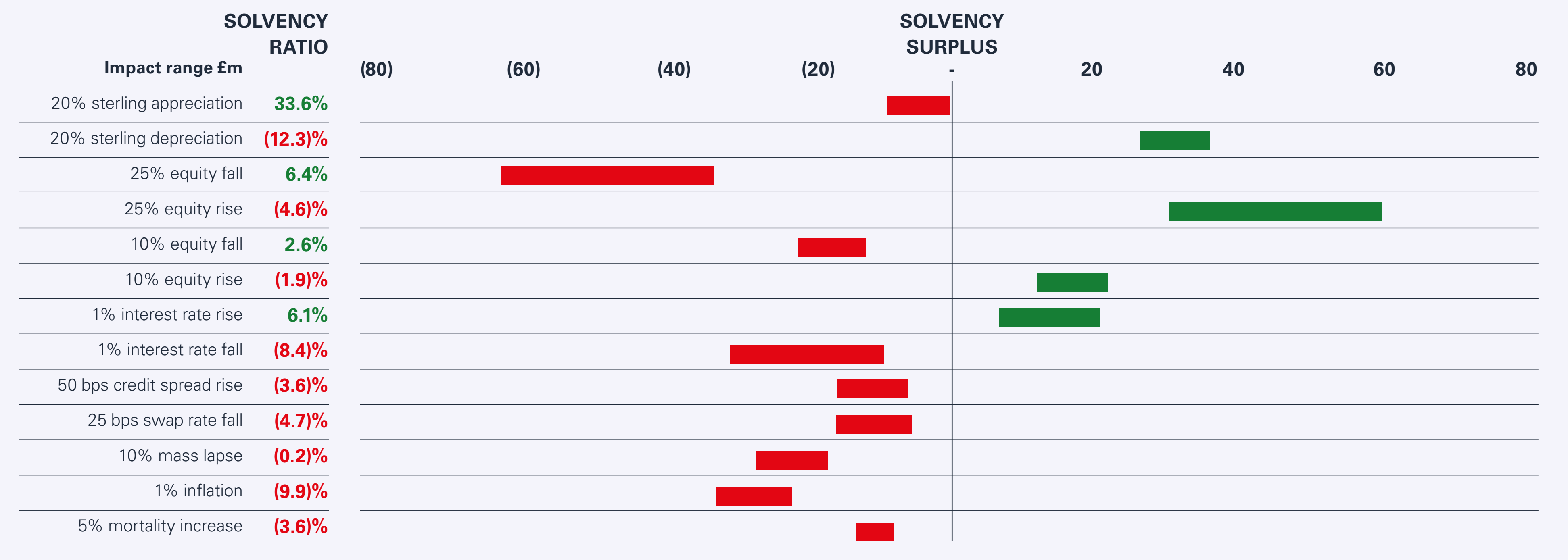
Credit spreads: Higher spreads reduce surplus, as the rise in spreads decreases the value of Own Funds.

Swap rates: A reduction in the swap discount rate profile reduces the Group's surplus by increasing the time-value of the projected future liabilities associated with the in-force book. This sensitivity assumes that this change applies with no change in the value of the assets backing the liabilities.

Mass lapse: A 10% mass-lapse event drives an immediate reduction in the Group's projection of future surpluses, largely offset by the reduction in the associated SCR.

Inflation: A permanent increase in inflation for all future years increases the Group's future expense profile, reducing Own Funds and surplus.

Mortality rates: A 5% increase in mortality rates across the Group will reduce the future surplus projections from the in-force book, leading to lower Own Funds and a reduction in the Group's surplus.



Impact range £m	SOLVENCY RATIO
20% sterling appreciation	33.6%
20% sterling depreciation	(12.3)%
25% equity fall	6.4%
25% equity rise	(4.6)%
10% equity fall	2.6%
10% equity rise	(1.9)%
1% interest rate rise	6.1%
1% interest rate fall	(8.4)%
50 bps credit spread rise	(3.6)%
25 bps swap rate fall	(4.7)%
10% mass lapse	(0.2)%
1% inflation	(9.9)%
5% mortality increase	(3.6)%

Each individual bar in the diagram illustrates the estimated impact range (£m) of the respective sensitivities and whether that impact is positive (green) or negative (red).

FINANCIAL REVIEW • CASH GENERATION

Continued strong cash generation was reported in 2024, with total Commercial Cash of £59.6m, benefitting from surplus generation from operating activities and positive market conditions. Cash generation is the increases in the Group's Solvency II surplus, after allowing for 'prudent management buffers', as defined by the Group's Capital Management Policy.

£59.6M 2023 £52.4m
COMMERCIAL CASH GENERATION

£51.6M 2023 £31.9m
BASE CASH GENERATION

	UK	SWEDEN	NETHERLANDS WAARD	NETHERLANDS SCILDON	DIVISIONAL TOTAL	GROUP ADJ	ACQUISITIONS	TOTAL
Commercial Cash Generation	**39.6**	**10.6**	**1.6**	**14.6**	**66.4**	**0.9**	**(7.7)**	**59.6**
Symmetric adjustment	(2.8)	(2.4)	(0.1)	(0.5)	**(5.8)**	(0.7)	–	**(6.5)**
WP restriction look through	(1.5)	–	–	–	**(1.5)**	–	–	**(1.5)**
Base Cash Generation	**35.3**	**8.2**	**1.4**	**14.1**	**59.1**	**0.2**	**(7.7)**	**51.6**

UK

The UK reported another strong year of cash generation, contributing £39.6m in 2024 (2023: £48.5m). This was delivered through both Own Funds growth and a reduction in capital requirements. Economic conditions (mainly the positive impact of rising yields) supported both the growth in Own Funds and the reduction in SCR, predominantly lapse risk (resulting from management action on mass lapse reinsurance).

SWEDEN

In Movestic, cash generation of £10.6m (2023: £0.3m) was stronger, with economic returns on the division's unit-linked business the primary factor in Own Funds growth, exceeding a rise in SCR and underpinning the cash result. The rise in SCR was also attributable to the equity market-driven growth, with an increase in market-risk related capital requirements.

NETHERLANDS – WAARD

Waard recorded modest cash generation of £1.6m (2023: £15.8m), with positive movements in both Own Funds and SCR. Own Funds growth, delivered through operating profits, was restricted due to economic losses (mainly the negative impact on bond holdings of interest rates). An increase in LACDT offset a rise in market risk, owing partly to the purchase of government bonds (with longer duration increasing interest rate SCR) and proactive re-risking through an increase in corporate bond holdings (increasing spread SCR). The divisional result also includes a material FX loss on consolidation owing to sterling appreciation versus the euro.

NETHERLANDS – SCILDON

Scildon generated an increased cash return of £14.6m for the period (2023: £8.2m). Operating profits, including management actions on cost efficiencies, were the primary driver of Own Funds growth. This action also had a positive effect on capital requirements, driving a reduction in SCR, offsetting the adverse impact of economic conditions and lower interest rates.

GROUP

The Group Centre component of cash generation includes Tier 2 debt coupon payments (c£10m) and other central costs.

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

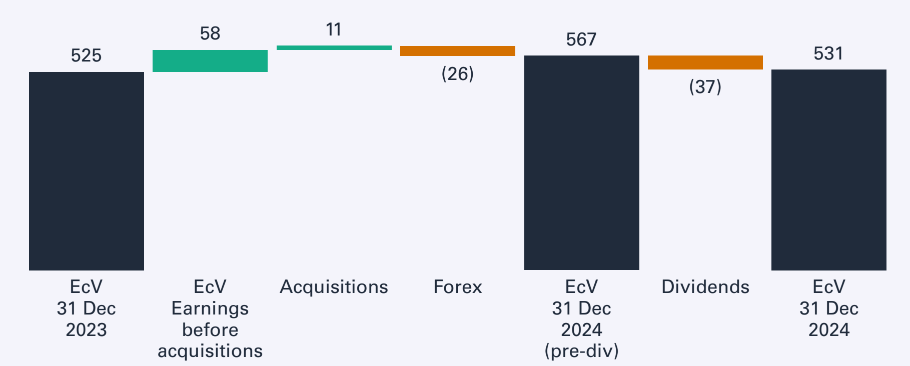
FINANCIAL REVIEW • EcV

The Economic Value of the Group represents the present value of future profits of the existing insurance business, plus the adjusted net asset value of the non-insurance businesses within the Group.

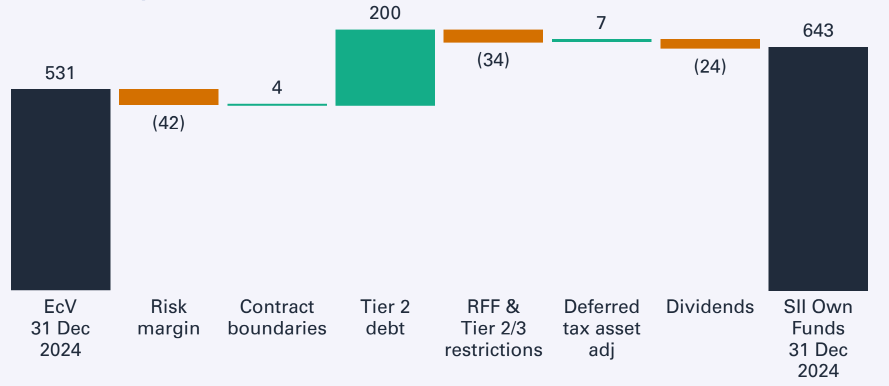
£531.0M 2023: £524.7m

ECONOMIC VALUE (EcV)

Value movement: 1 Jan 2024 to 31 Dec 2024 £m



EcV to Solvency II £m



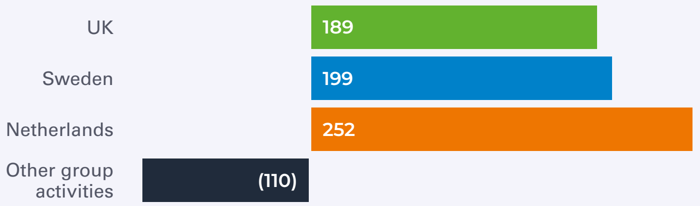
EcV Earnings: EcV profits of £59m have been driven primarily by positive market conditions during 2024, supported by operating profits. Further detail can be found on page 51.

Acquisitions: The Group completed the acquisition of a closed portfolio from Canada Life, the transaction delivering a day 1 EcV gain of £11m.

Foreign exchange: The closing EcV of the Group reflects a foreign exchange loss in the period, which is a consequence of sterling appreciation against both the Swedish krona and also the euro.

Dividends: Under EcV, dividends are recognised in the period in which they are paid. Dividends of £37m were paid during the year, representing the final dividend from 2023 and interim dividend for 2024.

EcV by segment at 31 Dec 2024 £m



The above chart shows that the EcV of the Group remains diversified across its different geographical markets.

EcV is based on a Solvency II assessment of the value of the business but adjusted for certain items where it is deemed that Solvency II does not reflect the commercial value of the business. The above waterfall shows the key difference between EcV and SII, with explanations for each item below.

Risk margin: Solvency II rules applying to our European businesses require a significant 'risk margin' which is held on the Solvency II balance sheet as a liability, and this is considered to be materially above a realistic cost. We therefore reduce this margin for risk for EcV valuation purposes from being based on a 6% (UK: 4%) cost of capital to a 3.25% cost of capital, risk tapering is subsequently applied in line with the parameters and approach used in the calculation of the risk margin under Solvency II in the UK.

Contract boundaries: Solvency II rules do not allow for the recognition of future cash flows on certain in-force contracts, despite the high probability of receipt. We therefore make an adjustment to reflect the realistic value of the cash flows under EcV.

Ring-fenced fund restrictions: Solvency II rules require a restriction to be placed on the value of surpluses that exist within certain ring-fenced funds. These restrictions are reversed for EcV valuation purposes as they are deemed to be temporary in nature.

Dividends: The proposed final dividend of £24.3m is recognised for SII regulatory reporting purposes. It is not recognised within EcV until it is actually paid.

Tier 2: The Tier 2 debt is treated as 'quasi equity' for Solvency II purposes. For EcV, consistent with IFRS, we continue to report this as debt. Under SII, this debt is recognised at fair value, while for EcV, this remains at book value.

Tier 3: Under Solvency II, the eligibility of Tier 3 Own Funds is restricted in accordance with regulatory rules. For EcV, the Tier 3 Own Funds are recognised at a deemed realistic value.

FINANCIAL REVIEW • EcV EARNINGS

Continued strong EcV Earnings have been delivered through economic profits, new business gains and delivery of our acquisition strategy.

£69.2M 2023 £59.1m

EcV EARNINGS

Analysis of the EcV Earnings by source of value:

£m	31 Dec 2024	31 Dec 2023[*]
Expected movement in period	15.0	14.9
New business	5.2	4.4
Operating experience variances	(9.1)	14.9
Operating assumption changes	9.0	(25.9)
Other operating variances	(9.7)	(1.9)
Total Operating Earnings[†]	**10.4**	**6.4**
Total Economic Earnings[†]	**50.3**	**42.9**
Other non-operating variances	(11.3)	(11.9)
Central costs	(11.8)	(14.1)
Risk margin movement	22.8	1.1
Tax	(1.8)	6.3
EcV Earnings	**58.6**	**30.7**
Acquisitions	10.5	28.4
EcV Earnings inc. acquisitions	**69.2**	**59.1**

Total Operating Earnings: Operating earnings of £10.4m were reported in 2024, driven by positive results in our Dutch and Swedish businesses, offsetting an operating loss in the UK.

Total Economic Earnings: The economic result continues to be the largest component of the total EcV Earnings, with a profit of £50.3m in the year. The result is in line with our reported sensitivities and is driven by the following key market movements:

Equity indices:

- FTSE All Share index increased by 5.6% (year ended 31 December 2023: increased by 3.7%).
- Swedish OMX all share index increased by 5.6% (year ended 31 December 2023: increased by 15.6%).
- The Netherlands AEX all share index increased by 7.5% (year ended 31 December 2023: increased by 13.4%).

Credit spreads:

- UK AA corporate bond yields decreased to 0.68% (31 December 2023: decreased to 0.71%).
- European AA credit spreads decreased to 0.56% (31 December 2023: increased to 0.63%).

Yields:

- 10-year UK gilt yields increased to 4.64% (31 December 2023: decreased to 3.64%).
- 10-year euro swap yield decreased to 2.37% (31 December 2023: decreased to 2.49%).

Other costs: The result also includes Group Centre, primarily associated with the M&A strategy and development of the Group, and other non-operating items, including the release of risk margin and financing costs, such as Tier 2 debt servicing.

Analysis of the EcV result by business segment:

£m	31 Dec 2024	31 Dec 2023
UK	19.6	31.4
Sweden	30.9	6.8
Netherlands	21.4	19.5
Group and Group adjustments	(13.3)	(27.0)
Acquisitions	10.5	28.4
EcV Earnings inc. acquisitions	**69.2**	**59.1**

UK: The UK's result of £19.6m was driven primarily by favourable market conditions, predominantly the long-term impact of rising yields and equities with an offset from non-recurring costs of investment in outsourcing arrangements and the business acquisitions. The result was also supported by higher year on year new business earnings.

Sweden: The Movestic result of £30.9m benefitted from favourable market conditions in Sweden and Europe. New business volumes contributed further earnings of £2.3m (on an EcV basis). The operating result was partially offset by the impact of transfers out.

Netherlands: The Dutch businesses reported combined growth of £21.4m, with positive operating profits offsetting economic losses, primarily due to the impact of rising interest rates on the value of bond holdings. Scildon generated EcV growth of £14.0m, driven by positive operating variances, including the impact of management actions driving cost efficiencies. New business profits were muted, due to market pricing pressures and a smaller term market. In Waard, the negative impact of economic conditions on the bond portfolio was offset by positive operating earnings and release of risk margin, delivering overall growth of £7.0m.

Group: This component includes Group Centre personnel costs; the cost of funding the Group's acquisition strategy; debt financing costs and investment returns on Group Centre assets.

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

[*] *Prior year comparators have been restated following a reallocation of components, with total EcV Earnings remaining unchanged.*

FINANCIAL REVIEW • IFRS BALANCE SHEET

The transition to IFRS 17 is now fully embedded in the reporting of the Group's IFRS results and balance sheet. As at 31 December 2024, total net equity is £314.4m, and the CSM, which represents unearned future profits from insurance contracts, is £175.8m (net of reinsurance and gross of tax).

HOW THE CSM HAS MOVED IN THE PERIOD

The CSM represents future profits that are expected to be released to the income statement over the lifetime of the portfolio. The CSM (net of reinsurance and gross of tax) has increased by £18.9m from £156.9m to £175.8m during 2024.

Positive experience and assumption changes across the Group have added £32.0m of CSM. New business in Scildon and the portfolio acquisition in the UK have also added £7.5m of CSM, reflecting the future profits arising on profitable new business added in the period. These additions are offset by the £18.9m release to profit in the period, as the insurance services have been provided with other smaller net negative movements including the impact of foreign exchange and the interest accretion totalling £1.7m making up the total movement.

The CSM values are shown net of reinsurance but gross of tax. When calculating the IFRS Capital Base[†] a net of reinsurance and net of tax figure is used. The equivalent net of reinsurance and tax movement of CSM during 2024 is an increase of £15.2m.

HOW DOES IFRS COMPARE TO ECV AND SOLVENCY II?

EcV and IFRS share common principles. However, for investment contracts, expected future profits on existing policies are not recognised in the IFRS balance sheet, with-profits being reported as they arise. This differs to the approach in EcV, where these future profits are fully recognised on the balance sheet, subject to contract boundaries.

LEVERAGE

Applying the Fitch gearing definition of debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, the leverage of the Group as at 31 December 2024 was 30.9% (31 December 2023 restated: 29.5%).

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

FINANCIAL REVIEW • IFRS INCOME STATEMENT

Group IFRS Pre-Tax Profit of £20.8m represents a £19.1m year on year increase versus 2023.

£20.8M 2023 restated: £1.7m

IFRS PRE-TAX PROFIT

Analysis of IFRS result:	31 Dec 2024 £m	Restated 31 Dec 2023 £m
Net insurance service result	**8.6**	**(5.2)**
Net investment result	**52.7**	**71.7**
Fee, commission and other operating income	104.2	89.4
Other operating expenses	(133.6)	(149.9)
Financing costs	(11.1)	(11.0)
Profit arising on business combinations and portfolio acquisitions	–	6.7
Profit before income taxes	**20.8**	**1.7**
Income tax (charge)/credit	(16.9)	16.9
Profit for the period after tax	**3.9**	**18.6**
Foreign exchange (loss)/gain	(15.3)	(7.8)
Other comprehensive income	0.4	(0.6)
Total comprehensive income	**(11.0)**	**10.2**
Movement in IFRS Capital Base†		
Opening IFRS Capital Base	**479.4**	**469.2**
Movement in CSM (net of reinsurance and tax)	15.2	34.5
Total comprehensive income	(11.0)	10.2
Other adjustments made directly to shareholders' equity	2.1	0.9
Dividends	(36.5)	(35.4)
Closing IFRS Capital Base	**449.1**	**479.4**

£(11.0)M 2023 restated: £10.2m

TOTAL COMPREHENSIVE INCOME

Net insurance service result

The net insurance service result comprises the revenue and expenses from providing insurance services to policyholders and ceding insurance business to reinsurers and is in respect of current and past service only.

Assumption changes, relating to future service, are excluded from the insurance result (as they adjust the CSM), unless the CSM for a given portfolio of contracts falls below zero; thereby in a 'loss component' position. Economic impacts are also excluded from the insurance service result.

The net insurance service result of £8.6m is broken down into the following elements:

- gains from the release of risk adjustment and CSM of £22.2m (2023 restated: £23.2m). These gains represent a consistent source of future profits for the Group.
- losses of £13.6m (2023 restated: £28.5m loss) caused by experience impacts and loss component effects where portfolios of contracts with no CSM have suffered adverse impacts that would otherwise be offset in the balance sheet if the CSM for those portfolios were positive.

Net investment result

The net investment result contains the investment return earned on all assets together with the financial impacts of movements in insurance and investment contract liabilities. The investment results include policyholder tax impacts in the UK of £13.9m (2023: £14.2m) and the impact of effect of locked-in discount rates has contributed a further £4.3m (2023: £12.8m), largely in respect of groups of contracts in a loss component position and therefore partly offsetting the losses noted above in the insurance service result.

Fee, commission and other operating income

The most significant item in this line is the fee income that is charged to policyholders in respect of the asset management services provided for investment contracts. There is no income in respect of insurance contracts in this line, as this is all now reported in the insurance result.

Total fee, commission and operating income in the year was £104.2m (2023: £89.4m) and was £73.4m net of Swedish policyholder yield tax (2023: £71.5m). The year on year values are comparable with equity market returns in the UK and Sweden, with the retention of pension business in Sweden being the largest contributory factor.

Other operating expenses

Other operating expenses consist of costs relating to the management of the Group's investment contracts, non-attributable costs relating to the Group's insurance contracts and other certain one-off costs such as project costs.

Other items of note are the impairment and amortisation of intangible assets in respect of investment business and the payment of yield tax relating to policyholder investment funds in Movestic, for which there is a corresponding offset within the fee income line.

After removing the impacts of policyholder yield tax (£30.8m in 2024 and £17.9m in 2023) and the impact of the AVIF impairment (£21.0m) from the prior year, the other operating expenses in the year are £102.8m (2023: £111.0m).

FINANCIAL REVIEW • IFRS INCOME STATEMENT

Financing costs
This predominantly relates to the cost of servicing our Tier 2 corporate debt notes which were issued in early 2022. Further details can be found in Note C5 of the financial statements.

Profit arising on business combinations and portfolio acquisitions
The portfolio acquisition of unit-linked bond and pension business from Canada Life in December 2024 is not classed as a business combination under IFRS accounting and has therefore been accounted for as an 'asset and liability' transfer at cost, with no day 1 gain. The acquisition of the Conservatrix insurance portfolio in 2023 did meet the requirements of a business combination and the resulting day 1 gain is reported within the 2023 income statement.

Foreign exchange
The IFRS consolidated result of the Group reflects a foreign exchange loss of £15.3m in the period, a consequence of sterling appreciation, against both the euro and the Swedish krona. The loss is partly offset by a £4.0m gain from foreign exchange rate hedges, reported within the investment result.

Other comprehensive income
This represents the impact of movements in the valuation of land and buildings held in our Dutch division.

Income tax
Income tax consists of both current and deferred taxes.

The income tax expense of £16.9m in 2024 predominately arises from a UK deferred tax charge, driven by the investment returns on assets backing policyholder liabilities. Under current UK tax legislation, these investment returns are taxed over a seven-year period, leading to the deferred tax impact.

Although current tax charges are being offset by carried-forward tax losses (Excess Expenses) from prior periods, these losses had already been fully recognised as a deferred tax asset by year end 2023. As a result, their utilisation in 2024 does not reduce tax expense but instead triggers a deferred tax charge.

FINANCIAL MANAGEMENT

The following diagram illustrates the aims, approach and outcomes from the Financial Management Framework:

OBJECTIVES

The Group's Financial Management Framework is designed to provide security for all stakeholders, while having regard for the expectations of policyholders, investors and regulators. Accordingly we aim to:

- Maintain solvency in or above our normal operating range of 140-160%
- Provide an attractive return to investors
- Optimise the gearing ratio to ensure an efficient capital base
- Ensure there is sufficient liquidity to meet obligations to policyholders, debt financiers and creditors
- Maintain the Group as a going concern

HOW WE DELIVER OUR OBJECTIVES

In order to meet our obligations we employ and undertake a number of methods. These are centred on:

1. Monitor and control risk & solvency
2. Longer-term projections
3. Responsible investment management
4. Management actions

OUTCOMES

Key outcomes from our financial management process, in terms of meeting our objectives, are set out below:

1. Solvency	2. Investor returns	3. Capital structure	4. Liquidity and policyholder returns	5. Maintain the Group as a going concern
Group solvency ratio: 203% (2023: 205%)	2022-2024 TSR 17.4% (2021-2023: 14.7%) 2024 dividend yield 9.6% (2023: 8.7%) Based on average 2024 share price and full year 2024 dividend of 24.69p.	Leverage ratio of 30.9% (2023: 29.6%)	Policyholders' reasonable expectations maintained. Asset Liability Matching Framework operated effectively in the year. Sufficient liquidity in the Group holding company.	Group remains a going concern. (see page 56)

Further detail on capital structure

The Group is funded by a combination of share capital, retained earnings and debt finance. Debt leverage was 30.9% at 31 December 2024 (29.5% at 31 December 2023). The level of debt that the Board is prepared to take on is driven by the Group's Debt and Leverage Policy which incorporates the Board's risk appetite and has a long-term ambition to maintain IFRS leverage at 30% or less. Over time, the Group's debt leverage will change, and is a function of the funding requirements for future acquisitions and the repayment of existing debt. During 2022, the Company announced the successful pricing of its inaugural debt capital markets issuance of £200m Tier 2 Subordinated Notes.

The net proceeds of the notes has been partially used for corporate purposes, including the funding of the CASLP acquisition in 2022 and the partial funding of the Conservatrix acquisition in 2023. The balance is held as investments.

Acquisitions are funded through a combination of debt, equity and internal cash resources. The ratios of these three funding methods vary on a deal-by-deal basis and are driven by a number of factors including, but not limited, to the size of the acquisition; current cash resources of the Group; solvency levels, the current gearing ratio and the Board's risk tolerance limits for additional debt; the expected cash generation profile and funding requirements of the existing subsidiaries and potential acquisition; future financial commitments; and regulatory rules. In addition to the above, in the past, Movestic used a financial reinsurance arrangement to fund its new business operation.

FINANCIAL MANAGEMENT

Outcomes from implementing our financial management objectives

1. Maintain the Group as a going concern

After making appropriate enquiries, the directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for a period of twelve months from the date of this report. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

In performing this work, the Board has considered the current solvency and cash position of the Group and Company, coupled with the Group's and Company's projected solvency and cash position as highlighted in the most recent business plan and Own Risk and Solvency Assessment (ORSA) process. These processes consider the financial projections of the Group and its subsidiaries on both a base case and a range of stressed scenarios, covering projected solvency, liquidity, and IFRS positions. These projections assess the cash generation of the life insurance divisions and how these flow up into the Group Centre Company balance sheet and support the Group's debt repayments, shareholder dividends and the head office function of the Parent Company. Further insight into the immediate and longer-term impact of certain scenarios, covering solvency, cash generation, can be found on page 48 under the section headed 'Capital Management Sensitivities'. The directors believe these scenarios encompass the potential future impact of the prevailing economic uncertainty on the Group. The following key assumptions underpin the sensitivity analyses:

- Economic assumptions: long-term investment returns reflecting current investment portfolio mix.
- Operating assumptions: based on most recent actuarial assumptions for mortality and morbidity, lapses and expenses.
- New business volumes: future sales and margins in line with the Board-approved business plan.
- Acquisitions: the Group does not engage in future M&A activity.

As set out in pages 46 to 48, the Group's capital position is resilient to a wide range of adverse economic and operating scenarios.

The Group also holds cash significantly in excess of requirements to meet its debt obligations as they fall due and does not rely on the renewal or extension of bank facilities to continue trading. This position was further enhanced in early 2022, when the Company announced the successful pricing of its inaugural debt capital markets issuance of £200m Tier 2 Subordinated Notes, the net proceeds of which have been used for corporate purposes, including investments and acquisitions.

The Group's subsidiaries rely on cash flows from the maturity or sale of fixed interest securities which match certain obligations to policyholders, which brings with it the risk of bond default. To manage this risk, we ensure that our bond portfolio is actively monitored and well-diversified. Other significant counterparty default risk relates to our principal reinsurers. We monitor their financial position and are satisfied that any associated credit default risk is within acceptable risk-appetite levels.

2. Assessment of viability

The Board's assessment of the viability of the Group is performed in conjunction with its going concern assessment and considers both the time horizons required for going concern, and the slightly longer-term timelines for assessing viability. The assessment for viability also considers the same key financial metrics as for assessing going concern, being solvency, cash, EcV and IFRS, both on base case and stressed scenarios.

3. Viability Statement

Based on the results of the analysis above, the directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. Although we produce business plans and other financial projections over longer time horizons, the selection of a three-year viability assessment recognises that the level of operating, regulatory and market certainty reduces towards the later years of the projection time-frames. The three-year period also aligns with executive director LTIP performance time frames.

4. Assessment of prospects

Our longer-term prospects are primarily assessed through the Group's quarterly business forecasting cycles and the annual business planning process. The Group's performance projections include underlying operational deliverables, an assessment of the business model and the financial consequences of following those plans. We also consider the principal risks and uncertainties that the Group faces (see pages 61 to 67) and how these might affect our prospects.

An assessment of our prospects is shown below and is structured around our three strategic objectives:

Value from in-force book: The Group has c1m policies in force at 31 December 2024. These are generally long-term policies, and the associated cash flows can, at an overall portfolio level, be reasonably well predicted on base case and stressed scenarios. The Group is well capitalised at both a Group and divisional level and we have high quality assets backing our insurance liabilities. During the year, we have seen a rise in yields in the UK and Sweden and a small reduction in euro-denominated yields. Coupled with rising equity indices, this has contributed positively overall to the Group's solvency coverage. We are mindful that in uncertain economic times, this situation can reverse, leading to sustained depressed equity market values and an adverse impact on fee-related income streams. Similarly, adverse movements in yields would adversely impact our prospects, potentially increasing the value of the Group's liabilities and associated capital requirements. Temporary market volatility is a natural feature of investment markets, and the Group is well positioned to withstand adverse economic scenarios without creating any permanent harm to the longer-term profitability prospects.

Acquisition strategy: The outlook and prospects of continuing to deliver against this strategic objective are covered on pages 40 to 45. We see no reason to expect that periods of economic uncertainty will have a long-term impact on the availability of acquisition opportunities. Indeed, we have proactively assessed a number of acquisition opportunities across 2024. This has included our participation in multiple due diligence processes, primarily on a bilateral basis, as well as work on legal documentation. We announced another UK acquisition on 23 December and our second portfolio deal with Canada Life. Our latest acquisition involves the acquisition of a portfolio of c17k onshore bond and personal pensions. We expect an uplift in Economic Value of around £11m from the deal against the £2m of consideration paid. The first step of the deal has been executed by way of a reinsurance agreement between both parties.

We retain significant fire power for future acquisitions and can immediately deploy around £200m in support of deals. We have additional financing options available as well, should we have the opportunity to execute a larger value enhancing opportunity.

Value from new business: The Group's prospects are not significantly reliant on sustained new business volumes. New business levels have contributed positively to the Own Funds of the Group throughout 2024.

Our business fundamentals such as Assets Under Administration (AuA), policy volumes, new business market shares and expenses have all proven resilient to the impact of economic uncertainty. This, together with the positive assessment of our core strategic objectives and a line of sight to positive management actions over the planning period, leaves us well positioned to deliver ongoing positive outcomes for all stakeholders.

> We continue to monitor the volatile global economic and geopolitical backdrop that appears to have become the new normal. Our solvency position remains strong, and our financial sensitivities remain well within the Board's risk appetite.
>
> **GAVIN HUGHES, CHIEF RISK OFFICER**

RISK MANAGEMENT

RISK MANAGEMENT

Managing risk is a key part of our business model. We achieve this by understanding the current and emerging risks to the business, mitigating them where appropriate and ensuring they are appropriately monitored and managed.

RISK MANAGEMENT SYSTEM

RISK MANAGEMENT SYSTEM REVIEW AND DEVELOPMENT

CLEAR ACCOUNTABILITIES AND RESPONSIBILITIES

STRATEGY

The risk management strategy contains the objectives and principles of risk management, the risk appetite, risk preferences and risk tolerance limits.

POLICIES

The risk management policies implement the risk management strategy and provide a set of principles (and mandated activities) for control mechanisms that take into account the materiality of risks.

PROCESSES

The risk management processes ensure that risks are identified, measured/assessed, monitored and reported to support decision making.

REPORTING

The risk management reports deliver information on the material risks faced by the business and evidence that principal risks are actively monitored and analysed and managed against risk appetite.

The Group adopts the 'three lines of defence' model, with a single set of risk and governance principles applied consistently across the business.

In all divisions, we maintain processes for identifying, evaluating and managing all material risks faced by the Group, which are regularly reviewed by the divisional and Group Senior Leadership Teams and Audit & Risk Committees. Our risk assessment processes have regard to the significance of risks, the likelihood of their occurrence and take account of the controls in place to manage them. The processes are designed to manage the risk profile within the Board's approved risk appetite.

Group and divisional risk management processes are enhanced by stress and scenario testing, which evaluates the impact of certain adverse events occurring separately or in combination. The results, conclusions and any recommended actions are included within divisional and Group ORSA Reports to the relevant Boards. There is a strong correlation between these adverse events and the risks identified in 'Principal risks and uncertainties' (pages 61 to 67). The outcome of this testing provides context against which the Group and divisions can assess whether any changes to its risk appetite or to its management processes are required.

RISK MANAGEMENT • ROLE OF THE BOARD

The Group Board is responsible for monitoring the Group Risk Management System and carrying out a review of its effectiveness on an annual basis.

RISK STRATEGY AND RISK APPETITE	The Group and its divisions have a defined risk strategy and supporting Risk Appetite Framework to embed an effective Risk Management Framework, with culture and processes at its heart, and to create a holistic, transparent and focused approach to risk identification, assessment, management, monitoring and reporting. On the recommendation of the Audit & Risk Committee, the Chesnara Board approves a set of risk preferences which articulate, in simple terms, the desire to increase, maintain, or reduce the level of risk taking for each main category of risk. The risk position of the business is monitored against these preferences using risk tolerance limits, where appropriate, and they are taken into account by the management teams across the Group when taking strategic or operational decisions.
RISK AND CONTROL POLICIES	The Group has a set of Risk and Control Policies that set out the key policies, processes and controls to be applied. Senior management is responsible for the day-to-day implementation of the Risk and Control Board Policies. Subject to the materiality of changes, the Chesnara Board approves the review, updates and attestation of these policies at least annually. The Board is considering the provisions of the new UK Corporate Governance Code, including the arrangements to implement and report on Provision 29 (effective for accounting periods beginning on or after 1 January 2026) in relation to the effectiveness of internal controls.
RISK IDENTIFICATION	The Group maintains a Risk Register of risks which are specific to its activity and reports these, along with the principal risks of each business unit, to the Group A&RC on at least a quarterly basis. On an annual basis the Board approves, on the recommendation of the Audit & Risk Committee, the materiality criteria to be applied in the risk scoring and in the determination of what is considered to be a principal risk. At least quarterly, the principal and emerging risks are reported to the relevant Boards, assessing their proximity, probability and potential impact.
OWN RISK AND SOLVENCY ASSESSMENT (ORSA)	On an annual basis, or more frequently if required, the Group produces a Group ORSA Report which aggregates the divisional ORSA findings and supplements these with an assessment specific to Group activities. The Group and divisional ORSA policies outline the key processes and contents of these reports. The Chesnara Board is responsible for approving the ORSA, including steering in advance how the assessment is performed and challenging the results. The primary objective of the ORSA is to support the Company's strategic decision making, by providing insights into the Company's risk profile over the business planning horizon. Effective ORSA reporting supports the Board, in its role of protecting the viability and reputation of the Company, reviewing and challenging management's strategic decisions and recommendations.
RISK MANAGEMENT SYSTEM EFFECTIVENESS	The Group and its divisions undertake a formal annual review of and attestation to the effectiveness of the Risk Management System. The assessment considers the extent to which the Risk Management System is embedded. The Chesnara Board is responsible for monitoring the Risk Management System and its effectiveness across the Group. The outcome of the annual review is reported to the Group Board which makes decisions regarding its further development.

RISK MANAGEMENT • EMERGING RISKS

On a regular basis, the senior management teams scan the horizon to identify potential risk events (e.g. political; economic; technological; environmental, legislative & social), assessing potential outcomes in terms of threats and opportunities. This section provides details on some of the emerging risks that have been kept under close watch during 2024.

GEOPOLITICAL RISK

Geopolitical risk continues to create a greater level of uncertainty across the Group risk profile, for example market volatility and investment performance. To name some examples, the ongoing conflict between Ukraine and Russia, unrest in the Middle East and growing tensions between China and Taiwan all continue to be areas of emerging risk for the Group, in the sense that these are evolving situations which have potential implications for the Group's principal risks.

During 2024, more than 40 countries, accounting for over 40 percent of the world, held national elections, making it the largest year for global democracy. Against a backdrop of geopolitical tensions and economic instability, significant political change is happening:

- The UK's Conservative Party was heavily defeated after 14 years in power. Labour's first Budget announced significant changes impacting business owners and employers, with an anticipated inflationary impact.
- In the US, former president Donald Trump was re-elected with a decisive victory. Pledges made around tariffs and trade wars could impact inflation, global markets and economic growth. The long-term effects of his policies are unpredictable but could bring significant turbulence.

MACROECONOMIC VOLATILITY

Global economic growth is experiencing fluctuations due to various factors, including geopolitical tensions, supply chain disruptions, and changes in consumer behaviour. It was anticipated that 2024 would see a number of interest rate cuts but inflation proved persistent, meaning central banks have been reluctant to ease interest rates too quickly. The future path of inflation remains difficult to predict, with most commentators forecasting a continuation of disinflation but with potential for smaller shocks or further persistence in some areas.

Economic uncertainty remains a prominent emerging risk for the Group, with inflation driven expense risk and future market risk exposures being the potential key areas with greatest potential impact.

- Many of the Group's material supplier contracts, as well as a majority of the Group's internal costs, are directly linked to wage/price inflation measures.
- Changes in market conditions can affect the Group's capital position, future growth and long-term investment performance.

ARTIFICIAL INTELLIGENCE (AI)

Developments in the field of AI mean companies are looking towards both self-developed and externally acquired AI applications, often with the aim to automate or optimise existing processes and sub-processes. As a result, financial services organisations are entering the AI space, with many looking at incorporating it into their long-term strategies.

The Group is exploring the use of Artificial Intelligence, including the risks and opportunities arising from developments in the field of AI.

The EU Artificial Intelligence Act officially came into force in August 2024. The regulations are designed to ensure that AI systems are safe, transparent, and respect fundamental rights while promoting innovation within the EU.

In 2024, the UK has continued to develop its approach to AI regulation with a focus on balancing innovation and security. The UK government has adopted a principles-based, cross-sector framework for AI regulation. Various regulators, including the FCA and the Information Commissioner's Office (ICO) have been updating their strategic approaches to AI.

SUSTAINABILITY

Sustainability and the response to the challenges and opportunities presented continues to be a key focus in the UK and Europe and is an evolving area of potential risk for the business. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, however, in early 2025, the United States of America withdrew from the United Nations Sustainable Development Goals. The agenda provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. The SDGs and the potential risks they look to address cover areas including poverty, inequality, climate change, environmental degradation, peace, and justice.

Of these, a prominent area of focus across the UK and the EU is the financial risks of climate change. 2024 was the hottest year on record and the first calendar year to exceed the 1.5°C warming threshold of the Paris Agreement, with the global average at 1.6°C, and an understanding of the potential impacts on businesses is developing.

The need for organisations, businesses and wider society to take action is clear and to support this, the Group has published its sustainability strategy together with its initial targets. This is an integral part of the Company's overall strategy and will look to address current and forthcoming sustainability-related risks.

The risk information on the following pages includes specific commentary, where appropriate, on the impact of emerging events on our principal risks.

The following tables outline the principal risks and uncertainties of the Group and the controls in place to mitigate or manage their impact. It has been drawn together following regular assessment, performed by the Audit & Risk Committee, of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The impacts are not quantified in the tables. However, by virtue of the risks being defined as principal, the impacts are potentially significant. Those risks with potential for a material financial impact are covered within the sensitivities on page 48.

KEY

⇧	HEIGHTENED
⇔	NO MATERIAL CHANGE
⇩	LESSENED

RISK MANAGEMENT • PRINCIPAL RISKS AND UNCERTAINTIES

INVESTMENT AND LIQUIDITY RISK PR1

Exposure to financial losses or value reduction arising from adverse movements in currency, investment markets, counterparty defaults, or through inadequate asset liability matching.

RISK APPETITE

The Group accepts this risk but has controls in place to prevent any increase or decrease in the risk exposure beyond set levels. These controls will result in early intervention if the amount of risk approaches those limits.

POTENTIAL IMPACT

Market risk results from fluctuations in asset values, foreign exchange rates and interest rates and has the potential to affect the Group's ability to fund its commitments to customers and other creditors, as well as pay a return to shareholders.

Chesnara and each of its subsidiaries have obligations to make future payments, which are not always known with certainty in terms of timing or amounts, prior to the payment date. This includes primarily the payment of policyholder claims, reinsurance premiums, debt repayments and dividends. The uncertainty of timing and amounts to be paid gives rise to potential liquidity risk, should the funds not be available to make payment.

Other liquidity issues could arise from counterparty failures/credit defaults, a large spike in the level of claims or other significant unexpected expenses.

Worldwide developments in environmental, social, and governance (ESG) responsibilities and reporting have the potential to influence market risk in particular, for example the risks arising from transition to a carbon neutral industry, with corresponding changes in consumer preferences and behaviour.

KEY CONTROLS

- Regular monitoring of exposures and performance;
- Asset liability matching;
- Maintaining a well-diversified asset portfolio;
- Holding a significant amount of surplus in highly liquid 'Tier 1' assets such as cash and gilts;
- Utilising a range of investment funds and managers to avoid significant concentrations of risk;
- Having an established investment Governance Framework to provide review and oversight of external fund managers;
- Regular liquidity forecasts;
- Considering the cost/benefit of hedging when appropriate;
- Actively optimising the risk/return trade-off between yield on fixed interest assets compared with the associated balance sheet volatility and potential for defaults or downgrades; and
- Giving due regular consideration (and discussing appropriate strategies (with fund managers)) to longer-term global changes that may affect investment markets, such as climate change.

RECENT CHANGE/OUTLOOK

There remains a high level of uncertainty in the external operating environment with a varied outlook globally.

Uncertainty around geopolitics and monetary policy may bring continued market volatility and potential for shocks. Escalating tariffs could impact inflation, equity and credit markets.

With greater global emphasis being placed on environmental and social factors when selecting investment strategies, the Group has an emerging exposure to 'transition risk' arising from changing preference and influence of, in particular, institutional investors. This has the potential to result in adverse investment returns on any assets that perform poorly as a result of 'ESG transition'. Work is ongoing to embed sustainability into the wider strategy of the Group.

Ongoing global conflict brings additional economic uncertainty and volatility to financial markets. This creates additional risk of poor mid-term performance on shareholder and policyholder assets.

REGULATORY CHANGE RISK PR2

The risk of adverse changes in industry practice/regulation, or inconsistent application of regulation across territories.

RISK APPETITE

The Group aims to minimise any exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The Group currently operates in three main regulatory domains and is therefore exposed to potential for inconsistent application of regulatory standards across divisions, such as the imposition of higher capital buffers over and above regulatory minimum requirements. Potential consequences of this risk for the Group are the constraining of efficient and fluid use of capital within the Group or creating a non-level playing field with respect to future new business/acquisitions.

Regulatory developments continue to drive a high level of change activity across the Group, with items such as operational resilience, climate change, Consumer Duty and ESG reporting being particularly high profile. Such regulatory initiatives carry the risk of expense overruns should it not be possible to adhere to them in a manner that is proportionate to the nature and scale of the Group's businesses. The Group is therefore exposed to the risk of:

- incurring one-off costs of addressing regulatory change as well as any permanent increases in the cost base to meet enhanced ongoing standards;
- erosion in value arising from pressure or enforcement to reduce future policy charges;
- erosion in value arising from pressure or enforcement to financially compensate for past practice; and
- regulatory fines or censure in the event that it is considered to have breached standards or fails to deliver changes to the required regulatory standards on a timely basis.

RISK MANAGEMENT • PRINCIPAL RISKS AND UNCERTAINTIES

REGULATORY CHANGE RISK CONTINUED PR2

KEY CONTROLS

The Group seeks to limit any potential impacts of regulatory change on the business by:

- Having processes in place for monitoring changes, to enable timely actions to be taken, as appropriate;
- Maintaining strong open relationships with all regulators, and proactively discussing their initiatives to encourage a proportional approach;
- Being a member of the ABI and equivalent overseas organisations and utilising other means of joint industry representation;
- Performing regular internal reviews of compliance with regulations; and
- Utilising external specialist advice and assurance, when appropriate.

Regulatory risk is monitored and scenario tests are performed to understand the potential impacts of adverse political, regulatory or legal changes, along with consideration of actions that may be taken to minimise the impact, should they arise.

RECENT CHANGE/OUTLOOK

There continues to be active regulatory agendas across the territories in which we operate.

The UK Treasury and EIOPA have both been undertaking a review of SII rules implementation. In the UK, this resulted in a reduction in the SII Risk Margin and similar is expected for the overseas entities from the EIOPA review. The European Parliament approved the final text of the Solvency II review in 2024 with the Solvency II Directive amended on 5 November 2024. It is expected once fully entered into force Member States will have two years to transpose it.

There is also potential for divergence of regulatory approaches amongst European regulators, with potential implications for the Group's capital, regulatory supervision and structure.

The Group is subject to evolving regimes governing the recovery, resolution or restructuring of insurance companies. As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally. The PRA is expected to publish a policy statement in the near future following CP2/24 Solvent exit planning for insurers. UK Insurers will be required to prepare a Solvent Exit Analysis (SEA) as part of BAU activities.

In July 2022, the FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 – A New Consumer Duty. The Consumer Duty regulations set higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers. The first key regulatory deadline of 31 July 2023 required implementation for new business, whilst all products including closed books must be compliant by 31 July 2024. Our UK business established a Consumer Duty project which delivered all requirements across its businesses within the FCA deadline.

The Group has also been progressing activity to implement major regulatory driven operational resilience programmes including UK Operational Resilience, UK Third Party Risk Management and EU Digital Operational Resilience Act.

ACQUISITION RISK PR3

The risk of failure to source acquisitions that meet the Group's criteria or the execution of acquisitions with subsequent unexpected financial losses or value reduction.

RISK APPETITE

The Group has a patient approach to acquisition and generally expects acquisitions to enhance EcV and expected cash generation in the medium term (net of external financing), though each opportunity will be assessed on its own merits.

POTENTIAL IMPACT

The acquisition element of the Group's growth strategy is dependent on the availability of attractive future acquisition opportunities. Hence, the business is exposed to the risk of a reduction in the availability of suitable acquisition opportunities within the Group's current target markets, for example arising as a result of a change in competition in the consolidation market or from regulatory change influencing the extent of life company strategic restructuring.

Through the execution of acquisitions, the Group is also exposed to the risk of erosion of value or financial losses arising from risks inherent within businesses or funds acquired which are not adequately priced for or mitigated as part of the transaction.

KEY CONTROLS

The Group's financial strength, strong relationships and reputation as a 'safe hands acquirer' via regular contact with regulators, banks and target companies enables the Company to adopt a patient and risk-based approach to assessing acquisition opportunities. Operating in multi-territories provides some diversification against the risk of changing market circumstances in one of the territories. Consideration of additional territories within Western Europe remains on the agenda, if the circumstances of entry meet the Group's stated criteria.

The Group seeks to limit any potential unexpected adverse impacts of acquisitions by:

- Applying a structured Board approved risk-based Acquisition Policy including CRO involvement in the due diligence process and deal refinement processes;
- Having a management team with significant and proven experience in mergers and acquisitions; and
- Adopting an appropriate risk appetite and pricing approach.

RECENT CHANGE/OUTLOOK

During 2024, the Group announced a second portfolio acquisition from Canada Life which will see a closed portfolio of unit-linked bonds and legacy pension business transfer to Chesnara's UK subsidiary.

There remains a positive pipeline of activity in relation to acquisitions, with the Group also looking at whether further M&A is possible in Sweden.

The successful Tier 2 debt raise in 2022, in addition to diversifying the Group's capital structure, has provided additional flexibility in terms of funding the Group's future growth strategy.

⬆ DEMOGRAPHIC EXPERIENCE RISK

PR4

Risk of adverse demographic experience compared with assumptions (such as rates of mortality, morbidity, persistency etc.).

RISK APPETITE

The Group accepts this risk but restricts its exposure, to the extent preferred, through the use of reinsurance and other controls. Early warning trigger monitoring is in place to track any increase or decrease in the risk exposure beyond a set level, with action taken to address any impact as necessary.

POTENTIAL IMPACT

If demographic experience (rates of mortality, morbidity, persistency etc.) deviates from the assumptions underlying product pricing and subsequent reserving, more or less profit will accrue to the Group.

The effect of recognising any changes in future demographic assumptions at a point in time would be to crystallise any expected future gain or loss on the balance sheet.

If mortality or morbidity experience is higher than that assumed in pricing contracts (i.e. more death and sickness claims are made than expected), this will typically result in less profit accruing to the Group.

If persistency is significantly lower than that assumed in product pricing and subsequent reserving, this will typically lead to reduced Group profitability in the medium to long term, as a result of a reduction in future income arising from charges on those products. The effects of this could be more severe in the case of a one-off event resulting in multiple withdrawals over a short period of time (a 'mass lapse' event).

KEY CONTROLS

The Group performs close monitoring of persistency levels across all groups of business to support best estimate assumptions and identify trends. There is also partial risk diversification in that the Group has a portfolio of annuity contracts where the benefits cease on death.

The Group seeks to limit the impacts of adverse demographic experience by:

- Aiming to deliver good customer service and fair customer outcomes;
- Having effective underwriting techniques and reinsurance programmes, including the application of 'Mass Lapse reinsurance', where appropriate;
- Carrying out regular investigations, and industry analysis, to support best estimate assumptions and identify trends;
- Active investment management to ensure competitive policyholder investment funds; and
- Maintaining good relationships with brokers, which is independently measured via yearly external surveys that consider brokers' attitudes towards different insurers.

RECENT CHANGE/OUTLOOK

Continued cost of living pressures could give rise to higher surrenders and lapses should customers face personal finance pressures and not be able to afford premiums or need to access savings. The Group continues to monitor closely and respond appropriately.

Since 2020, we have seen mortality experience in the Netherlands in excess of expectations due to the direct and indirect consequences of the COVID-19 pandemic. This is reflected in the shorter-term assumptions but anticipated to fade away in the longer-term assumptions, in line with industry practice/standard tables.

Any prolonged stagnation of the property market could reduce protection business sales compared to plan, particularly in the Netherlands.

Following the introduction of new legislation in 2022 making it easier for customers to transfer insurance policies in Sweden, the transfer market remains very active. This risk continues to be actively monitored.

⬇ EXPENSE RISK

PR5

Risk of expense overruns and unsustainable unit cost growth.

RISK APPETITE

The Group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The Group is exposed to expenses being higher than expected as a result of one-off increases in the underlying cost of performing key functions, or through higher inflation of variable expenses.

A key underlying source of potential increases in regular expense is the additional regulatory expectations on the sector.

For the closed funds, the Group is exposed to the impact on profitability of fixed and semi-fixed expenses, in conjunction with a diminishing policy base.

For the companies open to new businesses, the Group is exposed to the impact of expense levels varying adversely from those assumed in product pricing. Similarly, for acquisitions, there is a risk that the assumed costs of running the acquired business allowed for in pricing are not achieved in practice, or any assumed cost synergies with existing businesses are not achieved.

RISK MANAGEMENT • PRINCIPAL RISKS AND UNCERTAINTIES

EXPENSE RISK CONTINUED PR5

KEY CONTROLS

For all subsidiaries, the Group maintains a regime of budgetary control.

- Movestic and Scildon assume growth through new business such that the general unit cost trend is positive;
- The Waard Group pursues a low cost-base strategy using a designated service company. The cost base is supported by service income from third party customers;
- Countrywide Assured pursues a strategy of outsourcing functions with charging structures such that the policy administration cost is more aligned to the book's run off profile; and
- With an increased current level of operational and strategic change within the business, a policy of strict project budget accounting discipline is being upheld by the Group for all material projects.

RECENT CHANGE/OUTLOOK

The Group has an ongoing expense management programme and various strategic projects aimed at controlling expenses and seeking opportunities to exploit efficiencies/synergies, whilst ensuring we have the capabilities and capacity to support our growth ambitions, whilst continuing to keep tight cost control.

Acquisitions also present opportunities for unit cost reduction and the UK business announced a long-term strategic partnership with Fin Tech market leader SS&C Technologies ('SS&C') in May 2023, to provide policy administration services to the Group's UK division.

The merger of our businesses in the Netherlands is anticipated to create a more sustainable business with the potential for further synergies.

Through its exposures to investments in real asset classes, both direct and indirect, Chesnara has an indirect hedge against the effects of inflation and will consider more direct inflation hedging options should circumstances determine that to be appropriate.

OPERATIONAL RISK PR6

Significant operational failure/business continuity event.

RISK APPETITE

The Group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The Group and its subsidiaries are exposed to operational risks which arise through daily activities and running of the business. Operational risks may, for example, arise due to technical or human errors, failed internal processes, insufficient personnel resources or fraud caused by internal or external persons. As a result, the Group may suffer financial losses, poor customer outcomes, reputational damage, regulatory intervention or business plan failure.

Part of the Group's operating model is to outsource support activities to specialist service providers. Consequently, a significant element of the operational risk arises within its outsourced providers.

KEY CONTROLS

The Group perceives operational risk as an inherent part of the day-to-day running of the business and understands that it can't be completely eliminated. However, the Company's objective is to always control or mitigate operational risks, and to minimise the exposure when it's possible to do so in a convenient and cost-effective way.

The Group seeks to reduce the impact and likelihood of operational risk by:

- Monitoring of key performance indicators and comprehensive management information flows;
- Effective governance of outsourced service providers, in line with SS2/21 Outsourcing and Third Party Risk Management, including a regular financial assessment. Appropriate contractual terms contain various remedies dependent on the adverse circumstances which may arise;
- Regular testing of business continuity plans;
- Regular staff training and development;
- Employee Performance Management Frameworks;
- Promoting the sharing of knowledge and expertise; and
- Complementing internal expertise with established relationships with external specialist partners.

RECENT CHANGE/OUTLOOK

Significant operational change is underway across the Group particularly from the merger in the Netherlands and through the transition and transformation programme in the UK. This may bring additional operational risk in the shorter term but is anticipated to significantly reduce the risk in the longer term.

In addition, advancements in operational risk management and control continue to be made as a result of major regulatory driven operational resilience programmes across the Group, as described below.

Operational resilience remains a key focus for the business and high on the regulatory agenda following the regulatory changes published by the BoE, PRA and FCA. The Group continues to progress activity under the UK operational resilience project. The next key regulatory deadline is 31 March 2025; the deadline by which all firms should have sound, effective, and comprehensive strategies, processes, and systems that enable them to address risks to their ability to remain within their impact tolerance for each important business service (IBS) in the event of a severe but plausible disruption. To support this, the project is currently in the process of running a schedule of 'real life severe but plausible' scenario testing.

The Digital Operational Resilience Act (DORA) entered into force in January 2023 and applied from January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption. Movestic, Scildon and Waard are considered to be materially compliant with the new regulations, taking account of their size and overall risk profile, as well as the nature, scale and complexity of their services, activities and operations. Through 2025, there will be further activity to fully embed DORA into business as usual operations, closing any residual gaps and completing the first round of regulatory reporting.

Each division continues to carry out assurance activities through local business continuity programmes to ensure robust plans are in place to limit business disruption in a range of severe but plausible events.

⟷ IT/DATA SECURITY & CYBER RISK PR7

Risk of IT/ data security failures or impacts of malicious cyber-crime (including ransomware) on continued operational stability.

RISK APPETITE

The Group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

Cyber risk is a growing risk affecting all companies, particularly those who are custodians of customer data. The most pertinent risk exposure relates to information security (i.e. protecting business sensitive and personal data) and can arise from failure of internal processes and standards, but increasingly companies are becoming exposed to potential malicious cyber-attacks, organisation-specific malware designed to exploit vulnerabilities, phishing and ransomware attacks etc. The extent of the Group's exposure to such threats also includes third party service providers.

The potential impact of this risk includes financial losses, inability to perform critical functions, disruption to policyholder services, loss of sensitive data and corresponding reputational damage or fines.

KEY CONTROLS

The Group seeks to limit the exposure and potential impacts from IT/data security failures or cyber-crime by:

- Embedding the Information Security Policy and Group Cyber Response Framework in all key operations and development processes;
- Seeking ongoing specialist external advice, modifications to IT infrastructure and updates as appropriate;
- Delivering regular staff training and attestation to the Information Security Policy;
- Regular employee phishing tests and awareness sessions;
- Ensuring that the Board maintains appropriate information technology and security knowledge;
- Conducting penetration and vulnerability testing, including third party service providers;
- Executive Committee and Board level responsibility for the risk, including dedicated IT Security Committees with executive membership;
- Having established Group and supplier disaster recovery and business continuity plans which are regularly monitored and tested;
- Ensuring the Group's outsourced IT service provider maintains relevant information security standard accreditation (ISO27001);
- Monitoring network and system security including firewall protection, antivirus and software updates; and
- The Group has cyber insurance in place which covers all of the UK operations including head office. Elsewhere in the Group, where cyber insurance is not in place, we are able to access support and resources (e.g. forensic analysis) through existing contracts with third parties.

In addition, a designated steering group provides oversight of the IT estate and information security environment including:

- Changes and developments to the IT estate;
- Performance and security monitoring;
- Oversight of information security incident management;
- Information security awareness and training;
- Development of business continuity plans and testing; and
- Overseeing compliance with the Information Security Policy.

RECENT CHANGE/OUTLOOK

The Group continues to invest in the incremental strengthening of its cyber risk resilience and response options.

During 2024, there have been no reports of any material data breaches.

The risk of cyber-crime campaigns particularly originating from state sponsored attacks remains heightened as a result of the ongoing geopolitical unrest.

During 2024, the Group has continued to test and seek assurance of the resilience to cyber risks, this has included:

- Completing a ransomware scenario test, which involved one business unit, group crisis management team and Group Board. A lessons learned session has been held with relevant actions identified;
- Regular phishing testing and training campaigns;
- Board training and awareness; and
- Ongoing penetration testing and vulnerability management.

Enhancements to the IT control environment have also been made as a result of implementation of EU Digital Operational Resilience Act in our overseas business units, which came into effect on 17 January 2025.

⟷ NEW BUSINESS RISK PR8

Adverse new business performance compared with projected value.

RISK APPETITE

The Group does not wish to write new business that does not generate positive new business value (on a commercial basis) over the business planning horizon.

POTENTIAL IMPACT

If new business performance is significantly lower than the projected value, this will typically lead to reduced value growth in the medium to long term. A sustained low-level performance may lead to insufficient new business profits to justify remaining open to new business.

RISK MANAGEMENT • PRINCIPAL RISKS AND UNCERTAINTIES

⟷ NEW BUSINESS RISK CONTINUED PR8

KEY CONTROLS

The Group seeks to limit any potential unexpected adverse impacts to new business by:

- Monitoring quarterly new business profit performance;
- Investing in brand and marketing;
- Maintaining good relationships with brokers;
- Offering attractive products that suit customer needs;
- Monitoring market position and competitor pricing, adjusting as appropriate;
- Maintaining appropriate customer service levels and experience; and
- Monitoring market and pricing movements.

RECENT CHANGE/OUTLOOK

Increased expenses and price pressure remains a risk for the ongoing viability of writing profitable new business across the Group and the Swedish transfer market remains active following regulatory changes which give greater transfer freedom.

Market share is currently being maintained in the Netherlands with activity to look at some broader wealth products.

In Sweden, action is being taken to diversify distribution partners whilst expanding product offering across unit-linked, custodian and life & health markets.

The UK continues to write new business primarily through the onshore bond wrapper acquired as part of Sanlam Life & Pensions UK.

⟷ REPUTATIONAL RISK PR9

Poor or inconsistent reputation with customers, advisors, regulators, investors, staff or other key stakeholders/counterparties.

RISK APPETITE

The Group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The Group is exposed to the risk that litigation, employee misconduct, operational failures, the outcome of regulatory investigations, press speculation and negative publicity, disclosure of confidential client information (including the loss or theft of customer data), IT failures or disruption, cyber security breaches and/or inadequate services, amongst others, whether true or not, could impact its brand or reputation. The Group's brand and reputation could also be affected if products or services recommended by it (or any of its intermediaries) do not perform as expected (whether or not the expectations are realistic) or in line with the customers' expectations for the product range.

Any damage to the Group's brand or reputation could cause existing customers or partners to withdraw their business from the Group, and potential customers or partners to elect not to do business with the Group and could make it more difficult for the Group to attract and retain qualified employees.

KEY CONTROLS

The Group seeks to limit any potential reputational damage by:

- Regulatory publication reviews and analysis;
- Timely response to regulatory requests;
- Open and honest communications;
- HR policies and procedures;
- Fit & Proper procedures;
- Operational and IT Data Security Frameworks;
- Product Governance and Remediation Frameworks;
- Appropriate due diligence and oversight of outsourcers and third parties; and
- Proactive stakeholder engagement with inclusivity for all stakeholders.

RECENT CHANGE/OUTLOOK

The Group is exposed to strategic and reputational risks arising from its action or inaction as part of its sustainability strategy. This includes the risks associated with not meeting our published targets and there are regulatory and reputational risks arising from our public disclosures on the matter through the potential of unintentional greenwashing.

The Group has a published sustainability strategy which aims to provide clear and honest disclosure of the actions being taken, the rationale for those actions and areas of uncertainty.

⟷ MODEL RISK PR10

Adverse consequences from decisions based on incorrect or misused model outputs, or fines or reputational impacts from disclosure of materially incorrect or misleading information.

RISK APPETITE

The Group aims to minimise its exposure to this risk, to the extent possible, but acknowledges that it may need to accept some risk as a result of carrying out business.

POTENTIAL IMPACT

The Group and each of its subsidiaries apply statistical, economic and financial techniques and assumptions to process input data into quantitative estimates. Inaccurate model results may lead to unexpected losses arising from inaccurate data, assumptions, judgements, programming errors, technical errors, and misinterpretation of outputs.

Potential risk impacts of inaccurate model results include:

- Poor decisions, for example regarding business strategy, operational decisions, investment choices, dividend payments or acquisitions;
- Potentially overestimating the value of acquisitions resulting in over payment;
- Misstatement of financial performance or solvency, resulting in misleading key shareholders or fines; and
- Provision of inaccurate information to the Board on business performance resulting in poorly informed or delayed decisions.

MODEL RISK CONTINUED PR10

KEY CONTROLS

- Robust model Governance Framework and independent standards of 'do-check-review';
- Independent model validation & internal audit review;
- Monitoring and reporting of risk appetite limits;
- Documented processes and policies;
- Ongoing and regular data quality assessment checks;
- Model version control and user access restrictions;
- Robust due diligence processes on acquisitions including external support on model development/review; and
- Intra-Group financial reporting planning, monitoring and delivery management.

RECENT CHANGE/OUTLOOK

Model risk management is becoming an increased area of focus of the regulators, particularly in the UK banking industry, with PS6/23 and SS1/23 becoming effective for bank and building societies on 17 May 2024, and an expectation that further guidance will follow for insurers.

The Group is in the process of embedding a new aggregation model (Tagetik) that provides greater access control for Group consolidation on both IFRS and SII bases.

Many insurers, including Chesnara, are exploring the use of artificial intelligence, including the risks and opportunities arising. While this increases the opportunity to benefit from expense synergies, it also has the potential to introduce additional model risk. Conversely though, there are also opportunities to reduce model risk by applying machine learning techniques to validation and sense checking of results.

As part of the Group's operational resilience programme, the Group is undertaking a review of the operational resilience of its financial reporting and modelling processes. This includes resilience scenario testing of the processes, and is expected to improve efficiency and model risk mitigation.

CLIMATE CHANGE RISK PR11

Exposure to adverse consequences of the physical or transitional risks arising from climate change.

RISK APPETITE

The Group aims to restrict its exposure to climate change risk, such that it can continue to operate within the existing risk tolerance limits for the associated risks and potential impacts. The risk impacts below can have a direct impact on the operations of the Group and, more significantly, to the businesses within the Group's investment universe.

POTENTIAL IMPACT

Physical risks impacts

- Extreme weather events such as floods, hurricanes, and wildfires can damage physical assets leading to direct business interruption as well as indirect consequences due to the impact on the supply chain.
- Sustained but gradual changes in the weather can also lead to both direct and indirect disruption of business operations, affecting everything from third parties to data centres.

Transitional risks impacts

- New regulations aimed at reducing carbon emissions may impact the profitability of certain investments, particularly in carbon-intensive industries.
- As the economy transitions to greener technologies, there may be shifts in market demand, affecting the value of investments in traditional energy sectors.
- Inflationary impacts from global climate policy failure, including on energy prices.
- Reputational damage if we are seen to be failing to manage the effects of climate change or to deliver on our targets/commitments.
- Litigation risk if we are considered not to have published enough information or to have made unsubstantiated claims leading to 'greenwashing'.

KEY CONTROLS

- Quantitative analysis of the potential impact of climate change on our business;
- Working towards embedding climate change risk into investment and operational decision making across the business;
- Providing clear and honest disclosure on our targets and commitments and where there are areas of challenge and uncertainty for those targets;
- Robust Risk and Governance Frameworks;
- Monitoring of associated KPIs;
- Using external data providers to provide groupwide ESG data on our asset portfolio;
- Factoring an assessment of climate commitments into the selection of prospective partners; and
- Factoring sustainability-related risk analysis into the due diligence completed on potential acquisitions.

RECENT CHANGE/OUTLOOK

To manage the risks associated with climate change, financial institutions are increasingly adopting advanced data and modelling techniques. Additionally, regulatory bodies require financial institutions to perform climate scenario analyses to test their resilience to emerging climate-related financial risks. COP 29 emphasised the crucial role of non-party stakeholders such as businesses, investors and society, in driving global climate action. The outcomes reflected the ongoing efforts to enhance global climate action and cooperation although it was made clear more ambition and concrete plans are needed to meet the 1.5°C target.

In early 2025, the United States of America implemented a number of actions and executive orders that have potentially wide reaching implications for climate change and global action plans.

The Group has aligned its targets with the Paris Climate Agreement and aims to be net zero for all emissions by 2050. Our climate transition plan is being developed using the IIGCC's Net Zero Investment Framework 2.0 and is due to be published later this year.

A Chesnara Group Climate Risk Report was produced for the first time in 2024 and was presented to the Board. The report includes an estimated impact on Own Funds from climate risk, demonstrating the potentially significant impact of climate change, and the mitigating actions that are being taken.

Whilst we consider climate change to be a cross-cutting risk, that manifests through other Principal risks (e.g. equity, credit, regulatory etc), the Group has recently enhanced its climate change risk modelling by utilising MSCI data, and this has increased our assessment of the potential materiality of potential impacts in the longer term. It is a significant step forward in terms of coverage, granularity and robustness of Chesnara's climate risk analysis compared to our previous approach and, as a result, climate change risk has been included as an explicit principal risk, to make more explicit the exposure to potential adverse consequences of the physical and transitional risks that could arise from climate change.

CORPORATE & SOCIAL RESPONSIBILITY

We are committed to transitioning to become a sustainable group and manage our business for the long-term benefit of all stakeholders, including our customers, investors, employees, regulators, suppliers and partners, local communities, and the planet.

Transitioning to a sustainable group

We have a clear corporate and social purpose. As a business, we help protect our customers and their families from the economic impact of an early death through our product offering, and help support them during retirement through pension and investment savings. We believe that stakeholder value creation is best delivered through the embedded consideration of environmental, social and governance issues. In this regard, among our key considerations are the following strategic aims:

- Care for our customers, helping them create financial security now and for the future;
- Investments focusing on long-term sustainability and strong financial solvency for the Company;
- Assessing and managing our impact on the planet and natural environment, including managing climate-related and wider sustainability-related risks; and
- Maintaining a long-term sustainable working environment for our staff, suppliers and partners and local communities.

Our Annual Sustainability Report (**www.chesnara.co.uk/sustainability**) provides detail on the work we are doing to become a sustainable Chesnara, including setting out our sustainability vision and targets. We want sustainability at the heart of decision making at all levels across the business and are basing our work on the mantra of ‘Do no harm. Do good. Act now for later’. Our commitments are:

1. **Supporting a sustainable future**, including our net zero transition plans.
2. **Making a positive impact**, including our plans to invest in positive solutions.
3. **Creating a fairer world**, ensuring our Group is an inclusive environment for all employees, customers and stakeholders.

These commitments have been developed with consideration of the UN Sustainable Development Goals. These 17 goals are an urgent call to action to promote peace and prosperity for people and the planet, now and into the future. We’ll focus our activities on those goals where we feel we can have the greatest impact; however, we will support all of the goals wherever possible.

Embedding sustainability

Embedding sustainability into decision making at all levels across the Group is a fundamental part of what we are working to achieve. This is vitally important as sustainability needs to be part of every strategic conversation. Our Annual Sustainability Report (ASR) gives more detail on what we are going to do to achieve this.

As described on pages 59 and 93 to 103, a key part of this work includes the annual review of the effectiveness of our Risk Management System and the system of governance to ensure that we can achieve our business objectives and safeguard the interests of our stakeholders. The overall conclusion from the review conducted in 2022 was that the Group has a stable and well understood risk profile, controlled by an effective and embedded system of governance.

We believe that sustainability is not solely for our Board and leadership teams, and we have taken and will continue to take steps to educate, involve and support our workforce and other stakeholders, including our suppliers, in the delivery of our sustainability strategy. In 2024, we delivered our groupwide Sustainability and Skills Development Programme for all staff. In addition, the Group and divisional directors received training on transition planning, delivered by the Institutional Investors Group on Climate Change (IIGCC). Each of our businesses has also incorporated sustainability into its Investment Policy, Investment Committee Terms of Reference and investment decision making. We are expanding this to capture all policies across the business to ensure that sustainability is a key consideration.

The sustainable management of our Assets Under Administration (AuA) is a critical component of our sustainability journey. In all three of our territories, we work with fund managers that are committed to the UN SDGs and the UN’s Principles of Responsible Investment (UNPRI). Both Chesnara and Movestic Livförsäkring are signatories to the UNPRI. As well as this, we are signatories to the UN Global Compact and will submit an annual Communication on Progress report setting out specific actions taken with regard to the four designated categories covering human rights, labour, environment and anti-corruption. Chesnara is also a signatory of the Finance for Biodiversity Pledge.

Our TCFD report on pages 74 to 91 describes our assessment of climate change risks and opportunities under four pillars – Governance; Strategy; Risk Management; and Metrics and Targets. Further regulatory and disclosure requirements around sustainability are forthcoming and we will take measures to ensure that we give full and appropriate disclosure of our progress as these standards are issued.

OUR MANTRA

DO NO HARM.
DO GOOD.
ACT NOW FOR LATER.

CORPORATE & SOCIAL RESPONSIBILITY • OUR CUSTOMERS

Customer care

Our actions are always underpinned by our focus on delivering good outcomes to customers. We understand that every customer is different, yet everyone deserves good service. We are taking action across the Group to continue to identify potential enhancements including some that can improve our customers' experiences. A key part of this work in 2024 has been complying with the requirements of the UK Consumer Duty, including a review of our customer journeys and communications and completing fair value assessments of the products our customers have with us.

Our products and services

We offer and manage life and health insurance and pension products for our customers to help them meet their financial goals. We achieve this by paying attention to and understanding the customer's point of view, by regularly asking for feedback and by investigating any complaints thoroughly and promptly. Lessons learned from our interactions with customers are used to train and develop our staff, make our processes more efficient and to take further steps to ensure our policyholders are treated fairly. Our aim is to consistently exceed industry service standards.

Reuniting customers with their policies

We appreciate that customers can lose touch with their policies due to business acquisitions, house moves, name changes and the passage of time, so we actively try to trace and recontact customers wherever possible.

Digitalisation

Advancements in technology and data usage are having a significant impact on how business is conducted, and the way regular communication is taking place. We have continued to invest in digital technology and applications so that we can meet the expectations of our business partners and customers, whilst maintaining the traditional contact methods for customers that are more comfortable using that option.

Regulatory compliance

We maintain an open and constructive relationship with the regulators in the jurisdictions we operate in. Understanding and implementing regulatory requirements is a key part of management responsibility, including the timely and accurate submission of information requested by the regulator. None of the business entities were subject to any regulatory intervention during 2024 and no penalties were imposed.

Health, safety and welfare at work

As a responsible business, we place primary importance on the health, safety and welfare of our employees. We operate a hybrid working model across all of our geographies, taking into account individual circumstances where necessary so that appropriate support can be provided.

Our colleagues have access to a range of initiatives that benefit their physical and mental wellbeing, including comprehensive health insurance, annual health checks and Employee Assistance Programmes. All staff are made aware of these benefits through contracts of employment, policies and staff briefings.

Employees are supported by policies that promote a healthy work/life balance, including flexible working, compressed hours, summertime hours, remote working, enhanced maternity and paternity leave, and paid sickness, bereavement and carers' leave. They are also reminded of their duty to act responsibly and do everything possible to prevent injury to themselves and others. Management teams across the Group monitor the level of sick leave and absence and, where necessary, they take appropriate action to address any issues identified.

Relevant policies and procedures are reviewed on a regular basis so as to ensure that they meet appropriate standards. Any hazards or material risks are removed or reduced to minimise or, where possible, exclude the possibility of accident or injury to employees or visitors.

Equal opportunities and diversity

The Group always aims to attract, promote and retain high quality candidates suitable for the roles within all its operations. Our approach is to be open, entrepreneurial, transparent and inclusive in how we select and manage our employees.

We are committed to providing equal opportunities in employment and will continue to treat all applicants and employees fairly regardless of race, age, gender, marital status, ethnic origin, religious beliefs, sexual orientation or disability. The Group has policies in place to ensure that no employee suffers discrimination, harassment or intimidation and to effectively address any issues that do come to light.

	2024			2023		
Year end headcount	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Directors of Chesnara plc	4	3	7	5	3	8
Group senior leaders	4	4	8	4	4	8
Executive management total	**8**	**7**	**15**	**9**	**7**	**16**
Executive management gender split %	**53.3**	**46.7**		**56.3**	**43.8**	
Employees of the Group	190	181	371	175	175	350
Total	**198**	**188**	**386**	**184**	**182**	**366**
Total gender split %	**51.3**	**48.7**		**50.3**	**49.7**	

Note:
The number of staff reported in the table above is based on the number of employees employed at the year end. This differs to the employee note, which is calculated based on average FTEs during the course of the year.

Gender diversity forms an important part of Chesnara's selection and appointment process at Group level. Our gender disclosure workings include 'non-binary', 'other' and 'prefer not to say' as further categories of gender to ensure our categories of gender are fully inclusive for all staff.

We define executive management as: non-executive and executive directors, Group senior leaders and business unit CEOs.

The executive management data presented in the table is based on collected data. Other employees of the Group are based on observational data, which we acknowledge as an area for improvement. We are working on collecting this data more formally from our Group where possible and enhancing the granularity of our data, noting there are limitations on what we can reasonably collect from our staff, and in particular in differing jurisdictions. The Corporate Governance Report contains further analysis of diversity on our Board and wider executive management.

Employees with a disability

The Group endeavours to provide employment for people with a disability wherever the requirements of the business allow and if applications for employment are received from suitable applicants. Where an existing member of staff becomes disabled, every reasonable effort is made to achieve continuity of employment by making reasonable adjustments to give the staff member as much access to any training, promotion opportunities and employee benefits that would otherwise be available to any non-disabled employee.

Staff training and development

Our employees are a key asset of the Chesnara business and we invest in our staff through individual and Group training and development plans. All staff are encouraged and supported to acquire relevant knowledge and build their skills and competence. Financial support is provided to staff who wish to achieve recognised qualifications that are appropriate for specific roles and the needs of the business.

Fair pay

We are a Living Wage employer, paying the real living wage in the UK. We also engage with our suppliers to raise the profile of paying a wage that enables people to meet their everyday needs.

All UK employees, subject to a minimum service requirement, have access to our SAYE scheme, improving employee engagement with company performance and directly linking a proportion of employee benefits to our performance.

As we have done in previous years, the Remuneration Committee consulted with employees on the alignment of directors' pay with UK employees ahead of the 2024 year. The same engagement has since taken place in late 2024 for the 2025 calendar year.

Details of our staff pay and benefits, and in relation to executive pay, are set out in the corporate governance section as part of our Remuneration Report.

CORPORATE & SOCIAL RESPONSIBILITY • OUR CUSTOMERS

Employee engagement

Across our businesses, we provide high quality jobs with competitive remuneration along with requisite training and good working conditions. Regular contact with employees and keeping them updated on business strategy, priorities and achievements is a key part of management responsibility at Chesnara. Frequent employee engagement has become even more important over the last few years given the shift to more remote working. Each of our businesses has a multi-channel approach for effective employee communication such as regular updates from the CEO, monthly team and departmental meetings, Company briefings, discussions via Employee Forums, and the use of employee surveys to highlight issues and drive any necessary change.

As the Workforce Engagement NED appointed by the Chesnara Board, Carol Hagh's liaison with the CEOs, HR teams and Employee Forum representatives has been invaluable in terms of independent engagement with staff and also for the ongoing assessment of our culture and embedding of our values across our UK, Swedish and Dutch divisions.

Within the UK division, the Employee Forum has continued to meet on a monthly basis. This forum comprises staff members who represent each functional area, rotated from time to time, for the purposes of discussing any matters of concern or areas of interest for the staff and management.

Our operations in Sweden and the Netherlands make similar use of Employee Forums, staff surveys, formal and informal employee engagement both at the individual, team and whole Company level. In the Scildon business, this is formalised through the operation of a Works Council and, in Sweden, staff representation is via a Working Environment Committee and a trade union.

The Group's aim is to continue to grow via acquisition of life assurance businesses and our due diligence plan incorporates an assessment of all relevant workforce matters which are reported to the Board to assist its deliberations on any potential acquisition opportunities.

Whistleblowing

At Chesnara, we strongly encourage all employees, suppliers, customers, and other contracted parties experiencing concerns about any aspect of the Company's work to come forward and report them. Our policies make sure anyone can voice concerns without fear of reprisal, and we strive to maintain effective mechanisms throughout our Group to ensure any concerns are appropriately remedied. Each of our divisions make use of stringent policies and procedures to ensure that the highest standards are met across the Group. These policies are made in accordance with the relevant laws and regulations of the respective jurisdictions and are available in local languages. Policies are reviewed on an annual basis and any changes made are communicated to individuals throughout the Company.

In the UK, the Audit & Risk Committee Chair is appointed as a Whistleblowing Champion, whose responsibilities are aligned to the prescribed requirements set out in the PRA's Senior Managers Certification Regime. The policy is shared with all new joiners and whenever it is updated it is provided to all existing employees. Similar arrangements are in place within our overseas divisions with the policies being available in employees' local languages. Confirmation was also received that each material outsource service provider (OSP) has a Whistleblowing Policy in place which is provided to all employees.

Our suppliers and business partners

At Chesnara, we believe in developing mutually respectful and sustainable relationships with our suppliers and business partners. Our preference is to establish long-term relationships where they remain commercially competitive and operationally viable. This is achieved through a structured due diligence process before selection, followed by clear agreement of the business objectives, consistent implementation of regulatory requirements and relevant policies, and effective attention to resolving issues fully. We require our suppliers and business partners to apply high standards of ethical conduct in all their dealings with us and their other stakeholders.

We are conscious that through our outsourcing arrangements we indirectly utilise the services of a much larger workforce and we seek to ensure that our suppliers are similarly adopting appropriate arrangements for proper engagement with their own workforces.

As part of our work to decarbonise our operations, in 2024 we have engaged a defined set of suppliers to understand how they are taking action on climate change. This is the first step in creating a long-term supplier engagement initiative.

Human Rights and the Modern Slavery Act 2015

Human rights are the basic rights and freedoms that belong to all human beings regardless of nationality, gender, race, age, religion, language, physical or mental ability or any other political, economic or social status. Such rights are protected by the rule of law through legal mechanisms designed to prevent abuse by those in positions of power.

Modern slavery is just one such form of human rights abuse. In addition to the freedom of expression, human rights includes:

- the right to life;
- prohibition on torture;
- the right to a fair trial; and
- the right to fair and just working conditions.

The Group has zero-tolerance to the abuse of human rights and modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships. We seek to avoid causing or contributing to adverse human rights impacts by operating and enforcing effective systems and controls to ensure human rights abuse and modern slavery are not taking place anywhere in the Group or its supply chains.

The Modern Slavery Act (2015) requires a commercial organisation over a certain size to publish a slavery and human trafficking statement for each financial year.

The Modern Slavery Act does not apply to our European divisions, but instead they adhere to the European Convention on Human Rights (ECHR) treaty which is similarly designed to protect people's human rights and basic freedoms.

In the UK, our Human Rights & Modern Anti-Slavery Policy is made available to our entire workforce and is also available at **www.chesnara.co.uk/sustainability/modern-anti-slavery-statement**

There have not been any breaches of human rights or the Modern Slavery Act during the reporting period.

Anti-bribery and corruption

In addition to other financial control policies, Chesnara has groupwide Anti-Money Laundering and Anti-Bribery & Corruption policies in place which are reviewed at least annually. Their scope includes all directors, employees and third-parties operating on behalf of the Group.

We have zero tolerance to financial crime, including money laundering and bribery and corruption. Our Internal Control Framework includes the maintenance and review of a Gifts & Hospitality Register, the disallowance of any political contributions or inducements and careful consideration of any charitable donations. These controls act as a monitoring and prevention system. Policies are made available to all staff and they are required to attest that they have read and understood their importance and application. There were no instances of money laundering or bribery or corruption in the period.

Taxation

We strive to ensure that we pay our fair share of tax across the Group and that we do so in a transparent manner. We adopt a responsible and open approach to taxation and, consequently, pay the appropriate taxes due throughout the Group, details of which are set out in the respective Annual Report and Accounts for each of our operating entities.

Our communities

Chesnara's management and staff support local community initiatives to the extent deemed appropriate given our financial responsibilities as a public limited company. Chesnara supports charitable causes both locally and internationally, donating £9k across the Group during 2024 (2023: £36k).

We have provided financial and non-financial assistance to charitable organisations including UNICEF, Sherpa, Justdiggit and Safenet. UK colleagues also can donate through a Give as You Earn scheme, supported by the Charities Aid Foundation.

Our people across the UK and Netherlands can take two days' paid leave each year to volunteer.

The planet

We know that we have a commitment to do all we can to protect the planet and all of its inhabitants. Our work to tackle the climate and nature emergencies, including our net zero targets, is detailed in our Annual Sustainability Report.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

This report is in support of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). The relevant TCFD recommendations have been referenced throughout the disclosures to show where they have been addressed.

Our compliance with TCFD

All disclosures in respect of the TCFD Recommendations and Recommended disclosures are on pages 74-91 with additional information such as illustrations and case studies included in the Annual Sustainability Report which is cross referenced where applicable throughout this section.

A SUSTAINABLE CHESNARA

2024

Our Annual Sustainability Report

Alongside the financial statements, the Group has published its 2024 Annual Sustainability Report (**www.chesnara.co.uk/sustainability**) and provides further detail on a number of items noted in this report which are referenced as appropriate.

Steps to address climate-related risks during 2024

- Delivered sustainability training to all employees across the Group
- Development of our climate transition plan using the IIGCC's Net Zero Investment Framework 2.0 underway
- Joined UK Sustainable Investment and Finance Association, Finance for Biodiversity Foundation and became a signatory to the Principles for Responsible Investment
- Complied with the Energy Savings Opportunities Scheme Regulations 2014
- Enhanced our climate risk modelling, including assessing our Climate Value at Risk (CvaR)
- Updated our UK Expense Policy to encourage sustainable travel
- Engaged with our largest suppliers and asset managers on their climate strategy
- Embedded sustainability into the acquisition process

GOVERNANCE

The Chesnara Board sets the values and culture of how the business operates and the Group invests time and resources to ensure that the governance structures in place remain appropriate for the evolving business and regulatory landscape. Further information on the Group's governance is provided in the corporate governance section.

a) Board oversight of climate-related risks and opportunities

The chart below sets out the Group reporting structure and how the Board has delegated climate-related risk and opportunity oversight to its various committees.

CHESNARA GROUP BOARD

Meets at least quarterly

The Board defines the Group's strategic aims, ensures that the necessary resources and structures are in place and sets the targets to review management performance. The Board benefits from regular sustainability reporting covering environmental, social and governance matters.

GROUP AUDIT & RISK COMMITTEE (GA&RC)

Meets at least quarterly

The role of the GA&RC includes reviewing and monitoring the current and potential risk exposures, including the monitoring of climate-related risk exposures across the Group and how such risks are treated. The GA&RC reviews external reporting, including with regards to climate-related risks and opportunities.

NOMINATION & GOVERNANCE COMMITTEE

Meets a minimum of three times a year

The Nomination & Governance Committee plays a key role in ensuring that the composition of the Board and its subsidiaries is appropriate and that members have the necessary skills, knowledge and experience to discharge their duties effectively, including with regards to climate change. It is also responsible for reviewing the Group's governance practices and procedures to ensure they remain appropriate and reflect best practice.

GROUP REMUNERATION COMMITTEE

Meets a minimum of three times a year

The role of the Remuneration Committee is to ensure that the Remuneration Policy promotes, encourages and drives long-term growth of shareholder value of which climate change is a key consideration. In 2024, a 20%/15% weighting of the Group CEO and CFO strategic objectives were linked to sustainability actions.

GROUP SUSTAINABILITY COMMITTEE (GSC)[1]

Meets at least quarterly

The GSC interacts with the Board and the committees above and below in the following ways: with the Board on the sustainability strategy and embedding it into the overall group strategy; with the GA&RC on ESG risks and external disclosures, including TCFD; with the Nomination & Governance Committee on matters regarding Board composition and sustainability-related skills, knowledge and experience of the Board and Board committees; with the Remuneration Committee on trends in which management is and should be incentivised on ESG factors; with the GIC on investment-related matters, including the transition plan to net zero; and with the SLT and divisional Executive Committees to facilitate all of the above.

GROUP CEO

SENIOR LEADERSHIP TEAM (SLT)

Meets monthly

The SLT is in place to challenge and support the Group CEO. It supports the identification and review of risks impacting the Group, including any material variations in the impact of climate change upon the Group, as well as the monitoring of risk appetite compliance. It also supports oversight of the sustainability programme.

GROUP INVESTMENT COMMITTEE (GIC)

Meets twice a quarter

The GIC is in place to challenge and support the Group CEO. The GIC Terms of Reference specifically include consideration of ESG factors, including overseeing the asset managers' approach to ESG and climate change related matters.

The business units, with their own local governance structures and Boards, feed climate-related matters into the Group governance structure via GSC reporting, quarterly business reviews, risk reporting and annual local business plans (note this list is not exhaustive) where applicable.

Sustainability is being embedded into succession planning and recruitment on a role-by-role basis, and forms part of the overall skills matrix for the Chesnara Board in order to ensure the Board and committees have appropriate knowledge and competency to be able to oversee climate-related matters.

■ Board ■ Board committees

■ Group Sustainability Committee

□ Group Executive Committees

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[1] *The GSC is not a Board committee but operates across the Group, interfacing with the Board and working with its Board committees and Group Executive Committees.*

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

b) Management's role in assessing and managing climate-related risks and opportunities

How climate-related risks and opportunities are identified and considered

The divisions are responsible for identifying their own climate-related risks and opportunities through assessing potential matters that may impact the business. These risks and opportunities, together with those areas that may impact the Parent Company or Group as a whole, are reviewed by the Group Head of Sustainability and the Group Chief Risk Officer & Chief Actuary, to form an assessment of the risks and opportunities for the Group. The risks and opportunities are reassessed regularly so that, if a material risk was to arise, we would add it to the risk and opportunity register to ensure that it is are evaluated according to the Risk Management Framework and evolving climate-related matters.

Who is assigned responsibility?

Management responsibility for matters related to climate change is assigned to the Group Chief Executive at Group level and the respective CEOs at business unit level. All divisions and business units are responsible to the relevant divisional Chief Executive who has dual reporting lines to the divisional Board and the Group Chief Executive. Sustainability forms part of the executive management variable remuneration, and the ratio allocated to sustainability will continue to be assessed on an ongoing basis.

How management and Board members are informed of and monitor climate-related risks and opportunities

Group Board: receives regular reporting on sustainability, including climate change. This includes consideration of the Group climate change risk assessment (through the GA&RC), and the overall vision and approach of the Group in regards to sustainability and groupwide climate change-related scenario analysis. Specific training on transition plans and their key elements was delivered to executive and non-executive directors across the Group during 2024.

Group Sustainability Committee: chaired by Jane Dale, the Group's Senior Independent Non-Executive Director. Its membership consists of the executive management across the Group and its divisions. This committee is the key focal point for the review of climate-related risks and opportunities and links in with the other Group governance committees. The GSC annual agenda planner determines which topics are covered at each meeting and those meetings, together with the GIC and SLT, will determine the items to be escalated to the Board. The interactions of the GSC with the different committees and the Board are detailed on the previous page. Jane's tenure as a Non-Executive Director of the Group is ending in May 2025 and therefore steps to appoint a replacement chair are ongoing.

Senior Leadership Team: regularly discusses climate-related risks and opportunities and how they factor into business planning, strategy and risk management.

Group and local Investment Committees: working with the GSC, the Group Investment Committee (GIC) focuses on the just transition of the Group's asset portfolio in line with its net zero targets. The GIC and GSC also work together to identify potential further areas of impact investing. The local Investment Committees are fundamental to the transition by providing oversight of the asset managers across the Group. They also approve and oversee the application of investment policies which incorporate climate and sustainability related considerations.

Sustainability workstream working groups: these groups consist of our key sustainability leaders across all divisions for investments, operations and reporting. Progress is reported directly into the GSC. In addition, we have established a Transition Plan Steering Group to oversee and direct the production of our transition plan and delivery of the actions that will be identified.

Acquisitions: as part of the due diligence process, for potential acquisitions of entities, we assess the target company's approach to climate-related risks and consider the emissions of their operations and underlying assets. For potential acquisitions of books of business, we assess the Climate Value at Risk and financed emissions of the assets.

STRATEGY

As highlighted above, we are already taking steps to embed sustainability, including the Group's approach to climate risk and decarbonisation, as a fundamental part of our strategy. Changes in the environment and the impacts of global warming could potentially affect how we achieve our strategic objectives either through the way we operate our businesses or through the returns to our customers and shareholders. We are committed to continuing to develop sustainability-informed investment and operational decision making across the Group.

Climate-related risks and opportunities

a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term

b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

We have identified and assessed the impact of climate-related risks and opportunities on the Group's business, strategy and financial planning over short-, medium- and long-term time horizons. This process is based on the below framework, considering the materiality, time horizons and types of risk.

TIME HORIZON

Short term
up to 12 months – in line with budget setting process

Medium term
2 to 5 years – in line with our business planning and Own Risk and Solvency Assessment (ORSA) projection period

Longer term
6+ years – post business plan horizon

During the setting of the time horizon profile, we considered the useful life of the Group's assets and believe our definition takes this into account. The average duration of the wider Group's assets is between 5-10 years, but the Group is acquisitive and writes longer-term business for our insurance liabilities so the risk assessment needs to consider a longer time horizon also. The short-term period of 12 months aligns with the risk basis that underpins SII, and the medium term is aligned to our business planning period.

MATERIALITY

Our definition of materiality is as follows:

EcV	Cash generation
>£20m	>£3.5m

Reputational
Nationally publicised reputational event

Regulatory
Action involving penalty imposition (£0 threshold) and/or requirement for remediation leading to a restriction of activity

Other
For example, safety – high potential for an injury to an individual or several individuals.

The materiality levels of the Group are approved by the Board annually as part of the Principal Risk Definition report and consider a number of factors that are broader than purely financial indicators. Whilst this is largely risk focused, we have chosen to apply this materiality definition to opportunities as well. This is deemed to be an appropriate limit and is predicated on the Group risk assessment thresholds that are discussed and approved by the Board annually. We believe this is a reasonable disclosure level and would enable a user to appropriately assess our exposure to climate-related risks and opportunities.

TYPES OF RISK

Physical risks
Arise due to the direct impact of events such as heatwaves, flood, wildfire, storms, increased weather variability, and rising mean temperatures and sea levels.

Transition risks
Emerge from the process of change towards a low carbon economy such as: climate-related developments in policy and regulation; technological change (e.g. electric vehicles); a shift in consumer sentiment and social attitudes; and climate-related litigation against firms that fail to mitigate, adapt or disclose climate-related financial risks.

Likelihood
Likelihood is determined as low, medium or high.

Impact of climate-related risks and opportunities in the Group business strategy and financial planning

We produce a five year Group business plan on an annual basis, and our climate and wider sustainability strategy is included into both operational and financial plans to reflect our immediate priorities, risks and longer-term ambition. This includes consideration of our products, investments, and our value chain in order to manage our climate risks and opportunities and meet our commitments. Sensitivities are also performed to assess the impacts of negative exposures to our assets. Becoming a sustainable Chesnara is a key part of the Group's strategy and our goal is for it to be considered and embedded in all areas of the business.

We are also currently developing our first climate transition plan, which will be published later this year. Using the NZIF 2.0 framework to structure our actions, it will outline our initial plans on how we will tackle and report on the net zero transition. Delivering against our plans, targets and commitments will become a fundamental part of our business. We acknowledge that further plans will be required as more information, data and methodology becomes available.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

As part of our ongoing risk assessment, we monitor climate-related risks, and of those, four are deemed to be material. In 2024, we have consolidated the reputational risks we had in our 2023 disclosures into a broader risk around not meeting our stakeholder expectations which we believe presents a more holistic view of the risk that we are managing.

RISK

1. Not being able to fully assess and manage the climate risk exposure of our investment portfolio, as a result of data limitations, uncertainty and impacts from the current geopolitical situation; limited control or influence over investment decision making; insufficient resource or knowledge.

Climate change risk is identified as a principal risk, with the risk also being captured as a principal risk under investment and liquidity risk

Time horizon:
Medium term 2-5 years

Likelihood:
Medium

Potential impact (linking to financial statements)
Investment decision making impacts which could lead to a reduction in value of policyholder and shareholder assets held by the Group, directly impacting the balance sheet, Economic Value and solvency, as well as investment return or the fees generated on the management of those assets. This reduction in value could lead to stranded assets being held by the Group, further impacting valuation.

Inability to execute the Board’s chosen strategy for climate change effectively or transitional risks occurring where exposures were not understood or where there is insufficient control or influence over the investment decision making.

How is the risk being managed, mitigated and addressed?
Utilising MSCI to provide groupwide ESG data analysis on our asset portfolio.

Engaging with our asset managers to understand their own plans and pathways.

Producing our transition plan which will outline our steps to decarbonise, including targets and actions.

Associated targets and metrics:
The % coverage of our asset look through data which is shown in our financed emissions data.

Physical or transition risk: Transition
Territory: Groupwide

2. Not meeting changing and evolving stakeholder expectations in relation to climate change. For example, through failure to meet our targets and commitments.

Climate change risk is identified as a principal risk, with this risk also being captured as a principal risk under operational and reputational risk

Time horizon:
Medium term 2-5 years in respect of our 2030 financed emissions interim target and longer-term 6+ years in respect of our 2050 net zero target

Likelihood:
Medium

Potential impact (linking to financial statements)
Loss of customers, major suppliers and investors if we fail to meet our commitments and targets or provide inadequate disclosure around progress against them.

Reduction of the liquidity of our shares and impact to the market capitalisation of the Group.

How is the risk being managed, mitigated and addressed?
Engaging with stakeholders and providing clear and honest disclosure on our targets and commitments and where there are areas of challenge and uncertainty for those targets.

Committing time and resources to complete and publish a transition plan in 2025 which will outline our steps to decarbonise.

Associated targets and metrics:
Our net zero and interim targets, and associated metrics for our operational and financed emissions.

Physical or transition risk: Transition
Territory: Groupwide

From the conclusion of our scenario analysis work, we have also expanded our previous inflationary risk to consider the wider cost uncertainty around transitioning and responding to climate change. More detail is provided below, considering the likely time horizon in which we expect the risk to manifest and how the risk is being managed, mitigated and addressed.

3. Not adequately anticipating the cost implications associated on our business, value chain and wider society of both:

- **Taking action to address the risk of climate change including decarbonising and policy change;**
- **Transition and physical risks resulting from a disorderly transition.**

Climate change risk is identified as a principal risk, with this risk also being captured as a principal risk under expense and market risk

Time horizon:
Medium term 2-5 years

Likelihood:
High

Potential impact (linking to financial statements)
Negative financial impact on the expense base and cost assumptions.

Costs of disorderly transitioning could have an indirect impact to the valuation of our unit-linked assets i.e., through the fall of future charges, and a direct impact for non-linked assets.

How is the risk being managed, mitigated and addressed?
Active monitoring of costs, upcoming regulations and performing sensitivities to manage our future cash flows.

Conducting detailed scenario analysis to assess the financial impact of a disorderly transition.

Publishing our first transition plan in 2025 which will outline our steps to decarbonise.

Associated targets and metrics:
Our net zero targets and associated metrics for our operational and financed emissions.

Physical or transition risk: Transition and physical
Territory: Groupwide

4. Litigation risk if we are seen not to have published enough information or taken enough action; are considered to have made unsubstantiated claims leading to a claim of 'greenwashing'; or are seen to have taken too much action relative to stakeholder expectations.

Climate change risk is identified as a principal risk, with this risk also being captured as a principal risk under reputational and regulatory risk

Time horizon:
Medium term 2-5 years

Likelihood:
Medium

Potential impact (linking to financial statements)
Litigation may lead to potential fines and payouts increasing the Group's liabilities and potentially damaging the Group's reputation.

How is the risk being managed, mitigated and addressed?
Providing clear and honest disclosure on our work and areas of challenge and uncertainty.

Proactive consideration of what we are reporting in our sustainability disclosures, ensuring the use of clear and consistent sustainability language.

Detailed consideration of upcoming regulatory requirements.

Associated targets and metrics:
Number of complaints and threatened litigation regarding sustainability matters.

Physical or transition risk: Transition
Territory: Groupwide

For the first time, a separate climate risk report assessing the CVaR of our asset portfolio was presented to the Board and the conclusions were also included in the 2024 ORSA report. There are a number of risks that are not featured in the table above that one may consider to be potentially material for an insurer. For example, climate effects on morbidity or mortality. Climate scenario stress testing performed for the Group (detailed in the resilience section) concluded that climate effects on morbidity or mortality do not give rise to a material impact.

We have also considered climate-related physical risks; however, as we lease the majority of our office buildings and most of our staff would be able to work from home if workplaces were affected, we do not believe physical risks present a material impact to the operations of the Group.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

Using the same approach as for the risks, we have identified climate-related opportunities for the Group. The table below focuses on those that are deemed to be material as per the definition of materiality referenced earlier in the report.

OPPORTUNITIES

1. Investments: target enhanced returns and climate resilience of our investment portfolio through increased investment in aligned assets.

Time horizon:
Longer term 6+ years

Likelihood:
Medium

Potential impact (linking to financial statements)
Increase in key metrics: cash generation and Economic Value.

How is the opportunity being managed and implemented?
Performing analysis of the Climate Value at Risk of our investment portfolio to factor into investment decision making.

Monitoring performance of our investment portfolio including aligned assets.

Working with our asset managers to understand their transition to net zero.

Developing our approach to positive solutions impact investment, including investing in climate solutions. At the end of 2024, we had £135m of assets invested in funds which meet our definition of positive solutions.

Associated targets and metrics:
Amount invested in our Positive Solutions Framework (£m) and performance of our investment portfolio.

2. Financing: attract a wider pool of debt and equity investors by demonstrating our commitment to climate change.

Time horizon:
Medium term 2-5 years

Likelihood:
High

Potential impact (linking to financial statements)
Positive share price movements through access to increased options and potential for lower borrowing costs.

How is the opportunity being managed, mitigated and addressed?
Publicly disclosing our targets, commitments and progress against the plans and engaging with external stakeholders to provide details.

Engaging with and joining industry bodies to collectively engage and support action to address climate change.

Ensuring sustainability is a high priority by embedding it into decision making at all levels.

Associated targets and metrics:
Our sustainability strategy and three commitments, including net zero targets and associated metrics.

3. People: attract and retain the best talent through providing opportunities for people to make a big impact in a smaller organisation.

Time horizon:
Medium term 2-5 years

Likelihood:
Medium

Potential impact (linking to financial statements)
Our people are the Group's biggest value creator, which translates into cash generation and Economic Value for the business.

How is the opportunity being managed, mitigated and addressed?
Clearly defining and demonstrating our commitment to sustainability and helping to address climate change.

Disclosing our training and development opportunities.

Associated targets and metrics:
Employee retention rate and survey feedback.

Our approach to decarbonisation

We understand that our best strategy to mitigate our climate risks and realise the opportunities is to actively manage our transition to become a net zero business. We frame this transition in line with the UN Sustainable Development Goals (SDGs), including goal 13: Climate Action.

To support the understanding of our approach, in line with the United Nations, we define net zero as cutting carbon emissions to a small amount of residual emissions that can be absorbed and durably stored by nature and other carbon dioxide removal measures, leaving zero in the atmosphere.

1 Decarbonise our investment portfolio

The emissions from our investment portfolio, captured as part of scope 3, category 15 reporting under the Greenhouse Gas (GHG) Protocol, represent the significant majority of our carbon footprint. We have currently set two targets for financed emissions:

1. Net zero for all emissions by 2050.
2. 50% intensity reduction by 2030 from our 2023 baseline figures in the scope 1 and 2 emissions for our listed equity and corporate fixed income investments which we are able to influence or control.

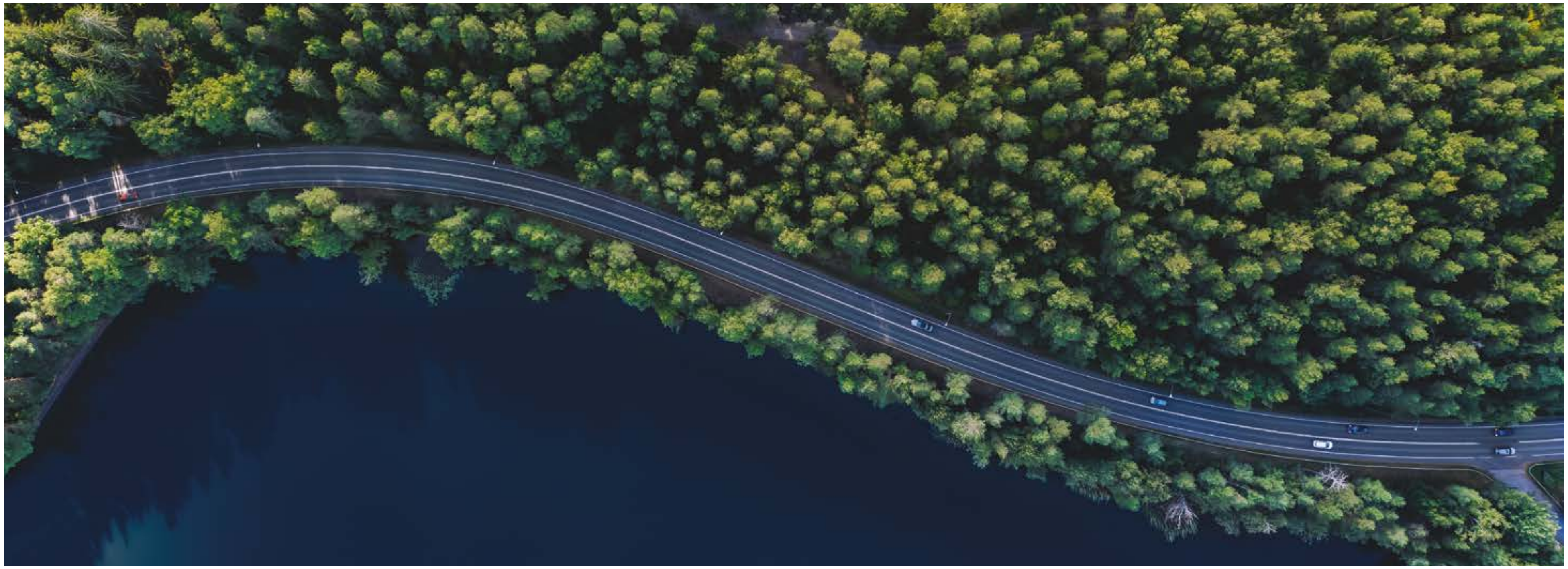
We will set further interim targets covering additional asset classes and time periods up to 2050.

For our targets, we have followed the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework (NZIF) and the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C (SR1.5), which states that in mitigation pathways with no or limited overshoot of 1.5°C, global net carbon emissions need to decline by between 41% and 58% from 2010 levels by 2030, reaching net zero around 2050.

As an asset owner, to reduce these emissions it is necessary to work with our asset managers to understand their own decarbonisation plans. We will also be working with partners and customers for those assets where we have less control or influence, for example those where policyholders self-select their own investments. We remain strongly committed to net zero by 2050 for all our financed emissions and so our targets will expand over time to include all asset classes.

There are a number of significant headwinds largely out of our control which will affect our ability to meet our targets, such as policyholder choices and asset manager progress. Therefore, as our transition plans are developed and refined and baseline data is further understood, we may naturally look to refine our targets at a later date to better reflect the position of the Group and the market. Our initial transition plan which will be published later this year, will include further detail on the steps we will take to meet our targets as well as challenges which may affect the Group's ability to implement the plan. Additional governance has been put in place to provide oversight for the development of the transition plan, including a cross-group steering committee to ensure there are appropriate review and approvals.

We have started to engage with some of our key asset managers, who collectively manage c60% of our assets under management. Initially, this is to gain an understanding of their own net zero plans and how our portfolios of assets fit in with those plans. During 2025, we will be further engaging and collaborating to assess if their strategy aligns with our decarbonisation pathway.



CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

2 Decarbonise our operations and supply chain

The second element of our decarbonisation journey relates to our operations.

Though these emissions represent a small number in comparison to our financed emissions, they remain a priority and we remain committed to leading by example. The target section of the report explains further our planned approach, with further detail of our net zero targets to be communicated in our transition plan.

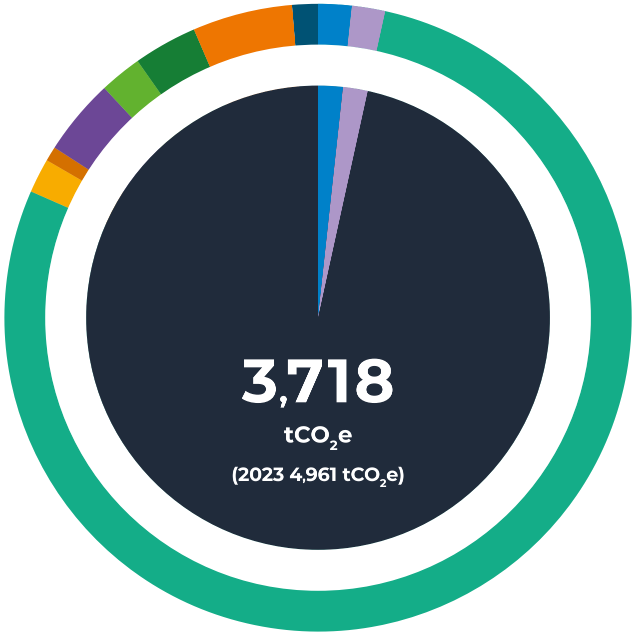
Chesnara's carbon footprint

Scope 1
1% 🟦 **62** tCO$_2$e

Scope 2
2% 🟪 **64** tCO$_2$e

Scope 3
97% ⬛ **3,592** tCO$_2$e

		tCO$_2$e
77%	🟩 Purchased goods and services	2,907
2%	🟨 Capital goods	66
1%	🟧 Fuel- and energy-related activities	28
4%	🟪 Upstream transportation and distribution	147
2%	🟩 Waste generated in operations	81
4%	🟩 Business travel	122
5%	🟧 Employee commuting	192
2%	🟦 Upstream leased assets	49



97% of our operational emissions arise from scope 3 emissions; specifically purchased goods and services, which represent 77%. Methodology to calculate these emissions currently relies heavily on estimates and industry averages and so we have been working with Greenly, as our carbon accounting data provider, to enhance the accuracy of this data by bringing in supplier specific data where possible. This has lead to a reduction of our scope 3.1 emissions. As this methodology evolves, we hope to see a reduction in intensity for those suppliers who are transitioning.

As with our asset managers, we have started conversations with our key suppliers, to understand their decarbonisation plans. We will be continuing to engage with our supply chain during 2025.

The UK business has also enhanced its supplier onboarding due diligence and annual attestation processes, bringing the Supplier Code of Conduct in line with the key principles of the United Nations Global Compact to ensure our suppliers uphold the same values, standards and commitments that we do.

3 Invest in positive solutions

Investing in 'positive solutions' means investing in assets, industries and organisations that will generate specific, measurable, social and/or environmental benefits in addition to financial returns. At the end of 2024, our Group held approximately £135m of investments in positive solutions, which we are looking to continue to increase in 2025.

Scenario analysis

c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios

Overview
During 2024, Chesnara completed an assessment to understand the resilience of our investment portfolio to climate risk. This was previously considered as part of the ORSA process, but a stand-alone assessment was performed this year to enhance our understanding of the risk faced by climate change. This analysis is also a key consideration in the development of the Group transition plan, as this document will begin to consider how we mitigate the risks we, as a business, are facing as a result of climate change. The focus of our assessment was the Climate Value at Risk (CVaR) metric, which is a forward-looking measure of the potential impact of climate on Chesnara's portfolio of invested assets. CVaR includes an assessment of the following in relation to the companies in which we invest:

- **Physical risks:** This captures the risk of asset damage or business interruption as a direct consequence of extreme weather events or from sustained gradual changes in the weather. The physical risk assessment is dependent on the location in which the Company operates and the scenario under consideration
- **Transition risks:** This estimates the cost of achieving the required reduction in emissions in the scenario under consideration. Transitional risk is dependent on the sector and location in which the Company operates and the scenario under consideration.

- **Transition opportunities:** This estimates the potential benefits arising from the switch to low-carbon technologies. Transitional risk is dependent on company specific data and the scenario under consideration.

For this assessment, we have changed our approach to modelling climate risk from using the PRA's 2019 UK Insurance stress test scenarios to using a climate risk model provided by MSCI which uses data from the Network for Greening the Financial System (NGFS) scenarios. We made the decision to change our approach as the MSCI methodology is a significant step forward in terms of coverage, granularity and robustness of Chesnara's climate risk analysis compared to our previous approach. Both the methodology and data will continue to evolve over time reflecting the fact that the industry approach to modelling climate change is in its infancy and is continuing to develop.

Our climate risk assessment is based on the invested assets under management. The impact arising from non-invested assets and the liabilities are less material for Chesnara and hence have not been considered to date.

Climate-related scenarios and key assumptions

The climate-related scenarios considered, and the key assumptions embedded within these scenarios, are summarised below:

MSCI scenario name	Underlying NGFS scenario	Physical risk – policy ambition	Transition risk	Technology change	Carbon dioxide removal	Regional Policy variation
1.5°C Orderly	Net Zero 2050	1.4°C	Immediate and smooth	Fast change	Medium-high use	Medium variation
1.5°C Disorderly	Divergent Net Zero	1.4°C	Immediate but divergent across sectors	Fast change	Low-medium use	Medium variation
2.0°C Orderly	Below 2°C	1.6°C	Immediate and smooth	Fast change	Low-medium use	Medium variation
3.0°C NDC	NDC	2.6°C	NDC's	Slow change	Low use	Low variation

NDC = Nationally Determined Contributions

Timelines

The modelling of climate risk associated with bond holdings is based on the maturity date of the bond (i.e. it is assumed that the bond is held to maturity). The transitional risks and opportunities associated with equity holdings are modelled until 2050 with physical risks modelled until 2100. It is noted that this exceeds the duration of Chesnara's liabilities and hence Chesnara will realise the equity prior to this date. MSCI discounts the estimated impacts over the above timelines to produce a shock factor which is then applied to our portfolio of invested assets.

Limitations

As noted above, climate scenario analysis is still an evolving field and as such there are limitations in our approach. The key limitations are listed below and are common throughout the industry.

- It is assumed that the market has not already priced the effects of climate risks into market values of assets. In practice, it is likely that the market will have priced in an element of climate risk but the uncertainty in quantifying this means that this has not been allowed for.
- The analysis does not take into account future management actions in respect of the transition to net zero, i.e. it is based on the current assets held and it does not reflect any future switches to low carbon assets.
- The modelling of physical risk only considers the direct physical risks (i.e. the direct physical damage to a company's assets because of climate change or the costs associated with interruption to business operations as a direct consequence of an extreme weather event or from long-term gradual changes in the weather). The wider impacts of indirect physical risks (i.e. the impacts on the supply chain of a company as a result of climate change) are not currently considered.
- The impacts of tipping points are not currently considered. These are thresholds which, once crossed, will trigger irreversible changes such as loss of ice sheets, glaciers and rainforest. Given the considerable uncertainty around when a tipping point may be crossed and the consequences of crossing tipping points, the impacts of these are not included in the physical risk modelling.

Key findings

The key findings observed from the scenario analysis are summarised below:

- 1.5°C scenarios: In the two 1.5' scenarios the estimated impact of physical risk is the same, reflecting the same assumed level of warming in both scenarios. Transitional risks are higher in the disorderly scenario reflecting the delayed or divergent implementation of low carbon policies. The transitional risks are partially offset by the transitional opportunities which are expected to emerge as a result of increased low-carbon technologies.
- 2.0°C and 3.0°C scenarios: In these scenarios the expected physical risk increases as expected. However, we note that whilst physical risk is thought to be underestimated in all scenarios the degree of underestimation is expected to be higher in these scenarios. Transitional risks and opportunities are significantly lower in these scenarios reflecting the introduction of fewer low-carbon policies.

Summary

Climate risk is a material financial risk factor and as such we have made commitments to transition to net zero by 2050. The new approach has a larger Own Funds stress impact than in previous years, and therefore the impact is potentially greater in the longer term than has previously been assessed. We are currently developing our first transition plan and its implementation will be fundamental to helping us to mitigate climate-related risks. The transition plan will map the journey, and thereafter monitor progress, against the net zero commitments, whilst acknowledging the areas of uncertainty. Furthermore, we are taking steps to embed climate risk into business as usual and as part of key decision making processes, in particular in the investment decision making process. Our climate scenario analysis will continue to be developed and enhanced to monitor our climate-related exposure and to identify management actions to mitigate against these.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

RISK MANAGEMENT

Risk and solvency management are at the heart of Chesnara's robust Governance Framework.

a) Describe the organisation's processes for identifying and assessing climate-related risks and
b) Describe the organisation's processes for managing climate-related risks

PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS

A high-level summary of Chesnara's Risk Management Framework is below:

RISK MANAGEMENT POLICY

Chesnara's **Risk Management Policy** which sets out the framework of principles and practices, policies and strategies for the Group's Risk Management System.

RISK MANAGEMENT SYSTEM

The **Risk Management System** supports the identification, assessment and reporting of risks.

GROUP RISK MANAGEMENT FRAMEWORK

The **Group Risk Management Framework** is designed to embed effective risk control systems with a holistic and transparent approach to risk identification, assessment, management, monitoring and reporting. The definition and scope of each principal risk category is based on a set of strategic and operating principles/tolerance limits.

GROUP'S RISK APPETITE

The **Group's risk appetite** reflects the Chesnara Board's view on the amount of risk the Group is willing to take and sets boundaries to determine when there is too much or too little risk.

In addition, Chesnara's Investment Policy contains investment criteria which are monitored by the Investment Committee.

The Group Chief Risk Officer is responsible for maintaining the overall Risk Management Framework. The CEOs for each business unit are required to ensure that the framework is fully integrated into the business model and decision making processes. Each of our divisions is required to apply the Risk Management Policy and operate within the limits set by the risk appetite. Each business unit is responsible for identifying risks which might create, enhance, accelerate, prevent, hinder, degrade or delay the achievement of the Group's objectives, together with the sources of risks, areas of impact, events, and their causes and potential consequences. These risks are recorded in the risk register and evaluated based on the likelihood of occurrence and severity of impact. Depending upon the nature and impact of the risk, the risk is either accepted, avoided, managed or transferred. Climate-related risks and opportunities are identified and evaluated according to this framework by the respective management teams in our business units.

Management teams keep up to date through the monitoring and assessment of emerging risks, reviewed by the executive teams on a quarterly basis.

Climate change risk has been included as its own principal risk (PR11) for the first time to reflect the exposure to adverse consequences of the physical and transitional risks arising from climate change. We also consider climate change to be a cross-cutting risk, that manifests through other existing risk types, which includes equity and credit etc (PR1 – Investment and liquidity risk) and also regulatory risk (PR2 – Regulatory change risk) given the level of ongoing change. The Group is also exposed to strategic and reputational risks (PR9 – Reputational risk) arising from its action or inaction in response to climate change.

With regards to the sector specific guidance, we believe the impact of: physical risks from changing frequencies and intensities of weather-related perils; transition risks resulting from a reduction in insurable interest due to a decline in value and transition risks of changing energy costs would not be material and therefore not disclosed within the TCFD report as material risks. Chesnara has developed an environmental, social and governance (ESG) Policy Statement for the Group, in which it recognises the importance of understanding climate change risk in its operations and its investments and continued monitoring of associated risks.

Chesnara believes its businesses that hold investments (insurance companies and investment companies) should consider sustainability and implications for climate change in their investment policies. It expects each company to consider the implications of these for its business and investments and document its position. Chesnara's businesses have adopted, either directly or via their respective fund managers, the six UN Principles of Responsible Investment with the aim to continue to invest responsibly with sustainability considerations in mind and to provide a choice of sustainable funds to customers, e.g. green investments which aim to solve climate issues, or which primarily focus on companies that invest in improving health.

The 2024 approach to modelling climate risk has changed using the PRA stress tests as part of the ORSA process to using a climate risk model provided by MSCI. This is considered to be a significant step forward in terms of the coverage, granularity and robustness of Chesnara's climate risk analysis: however, it is still subject to a number of limitations which will evolve over time.

c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Integration of processes for identifying, assessing and managing climate-related risks

An integral part of Chesnara's governance and Risk Management Framework is compliance with the Prudential Solvency II Regulations to perform the ORSA on an annual basis. The Chesnara Board is responsible for the overall design of the ORSA process including its annual review. Climate-related risks are considered within the ORSA process and the impact of material risks upon the solvency and resilience of the business is documented. The views of the Actuarial function holder and any recommendations or prior feedback from the regulator are considered when conducting the assessment at business unit level. Conclusions drawn from the risk and solvency assessment are reported to the respective regulators by each of our businesses every year. The Group Sustainability Committee also review the climate-related risk and opportunities and climate scenario analysis, with overall responsibility for overseeing the programme of work across the group.

Each business unit provides a forward-looking perspective on risks that are emerging quarterly to its own Audit & Risk Committee, the Group Audit & Risk Committee and monthly to the SLT. A summary of principal risks and emerging risks is also provided quarterly to the Chesnara Board. From a climate change perspective this incorporates consideration of the content of relevant publications and guidance, in the context of the Chesnara risk landscape, such as the reports published by the IPCC on the physical climate change risks to the environment. Similarly, our management teams evaluate the possible effects of transition risk by keeping abreast of relevant policy and legal developments, technological advancements, changes in market risk due to demand shifts and any legal and reputational risk exposure. Amongst other matters, business performance and risk management are discussed at the Senior Leadership Team monthly meeting.

Chesnara's approach to assessing financial risk is to identify and assess factors that could potentially threaten the continued successful delivery of the anticipated stakeholder outcomes over a three-year time horizon, including risks to the business model and strategy. The Chesnara Board requires the management teams to ensure a good understanding of the solvency position at any point in time. In Q2 2024 a series of stress and scenario tests were selected for the ORSA with the requirement to follow the testing principles set out in the Group Risk Management System Policy. As well as current known risks, the stresses and scenarios took account of forward looking and emerging risks.

These selected stresses and scenarios along with the rationale were reviewed and approved by the Chesnara Board. The tests conducted covered equity asset values, yields and credit spreads, expense inflation, mass lapse and adverse operational experience. The ORSA also included the output of the climate risk report, and it will be determined how this will be incorporated going forwards. Performance against the business plans as well as known and emerging risks and opportunities are discussed at quarterly business review meetings at entity and group level. Climate-related risk impacts and opportunities are considered at these meetings.

More detail on Chesnara's Risk Management Framework is set out in this section of the Annual Report and Accounts.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

METRICS AND TARGETS

The metrics and targets section also addresses the requirements within the Streamlined Energy & Carbon Reporting (SECR) Framework including reporting on energy usage, GHG emissions, methodology used to make the calculations, intensity ratios and a description of the efforts taken to improve the Group's energy efficiency during the financial year. To support the understanding of our approach, we define net zero as cutting carbon emissions to a small amount of residual emissions that can be absorbed and durably stored by nature and other carbon dioxide removal measures, leaving zero in the atmosphere.

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Financed emissions

We have published our initial interim and long-term net zero targets for our financed emissions which represent the most significant part of our carbon footprint. We baselined our emissions using 2023 data and as further data becomes available and methodology develops, we will continue to assess our baselines and our targets.

TARGETS

We are committed to decarbonising our investment portfolio and have set the following climate targets to achieve this:

2030

50% intensity reduction

in the scope 1 and 2 emissions for our listed equity and corporate fixed income investments which we are able to influence or control

2050

Net zero all emissions

To meet our commitments, we will report on the following **metrics** to monitor performance against our targets:

1.
Total financed carbon emissions (absolute emissions) (tCO_2e)

This shows our absolute greenhouse gas emissions (GHG) and allows us to establish the emissions baseline of our portfolio by measuring financed scope 1, 2 and 3 emissions.

2.
Financed carbon emissions (absolute emissions normalised by $M invested) ($tCO_2e$)

This shows the total carbon financed emissions of a portfolio normalised by the market value of the portfolio. The metric enables us to compare the emissions of different portfolios.

3.
Weighted Average Carbon Intensity (WACI)

a) **WACI Corporate**
This shows our exposure to carbon intensive companies (tCO_2e by $M sales).

b) **WACI Sovereign**
This shows our exposure to a country's transitional risks and physical and economic vulnerability to climate change (tCO_2e by $M GDP nominal).

2024 performance

The below tables summarise our 2024 performance against our baseline financed emissions.

FINANCED EMISSIONS (tCO$_2$e)

	Scope 1 and 2			Scope 3		
	2024	**2023 baseline**	**Movement**	**2024**	**2023 baseline**	**Movement**
Total financed carbon emissions (absolute emissions)	**515,298**	533,073	(3%)	**4,764,459**	4,345,991	10%
Financed carbon emissions (normalised by $M invested)	**34**	39	(13%)	**313**	316	(1%)
% coverage	**59%**	58%	1%	**59%**	56%	3%

WEIGHTED AVERAGE CARBON INTENSITY (WACI)

	Corporate Constituents (tCO$_2$e/$M sales)						Sovereign Constituents (tCO$_2$e/$M GBP nominal)		
	Scope 1 and 2			Scope 3			GHG intensity		
	2024	**2023 baseline**	**Movement**	**2024**	**2023 baseline**	**Movement**	**2024**	**2023 baseline**	**Movement**
Chesnara Group	69	72	(5%)	**645**	654	(1%)	**221**	207	7%
% coverage	63%	62%	1%	**63%**	59%	4%	**9%**	12%	(2%)

Our 2024 calculations, which are based on the data at the end of September 2024, show we made good progress against our targets. For the assets classes for which emissions can be calculated, we saw the scope 1 and 2 normalised emissions[1] of our total portfolio reduce by 13%. The investments included in our 2030 targets represent a majority of the assets within this total and so we are on track to achieve our target. Our scope 3 normalised emissions also dropped by 1% and whilst we saw progress in reducing our absolute[2] scope 1 & 2 emissions by 3%, we did increase our scope 3 emissions by 10%. The difference between these two metrics is partly explained by the increase of our in-scope assets under management by circa 5% as a result of acquisition activity meaning that we have more assets for which we are reporting emissions.

Our WACI corporate[3] exposure to carbon intensive companies decreased by 5% (scope 1 & 2) and 1% (scope 3); however, our WACI sovereign exposure[4] has increased by 7%. It is however important to note that data coverage is very low for our sovereign bond investments (9%) which is likely to lead to an increase in the period-on-period volatility of our results for this asset class. We expect this data coverage to increase over time which will help address this volatility.

When opportunities have arisen to rebalance our portfolios, we have been careful to integrate our financed emissions objectives into our decision making process. Analysis shows that redemptions within our portfolios have also contributed to the change in our financed emissions figures. Of course, changes in data coverage and any updates that our investee companies have made in the reporting of their own financed emissions have all played a part in the changes we see.

Our climate data comes from an external provider and just as we baseline and monitor our financed emissions figures, we do the same for data coverage. Except for WACI sovereign, the data coverage has improved across all our measures this year. We are eager that this continues to improve and so we are working with our external data provider to identify any assets that are not covered to help ensure that they are added to coverage within expected timeframes. This will allow us to increase the accuracy of our financed emissions and exposures.

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1. The absolute greenhouse gas emissions associated with an asset class or portfolio divided by the loan and investment volume (expressed in tCO$_2$e/ $M invested).

2. The absolute greenhouse gas emissions associated with an asset class or portfolio (expressed in tCO$_2$e).

3. Exposure to carbon intensive companies (expressed in tCO$_2$e/$M sales).

4. A country's exposure to transitional risk and physical and economic vulnerability to climate change (expressed in tCO$_2$e/$M GDP nominal) to be provided for above text.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

Positive solutions

As explained in the strategy section, we will continue to commit to assessing and investing in positive solutions, by intentionally directing capital into activities that deliver or enable the achievement of the UN Sustainable Development Goals. We report annually on our progress against this commitment, detailing the level of investments held. These activities will be monitored by the GSC and reported annually to the Board.

Targets and metrics: the amount of investments (£m) we currently invest in our Positive Solutions Framework is the key metric we currently report and monitor, and at the end of 2024 we had £135m (2023: £80m). We are looking to set medium-term targets for our positive solution investments, and include additional metrics to monitor the impact of the investments.

Operational emissions

Since setting our initial 2028 target in March 2022, we have spent time collating and analysing our data, broadening the emissions captured by our calculations and reporting, engaging with key suppliers and working with members across the Group to gain valuable insights to inform our actions. From this work and the fact that the operational emissions within our control represent a materially insignificant amount of our total emissions, we recognise the need to adjust the Group's operational net zero ambitions. This does not mean we are scaling back our efforts; instead, we are revising our focus to make sure we have the biggest impact we can with the control we have. We want our goals to be ambitious, meaningful and reflect the urgency of the climate crisis, yet we must do it in a way that doesn't negatively impact livelihoods, wellbeing or inclusion.

Later this year, we will publish our first transition plan and in it we will communicate how and when we plan to be operational net zero for all of our emissions.

To monitor our performance, we report on the following metrics:

1

Absolute emissions tCO_2e (scope 1, 2 and 3)

2

Operational emissions per FTE tCO_2e (including and excluding scope 3.1)

Other metrics we report and monitor include the Group's energy consumption and water usage, which is detailed on page 90.

2024 performance

The below table summarises our 2024 performance against our baseline operational emissions.

		OPERATIONAL EMISSIONS (tCO_2e)					
		2024			2023 baseline		
		UK & Offshore	Global (excl UK & Offshore)	Total	UK & Offshore	Global (excl UK & Offshore)	Total
Scope 1	Combustion of fuel and operation of facilities	2	60	**62**	18	65	**83**
Scope 2	Electricity, heat, steam and cooling purchased for own use (location based)	9	55	**64**	10	87	**97**
	Electricity, heat, steam and cooling purchased for own use (market based)	2	55	**57**	–	–	**–**
	Scope 1 and 2 emissions (location based)	11	115	**126**	28	152	**180**
Scope 3	Purchased goods and services	1,165	1,742	**2,907**	1,906	2,129	**4,035**
	Capital goods	29	37	**66**	28	69	**97**
	Fuel- and energy-related activities not included in scope 1 or scope 2	3	25	**28**	9	45	**54**
	Upstream transportation and distribution	32	115	**147**	9	215	**224**
	Waste generated in operations	73	8	**81**	24	8	**32**
	Emissions from business travel	72	50	**122**	52	131	**183**
	Emissions from commuting	45	147	**192**	26	83	**109**
	Upstream leased assets	40	9	**49**	8	40	**48**
	Total scope 1, 2 and 3 emissions (location based)	1,470	2,248	**3,718**	2,090	2,871	**4,961**
	Carbon offset	(305)	(506)	**(811)**	(184)	(742)	**(926)**
	Total net emissions	1,165	1,742	**2,907**	1,906	2,129	**4,035**
	Company's chosen intensity measurement:						
	tCO_2e per FTE*	14.2073	8.2344	**10.4772**	19.2982	10.3692	**12.8660**
	tCO_2 per FTE* (less scope 3.1 emissions)	3.7195	1.8534	**2.2845**	1.6990	2.6595	**2.3909**

*The Group FTE number used in this measurement is disclosed in note I1 of the Annual Report and Accounts.

The 2024 results show a 25% reduction to our 2023 baseline. This is a movement in the right direction. Whilst this movement is in part down to data and methodology changes, we are pleased to be able to able to point to actions we have taken across the Group to reduce our emissions:

- We have reduced our gas heating consumption (scope 1.1), through both moving our Bristol colleagues to a smaller office and closing off parts of Scildon's office which are not occupied during certain days of the week.
- The Group has also been focusing on digitalisation, particularly Waard through its online customer portal 'Mijn Waard', as an endeavour to reduce postal emissions (scope 3.4).
- We have been making a conscious effort to reduce unnecessary travel, and choosing sustainable options where available, leading to a reduction in the number of domestic flights and car usage since 2023.

The reduction in purchased goods and services (scope 3.1) emissions is due to an enhancement of the data used in the calculations. Through our carbon accounting partner's database, we have been able to use an increased number of emission factors specific to suppliers to calculate the associated emissions instead of industry averages.

Not all types of emissions have reduced. For example, we have seen emissions from commuting increase during the year, as a result of higher office attendance across our businesses. This demonstrates some of the challenges we have with reducing emissions but we continue to consider methods of encouraging and incentivising sustainable travel, including our employee electric vehicle salary sacrifice scheme in the UK.

CORPORATE & SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

Carbon offsetting

We remain focused on reducing the carbon emissions associated with our operations and investments. We also continue to consider the important yet complex role offsetting can play in the global transition to net zero.

For 2024, we have again offset our operational emissions, excluding scope 3.1 purchased goods and services, of 811 tCO_2e by supporting several verified projects in alternative energy and water safety, as well as planting 811 trees in the UK. These are high quality carbon reduction projects that comply with international verification standards and are amongst Carbon Footprint Ltd's offset projections portfolio. We will continue to assess our approach to offsetting, including considering partnerships with organisations supporting nature-based solutions.

Energy usage

Energy consumption in the Group is reported on an actual basis where the records are kept in the business (scope 2 – office use and scope 3.6 – business travel) with employee survey responses used to obtain information for home working and commuting data. These are then converted to emission measures using standard conversion factors based on Greenly's assumptions and calculation engine which is in line with the GHG protocol methodology. Our energy and water consumption over the last two years is shown in the following table:

		UK & Offshore	Global (exc UK & Offshore)	Total
2024	Energy consumption (KwH '000)	360	1,298	**1,658**
	Water usage (m³)*	289	1,815	**2,104**
2023	Energy consumption (KwH '000)	382	1,301	**1,684**
	Water usage (m³)*	163	1,526	**1,689**

*Excludes Waard since water usage is incorporated in the office service charge. The increase in water usage is due to higher office attendance in 2024.

The Group encourages all employees to take reasonable steps to reduce waste, and to re-use and recycle office materials, and our sustainability statement reiterates our commitment to becoming a sustainable group. In addition to this, we use a mixture of renewable energy across the business, including a 100% renewable energy contract in the Preston office.

With regard to the sector specific guidance requiring insurance companies to provide aggregated risk exposure to weather-related catastrophes of their property business by relevant jurisdiction; the extent to which their insurance underwriting activities are aligned with a well below 2°C scenario; and also indicate which insurance underwriting activities are included – this has been considered and the impact is either immaterial or not applicable to the business, and therefore, no disclosure has been made.

To increase energy efficiency, management in each of our business units takes practical steps to minimise the effect of our operations on the environment and our workforce is encouraged to conserve energy, avoid unnecessary travel, use video conferencing, and minimise waste. In 2024, we delivered sustainability training to all employees to raise awareness of the impact we have on climate change, and how energy usage contributes to this. We also finalised our UK Expense Policy which outlines the need to consider the business need to travel and the most sustainable option to do this. Overseas, one of our Dutch entities has been focusing on closing parts of the office that are not in use on certain days.

Chesnara is fully committed to complying with the Energy Saving Opportunity Scheme Regulations 2014 (ESOS). The UK's energy consumption in the form of lighting, heating and fuel usage is assessed by an independent company every four years, with the latest assessment completed in 2024. An action plan has been created and submitted based on the recommendations provided.

There are three (2023: five) Company-leased vehicles in total across the Group which are used primarily for commuting and not business-related activities; this is in addition to eight Company-owned vehicles. All of the eleven vehicles are either hybrid or electric.

METHODOLOGY, DATA & ASSUMPTIONS

Operational emissions: Greenly has detailed methodology for each category and we can interrogate the Group's accounting data to generate the results. Greenly has integrated thousands of emission factors from Government publications and Life Cycle Assessment (LCA) dashboards as reliable sources of data. No further data and assumptions have been included for the calculation of non-financed emissions outside of the use of the Greenly platform. For further informations on Greenly and its methodology, please visit **www.greenly.earth/en-gb**.

Financed emissions: For more information on the MSCI methodology, please visit **www.msci.com**. Due to the timing of the publication of the accounts, we have used data as at 30/9/2024 to calculate our 2024 financed emissions and therefore there is a three month lag to our reporting. We acknowledge that this is not in line with PCAF guidance, however, we believe this will not result in a material difference to the results and allows us to perform and publish more in depth analysis of change each year.

A separate climate-related financial disclosure report which included the basis of preparation of each scope and the method of calculation has been published separately on the website at **www.chesnara.co.uk**.

The performance of climate-related disclosures requires the application of a number of key judgements, assumptions and estimates to be made, in particular, for the calculation of emissions and forming an assessment of the climate scenario analysis. The methodology relies on the quality of the underlying data used, which is constantly evolving and changing and therefore is an inherent limitation. As a result, we expect that certain disclosures are likely to be amended in the future and should be treated with caution.

Intensity measurements

Our operational emission intensity measurements are ratios of operational emissions against the number of FTE staff, calculated as:

1. Operational emissions per FTE = total non-financed emissions (scope 1, 2 & 3.1-3.8 tCO_2e)/number of average FTE staff in the year.
2. Operational emissions (less scope 3.1 emissions) per FTE = non-financed emissions as defined above (less scope 3.1 emissions)/number of average FTE staff in the year.

We believe these are appropriate measures, given a large proportion of the GHG emission categories are employee-related including commuting, business travel and waste. As supplier purchases (scope 3.1) are not directly correlated with the number of employees we have also chosen to disclose the FTE ratio without these emissions to reduce the impact of increased spend on goods and services.

We have also determined appropriate intensity measures for financed emissions (scope 3.15), as explained in detail on page 86, being:

1. **Total financed carbon emissions (absolute emissions) tCO_2e** – This shows our absolute greenhouse gas emissions (GHG) and allows us to establish the emissions baseline of our portfolio by measuring financed emissions.
2. **Financed carbon emissions (absolute tCO_2e emissions normalised by $M invested)** – This enables us to compare the emissions of different portfolios. This shows the total carbon financed emissions of a portfolio normalised by the market value of the portfolio.
3. **Weighted Average Carbon Intensity (WACI) tCO_2e/$M revenue** – This enables us to understand our exposure to carbon intensive companies within our portfolio:
   - WACI Sovereign – a country's exposure to transitional risk and physical and economic vulnerability to climate change (tCO_2e by $M GDP nominal).
   - WACI Corporate – our exposure to carbon intensive companies (tCO_2e by $M sales).

We hope that this combination of metrics will show the relative and absolute performance of our decarbonisation activities.

Non-Financial and Sustainability Information Statement

This section of the Annual Report constitutes Chesnara's Non-Financial and Sustainability Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The following table sets out where, within our Annual Report, we provide further details on the matters required to be disclosed under the section listed above. In particular, it covers the impact we have on the environment, our employees, social matters, human rights, anti-corruption and anti-bribery matters, policies pursued and the outcome of those policies, and principal risks that may arise from the Company's operations and how we manage those risks, to the extent necessary for understanding of the Company's development, performance and position and the impact of its activity.

Reporting requirement	Section(s)	Page(s)
Anti-corruption and anti-bribery	Corporate & Social Responsibility	73
Business model	Overview of our Business Model, Strategy and Culture & Values	26-27
Employees	Corporate & Social Responsibility S172	70-72 36-38
Environmental matters	Corporate & Social Responsibility S172 Statement	74-91 32
Non-financial key performance indicators	S172 Key Stakeholders Business Reviews	34-36 40-45
Principal risks	Risk Management – Principal Risks and Uncertainties	61-67
Respect for human rights	Corporate & Social Responsibility	73
Social matters	Corporate & Social Responsibility	73

CORPORATE GOVERNANCE

BOARD PROFILE AND BOARD OF DIRECTORS

The role for the Chesnara Board of Directors is to establish the purpose, values and strategy of the Group and provide leadership to maintain high standards of corporate governance and behaviour throughout all levels of the organisation.

The diversity of skills, knowledge and experience of our Board members ensures that we continue to deliver against our strategic objectives. The Board knowledge, skills and experience summary below indicates the core competencies that have been identified as being key to the Board discharging its responsibilities and shows the collective score of the current Board.

The matrix below shows the specific areas of specialism each Board member provides. Where a Board member has a competency in dark blue, this indicates a primary specialism. A purple colour indicates that this competency is a secondary specialism for that Board member.

BOARD KNOWLEDGE AND SKILLS SUMMARY

Industry knowledge – UK	P	P	P	P	P	P	P	
Industry knowledge – Sweden/Netherlands	P	P	P	P	P	P	S	
Governance – actuarial	P	P	P	P	S	S	S	S
Governance – financial/audit	P	P	P	P	P	P	P	S
Risk management	P	P	P	P	P	P	P	S
Investment management	P	P	P	P	S	S		
M&A and business development	P	P	P	P	P	S	S	S
Commercial management	P	P	P	P	P	P	S	
Change management	P	P	P	P	S	S	S	
Ensuring good customer service and outcomes	P	P	P	S	S	S		
Information Technology/Cyber	P	P	P	S	S	S	S	
Sustainability including ESG	P	P	S	S	S	S	S	S
People & Reward	P	P	S	S	S			
Regulatory	P	P	P	P	S	S	S	

KEY

P Primary specialism

S Secondary specialism

THE BOARD

LUKE SAVAGE
CHAIR

Non-executive Chair of the Board, Luke is responsible for the leadership of the Board, setting the agenda and ensuring the Board's effectiveness in all aspects of its role.

Appointment to the Board: Appointed to the Board and as Chair in February 2020.

Committee membership: Nomination & Governance (Chair to 31 December 2021) and a member of the Remuneration Committee (from February 2020). Attends the Audit & Risk Committee by invitation.

Current directorships/business interests:

- Numis Corporation Ltd
- Numis Securities Ltd
- Liontrust Asset Management plc, Chair

STEVE MURRAY
GROUP CHIEF EXECUTIVE

Appointment to the Board: Appointed as a director of Chesnara on 2 August 2021 and as Group Chief Executive on 19 October 2021.

Career, skills and experience: Steve joined Chesnara from Royal London where, as part of their Group Executive Committee, he was Chief Commercial Officer with groupwide accountability for M&A and Strategy, Transformation and Analytics & Insight, as well as accountability for its legacy business and the take to market activity across the UK insurance and savings business. He was also a director of Royal London Asset Management. Prior to that he spent 15 years at Standard Life across a variety of roles, seeing it through demutualisation and IPO before leading Group M&A and strategy. He then worked in Standard Life's UK & European insurance business initially as CEO of 1825 financial planning before becoming MD Commercial & Strategy. After leading the first phase of the separation of the UK & European insurance business to Phoenix, he was appointed as Deputy Head of the Private Market division in Aberdeen Standard Investments. Steve started his career with EY.

Current directorships/business interests:

- Countrywide Assured Services Ltd
- CASFS Ltd
- Countrywide Assured Life Holdings Limited
- Movestic Livförsäkring AB
- Scildon NV Supervisory Board
- Waard Group Supervisory Board
- Cattanach – a private charity (Chair)

JANE DALE
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE AUDIT & RISK COMMITTEE

Appointment to the Board: Appointed to the Chesnara Board in May 2016 and as Chair of the Audit & Risk Committee in December 2016. Appointed as the Board's Senior Independent Non-Executive Director in October 2018. After a nine-year tenure, Jane intends to stand down at the conclusion of the next AGM, due to be held on 13 May 2025.

Committee membership: Audit & Risk (Chair) and Nomination & Governance.

Current directorships/business interests:
- Countrywide Assured plc, Chair of the Audit & Risk Committee
- Covea Insurance plc and Covea Life Limited, NED and Chair of the Audit Committee
- Novia Financial plc, NED and Chair of the Audit Committee; and The Quanta Group (Holdings) Limited, NED
- Brown & Brown (Europe) Holdco Limited, NED and Chair of the Risk & Compliance Committee and Brown & Brown Insurance Brokers (UK) Limited, NED

TOM HOWARD
GROUP CHIEF FINANCIAL OFFICER

Appointment to the Board: Appointed to the Chesnara Board on 15 April 2024.

Career, skills and experience: Tom joined Chesnara from Aviva plc where he was CFO and Executive Director of Aviva Investors, with oversight of the asset manager's financial, capital management and corporate development functions. He also held executive responsibility for Aviva Investors' North American operations and was a member of Aviva Group's Finance Leadership Team. He held a variety of senior leadership roles over a 14-year period in Aviva, including CFO of Aviva's Life and General Insurance businesses in Ireland and Director of Mergers and Acquisitions for Aviva Group. Tom is a fellow of the Institute and Faculty of Actuaries.

GAIL TUCKER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board: Appointed to the Chesnara Board on 29 January 2025.

Committee membership: Audit & Risk and Nomination & Governance.

Current directorships/business interests:
- Countrywide Assured plc
- Breast Cancer Now (Trustee)
- ICAEW Financial Services Board (Member)

KARIN BERGSTEIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the Board: Appointed to the Chesnara Board on 14 February 2022.

Committee membership: Nomination & Governance and Audit & Risk.

Current directorships/business interests:
- Van Lanschot Kempen N.V., NED
- Bank Nederlandse Gemeenten N.V., NED
- University Medical Center Groningen, NED
- Bergstein Advies B.V., General Manager
- Foundation for Continuity of NN Group, NED
- Foundation for Preference Shares Wereldhaven, NED

EAMONN FLANAGAN
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE REMUNERATION COMMITTEE

Appointment to the Board: Appointed to the Chesnara Board in July 2020 and as Chair of the Remuneration Committee in January 2022.

Committee membership: Audit & Risk and Remuneration (Chair).

Current directorships/business interests:
- Movestic Livförsäkring AB, Chair of the company and member of the Audit & Risk Committee
- AJ Bell, NED and Chair of the Audit and Disclosure committees

CAROL HAGH
INDEPENDENT NON-EXECUTIVE DIRECTOR, CHAIR OF THE NOMINATION & GOVERNANCE COMMITTEE AND DESIGNATED WORKFORCE NED

Appointment to the Board: Appointed to the Chesnara Board on 14 February 2022.

Committee membership: Nomination & Governance (Chair) and Remuneration.

Current directorships/business interests:
- Countrywide Assured plc, NED
- Old Game New Rules Ltd, Director and Founder
- Direct Line Insurance Group plc, NED
- UK Insurance Ltd and Churchill Insurance Company Ltd (part of Direct Line Insurance Group)

GOVERNANCE OVERVIEW FROM THE CHAIR

Our robust Governance Framework enables us to effectively manage risks and opportunities, as well as to take appropriate steps to address relevant environmental and social issues in a proportionate manner.

Dear Shareholder

On behalf of the Chesnara Board, I am pleased to present our Corporate Governance Report for the year ended 31 December 2024.

Chesnara's Corporate Governance Framework underpins the delivery of sustainable value to our customers and shareholders through effective deployment of our staff and technology, and constructive engagement with our suppliers, partners and regulators. The Board drives the Group's culture and values by assigning clear roles and responsibilities and setting high expectations of business performance and ethical conduct.

Our robust Governance Framework enables us to effectively manage risks and opportunities, as well as to take appropriate steps to deliver our sustainability agenda.

This section of the Annual Report and Accounts sets out our governance policies and practices and includes details of how the Company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the 'Code') during 2024.

The Board recognises that sustainability and stewardship is central to a Company's ability to operate responsibly. The Board is also mindful of the critical importance of the interests of its employees, customers and suppliers for the purposes of delivering sustainable performance, whilst engaging constructively with regulators and shareholders to understand and meet their expectations. Details of how we have engaged with key stakeholders and performed our duties under s172 of the Companies Act 2006 are set out on pages 32 to 39 within the Strategic Report.

The Board agenda appropriately balances governance, strategy, risk, financial performance and emerging matters in order to promote the success of the Company. Each member significantly contributes to Board discussions and devotes sufficient time to the Board and the effective operation of its committees. There were a number of additional meetings required over the course of 2024 and I am grateful to my fellow Board members for making themselves available as and when required.

Following the completion of a nine-year tenure, Jane Dale will not seek re-election at the Company's Annual General Meeting ('AGM') in May 2025 and will step down as Senior Independent Director and as a director of the Company at the conclusion of that meeting. I would like to thank Jane for her significant contributions to the Group as a non-executive director and in particular as Chair of our Audit & Risk Committee. The Group has changed much over her time with us and Jane has overseen several key acquisitions and ensured timely reporting of strong financial results irrespective of these and external changes to reporting regimes.

Gail Tucker joined the Board on 29 January 2025 and will chair the Audit & Risk Committee upon Jane standing down. She brings with her a wealth of reporting expertise including from her time as IFRS 17 Global Technical Lead for PwC. She has advised insurance audit teams around the world and has sat on a number of technical committees. We are delighted to have attracted such talent into the Group.

No NED chairs the Board as well as a Board committee nor does any NED chair more than one Chesnara Board Committee. The principles and policies that support the Governance Framework outlined in the Group Corporate Governance Framework are designed to encourage high standards of ethical and business conduct and consideration of matters such as diversity. Each of the businesses within the Group has continued to make further progress in ensuring that the governance arrangements remain effective, whilst also integrating environmental and social factors within their risk assessment system.

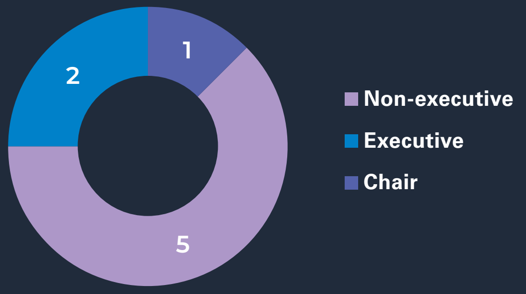
This report summarises the steps the Board and its committees have taken to fulfil their governance responsibilities.

I look forward to having the opportunity to engage with our shareholders at our AGM on 13 May 2025 as set out in our Notice of AGM on page 253 of this report.

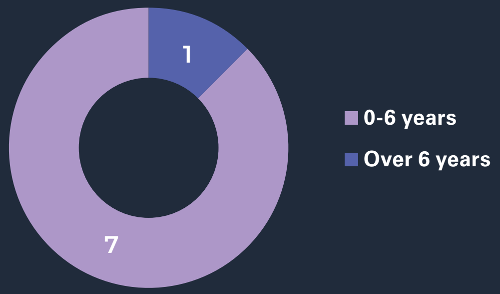
Luke Savage, Chair
26 March 2025

Chesnara Board composition

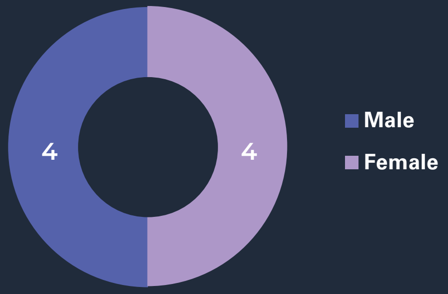
Current balance of executive and non-executive directors



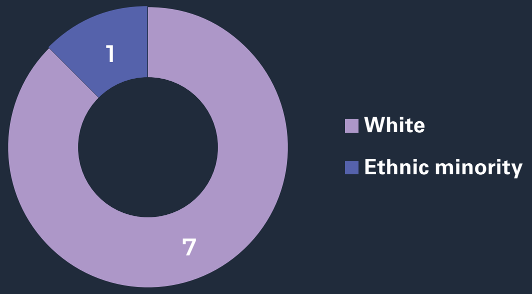
Board tenure



Current gender diversity of the Board



Current ethnic diversity of the Board



CORPORATE GOVERNANCE REPORT

The Group's Governance Framework has continued to operate effectively in 2024, allowing the Company to respond to the needs of its stakeholders and the evolving market conditions in which it operates.

The following statement, together with the Directors' Remuneration Report on pages 110 to 126, the Nomination & Governance Committee Report on pages 104 to 107, and the Audit & Risk Committee Report on pages 127 to 134 describes how the principles set out in the UK Corporate Governance Code 2018 (the 'Code') have been applied by the Company and details the Company's compliance with the Code's provisions for the year ended 31 December 2024.

Compliance with the Code

The Company has applied the principles and complied throughout the year with all of the relevant provisions of the Code. The UK Corporate Governance Code is available at **www.frc.org.uk**.

The table below provides an overview of the Company's compliance with each of the five sections of the Code.

Code section	Question
Board Leadership & Company Purpose	Details of how the opportunities and risks to the future success of the business have been considered and addressed and the sustainability of the Company's business model are set out in the Strategic Report (pages 26 to 91). Details of stakeholder engagement (including engagement with major investors and details of how investors' interests are considered in Board discussions and decision making are set out on pages 32 to 39 of the Strategic Report. Details of how our Board monitors culture through our Workforce Engagement NED and details of our Whistleblowing Policy are set out on page 72 of the Strategic Report. Details of how potential conflicts of interest are managed are included on page 101 of this Corporate Governance Report.
Division of Responsibilities	The division of responsibilities on the Board and details of directors' independence are set out on page 100 of this Corporate Governance Report. Time commitments of the Board and 2024 Board and committee meeting attendance is set out on page 102 of this Corporate Governance Report.
Composition, Succession and Evaluation	The composition and skills, experience and knowledge of the Board is detailed on page 94 of this Corporate Governance report. Details of the annual evaluation of the performance of the Board, its committees, the Chair and individual directors are set out on page 101 of this Corporate Governance Report. The composition, roles and responsibilities and activities of the Nomination & Governance Committee are set out on pages 104 to 107 of the Nomination & Governance Committee Report.
Audit, Risk & Internal Control	The composition, roles and responsibilities and activities of the Audit & Risk Committee are set out on pages 127 to 134 of the Audit & Risk Committee Report. The Board confirms that it has completed a robust assessment of the Company's emerging and principal risks. Details of the Board's assessment of the Company's principal risks are set out on pages 61 to 67 of the Strategic Report and details of the Board's assessment of the Company's risk management and internal control system are set out on page 103 of this Corporate Governance Report. Please also see the Directors' Report (including the Going Concern statement) (pages 135 to 138) and the Viability Statement (page 56) for details of the Board's assessment of the Company's position, business model, strategy, prospects.
Remuneration	The composition, roles and responsibilities and activities of the Remuneration Committee are set out on page 111 of the Directors' Remuneration Report. Pages 110 to 126 of the Directors' Remuneration Report sets out details of the Remuneration Policy as presented to shareholders at the 2023 AGM and how the policy has been applied in determining director and senior management remuneration.

The Board

At 31 December 2024, the Board comprised of an independent non-executive Chair, four further independent non-executive directors and two executive directors.

Biographical details of current directors are given on pages 94 and 95 and a Board profile, which assesses the core competencies required to meet the Group's strategic objectives, is provided on page 94. The Board reviewed and updated the core competencies matrix, adding People & Reward and Regulatory competencies as key requirements. The Board, which plans to meet at least seven times over the course of 2025, has a schedule of matters reserved for its consideration and approval. These matters include:

- implementation of the corporate strategy and business plan;
- major acquisitions, investments and capital expenditure;
- financial reporting and controls;
- Dividend Policy;
- capital structure;
- Board and Board committee composition and appointments;
- appointments to the Board and Board committee membership;
- appointment or removal of the Company Secretary; and
- of the Remuneration Policy for Board directors and senior executives.

To support effective escalation from the Company's major regulated subsidiary Boards, members of the Company's Board also serve on key subsidiary Boards and committees across Chesnara's business divisions. Specifically:

(i) three directors of the Company were also directors of Countrywide Assured plc during the year, those being Jane Dale, Mark Hesketh (until 09 April) and Carol Hagh;

(ii) three directors of the Company were also directors of CASLP Ltd during the year, until CASLP Ltd was dissolved on 16 January 2025, those being Jane Dale, Mark Hesketh (until 9 April) and Carol Hagh;

(iii) four directors of the Company, being Karin Bergstein (until 5 December), Eamonn Flanagan, Steve Murray and David Rimmington (until 16 May 2025), were also directors of Movestic Livförsäkring AB in 2024; and

(iv) Steve Murray was also a director of the Scildon and Waard Supervisory Boards throughout the year.

Under local legislation or regulation for all divisions of the Group, the directors have responsibility for maintenance and projections of solvency and for assessment of capital requirements, based on risk assessments, and for establishing the level of long-term business provisions, including the adoption of appropriate assumptions. The Prudential Regulation Authority is the Group supervisor and maintains oversight of all divisions of the Group through the college of supervisors.

The responsibilities that the Board has delegated to the respective executive management teams of the UK, Dutch and Swedish businesses include: the implementation of the strategies and policies of the Group as determined by the Board; monitoring of operational and financial results against plans and budget; prioritising the allocation of capital, technical and human resources and developing and managing Risk Management Systems.

The roles of the Chair and Group Chief Executive

The division of responsibilities between the Chair of the Board and the Group Chief Executive is clearly defined and has been approved by the Board. The Chair leads the Board in the determination of its strategy and in the achievement of its objectives and is responsible for organising the business of the Board and availability of timely information, ensuring its effectiveness, encouraging challenge from non-executive directors and setting its agenda. The Chair has no day-to-day involvement in the management of the Group. The Group Chief Executive has direct charge of the Group on a day-to-day basis and is accountable to the Board for the strategic, financial and operational performance of the Group.

Senior Independent Director

Jane Dale, who has been a non-executive Board member since May 2016, was appointed as the Senior Independent Director in October 2018. The Senior Independent Director supports the Chair in both the delivery of the Board's objectives and in ensuring that the views of all shareholders and stakeholders are conveyed to the Board. Jane is available to meet shareholders on request and to ensure that the Board is aware of shareholder concerns not resolved through the existing mechanisms for shareholder communication. The Senior Independent Director also meets with the non-executive directors, without the Chair present, at least annually, and conducts the annual appraisal of the Chair's performance and provides feedback to the Chair and the Board on the outputs of that appraisal.

CORPORATE GOVERNANCE REPORT

Directors and directors' independence

During 2024 a review was conducted to assess the independence of the Board as a whole when set against a matrix of key measures set out in the Code. The table below shows the results of that review under the Code Provisions 11, 12 and 17 and Principle G.

Code consideration	Question	
Provision 11 & 12	**1.** Are at least half the Board, excluding the Chair, NEDs whom the Board considers to be independent?	**YES**
	2. Has the Board appointed one of the independent NEDs to be the senior independent director (SID) to provide a sounding board for the Chair and serve as an intermediary for the other directors and shareholders?	**YES**
Principle-G	**3.** Does the Board include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the Board's decision making?	**YES**
	4. Is there a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business?	**YES**
Provision 17	**5.** Has the Board established a Nomination Committee to lead the process for appointments, ensure plans are in place for orderly succession to both the Board and senior management positions, and oversee the development of a diverse pipeline for succession?	**YES**
	6. Are a majority of members of the Nomination Committee independent NEDs?	**YES**
	7. Is the Nomination Committee chaired by an individual other than the Chair of the Board when it is dealing with the appointment of their successor?	**YES**

The review went further and, based on Code Provision 10, assessed each NED against a list of ten Yes/No questions, where, for each, a 'No' is determined to be a positive assessment of independence.

The table below shows the results of that review:

	Questions: Has the non-executive director...	LS	JD	EF	GT	CH	KB
1.	Been an employee of the Company or Group within the last five years?	No	No	No	No	No	No
2a.	Had within the last three years, a material business relationship with the Company: Directly?	No	No	No	No	No	No
2b.	Had within the last three years, a material business relationship with the Company: As a partner, shareholder, director or senior employee of a body that has such a relationship with the Company?	No	No	No	No	No	No
3.	Received additional remuneration from the Company apart from a director's fee?	No	No	No	No	No	No
4.	Participated in the Company's share option or performance-related pay scheme?	No	No	No	No	No	No
5.	Been a member of the Company's pension scheme?	No	No	No	No	No	No
6.	Got close family ties with any of the Company's advisors, directors or senior employees?	No	No	No	No	No	No
7.	Held cross-directorships or had significant links with other directors through involvement in other companies or bodies?	No	No	No	No	No	No
8.	Represented a significant shareholder?	No	No	No	No	No	No
9.	Served on the Board for more than nine years from the date of their first appointment?	No	No	No	No	No	No

As a result of this review, the Board considers that all non-executive directors were independent during the year under review. The Board notes that Jane Dale will have served almost nine years on the Board by the date of the AGM, and as outlined on page 107, Ms Dale will not seek re-election as a director of the Company at the 2025 AGM, concluding her tenure on the Board.

The Board has no familial relationship with any other member of the Board or senior management team.

Other than their fees, and reimbursement of taxable expenses, which are disclosed on page 113, the non-executive directors received no remuneration from the Company during the year. The directors are given access to independent professional advice, at the Company's expense, when the directors deem it necessary in order for them to carry out their responsibilities. Independent professional advice of this nature was drawn upon with regard remuneration matters. This has been disclosed on page 111 in the Remuneration Report.

The Board is satisfied that its overall balance continues to provide significant independence of mind and judgement and further considers that, taking the Board as a whole, the independent directors are of sufficient calibre, knowledge and number that they are able to challenge the executive directors, their views carry significant weight in the Company's decision making and bring diverse cultural and territory insight and skills.

Professional development

The directors were advised, on their appointment, of their legal and other duties and obligations as directors of a listed Company. This has been supplemented by the circulation to each director of their responsibilities and duties as contained within the Group's Corporate Governance & Responsibilities Map. Throughout their period in office, the directors have, through the conduct of business at scheduled board meetings and training, been updated on the Group's business and on the competitive and regulatory environments in which it operates. The directors are committed to their own ongoing professional development and the Chair discusses training with each non-executive director at least annually. All directors are encouraged to suggest training topics of interest. In 2024, specific board awareness and deep-dive sessions took place on inside information and share dealing, tax considerations of Part VIIs, M&A and company structure, Artificial Intelligence, sustainability, and key jurisdictional market trends. Each member of the Board, except the Chair and the Group Chief Financial Officer, served on one or more subsidiary Board during the period under review, through which they have considerable knowledge and experience of the divisional businesses across the Group. The Chair regularly attends committee and subsidiary Board meetings by invitation.

Information

Regular reports and information are circulated to the directors in a timely manner in preparation for Board and committee meetings.

As stated above, the Company's directors are also members of various Boards of key subsidiaries within the UK, Dutch and Swedish divisions. These Boards hold scheduled meetings, at least quarterly, which are serviced by regular reports and information, covering all of the key areas relevant to the direction and operation of those subsidiary entities, including business development, key projects, financial performance and position, actuarial assumptions setting and results analysis, compliance, investments, information technology and cyber security, operations, customer care and communication, internal audit, all aspects of the Risk function and own risk and solvency assessment.

Key divisional subsidiaries monitor risk management procedures, including the identification, measurement and control of risks through the auspices of a Risk Committee. These committees are accountable to and report to their Boards on a quarterly basis.

Annual reports are produced which cover an assessment of the capital requirements of the life assurance subsidiaries, their financial condition and a review of risk management and internal control systems.

Furthermore, the divisions are required to submit a quarterly risk report and an annual report on risk management and internal control systems.

In addition to these structured processes, the papers are supplemented by information which the directors require from time to time in connection with major events and developments, where critical views and judgements are required of Board members outside the normal reporting cycle.

Board effectiveness and performance evaluation

As part of the annual performance, an internal effectiveness evaluation of the Board and each of its committees was undertaken in the latter part of 2024.

This was through directors completing an anonymous questionnaire followed by individual meetings between the Chair and each director to obtain their views on what was working well and what could be improved. Individual director performance and time commitment to the Board was considered as part of these meetings.

The questionnaire covered wide-ranging matters, including how well the Board operates, the process of decision making, the balance between the focus on risk, good customer outcomes and running the business, the culture and dynamics of the Board ensuring its composition and that of its committees are aligned. In addition, using similar methods to those described above, the non-executive directors, led by Jane Dale as Senior Independent Director under a separate process, contributed to a formal performance evaluation of the Chair.

The outcome of the reviews of the Board and its committees indicated that they continue to be effective. The evaluation of directors' performance concluded that each of the directors demonstrates commitment to his or her role and dedicates sufficient time to effectively discharge their responsibilities to the Company.

The review indicated that information provided to the Board is clear and focused and that the Board operates in an open and constructive manner. Continuous progress on the Company's long-term strategy and ensuring appropriate time is allocated to this continues to be a focus for the Board in 2025. Similarly, having overseen a number of changes to the executive team in 2024 (detailed on page 105 of the Nomination and Governance Report), talent and succession planning remains a focus for 2025 in order to ensure the Group is well placed to meet its strategic ambitions.

The evaluation findings were presented back to each committee and formally approved on that basis before each committee then confirmed to the Board that it continued to operate effectively.

Directors' conflicts of interest

The Board has a policy and effective procedures in place for managing and, where appropriate, approving conflicts or potential conflicts of interest. This is a recurring agenda item at all Board meetings, giving directors the opportunity to raise any conflicts of interest they may have or to update the Board on any changes to previously lodged interests. A director may be required to leave a Board meeting whilst such matters are discussed.

The Company Secretary holds a register of interest, and a log of all potential conflicts raised is maintained and updated. The Board is empowered to authorise potential conflicts and agree what measures, if any, are required to mitigate or manage them. No material conflicts of interest were noted in 2024.

Whenever a director takes on additional external responsibilities, the Chair considers any potential conflicts that may arise and whether or not the director continues to have sufficient time to fulfil his or her duties. There were considered to be no such concerns in 2024.

Customer/third-party conflicts of interest

The Board has a policy in place to manage customer and third-party conflicts of interest. This policy sets out how the Company and its regulated subsidiaries manage conflicts of interest fairly, both between the relevant Company and its customers, between groups of customers and between customers, suppliers and shareholders.

No material conflicts of interest were noted in 2024.

CORPORATE GOVERNANCE REPORT

Employee engagement

Hybrid working arrangements are in place across the Group to the extent appropriate to each territory and business unit. This hybrid flexibility has enabled the Group to attract candidates to new roles that otherwise might not have considered its main office locations.

The Board has a standard agenda item at each of its meetings to cover culture and stakeholder engagement, including workforce engagement. This has helped highlight workforce and other stakeholder matters as part of Board discussion and decision making. In addition, the designated Workforce NED supports the Board's ability to engage with the wider workforce as a two-way communications channel.

A full description of our employee engagement and well-being is provided in our corporate and social responsibility section on pages 70 to 72.

Customer/supplier engagement

The Board remains vigilant to ensure the importance of customer- and supplier- engagement remains high on the Group's agendas.

Relations with shareholders

The Group Chief Executive and the Group Chief Financial Officer meet with institutional shareholders and are available for additional meetings when required. Should they consider it appropriate, institutional shareholders are able to meet with the Chair, the Senior Independent Director and any other director. The Chair is responsible for ensuring that appropriate channels of communication are established with shareholders through the Group Chief Executive and the Group Chief Financial Officer and, with support from the Senior Independent Director as appropriate, is responsible for ensuring that the views of shareholders are known to the Board. This includes twice yearly feedback prepared by the Company's brokers on meetings that the executive directors have held with institutional shareholders.

The Company's full year and interim results presentations are available as a webcast for all shareholders and provides opportunities for investors to ask questions directly to senior management. The Company also has a programme of meetings with its larger shareholders as managed by the Head of Strategic Development & Investor Relations, which provides an opportunity to discuss the progress of the business on the basis of publicly available information. This investor relations programme continued during 2024, with meetings held both in person and virtually, as well as engagement with prospective new investors and private client wealth managers. The Company also meets with existing and prospective debt investors. These include specific meetings for the debt investor community as well as ad hoc meetings arranged either directly or through investor conferences. A significant proportion of the Company's shareholders are retail investors and, in order to ensure that they have access to relevant information, the Company maintains a detailed webpage for investors which includes access to equity research. Management also undertake webinars on the Company's prospects that are publicly available to private investors.

Annual and interim reports are published and those reports, together with a wide range of information of interest to existing and potential shareholders, are made available on the Company's website, **www.chesnara.co.uk**.

All shareholders are encouraged to attend the Annual General Meeting ('AGM') at which the results are explained and an opportunity is provided to ask questions on each proposed resolution.

At our AGM on 14 May 2024, all resolutions were passed, with votes for ranging from 92.74% to 99.99% (votes against ranging from 0.01% to 7.26%). The lowest support (92.74%) was for Resolution 17, which authorises the directors to disapply pre-emption rights on share issuances relating to acquisition or other capital investments. Although there are currently no plans or intentions to issue shares in relation to acquisitions or other capital investments, the Board considers the resolution to seek such authority common market practice and it offers the Company flexibility should the authority be required.

Our next AGM is to be held on 13 May 2025 and details of the resolutions to be proposed can be found in the Notice of the Meeting on pages 253 to 259. It is intended that the meeting be held in person, with the chairs of the Board and its committees available to answer such questions as appropriate. Shareholders are nonetheless encouraged to submit in advance any questions that they may have in order that the Chairs of the Board committees can answer them on the day.

Sustainability governance

Our third report covering the broad range of climate-related information to be disclosed under the four overarching pillars (Governance, Strategy, Risk Management and Metrics & Targets) of the Taskforce for Climate-Related Financial Disclosure (TCFD) is contained on pages 68 to 91. This details the governance information required in accordance with recommendations of TCFD.

The Group Chief Executive Officer takes overall accountability for sustainability at group level, with the support of divisional CEOs, other executive management and a Group Sustainability Committee, currently chaired by the Company's senior independent NED. The Board sets the overall vision and approach of the Group in regards to sustainability and has approved its sustainability commitments and targets. The Board receives regular reporting on sustainability, including with regards to progress towards our targets and consideration of the Group climate change risk assessment (with support from the Audit & Risk Committee). Further details of how we are embedding sustainability into our Governance Framework are included in our Annual Sustainability Report.

Company Secretary

The directors had access to the advice and services of the Company Secretary throughout the year. The Company Secretary is responsible for advising the Board on all governance matters.

Remuneration Committee

Full details of the composition and work of the Remuneration Committee are provided on page 111.

Audit & Risk Committee

Full details of the composition and work of the Audit & Risk Committee are provided on pages 127 to 134.

Nomination & Governance Committee

Full details of the composition and work of the Nomination & Governance Committee are provided on pages 105 to 107.

The attendance record of each of the directors at scheduled board and committee meetings for the period under review is:

	Scheduled Board[1]	Nomination & Governance Committee	Remuneration Committee	Audit & Risk Committee
Luke Savage Non-Executive Chair	11 (11)	4 (4)	5 (5)	n/a
Steve Murray Executive Director	11 (11)	n/a	n/a	n/a
David Rimmington Executive Director	3 (3)	n/a	n/a	n/a
Jane Dale Non-Executive Director	11 (11)	4 (4)	n/a	6 (6)
Mark Hesketh Non-Executive Director	2 (2)	1 (1)	n/a	2 (2)
Eamonn Flanagan Non-Executive Director	11 (11)	n/a	5 (5)	6 (6)
Karin Bergstein Non-Executive Director	11 (11)	4 (4)	n/a	6 (6)
Carol Hagh Non-Executive Director	11 (11)	4 (4)	5 (5)	n/a
Tom Howard Executive Director	9 (9)	n/a	n/a	n/a
Gail Tucker non-executive director	– (–)	– (–)	n/a	– (–)

The figures in brackets indicate the maximum number of scheduled meetings in the period during which the individual was a Board or committee member.

Note:

[1] The number of scheduled Board meetings includes 3 meetings that were called at short notice to discuss ad hoc/subject specific matters.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. In establishing the system of internal control, the directors have regard to the significance of relevant risks, the likelihood of risks occurring and the methods and costs of mitigating risks. It is, therefore, designed to manage rather than eliminate the risks, which might prevent the Company meeting its objectives and, accordingly, only provides reasonable, but not absolute, assurance against the risk of material misstatement or loss.

In accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Board confirms that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the Board and accords with the guidance.

In accordance with the regulatory requirements of the PRA, local regulators and SII, the relevant business divisions have maintained and enhanced their risk and responsibility regime. This ensures that the identification, assessment and control of risk are firmly embedded within the organisation and that there are procedures for monitoring and update of the same. The Audit & Risk Committee regularly reviews and reports quarterly on risks to the Board.

The Group also maintains a principal risk register, which ensures identification, assessment and control of the significant risks subsisting within the Company and its business units CA, Waard Group, Movestic and Scildon. The principal risks and uncertainties of the Group can be found on pages 61 to 67.

The maintenance of principal risk registers is the responsibility of senior management, who report on them quarterly to the respective divisional Audit & Risk Committees and to each Chesnara Audit & Risk Committee meeting.

The divisions maintain a risk and responsibility regime, which ensures that:

- the Boards and Group Chief Executive have responsibility for ensuring that the organisation and management of the operation are characterised by sound internal control, which is responsive to internal and external risks and to changes in them;
- the Boards have responsibility for the satisfactory management and control of risks through the specification of internal procedures;
- there is an explicit Risk function, which is supported by compliance; and
- the Internal Audit functions provide independent assurance that the risk management, governance and internal control processes are operating effectively.

At least quarterly principal and emerging risks are reported to the Board, assessing their proximity, probability and potential impact. This has enabled the Board to carry out a robust assessment of the Company's emerging and principal risks.

As an integral part of this regime, detailed risk registers are maintained to identify, monitor and assess risk under appropriate classifications. It includes climate change risk.

With regards to Countrywide Assured plc, Waard Group, Scildon and Movestic, the Group ensures that effective oversight is maintained, by way of the membership of Chesnara directors on their local Boards and quarterly reporting to the Chesnara plc Audit & Risk Committee.

In addition, the Chesnara Board confirms that it has undertaken a formal annual review of the effectiveness of the system of internal control for the year ended 31 December 2024, and that it has considered material developments between that date and the date of approval of the Annual Report and Accounts. The Board confirms that these reviews took account of the findings by the Internal Audit and Compliance functions on the operation of controls, internal financial controls, as well as management assurance on the maintenance of controls, and reports from the external auditor on matters identified in the course of statutory audit work. Conclusions of the Audit & Risk Committee's annual review of effectiveness of the Group's risk management and internal control systems are reported in more detail in the Audit & Risk Committee Report as set out on pages 127 to 134.

The Board is satisfied that the overall internal control framework has remained effective during the year, that the group has responded appropriately to any risks or issues which have arisen, and that any control deficiencies identified are being appropriately addressed. Additionally, there are a number of live change programmes that exist across the Group. These include the planned migrations for the majority of the UK's outsourced operations to SS&C and potential merger of our Dutch businesses. There are also planned advancements in IT, operational risk management and controls being made as a result of major regulatory driven operational resilience programmes across the Group. This includes UK Operational Resilience, UK Third Party Risk Management and DORA.

Financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Group has comprehensive planning, budgeting, forecasting and reporting processes in place. A summary of the Group's financial results supported by commentary and performance measures is provided to the Board on a quarterly basis.

In relation to the preparation of the Group financial statements, the controls in place include:

- reviewing new developments in reporting requirements and standards to ensure that these are reflected in group accounting policies; and
- developing the Group's financial control processes and procedures which are implemented across the Group.

The reporting process is supported by transactional and consolidation finance software. Reviews of the application of controls for external reporting purposes are carried out by senior finance management. The results of these reviews are considered by the Board as part of its monitoring of the performance of controls around financial reporting. The Audit & Risk Committee reviews the application of financial reporting standards and any significant accounting judgements made by management.

Going Concern and Viability Statement

The Statement on Going Concern is included in the Directors' Report on page 138 and the Long-Term Viability Statement is set out on page 56.

Financial crime and whistleblowing

Amongst others, the Company operates policies for anti-bribery & corruption as well as anti-fraud in order to manage risks such as financial crime, money laundering, fraud, corruption and terrorist financing. Related to this, a Whistleblowing Policy is also operated to facilitate the communication of wrongdoing or suspected wrongdoing with clear communication lines highlighted to enable individuals to advise of their concerns in a safe and confidential manner; in this regard, an external whistleblowing line was established during the year. No instances of whistleblowing or financial crime were noted during the year. These policies are all reviewed annually and staff are asked to attest to their embedding and understanding. A Gifts & Hospitality Register is maintained and no breaches were recorded during the year.

NOMINATION & GOVERNANCE COMMITTEE REPORT

The Nomination & Governance Committee considers the mix of skills and experience that the Board requires to be effective and reviews talent development and succession planning across the Group.

Nomination & Governance Committee

During the period under review, the committee comprised Carol Hagh, who also served as Chair of the committee from 9 April, Jane Dale, Luke Savage, and Karin Bergstein. Mark Hesketh served as Chair of the committee until his resignation on 9 April 2024 to become Chair of our UK business unit, Countrywide Assured. No individual participated in discussion or decision making when the matter under consideration related to themselves.

The committee Chair reports material findings and recommendations from each meeting at the next Board meeting.

The Terms of Reference for the committee can be found on the Company website www.chesnara.co.uk

The role of the Nomination & Governance Committee is to:

- keep under review the balance, structure, size, diversity and composition of the Board and its committees, ensuring that they remain appropriate;
- assess the independence of each NED and any circumstances that are likely to impair, or could impair, their independence;
- be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval;
- scrutinise and hold to account the performance of the executive directors against agreed performance objectives and advise the Remuneration Committee of their assessments;
- keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive directors and other senior management;
- identify and nominate, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- oversee the search process for new directors, recommending appointments to the Board; and
- evaluate the balance of skills, knowledge, experience and diversity of the Board.

This includes consideration of recommendations made by the Group Chief Executive for changes to the executive membership of the Board.

During the period, the committee met four times and attendance at those meetings is shown on page 102. By invitation, the Group CEO and Group Chief of Staff & Company Secretary attend the Nomination & Governance Committee but neither were present when matters relating to their own performance were discussed.

The composition of the Board

The committee has continued to focus on succession planning, with a view to maintaining an appropriate composition for the Board and its committees to support the continued development of the Group. The review also identified areas where the Board should evolve to meet any expected future business and strategic direction of the Group.

During 2024 the committee finalised the process that led to Tom Howard's appointment as the Group's Chief Financial Officer and as a director of the Company. It also determined the approach to allocating Company Secretary responsibilities upon the resignation of the Group General Counsel & Company Secretary.

The committee approved the appointment of Pauline Derkman as Chief Executive Officer and Edwin Bekkering as Chief Financial & Risk Officer, of what will become the combined Scildon & Waard business, subject to regulatory approval.

The development of talent below Board level is vital. The Company continues to build an internal leadership pipeline for senior roles to ensure that the necessary skills and experience exist within the business.

Board appointment process

The committee adopts a formal and transparent procedure for the appointment of new directors to the Board.

The Board's typical process may include the use of independent external search firms for appointing directors. As part of the appointment process, these external advisors would be asked to provide candidates from a diverse range of backgrounds, from which we select a short list of candidates who best meet the selection criteria. Interviews are conducted by a selection of Board members and executive management, as relevant to the role, with a recommendation to the committee as to the preferred candidate. Any candidate deemed suitable for appointment will provide references and, if necessary, undergo the fit and proper assessment process as outlined in the FCA Senior Managers & Certification Regime (SMCR) prior to appointment.

The Board engaged the services of Teneo in its appointment of Tom Howard as a director of the Company on 15 April 2024 and as Chief Financial Officer following the 2024 AGM.

Jane Dale will step down as a director of Chesnara at the conclusion of the 2025 AGM after nine years on the Board. On behalf of the Board, we thank Jane for her extensive and invaluable contribution to the Company during her tenure. We are delighted to have announced Gail Tucker as a new appointee to the Board and she brings a wealth of experience to the Group from her previous role at PwC. The Board engaged the independent services of executive search firm, Lygon Group, in Gail's appointment.

NOMINATION & GOVERNANCE COMMITTEE REPORT

Diversity

The committee is mindful of the corporate governance developments in the areas of diversity and gender balance, including the requirements under the Disclosure and Transparency Rules.

In accordance with Listing Rule 6.6.6R(10), the following tables set out numerical data on the sex and ethnic background of the Board and executive management as at 31 December 2024, with the data collected from the individuals.

a) Gender reporting table

Gender	Number of Board members	% of Board	Number of senior positions on the Board (CEO, CFO, SID or Chair)	Number in executive management	% of executive management
Men (including those self-identifying as men)	4	57.1%	3	2	100%
Women (including those self-identifying as women)	3	42.9%	1	n/a	n/a
Non-binary	n/a	n/a	n/a	n/a	n/a
Not-specific/prefer not to say	n/a	n/a	n/a	n/a	n/a

b) Ethnicity reporting table

ONS ethnicity category	Number of Board members	% of Board	Number of senior positions on the Board (CEO, CFO, SID or Chair)	Number in executive management	% of executive management
White British or White Other	6	86%	4	2	100%
Mixed/Multiple Ethnic Groups	n/a	n/a	n/a	n/a	n/a
Asian/Asian British	1	14%	n/a	n/a	n/a
Black/African/Caribbean/Black British	n/a	n/a	n/a	n/a	n/a
Not specified/prefer not to say	n/a	n/a	n/a	n/a	n/a

The Board recognises the benefits of having diversity across all areas of the Group – please see the equal opportunities section on page 70 for further detail. When considering the make-up of the Board, the benefits of diversity are reviewed and balanced where possible and appropriate, along with the breadth of skills, sector experience, gender, race, disability, age, nationality and other contributions that individuals may make. In identifying suitable candidates, the committee seeks individuals from a range of backgrounds, with the final decision being based on merit against the role criteria set. Through its Board Diversity Policy, the Board maintains its practice of embracing diversity and operates a measurable gender-based target of having at least 40% representation of both male and female membership on the Board by 31 December 2025 in recognition of the recommendations of the FTSE Women Leaders Review. We are pleased to report that during 2024 we met this target and, in addition, have met the requirements under Listing Rule 9.8.6R of having at least 40% female directors and we remain committed to continuous review and improvement of diversifying the Board, senior management and the wider workforce. Since April 2024 and throughout the majority of the financial year, the Board comprised 42.9% female: 57.1% males in line with the Hampton-Alexander Review target of 33% for FTSE 100 companies though a voluntary target for FTSE 350 organisations. In addition, the Company will target having a female appointee to at least one of the key senior roles of Chair; Senior Independent Non-Executive Director; Group CEO or Group CFO by 31 December 2025 and has met this target for a number of years. Actual levels of gender diversity will be monitored and be reported in the Annual Report and Accounts. The Board currently comprises four men and four women with the role of Senior Independent Non-Executive Director held by Jane Dale. It will comprise four men and three women upon Jane Dale standing down after the 2025 AGM. Further details of our board's diversity, including our approach to collecting data, can be found on page 71 of the Strategic Report.

Further, Chesnara has determined that it will ensure that it continues to meet the measurable target of having at least one director from an ethnic minority on the Board in line with the Parker Review. In consideration of the longer term, the Board has discussed increasing its range of knowledge and experience from outside financial services and also a broader geographical experience base but is satisfied with its current composition. The business operates to principles for other roles and is mindful that it has a small workforce and therefore considers that it needs to take associated staff turnover expectations into account. The diversity of the Senior Leadership Team is reported on page 106.

Review of effectiveness

The Board and its committees undertook annual effectiveness reviews and the respective chairs discussed the findings in each forum. Other standard processes were also undertaken, including Fit & Proper assessments, Board Diversity Policy review, NED succession planning and the review of the effectiveness of the Chair. The evaluations did not identify any additional changes needed to Board composition over and above those that had been initiated.

Areas where increased focus and/or action was considered to be of potential value have either been addressed in 2024 or will be taken into account in 2025. The 2024 Board effectiveness reviews were internally facilitated having been last led by an external third party (Nasdaq Governance Solutions) in 2022.

Succession planning

Succession planning is an important element of good governance, ensuring that Chesnara is fully prepared for planned or sudden departures from key positions throughout the Group. The committee, in the year, has reviewed the succession plans for the Board and senior executives across the Group.

Mindful of the need for effectiveness and engagement, the committee through its ongoing review of Board and committee memberships determined that a number of changes were appropriate as noted above. And the committee will continue to also have efficiency and value in mind when determining board membership and giving optionality for its longer-term composition as the Group continues to change and succession plans are effected.

Non-executive director engagement

It is important to the Board that non-executive directors are provided with training and development both within the business and at a group level. The Board believes that on-going training is essential to maintaining an effective and knowledgeable board. The Company Secretary supports the Chair in ensuring that all new directors receive a tailored and comprehensive induction programme on joining the Board. Continuing education and development opportunities are made available to all board members throughout the year. In 2024, a number of development initiatives have continued, these included one-to-one sessions with key members of the senior management team and training sessions given by external providers.

Directors standing for re-election

Jane Dale will stand down as a director at the Company's AGM on 13 May 2025, at which time Gail Tucker will be put forward for election. In accordance with the Code, all other directors will offer themselves for re-election at that time. Following the annual Board effectiveness reviews of individual directors, as applicable and subject to re-election/election, the Chair considers that each director:

- continues to operate as an effective member of the Board;
- has the necessary skills, knowledge and experience to enable them to discharge their duties and contribute to the continued effectiveness of the Board; and
- has sufficient time available to fulfil their duties.

The Board, on the advice of the Nomination & Governance Committee, recommends the election- or re-election of each director so proposed at the 2025 AGM. The full 2025 AGM Notice can be found on page 253.

Carol Hagh
Chair of the Nomination & Governance Committee
26 March 2025

> We seek to achieve strong alignment between the interests of stakeholders and executive directors.
>
> **EAMONN FLANAGAN, CHAIR**

REMUNERATION COMMITTEE ANNUAL STATEMENT

Dear Investor

On behalf of the Board and its Remuneration Committee ('committee'), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2024, for which we seek shareholder support at our forthcoming Annual General Meeting.

Summary of the year

Chesnara has a very clear strategic focus across three key areas:

1. **Maximising value from our existing business;**
2. **Acquiring life and pension businesses that meet the strategic criteria of the Company; and**
3. **Enhancing value through profitable new business generation.**

These three strategic objectives are underpinned by the culture, values and risk appetite of the Group, which looks to deliver positive investment returns and value for money for our customers. From a remuneration perspective, we seek to achieve strong alignment between the interests of stakeholders and executive directors and continue to operate two executive incentive schemes: the Short-Term Incentive Scheme (STIS) and Long-Term Incentive Plan (LTIP).

As covered in the financial report, we have seen further excellent delivery on our key performance metrics in the year:

1. **Commercial Cash Generation† of £60m, showing that the Group continues to deliver cash generation through a wide variety of market conditions.**
2. **EcV† increased by £43m before the impact of dividend distributions of £37m, demonstrating that the Group continues to generate sources of long-term future value.**
3. **Strong solvency ratio of 203%, significantly above our usual operating range, leaving us well placed to execute M&A as opportunities are created or emerge.**
4. **New Business Contribution of £9m, further supplementing the Group's EcV and demonstrating a recurring and sustainable source of value to the Group.**
5. **Acquisition strategy saw the completion of the second Canada Life transaction in December 2024.**
6. **An increase in dividend of 3% retaining our track record of growing the full year dividend every year for the last 20 years.**

Executive performance in 2024

Executive director remuneration outcomes for 2024
In light of the performance of the executive team relative to the financial targets and strategic objectives set at the start of the year, the Remuneration Committee is satisfied that the reward outcomes are appropriate and that our Remuneration Policy worked as intended. Additional details, including a full description of targets and performance outcomes, can be found on page 114 for the STIS and on page 117 for the 2022 LTIP awards.

The impact of acquisitions is excluded from the cash generation and EcV results for STIS award purposes given that their funding can have a distorting impact on short-term results. Although the acquisition strategy created £11m of incremental Economic Value during the year, the committee has applied no discretion in its assessment of the STIS outcome.

The committee has reviewed the position of the 2022 LTIP ahead of vesting and is satisfied that no windfall gains have occurred and that no adjustment is required on vesting. Further, the committee reviewed underlying financial, operational and risk performance of the business over the relevant performance periods and was satisfied that outcomes were a fair reflection of performance achieved and therefore applied no further adjustment to the formulaic outcomes.

New Group Chief Financial Officer ('Group CFO')
In December 2023, we announced that David Rimmington had agreed with the Board that he would not seek re-election at the Company's Annual General Meeting ('AGM') in 2024 and that he would step down as Group Finance Director and as a director of Chesnara plc at the conclusion of that meeting. David oversaw the 2023 year end reporting process and supported an orderly transition to incoming Group Chief Financial Officer Tom Howard.

As set out in last year's Directors' Remuneration Report, David has been treated as a good leaver in line with the definitions set out in our Remuneration Policy and was not eligible for a salary increase or to receive an LTIP award in 2024. His 2024 STIS and inflight LTIP awards have been pro-rated for the period of the year David worked. Awards will continue to be subject to the original performance targets and there will be no acceleration of vesting.

Tom Howard joined as an Executive Director on Monday 15 April 2024 as Group Chief Financial Officer designate subject to regulatory approval and was elected by shareholders at the subsequent AGM. The structure of Tom's remuneration is the same as that provided to his predecessor, with an STIS and LTIP opportunity of 100% of salary each.

As set out in last year's Directors' Remuneration Report, we agreed to compensate Tom for awards which he forfeited on leaving Aviva Investors to join Chesnara. These are in line with the typical approach of companies in this scenario and further details are disclosed in the report and are in compliance with Listing Rules 9.3.2.

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†Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.

DIRECTORS’ REMUNERATION REPORT • REMUNERATION COMMITTEE CHAIR’S ANNUAL STATEMENT

Implementation of pay in 2025
In line with our Remuneration Policy, it is our normal practice to award executive directors, and indeed all employees, an annual salary increase broadly in line with inflation. In 2025, UK employees below executive level received an average salary increase of 2.5%. The Group CEO was awarded a 2.1% increase and the Group Chief Financial Officer a 2.0% increase.

It is intended that the grants be made in the STIS and LTIP schemes and that quantums and performance measures remain unchanged from those of 2024. In line with the approved Remuneration Policy, the CEO and CFO will be eligible for an STIS opportunity of 100% of salary. The metrics (cash generation, EcV and personal strategic measures) and weightings will be unchanged from 2024, with the committee of the view that the metrics remain well aligned to Chesnara’s key strategic aims. Similarly, the LTIP too will remain consistent with that of 2024 and the Group CEO will be awarded a 125% of salary grant and the Group CFO a 100% grant.

The executive directors’ remuneration for 2025 can be found on page 123.

Non-executive director fees
In line with policy, Chair and NED fees are periodically reviewed. The Board took into account individual NEDs’ updated responsibilities and wider benchmarks for NED pay when determining increases to their fees. The Chair’s fee was raised by 2.5% as with the general staff award, and the Chair’s positioning remains around the lower quartile of the companies in the FTSE Small Cap. The fees for other NEDs increased by 2.5% on average. Directors’ fees are set out on page 124.

Employee engagement
The management teams in each of the businesses are responsible for ensuring that employees are kept informed and their views are considered on key subject matters. The committee engaged with staff sitting in both Chesnara plc and our UK business unit on the components of the Group’s remuneration offering and the alignment of directors’ pay with that of UK employees. Specifically, we held a meeting between myself and the Group CEO alongside our UK CEO and UK HR Director with representatives from across the UK team.

Shareholder engagement
The Directors’ Remuneration Report for the year ended 31 December 2024 comprises my Annual Statement as Chair of the Remuneration Committee and our Annual Remuneration Report, which together are subject to an advisory shareholder vote at the AGM in May 2025.

The voting outcome at the 2024 AGM in respect of the Directors’ Remuneration Report for the year ended 31 December 2023 and the Remuneration Policy is set out on page 126 and reflects the support of both private and institutional shareholders. The committee will continue to be mindful to the interests of shareholders.

I hope that my annual statement, together with our Remuneration Report, provides a clear account of the operation of the Remuneration Committee during 2024 and how we have put our Remuneration Policy into practice. As Chair of the Remuneration Committee, I look forward to engaging with you on our activities and decisions. As this year progresses, we will commence our review of our Remuneration Policy ahead of our requirement to submit a policy for shareholder approval at the 2026 AGM. This will provide me with an additional chance to engage with shareholders, as we consult on any material changes that we determine to be appropriate.

Eamonn Flanagan

Eamonn Flanagan
Chair of the Remuneration Committee
26 March 2025

DIRECTORS' REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

This section sets out how the Remuneration Committee has implemented its Remuneration Policy for executive directors during 2024. Other than the single total figure of remuneration for each director tables on page 112, statement of directors' shareholding and share interests on page 119, the information contained within this report has not been subject to audit.

Composition and activities of the Remuneration Committee

In accordance with its Terms of Reference, which can be viewed on the Company's website, the Remuneration Committee considered matters relating to directors' remuneration and that of other senior managers at each of its meetings in 2024. Members of the Remuneration Committee during the course of the year were:

Committee members[1]	Role on the committee	Committee member since	Attendance in 2024	Maximum possible meetings in 2024
Luke Savage	Committee member	February 2020	5	5
Eamonn Flanagan[2]	Committee Chair	July 2020	5	5
Carol Hagh	Committee member	February 2022	5	5

Notes.
1. By invitation, the Group CEO and Group Chief of Staff attended the Remuneration Committee, as under their role did the Group General Counsel & Company Secretary but none were present when matters relating to their own remuneration were discussed.
2. Eamonn Flanagan joined the committee in July 2020, and was appointed Chair on 15 January 2022.

The committee appointed PricewaterhouseCoopers LLP ('PwC') as its independent advisor from 10 October 2022 following a competitive tender process. During 2024, the committee incurred external advisor fees totalling £111,915 excluding VAT. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct and the committee is therefore satisfied that the advice PwC provided was objective and independent.

Highlights 2024

In 2024, the committee met five times and dealt with the following matters:

Area of focus	Matter considered
Executive director remuneration and reward	Assessed and recommended to the Board, approval of the outcome of awards made in 2023 under the STIS and in 2022 under the LTIP having given due consideration to the risk report provided by the Audit & Risk Committee. The committee also approved the outcomes of buyout awards made to Steve Murray as Group CEO on appointment. Approved the targets and the grant of awards to executives in 2024 under the STIS and LTIP and undertook a half-year evaluation. Also considered whether the share price at the time of making the LTIP award was likely to give rise to a 'windfall' for directors and determined that this was not the case. Approved the final terms offered to the incoming Group CFO for awards to compensate him for inflight benefits otherwise to be forfeited upon leaving his previous employer.
All employee and executive remuneration	Reviewed the UK employee general salary increase of 2.5%, mindful of economic considerations, staff turnover and the ability to attract new talent in a competitive recruitment market. Approved LTIP grants to a broader participation group of targeted senior leaders and key talent who are able to materially influence the delivery of group strategy, ensuring that this critical group of executives are aligned to our long-term goals.
Terms of Reference	The committee's Terms of Reference were reviewed. A number of minor modifications were made in consultations with our advisors, PwC, but no material revisions were made to the scope of committee duties as they were felt to continue to be appropriate and provide adequate scope to cater for the expectations set by the Code.
Review of the Remuneration Policy	The Remuneration Policy, most recently presented to and approved by shareholders at the AGM in May 2023 with 96.25% support, was again reviewed for continued appropriateness. No changes were considered necessary ahead of the triennial review in 2025 and vote in the 2026 AGM.
Committee evaluation	An evaluation of the committee's performance by way of an internal questionnaire suggested that the committee continued to operate well.
Annual salary review	The committee reviewed the salaries of the executive directors and senior management and made changes in line with its Remuneration Policy and with due reference to staff salaries and economic conditions generally.
Directors' Remuneration Reporting	The committee reviewed the draft Directors' Remuneration Report for the 2023 Report and Accounts and recommended its approval by the Chesnara Board.
Performance against strategic objectives	The committee reviewed the executive directors' performance against objectives set.
Shareholder engagement	The committee Chair wrote to shareholders in Spring 2024 setting out updates in the proposed approach to remuneration, reflecting feedback which had been received following the 2023 AGM.
Employee engagement	The committee engaged with staff on the alignment of directors' pay with UK employees through a meeting held between the committee Chair, the Group CEO and a cross section of the UK workforce.
Chair's fees	The committee reviewed the level of fees payable to the Board chair.
Remuneration principles	The committee reviewed the Group Remuneration Principles, which guide the remuneration policies throughout the Group.

DIRECTORS’ REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

Single total figure of remuneration for each director (audited information)

The remuneration of the executive directors for the years ended 31 December 2024 and 31 December 2023 is made up as follows:

Executive directors’ remuneration as a single figure – year ended 31 December 2024

Name of director	Salary and fees £000	Pension[3] £000	All taxable benefits[1] £000	Non-taxable benefits £000	STIS £000	LTIP[2+4] £000	Buy-out awards[8]	Total for 2024 £000	Fixed £000	Variable £000
Steve Murray[5]	525	45	21	5	501	280	–	1,377	596	781
Tom Howard[6]	253	19	1	1	238	–	665	1,177	274	903
David Rimmington[7]	118	11	20	2	111	–	–	262	151	111
Total	**896**	**75**	**42**	**8**	**850**	**280**	**665**	**2,816**	**1,021**	**1,795**

Executive directors’ remuneration as a single figure – year ended 31 December 2023

Name of director	Salary and fees £000	Pension[3] £000	All taxable benefits[1] £000	Non-taxable benefits £000	STIS £000	LTIP[2+4] £000	Buy-out awards[8]	Total for 2023 £000	Fixed £000	Variable £000
Steve Murray[5]	458	39	21	8	439	217	–	1,182	526	656
Tom Howard[6]	–	–	–	–	–	–	–	–	–	–
David Rimmington[7]	315	30	41	8	299	102	–	795	394	401
Total	**773**	**69**	**62**	**16**	**738**	**319**	**–**	**1,977**	**920**	**1,057**

Notes:

1. Includes amounts paid in lieu of accrued dividends and interest arising upon the exercise of share options under the 2014 STIS.
2. Includes amounts paid in lieu of accrued dividends and interest arising upon the exercise of share options under the 2014 LTIP.
3. The pension component in the single figure table represents employer contributions. No directors were members of a defined benefit scheme. The executives can participate in a defined contribution pension scheme at the same level as all employees with employer contributions currently being 9.5% of basic salary. If pension limits are reached, the executive may elect to receive the balance of the contribution as cash.
4. No portion of the LTIP single figure value in relation to the 2022 LTIP award is attributable to share price growth.
5. This vesting outcome of the 2022 LTIP award has been applied to the average share price between 1 October 2024 and 31 December 2024 (255.5p) to produce the estimated LTIP figures shown for 2024 above. There will be a true-up based on the actual share price on the day of vesting which will be shown in the 2025 Annual Report and Accounts.
6. Tom Howard joined as an executive director on 15 April.
7. David Rimmington stood down as a director on 14 May 2024.
8. The buy-out awards were granted to Tom Howard, to compensate him for the schemes that he held with his previous employer and which he forfeited upon accepting his new role with Chesnara.

The remuneration of the non-executive directors for the years ended 31 December 2024 and 31 December 2023 is made up as follows, with the fee element being fixed and the benefits being variable in nature:

Non-executive directors' remuneration as a single figure – year ended 31 December 2024 and 2023

Name of director	2024 Fees £000	2024 Benefits £000	2024 Total £000	2023 Fees £000	2023 Benefits £000	2023 Total £000
Luke Savage	147	–	147	135	–	135
Eamonn Flanagan	75	–	75	70	–	70
Jane Dale	83	–	83	75	–	75
Mark Hesketh[1]	19	–	19	70	–	70
Carol Hagh	74	–	74	65	–	65
Karin Bergstein	67	–	67	65	–	65
Total	**465**	**–**	**465**	**480**	**–**	**480**

Notes.
1. Mark Hesketh stood down as a director on 9 April 2024.

Salary and fees

The Remuneration Committee usually reviews basic salaries annually. Assessments are made giving full regard to external factors such as earnings inflation and industry benchmarks and to internal factors such as changes to the role by way of either structural reorganisations or enlargement of the Group. In addition, basic pay levels reflect levels of experience. The single earnings figures demonstrate the application of this assessment process.

The Remuneration Policy for the executive directors is designed with regard to the policy for employees across the Group as a whole. Our ability to meet our growth expectations and compete effectively is dependent on the skills, experience and performance of all our employees. Our employment policies, remuneration and benefit packages for employees are regularly reviewed. There are some differences in the structure of the Remuneration Policy for the executive directors and senior management team compared to other employees, reflecting their differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior employees within the organisation.

UK employee share ownership is encouraged and facilitated through participation in the SAYE Scheme.

The committee engaged directly with employees on the alignment of directors' pay with UK employees, including with regard to the proposed 2025 salary increase.

Taxable benefits

The taxable benefits for executive directors relate to the provision of a car, fuel allowance and medical insurance. For non-executive directors, the taxable benefits represent the reimbursement of travelling expenses incurred in attending board meetings at the Preston head office. These amounts also include an amount to compensate for the personal tax burden incurred.

DIRECTORS’ REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

Short-Term Incentive Scheme

The amounts reported as STIS in 2024 derive from awards made under the 2023 STIS. The amounts awarded to the executive directors under this scheme are based on performance against three core measures; cash generation[†], total EcV Earnings[†] and group strategic objectives. The table below shows the outcome of each measure, the target set and the resulting award.

	Threshold performance	Percentage award for threshold performance	On target performance	Percentage award for on target performance	Maximum performance	Percentage award for maximum performance	Actual result	Actual percentage total award	Actual percentage award, as percentage of salary	Total award (£)
Steve Murray										
Cash generation[1]	£15.6m	0%	£19.5m[1]	25.0%	£25.4m	35.0%	£66.4m[1]	35.0%	35.0%	183,750
Total EcV Earnings[2]	£14.5m	0%	£20.8m	25.0%	£31.2m	35.0%	£82.4m	35.0%	35.0%	183,750
Group strategic objectives	75%	0%	100%	15.0%	125%	30.0%	85.0% of max	25.5%	25.5%	133,696
Total				**65.0%**		**100.0%**		**95.5%**	**95.50%**	**501,196**
Tom Howard[3]										
Cash generation[1&3]	£15.6m	0%	£19.5m[1]	25.0%	£25.4m	35.0%	£66.4m[1]	35.0%	35.0%	86,771
Total EcV Earnings[2&3]	£14.5m	0%	£20.8m	25.0%	£31.2m	35.0%	£82.4m	35.0%	35.0%	86,771
Group strategic objectives	75%	0%	100%	15.0%	125%	30.0%	87.3% of max	26.2%	26.2%	64,820
Total				**65.0%**		**100.0%**		**96.2%**	**96.2%**	**238,362**
David Rimmington[4]										
Cash generation[1&4]	£15.6m	0%	£19.5m[1]	25.0%	£25.4m	35.0%	£66.4m[1]	35.0%	35.0%	45,984
Total EcV Earnings[2&4]	£14.5m	0%	£20.8m	25.0%	£31.2m	35.0%	£82.4m	35.0%	35.0%	45,984
Group strategic objectives	75%	0%	100%	15.0%	125%	30.0%	80.5% of max	24.1%	24.1%	31,672
Total				**65.0%**		**100.0%**		**94.1%**	**94.1%**	**123,640**

For results between the performance thresholds, a straight-line basis applies.

Notes:

1. This is stated after certain adjustments, such as consolidation adjustments. The actual results are also adjusted in the same manner.
2. The total EcV Earnings before exceptional items on page 51 has been adjusted in line with the basis of the target.
3. The award is pro-rata to the number of months in the role from the date of appointment on 15 April 2024.
4. The award is pro-rata to the number of months in the role up to the date of termination on 31 May 2024.

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

The following table details the requirements for delivery of the strategic objectives for 2024 and actual outcomes:

Objectives area	Objectives and performance	Outcome
Steve Murray		
Customer & operational delivery (25%)	Set clear direction for, and ensure efficient delivery by, business units across Chesnara.	UK Consumer Duty July deadline met with fully-funded plan in place. Regulatory relationships remain positive with additional engagement on M&A and other projects. Netherland merger progressed with local Management Boards and Supervisory Boards signing off relevant regulatory submissions. Delivery of requirements for DORA was significant across the European divisions plus Operational Resilience in the UK. Positive Canada Life migration oversight. Movestic strategy execution with sales performance the strongest since COVID-19.
Communication and culture (10%)	Improve external and internal communications with key stakeholders.	Further simplification of investor presentation including more focus on smaller range of metrics with positive feedback from investors. Significant number of investors meetings above previous year levels including European and North American 'roadshows' and continued focus outside our main shareholder base with private client groups plus new relationships with Berenberg leading to further analyst coverage. Sessions held with wider Group SLT and various groups of employees. M&A pipeline reporting to each Board meeting and more formally in the business planning document. Further improvement in executive reporting at plc level. Set the tone across the Group on greater transparency and a growth mindset.
Strategic activity inc M&A (35%)	Proactively identify and execute value enhancing M&A.	A busy year of opportunity assessment and further development of relationships with potential partners. View of pipeline across the next 3 years now established and discussed with the Chesnara Board and local LTs and Boards. Proactive mapping of potential connections to make this happen. No material acquisitions in the year despite significant effort. More engagement with local parties across the territories. Proactive approach on management actions with UK mass lapse delivered, re-risking of part of Waard asset portfolio and extension of FX hedge.
People (10%)	Development of direct reports and improve the talent pool across Chesnara.	Further action taken across the wider Group SLT including responding to leavers. New Group CFO onboarded and well established. Appointments for potential merged Dutch entities also made, subject to regulatory approvals. Well established BUs successions plans. CEO forum established. Cross group HR forum also established. Local CEOs now regular attendees at the Chesnara Board, when appropriate. All parts of the Group have staff survey results including eNPS.
ESG (20%)	Continued development of appropriate environmental/climate, people and sustainability policies and practices, for the benefit of our customers, shareholders, staff, suppliers and other stakeholders, which respond to regulatory and non-regulatory guidance and industry practice.	ISS governance score improved materially. Further work conducted to improve wider sustainability ratings. Targets published and CEO sustainability group formed with transition plans tabled for 2025. On track to meet external targets. ESG assessment formally part of M&A process with MSCI tooling used.

DIRECTORS' REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

Short-Term Incentive Scheme continued

The following table details the requirements for delivery of the strategic objectives for 2024 and actual outcomes:

Objectives area	Objectives and performance	Outcome
Tom Howard		
Transition of Group FD responsibilities to Group CFO (15%)	Complete a smooth and measured transition of Group FD responsibilities.	Successful handover and a smooth transition into the Chesnara Group CFO. Onboarding plan met in full with meetings held with individual SLT members, divisional ExCo members, Board, AR&C members and external audit partners. Developed understanding of Group strategy and broader operational issues quickly and effectively.
Business planning & performance and 2024 interim reporting (30%)	Planning and leading delivery of 2025 business plan and the HY 2024 year end across Group and divisions including associated investor communication.	2024 H1 results delivered in line with planned timelines. Improvement in the timeliness of the HY reporting process versus 2023. Improved the clarity of messaging at HY with positive feedback from Board, banks and some investors. IFRS 17 projections fully embedded in the Plan process and signed off by the Board in December.
Balance sheet (20%)	Proactive management of the Group's balance sheet including in support of M&A.	Proactive approach to capital management across the BUs, mainly through the inclusion of management actions within the Plan process. Planned 2024 management actions were executed across the Group with further actions available (but unused).
People (20%)	Review finance Target Operating Model and improve ways of working with divisions.	Improved ways of working across the Group Finance team and successful separation of the Group Financial Controller and UK CFO roles. Separation of the UK and Group Centre Finance teams, giving colleagues clearer role profiles and responsibilities within the broader Chesnara Group Finance function. Improved collaboration between the BUs and Group Centre and role-modelled a collaborative and transparent approach with the BUs and Board.
ESG (15%)	Support the continued development of appropriate environmental/climate, people and sustainability policies and practices, for the benefit of our customers, shareholders, staff, suppliers and other stakeholders, which respond to regulatory and non-regulatory guidance and industry practice.	ESG requirements included within M&A assessments and TCFD reporting requirements. Investment considerations included with the Group Investment Committee TORs. ESG reporting requirements embedded withing TCFD processes.
David Rimmington		
Transition of Group FD responsibilities (20%)	Proactively support a smooth and measured transition of GFD responsibilities.	Helped support transition of CFO responsibilities in a timely manner including facilitation of meetings with appropriate team members and wider stakeholders. Full, effective and appropriate engagement with team through transition.
2024 financial year end (40%)	Planning and leading delivery of 2024 year end including associated investor communication.	FY 2023 results delivered in line with plans. Strong support provided for investor roadshow.
Balance sheet (15%)	Proactive management of the Group's balance sheet including in support of M&A.	Supported early year work on management actions which has ultimately led to FX hedge and mass lapse in the UK being implemented. Supported financial assessment of transactions including on balance sheet impacts and financing options.
People (10%)	Enhance the Finance function talent pool.	Supported retention of key finance talent.
ESG (15%)	Support the continued development of appropriate environmental/climate, people and sustainability policies and practices, for the benefit of our customers, shareholders, staff, suppliers and other stakeholders, which respond to regulatory and non-regulatory guidance and industry practice.	Annual Sustainability Report delivered to a high standard. Good progress made regarding disclosure with a strong continuous improvement philosophy adopted.

In converting performance against the measures assessed for 2024 set out in the previous tables, the directors' STIS awards are specified below.

The committee did not apply discretion in determining the final outcome:

Name of director	Salary on which award is based £	Maximum potential award as % of salary	Actual award as % of salary	Total value of award £
Steve Murray	525,000	100.00%	95.47%	501,196
Tom Howard	247,906	100.00%	96.15%	238,362
David Rimmington	131,378	100.00%	94.11%	123,640
Total				**863,198**

35% of the above awards are granted as deferred share awards that will vest at the end of a three-year deferred period.

Long-Term Incentive Plan awards

The following table sets out the amounts that are due to vest on 28 April 2025 under the 2014 LTIP, for which performance conditions were satisfied during the year. In aggregate, the LTIP awards vested at 38.2% of maximum for both executive directors.

Individual		Measure	Weight	Ranges and targets		Actual outcome		
				Threshold	Maximum	Performance achieved	% of award vesting	Value of award £
Steve Murray	Award 1	Personal performance	100%	n/a	n/a	n/a	100.0%	83,054
	Award 2	TSR	50%	0.0%	23.0%	17.4%	38.2%	144,284
	Award 2	EcV[†]	50%	£639.3m	£656.0m	£531.0m	0.0%	nil
David Rimmington		TSR	50%	0.0%	23.0%	17.4%	38.2%	100,299
		EcV[†]	50%	£639.3m	£656.0m	£531.0m	0.0%	nil

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

DIRECTORS' REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

The table below sets out potential LTIP interests that have accrued during the year, and each directors' interest in that scheme:

Name of executive director	Name of scheme	Date award was granted	Amount of options awarded[1]	Face value on the date of grant[2] (based on share price)	% of award vesting for minimum performance	Length of vesting period – 3 years Date of vesting
Steve Murray	2023 LTIP	02 April 2024	249,525	£525,000 (263.00p)	10.4%	02 April 2027[3]
	2023 LTIP	06 July 2023	210,386	£457,800 (272.00p)	10.4%	06 July 2026[3]
	2014 LTIP	28 April 2022	147,627	£420,000 (284.50p)	10.4%	28 April 2025[3]
Tom Howard	2023 LTIP	16 April 2024	135,135	£350,000 (259.00p)	10.4%	16 April 2027[3]
	Buy-out	15 May 2025	75,397	£188,493 (250.00p)	nil	15 May 2027
	Buy-out	15 May 2025	99,206	£248,015 (250.00p)	nil	15 May 2026
	Buy-out	15 May 2025	188,492	£471,230 (250.00p)	nil	15 May 2025
David Rimmington	2014 LTIP	06 July 2023	115,927	£315,321 (272.00p)	8.3%	06 July 2026[3]
	2014 LTIP	28 April 2022	105,556	£300,306 (284.50p)	10.0%	28 April 2025[3]
	2014 LTIP	28 April 2021	94,502	£259,882 (275.00p)	10.0%	28 April 2024[3]
	2014 LTIP	28 April 2020	81,213	£259,882 (320.00p)	10.0%	28 April 2023[3]
	2014 LTIP	28 April 2019	71,070	£254,785 (358.50p)	10.0%	28 April 2022[3]
	2014 LTIP	28 April 2018	60,805	£249,300 (410.00p)	10.0%	28 April 2021
	2014 LTIP	28 April 2017	61,996	£237,600 (383.25p)	12.5%	28 April 2020
	2014 LTIP	28 April 2016	71,259	£222,328 (312.00p)	12.5%	28 April 2019

Notes.

1. No awards are made if performance is below the minimum criteria.
2. The face value is reported as an estimate of the maximum potential value on vesting.
3. LTIP awards from 2019 onwards are subject to a two-year holding period in addition to the three-year performance period.

Basis of awards and summary of performance measures and targets 2014 LTIP and 2023 LTIP:
Share options awarded are based on the share price at close of business on date of award and a percentage of basic salary, that being Steve Murray 100% in 2022 and 125% in both 2023 and 2024; and David Rimmington 75% in 2014 and 2015, 90% in 2016 to 2021 and 100% in 2022 and 2023. Options have a nil exercise price.

Total Shareholder Return
Awards granted under the 2014 LTIP: 50% of the awards will vest subject to the TSR target being in a certain range, with the range being the ranking of the TSR of Chesnara against the TSR of the individual companies in the FTSE 350 Higher Yield Index. The award will be made on a sliding scale from nil if the Chesnara TSR is below the median to full if the Chesnara TSR is in the upper quartile.

Awards granted under the 2023 LTIP: 33.3% will vest at maximum for TSR performance 6% per annum higher than the median Company in the comparator group over the performance period with this calibration aiming to ensure that a maximum pay-out is achieved for performance comparable to the upper quartile of life insurance peer companies. The calibration of threshold is unchanged such that Chesnara must perform as a minimum at the median of the comparator group for any payout to be achieved subject to the TSR target being in a certain range, with the range being the ranking of the TSR of Chesnara against the TSR of the individual companies in the FTSE 350 Higher Yield Index at the start of the performance period. The award will be made on a sliding scale from nil if the Chesnara TSR is below the median to full if the Chesnara TSR is in the upper quartile.

EcV growth target
Awards granted under the 2014 LTIP: 50% of the award will vest subject to the EcV outcome being within a certain range of its target.

Awards granted under the 2023 LTIP: 33.3% of the award will vest subject to the EcV outcome being within a certain range of its target.

Commercial Cash Generation
2023 Awards granted under the 2023 LTIP: 33.3% of the award will vest subject to the Commercial Cash outcome being within a certain range of its target.

Core Surplus Emergence

2024 Awards granted under the 2023 LTIP: 33.3% of the award will vest subject to Core Surplus Emergence outcome being within a certain range of its target. Core Surplus Emergence is defined as the absolute surplus movement of the divisions including Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends as deemed appropriate.

Payments for loss of office (audited information)

The following payments were made to Dave Rimmington during the year for loss of office:

Remuneration type	Amount (£000)
Salary and fees	195
Pension	17
Taxable benefits	9
Non-taxable benefits	4
Annual bonus	13
2022 LTIP award	125
Total payments for loss of office	**363**

Notes.

1. No awards are made if performance is below the minimum criteria.
2. The face value is reported as an estimate of the maximum potential value on vesting.
3. LTIP awards from 2019 onwards are subject to a two-year holding period in addition to the three-year performance period.

For all of the above items of remuneration, with the exception of the LTIP award, the figures represent the amounts paid to Dave Rimmington from the point he stood down as a director (14 May 2024) to his final termination date (5 December 2024). The amount awarded under the 2022 LTIP is based upon Dave Rimmington being classed as a 'good leaver' under the rules of the scheme and is pro-rated based upon the percentage of the performance period in which Dave held the office of director. This includes the period from 1 January 2022 to 14 May 2024, the date upon which he stood down as acting director.

Payments to past directors (audited information)

No payments were made during the year to past directors.

Statement of directors' shareholding and share interests (audited information)

The Remuneration Policy requires executive directors to build up a shareholding through the retention of shares. For executives who joined Chesnara before 1 May 2021 (i.e. David Rimmington), their minimum is 100% of basic salary but with a 200% of salary shareholding requirement (including a provision for this to be held for the full 2 years in a post-employment scenario) applying to all future awards granted from 2023 onward. For executives joining from 1 May 2021 (i.e. Steve Murray and Tom Howard) the minimum is 200% of salary. Steve Murray who joined on 2 August 2021 has not yet met this requirement albeit has continued to acquire shares in 2024 outside the LTIP programme. Similarly, nor has Tom Howard who joined Chesnara on 15 April 2024. When the minimum holding level has not been achieved, directors may only dispose of shares where funds are required to discharge any income tax and National Insurance liabilities arising from awards received from a Chesnara incentive plan. The Chair and non-executive directors are encouraged to hold shares in the Company but are not subject to a formal shareholding guideline.

The following table shows, in relation to each director, the total number of share interests with and without performance conditions, the total number of share options with and without performance measures, those vested but unexercised and those exercised at 31 December 2024 or the date of resignation.

No changes took place in the interests of the directors between 31 December 2024 and 26 March 2025.

	Shares held		Options				
Name of director	1 January 2024	31 December 2024	With performance measures	Without performance measures[1]	Vested but unexercised	Exercised during the year	Percentage of shareholding target held[2]
Steve Murray	147,248	219,946	607,538	106,603	29,525	80,420	146.5%
Tom Howard	–	10,000	498,230	9,084	–	–	14.4%
David Rimmington	140,919	167,754	221,483	99,249	–	51,737	186.5%
Luke Savage	30,000	30,000	–	–	–	–	–
Jane Dale	3,333	3,333	–	–	–	–	–
Eamonn Flanagan	30,000	30,000	–	–	–	–	–
Carol Hagh	10,000	30,000	–	–	–	–	–
Karin Bergstein[3]	–	–	–	–	–	–	–
Gail Tucker[4]	–	–	–	–	–	–	–
Total	**361,500**	**491,033**	**1,327,251**	**214,936**	**29,525**	**132,157**	**–**

Notes.

1. The 'options without performance measures' column in the table does not include the share options that will be awarded as part of the mandatory deferral rules under the 2023 STIS in respect of awards made in relation to the 2023 financial year, which equate to 35% of the cash award under this scheme. The timetable for the administration of the scheme means that these will be reported in the 2025 Annual Report and Accounts.
2. Calculated using the share price of 264.50p at 31 December 2024.
3. As a Netherlands national, Karin Bergstein is not permitted by the Dutch Central Bank ('De Nederlandsche Bank') to hold shares in a Company of which she is a director.
4. Gail Tucker became a director on 29 January 2025.

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

DIRECTORS’ REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

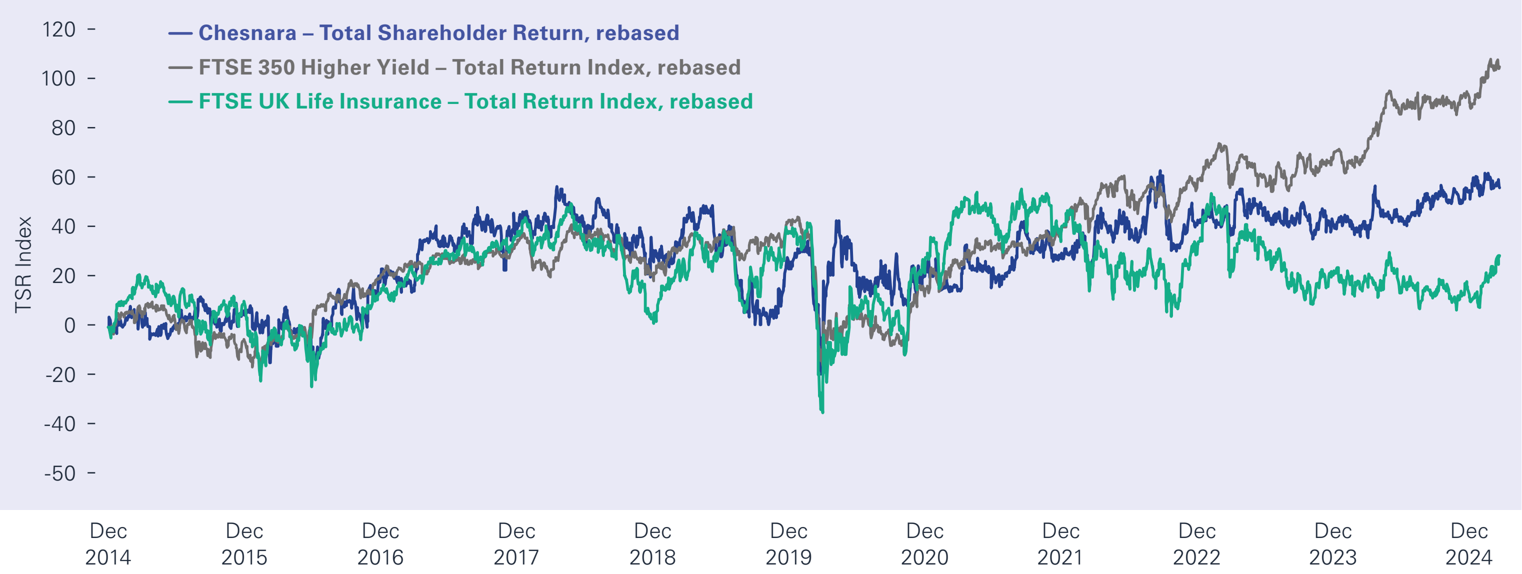
Outstanding share options and share awards

Below are details of outstanding share options and awards for the current executive directors, Steve Murray and Tom Howard. For completeness, we have also included those in relation to David Rimmington, who stood down as Group Finance Director in the year.

Name of executive director	Scheme	Grant date	Exercise price (p)	Number of shares under option at 1 January 2024	Number granted during year	Number exercised during year	Number waived/ lapsed during year	Number of shares under option and unexercised at 31 December 2024	End of performance period	Vesting date	Performance period	Date of expiry of option
Steve Murray	2023 LTIP (2024 award)	02/04/24	Nil	–	249,525	–	–	249,525	31/12/26	02/04/27	3 Years	02/04/34
	2023 LTIP (2023 award)	06/07/23	Nil	210,386	–	–	–	210,386	31/12/25	06/07/26	3 Years	06/07/33
	2014 LTIP (2022 award)	28/04/22	Nil	147,627	–	–	–	147,627	31/12/24	28/04/25	3 Years	28/04/32
	2014 LTIP (2021 award)	26/11/21	Nil	140,105	–	(46,795)	(93,310)	–	31/12/23	28/04/24	3 Years	26/11/31
	2014 LTIP (2021 award)	26/11/21	Nil	33,625	–	(33,625)	–	–	31/12/23	30/06/24	3 Years	26/11/31
	2023 STIS (2024 award)	02/04/24	Nil	–	58,484	–	–	58,484	n/a	02/04/27	n/a	02/04/34
	2023 STIS (2023 award)	31/05/23	Nil	39,953	–	–	–	39,953	n/a	31/05/26	n/a	31/05/33
	2014 STIS (2022 award)	28/04/22	Nil	29,525	–	–	–	29,525	n/a	28/04/25	n/a	28/04/32
	Share save	01/12/22	220.40	8,166	–	–	–	8,166	n/a	01/12/25	n/a	01/06/26
				609,387	**308,009**	**(80,420)**	**(93,310)**	**743,666**				
Tom Howard	2023 LTIP (2024 award)	16/04/24	Nil	–	135,135	–	–	135,135	31/12/26	16/04/27	3 Years	16/04/34
	Buy-out plan	15/05/24	Nil	–	75,397	–	–	75,397	15/05/27	15/05/27	3 Years	15/05/34
	Buy-out plan	15/05/24	Nil	–	99,206	–	–	99,206	15/05/26	15/05/26	2 Years	15/05/34
	Buy-out plan	15/05/24	Nil	–	188,492	–	–	188,492	15/05/25	15/05/25	1 Years	15/05/34
	Share save	25/10/24	204.20	–	9,084	–	–	9,084	n/a	01/12/27	n/a	01/06/28
				–	**507,314**	**–**	**–**	**507,314**				
David Rimmington	2023 LTIP (2023 award)	06/07/23	Nil	115,927	–	–	(41,863)	74,064	31/12/25	06/07/26	3 Years	06/07/33
	2014 LTIP (2022 award)	28/04/22	Nil	105,556	–	–	(2,933)	102,623	31/12/24	28/04/25	3 Years	28/04/32
	2014 LTIP (2021 award)	28/04/21	Nil	94,502	–	(32,934)	(61,568)	–	31/12/23	28/04/24	3 Years	28/04/31
	2023 STIS (2024 award)	02/04/24	Nil	–	39,807	–	–	39,807	n/a	02/04/27	n/a	02/04/34
	2023 STIS (2023 award)	31/05/23	Nil	28,115	–	–	–	28,115	n/a	31/05/26	n/a	31/05/33
	2014 STIS (2022 award)	28/04/22	Nil	31,327	–	–	–	31,327	n/a	28/04/25	n/a	28/04/32
	2014 STIS (2021 award)	28/04/21	Nil	18,803	–	(18,803)	–	–	n/a	28/04/24	n/a	28/04/31
				394,230	**39,807**	**(51,737)**	**(106,364)**	**(275,936)**				

Performance graph and CEO remuneration table

The following graph shows the Company's performance compared with the performance of the FTSE 350 Higher Yield Index and the FTSE UK Life Insurance Index. The FTSE 350 Higher Yield Index has been selected since 2014 as a comparison because it is the index used by the Company for the performance criterion for its LTIP, and the FTSE UK Life Insurance Index has been selected due to Chesnara's inclusion within this Index.



The table sets out the details for the director undertaking the role of Group CEO:

Year	Individual performing Group CEO role	Group CEO single figure of total remuneration £000	STIS pay-out against maximum	Long-term incentive vesting rates against maximum opportunity	Note
2024	Steve Murray	1,377	95.47%	49.71%	5
2023	Steve Murray	1,182	96.00%	52.01%	1 & 4
2022	Steve Murray	1,094	76.37%	60.42%	1 & 3
2021	Steve Murray	721	57.00%	58.42%	1
2021	John Deane	978	95.57%	–	2
2020	John Deane	782	53.38%	–	2
2019	John Deane	1,111	98.79%	19.93%	2
2018	John Deane	965	31.08%	67.99%	2
2017	John Deane	1,142	86.96%	80.95%	2
2016	John Deane	902	98.33%	–	2
2015	John Deane	596	81.96%	–	2

Notes.

1. Steve Murray joined Chesnara on 2 August 2021 and was appointed Group CEO on 19 October 2021.
2. John Deane was appointed Group CEO on 1 January 2015 and stood down on 18 October 2021.
3. During 2022, Steve Murray had two LTIP awards that vested, one at 100% and the other at 33.40%. The figure reported above is a combined percentage, based upon the total number of shares vesting under both grants.
4. During 2023, Steve Murray had two LTIP awards that vested, with one vesting at 100% and the other vesting at 43.65%. The figure reported above is a combined percentage, based upon the total number of shares vesting under both grants.
5. During 2024, Steve Murray had two LTIP awards that vested, with one vesting at 100% and the other vesting at 38.25%. The figure reported above is a combined percentage, based upon the total number of shares vesting under both grants.

DIRECTORS' REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

Rolling 5-year percentage change in remuneration for the executive and non-executive directors and group employees

The table below shows the percentage change in remuneration for the executive and non-executive directors and the Company's employees as a whole between the years 2024 and 2020. In future years, this analysis will be repeated on a rolling 5-year comparison basis.

Percentage change in remuneration	Group CEO %	David Rimmington (Group FD) %	Tom Howard (Group CFO)[2] %	Luke Savage %	Jane Dale %	Eamonn Flanagan %	Mark Hesketh %	Carol Hagh %	Karin Bergstein %	Group employees %
2024 compared with 2023										
Salary and fees	14.7	–	n/a	8.9	10.7	7.1	n/a	4.9	3.1	6.0
All taxable benefits	–	(29.3)[1]	n/a	–	–	–	–	–	–	–
STIS	15.2	(58.5)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1.2
2023 compared with 2022										
Salary and fees	9.0	5.0	n/a	5.9	5.8	6.1	6.1	4.9	4.9	6.0
All taxable benefits	–	173.4[1]	n/a	–	–	–	–	–	–	(5.2)
STIS	37.0	32.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	42.0
2022 compared with 2021										
Salary and fees	–	4.0	n/a	3.7	6.8	7.4	7.4	n/a	n/a	4.0
All taxable benefits	162.5[1]	(75.0)	n/a	–	–	–	–	n/a	n/a	6.6
STIS	33.7	(11.4)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(22.8)
2021 compared with 2020										
Salary and fees	–	–	n/a	–	–	–	–	n/a	n/a	–
All taxable benefits	–	300.0[1]	n/a	–	–	–	–	n/a	n/a	(1.1)
STIS	80.0	72.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.9
2020 compared with 2019										
Salary and fees	2.0	2.0	n/a	n/a	–	n/a	–	n/a	n/a	2.0
All taxable benefits	(39.1)[1]	20.3[1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.3
STIS	(44.9)	(41.0)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes

1. All taxable benefits include amounts paid in lieu of accrued dividends and interest arising upon the exercise of share options under the 2014 and 2023 STIS for the Group CEO and Group FD/CFO. For the non-executive directors, these relate to expenses grossed up for income tax, which is settled by the Company for travel to Chesnara's head office in Preston, which, for tax purposes, is deemed to be the non-executive director's normal place of work.
2. The title Group Finance Director was updated to the title of Group Chief Financial Officer with the appointment of Tom Howard in 2024. The title has been retrospectively updated for prior years to aid comparison.

Comparison of total remuneration for the Group CEO and UK employees

We set out here our analysis on CEO pay ratio reporting as required by The Companies (Miscellaneous Reporting) Regulations 2018. This analysis has been conducted using 'Option A' as set out in the Regulations, consistent with prior years, and has consisted of:

- Determining the total FTE remuneration of all UK employees for the 2024 financial year;
- Ranking all those employees based on their total FTE remuneration from low to high; and
- Identifying the employees whose remuneration places them at the 25th, 50th (median) and 75th percentile points of this ranking.

The analysis is then presented to show the ratio of the Group CEO's 2024 single total figure of remuneration to the:

- Median (i.e. 50th percentile) FTE remuneration of our UK employees;
- 25th percentile FTE remuneration of our UK employees; and
- 75th percentile FTE remuneration of our UK employees.

Comparison of total remuneration	Group CEO	25th percentile pay ratio (FTE UK employees total remuneration)		Median pay ratio (FTE UK employees total remuneration)		75th percentile pay ratio (FTE UK employees total remuneration)	
	£	£	Ratio	£	Ratio	£	Ratio
2024	1,377,000	76,950	17.9 : 1	106,881	12.9 : 1	169,659	8.1 : 1
2023			15.7 : 1		10.2 : 1		7.1 : 1
2022			14.5 : 1		10.4 : 1		6.4 : 1
2021			13.7 : 1		9.7 : 1		5.4 : 1
2020			11.3 : 1		8.2 : 1		4.8 : 1
2019			15.7 : 1		11.8 : 1		6.6 : 1

The Remuneration Committee considers that the ratio is consistent with our Remuneration Policy and that no actions arise from this analysis.

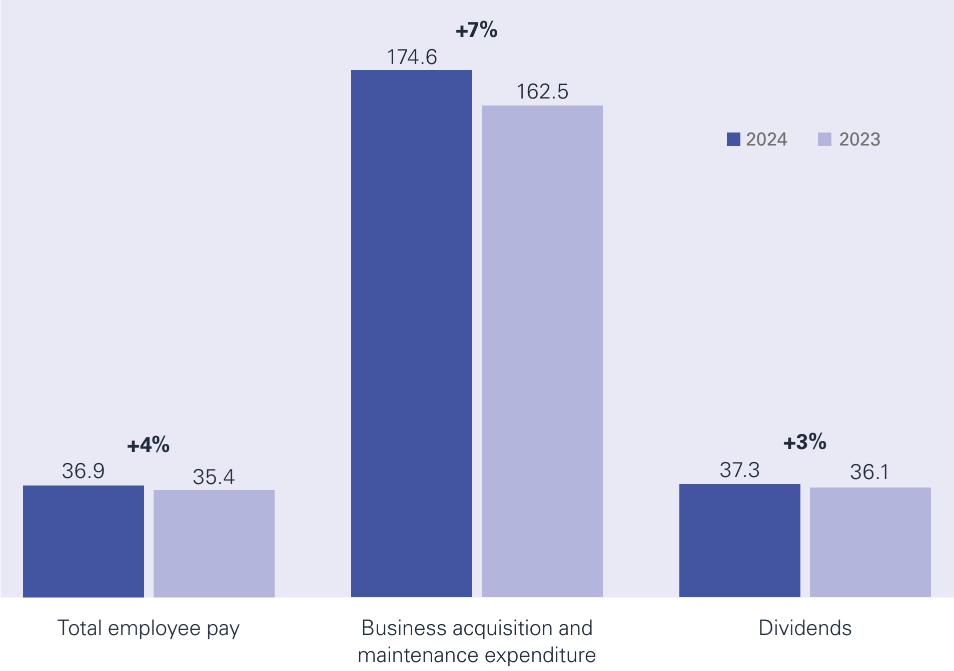
Base salaries of all employees, including our executive directors, are set with reference to a range of factors including market practice, experience and performance in role.

Over the longer term, the Group CEO pay ratios have moved broadly in line with the Group CEO's single figure of remuneration. The committee notes that the pay ratios for 2024 reflect the nature of the Group CEO's package being more heavily weighted towards variable pay compared to more junior colleagues (consistent with our reward policies), and this means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans and historically buy-out awards in each year.

Furthermore, the committee is satisfied that our pay and broader people policies drive the right behaviours and reinforce the Group's values which in turn drive our culture. For these reasons, the committee believes that the ratios are consistent with these policies.

Relative importance of spend on pay
The following graph shows the actual expenditure of the Group and change between the current and previous years.

The graph shows a comparison of total employee pay and shareholder dividends with the Group's total acquisition and maintenance expenditure (which consists of administration expenses and costs associated with the acquisition of new business). This has been chosen as a comparator to give an indication of the employee pay relative to the overall cost base. As can be seen, the total employee pay is a relatively small component.



Statement of Implementation of Remuneration Policy in the following financial year
The following states how remuneration will be implemented for the executive and non-executive directors in 2025.

Salaries and fees
Will be set in accordance with the Company's policy.

Executive directors
Steve Murray (Group CEO) received a 2.1%. Tom Howard received a 2.0% uplift. UK employees below executive level received an average salary increase of 2.5%.

Non-executive directors
The Chair's fee has been increased by 2.5%, with positioning remaining around the lower quartile of the FTSE Small Cap and as decided by the other non-executive directors. The fee level for other non-executive directors reflects an unchanged base fee and then role-specific uplifts and have been set by the Chair in discussion with the Group CEO and increased by different levels in parallel with a review of individual responsibilities. Individual non-executives have received fee increases of between 2.3%-2.5% other than Eamonn Flanagan whose fee was increased by 2.8% in recognition of his responsibilities as the Chair of the Remuneration Committee as well as his appointment to Chair the Movestic Livförsäkring AB board from May 2024.

DIRECTORS’ REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

The table below sets out the anticipated payments for 2025:

	Fees £000	Benefits[1] £000	Total £000
Luke Savage	150.7	1.0	151.7
Eamonn Flanagan	77.5	1.0	78.5
Jane Dale[2]	31.9	0.5	32.4
Carol Hagh	75.6	1.0	76.6
Karin Bergstein	69.0	10.0	79.0
Gail Tucker	73.0	1.0	74.0
Total	**477.7**	**14.5**	**492.2**

Notes

1. Benefits shown here mainly relate to expenses grossed up for income tax, which is settled by the Company for travel to Chesnara’s head office in Preston, which, for tax purposes, is deemed to be the non-executive director’s normal place of work. The figure for Karin Bergstein represents amounts payable to the Dutch tax authorities by the Company, under Dutch social security legislation to otherwise avoid Karin incurring double taxation.
2. Jane Dale’s fee is shown proportionately to the point she stands down as a director at the 2025 AGM.

2025 award under the 2023 Short-Term Incentive Scheme

The Remuneration Committee proposes to grant awards to the executive directors under the 2023 Short-Term Incentive Scheme.

The table below and accompanying notes set out the performance measures, weightings and the potential outcomes for achieving minimum, on-target and maximum performance. The actual targets for each measure are deemed to be commercially sensitive and whilst they are not disclosed at this stage, they will be disclosed in next year’s Directors’ Remuneration Report together with the performance outcome relative to these targets.

Individual	Measures	Weighting	Ranges and targets			Potential outcomes in terms of % of basic salary		
			Minimum achievement (as % of target)	Target achievement (as % of target)	Maximum achievement (as % of target)	Minimum achievement	Target achievement	Maximum achievement
Steve Murray & Tom Howard	Cash generation	35.0%	70.0%	100.0%	130.0%	nil	25.0%	35.0%
	EcV Earnings	35.0%	70.0%	100.0%	150.0%	nil	25.0%	35.0%
	Strategic Scorecard Activity of which ESG is 5%	30.0%	75.0%	100.0%	125.0%	nil	15.0%	30.0%

The STIS will be implemented and operated by the Remuneration Committee as set out within the policy.

Measures

Following review by the Remuneration Committee, changes were approved for 2019 onwards to remove the IFRS component used in prior years and base performance assessment on cash generation and EcV† earnings metrics both with appropriate adjustments and group strategic objectives. The two financial measures were deemed to be complementary when operated together, to encourage sensible executive behaviour and better reflect an overall assessment of Company financial performance. For 2023, group strategic objectives remained weighted 30% of the total to ensure that a sufficient proportion of the bonus potential was attributed to good strategic outcomes, including 55 in relation to ESG. Our assessment measures continued to ensure there was a balance between aligning executive director remuneration to shareholder returns whilst also recognising measures over which the directors can exercise more immediate and direct influence. The financial measures are recognised outputs from the audited year end financial statements, although it should be noted that the Remuneration Committee is, in accordance with the policy, able to make discretionary adjustments if deemed necessary. As agreed in advance by the Remuneration Committee, the financial results for the year are adjusted to look through any impact of the symmetric adjustment and WP transfers/restrictions, be they negative or positive. Successful acquisitions are rewarded primarily through the LTIP scheme.

The objectives assigned to each executive director are relevant to their roles and include major regulatory or business development initiatives that the committee considers key to delivery of the Company’s business plan. Each individual development objective is assigned a ‘significance weighting’ influenced by factors such as business criticality, scale, complexity and level of executive director influence. Developments with a higher significance are weighted more heavily when establishing the overall performance target.

Targets

The cash generation and EcV Earnings targets are initially based on the latest budget which is produced annually as part of the Group business planning process. The Group business plan is subject to rigorous Chesnara Board scrutiny and approval. The Remuneration Committee can make discretionary adjustments to either the targets or to the actual results for the year if it considers this to be appropriate, in accordance with the scheme rules.

Malus and clawback

The 2023 Scheme includes malus and clawback provisions covering a material misstatement of the Company’s results, regulatory breach, gross misconduct on the part of the participant, reputational damage to the Company, a material failure of risk management, insolvency or corporate failure if this arises within two years of an award vesting and it is a precondition that the executive accepts such provisions at the time of the award.

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† *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

2025 award made under the 2023 LTIP

In 2025, the Remuneration Committee proposes to grant awards to the executive directors under the Chesnara 2023 Long-Term Incentive Plan. The table below and accompanying notes set out the performance measures, weightings and the potential outcomes relative to achieving minimum, on-target and maximum performance for the executive directors.

Individual	Share award	Measures	Weighting	Ranges and targets			Vesting rates in terms of % of basic salary		
	% of basic salary			Minimum achievement (as % of target)	Target achievement	Maximum achievement (as % of target)	Minimum achievement	Target achievement	Maximum achievement
Steve Murray	125%	TSR EcV Core Surplus Emergence	33.3% 33.3% 33.3%	<Median	Median	+6% p.a. above the median	nil nil nil	10.4% 10.4% 10.4%	41.7% 41.7% 41.7%
Tom Howard	100%	TSR EcV Core Surplus Emergence	33.3% 33.3% 33.3%	<Median	Median	+6% p.a. above the median	nil nil nil	8.3% 8.3% 8.3%	33.3% 33.3% 33.3%

The two 2025 awards under the 2023 LTIP will be implemented and operated by the Remuneration Committee as set out within the policy.

Measures

The three performance measures for the 2025 LTIP award use performance against the constituents of an index and internal targets.

The external measure compares the 3-year TSR of Chesnara plc with the TSR of the companies comprising the FTSE 350 Higher Yield Index with averaging over the 3 months prior to the start and end of the performance period.

The first internal measure will be Core Surplus Emergence. It will be the absolute surplus movement of the divisions including the Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends, as deemed appropriate.

The other internal measure assesses Economic Value growth. Both the EcV and Core Surplus Emergence targets are set with due regard to the Board approved business plan. All measures seek to ensure an alignment between executive director reward and shareholder value, with one assessing relative performance to other investment opportunities and the others assessing absolute performance.

The Plan includes Change of Control provisions covering takeover, reconstruction, amalgamation or winding-up of the Company and it is a precondition that the executive accepts such provisions at the time of the award.

Weightings

For the 2025 award the three measures have been assigned equal weighting.

Holding period

A two-year holding period was introduced to the LTIP for awards made from 2019, to follow the three-year performance period.

Targets

Targets for the 2025 LTIP are set out in the table below. In the case of the Economic Value and Core Surplus Emergence metrics, targets have been set with reference to the Group's business plan for the period as set at the start of 2025. The relative TSR metric has been calibrated on a consistent basis as the 2023 LTIP. For all targets, straight line interpolation applies between threshold and maximum to determine vesting.

Performance target	Rationale	Threshold target (25% of maximum vests)	Maximum target (100% of maximum vests)
Relative Total Shareholder Return	Relative TSR against the constituents of the FTSE 350 Higher Yield Index	Median	Median plus 6% per annum
Economic Value (EcV) growth*	Measures 2027 EcV against a 2024 EcV baseline	£120.8m before dividends and debt costs	£170.8m before dividends and debt costs
Core Surplus Emergence*	Aggregate Core Surplus Emergence over 2025 to 2027	£116.3m	£128.0m

** Targets based on 2024 forecast outturn as set in January 2025.*

DIRECTORS' REMUNERATION REPORT • ANNUAL REMUNERATION REPORT

The Remuneration Committee can make discretionary adjustments to either the target or to the actual result for the year if it considers this to be appropriate, in accordance with the scheme rules and the policy.

Malus and Clawback
The 2023 Plan includes malus and clawback provisions covering a material misstatement of the Company's results, regulatory breach, gross misconduct on the part of the participant, reputational damage to the Company, a material failure of risk management, insolvency or corporate failure if this arises within two years of an award vesting and it is a precondition that the executive accepts such provisions at the time of the award.

The following table sets out the voting in respect of the Directors' Remuneration Report at the 2024 AGM:

Report	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Report	87,088,647	98.42%	1,397,455	1.58%	88,486,102	44,346

The following table sets out the voting in respect of the directors' Remuneration Policy at the 2023 AGM:

Report	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Policy	87,638,247	96.2%	3,416,902	3.75%	91,055,149	70,635

Approval
This report was approved by the Board of Directors on 27 March 2025 and signed on its behalf by:

Eamonn Flanagan

Eamonn Flanagan
Chair of the Remuneration Committee
26 March 2025

> Our focus in the year has included embedding IFRS 17, climate change reporting, acquisitions, consumer regulatory developments and operational resilience.
>
> **JANE DALE, CHAIR**

AUDIT & RISK COMMITTEE REPORT

AUDIT & RISK COMMITTEE REPORT

NUMBER OF MEETINGS DURING YEAR: 6

MEMBERS:
Jane Dale, Chair
Eamonn Flanagan, member
Mark Hesketh, member (from 9 April 2024)
Karin Bergstein, member

The requirements for the composition of the Audit & Risk Committee are detailed within its Terms of Reference. The composition of the committee in accordance with the requirements of the UK Corporate Governance Code and with DTR 7.1.1AR and committee member biographies are detailed on pages 94 to 95.

Chair's introduction

Welcome to the Audit & Risk Committee Report of the 2024 Annual Report and Accounts. It has been another busy year for the committee, with a packed agenda which has covered not only our business-as-usual activities, but a number of other key areas of focus. These have arisen from various internal and external factors and include the embedding of IFRS 17 Insurance Contracts; sustainability; risk management and reporting; considering a number of key accounting judgements, not least in relation to the one acquisition that completed in the year; and risk oversight over a number of key operational changes across the Group. Further detail on these, and more, has been provided below.

IFRS 17

The Group applied the new accounting standard IFRS 17 'Insurance contracts' for the first time in its 2023 interim results and full year audited financial statements. IFRS 17 is a complex accounting standard and significantly changes both the profit profile of the Group's insurance business and the presentation and disclosure in the financial statements. Over the course of the year, the committee has monitored the embedding of the new standard through the 2024 interim results and the full year audited financial statements. I'm happy to report that we have a robust control environment in place to monitor the controls around the reporting routines associated with the standard.

Other accounting and financial reporting matters

As well as the embedding of IFRS 17, the committee has considered a number of key accounting matters pertinent to this year's Annual Report and Accounts. This has included the accounting for the one acquisition in the year, and the disclosures required around the OECD's new Pillar 2 Global Anti-Base Erosion (GloBE) rules (BEPS 2.0), which are designed to address tax avoidance, ensure coherence of international tax rules, and, ultimately deliver a more transparent tax environment. These have been covered in more detail on pages 132 to 133.

Corporate governance reform

In January 2024 the Financial Reporting Council ('FRC') announced its revisions to the Corporate Governance Code. One of the main changes to the Code extends the disclosures that are expected regarding the Board's role in annually reviewing the effectiveness of the Company's Risk Management and Internal Controls Framework. The 2024 code requests that boards explain through a declaration in their annual reports how they have done this and their conclusions from this work. These new disclosures will apply from periods beginning on or after 1 January 2025, with the exception of Provision 29, which is effective from 1 January 2026. During 2024, a new Internal Control Framework document has been developed to support the Board in its risk management responsibilities and as additional documentation to evidence compliance with the updated Code.

Over the course of 2025 and beyond, the committee will work with the Group Risk function and the Board in developing current policies and processes to embed the Internal Control Framework to align to the New Code and applying these new disclosures.

Sustainability

The committee's role in the Group's sustainability programme is to oversee any reporting made by the Group in this area, as well as understanding the sustainability-related risk exposures of the Group.

The committee oversees the production of the Group's Annual Sustainability Report (ASR). The 2024 year end ASR has been published alongside this Annual Report and Accounts. Our ASR provides an update on our progress over the course of the year against our sustainability targets and commitments. As well as our ASR, this Annual Report and Accounts includes a section covering the Group's Corporate and Social Responsibility.

The committee has paid close attention to the reporting developments that are included in this year's report on pages 68 to 91. This has included developments in our Task Force on Climate-Related Financial Disclosures ('TCFD') report, which provides information on the key climate-related risks and opportunities facing the Group's business. The Group enhanced its climate risk analysis during 2024, as documented on page 84 and the committee oversaw this work, reviewing and challenging its conclusion through its oversight of the Group's annual ORSA (Own Risk and Solvency Assessment) process. The committee has also kept updated on progress for potential forthcoming reporting frameworks which are expected to be relevant to the Group, such as that being developed by the International Sustainability Standards Boards ('ISSB') and the recommendations of the Taskforce for Nature-related Financial Disclosures ('TNFD'), as well as how the business is progressing with the development of a group-level inaugural climate transition plan. The committee has also overseen the progress of the implementation of the Corporate Sustainability Reporting Directive ('CSRD') in the Dutch and Swedish divisions. We are considering the impact of the EU Omnibus proposals announced in February 2025, which would mean we would no longer have to implement CSRD across the Group.

Operational change and operational resilience

The Group has seen a reasonable level of operational change during the course of the year; the UK division continues to make good progress with its programme to migrate its outsourced operations to one strategic partner; and early preparation and operational planning commenced after the announcement of the proposed merger, subject to regulatory approval, of the two Netherlands businesses in the last quarter of 2024. The committee's role has been to ensure that the risks associated with these changes are appropriately captured and managed. Detailed risk reporting and analysis is managed at a local level, and the committee has had full sight of this through a combination of direct interactions with local Audit Committees coupled with coverage through the Group's Risk Reporting processes, via the quarterly Chief Risk Officer's risk report.

From an operational resilience perspective, the committee has continued to ensure that it is appropriately appraised regarding the Group's operational resilience. This has included obtaining updates regarding the status of the UK's operational resilience programme, in line with regulatory requirements. Alongside this, the committee oversaw the embedding and testing of the Group's Cyber Response Framework, which is designed to ensure that the Group is appropriately positioned to respond to any cyber incidents. The 2024 testing included a cross-group cyber attack simulation and was facilitated by an external firm.

Acquisitions

The Company has agreed a deal to acquire a second book of business from Canada Life UK on 23 December 2024 with a view that a Part VII will take place before the end of 2025. In the meantime, a reinsurance arrangement with Canada Life has been agreed for the portfolio with effect from 31 December 2024. The committee's role is to focus on ensuring that the acquisition diligence process has been delivered in line with the Group's risk-based acquisition process; that all key benefits and risks are appropriately understood; and that the accounting and associated judgements for the transaction are in compliance with accounting standards. The committee fully discharged its responsibilities regarding the oversight of the diligence and deal benefit assessment processes for these two transactions. Further information on the accounting for these transactions is included on page 132.

Regulatory matters
The committee has a role in overseeing key compliance matters of the Group. This has included the UK's Consumer Duty implementation programme; and the new EU legislation, Digital Operational Resilience Act (DORA) which applies from January 2025. The committee has had full sight of all these areas of focus over the course of the year and was kept appraised of any emerging issues. It is pleasing to report that the UK's Consumer Duty programme met the July 2024 milestone for its closed book of products and has developed a framework and implementation plans for future required developments. The overseas divisions have broadly implemented DORA in time and in line with peers; however, further work will continue in 2025. The committee will continue to monitor the progress of the Consumer Duty programme and the continued DORA work.

Governance
The committee has continued to oversee some of the Group's core governance processes. This has included:

- **monitoring the risk management and internal control system:** the annual Risk Management and Internal Control Report was reviewed and challenged by the committee during the year. This concluded that the controls across the Group were operating appropriately over the course of the year.
- **systems of governance effectiveness:** the committee oversaw the Group's annual assessment of the effectiveness of its systems of governance. This concluded that there were no major areas of concern.
- **committee evaluation process:** the committee performed its own evaluation process during the year and concluded that it has operated effectively during the year. The evaluation also highlighted areas the committee members wish to focus on in the year ahead, as set out below.

Looking forward
As ever, there is a full agenda ahead, much of which reflects a continuation of work that is currently in train. As well as the committee's business as usual activities particular focus will be given to:

- **Sustainability reporting:** This is developing rapidly, and different regimes apply in the UK and Europe. The committee will need to ensure all regulatory and public reporting is delivered on time and to a good standard.
- **Corporate governance code:** This new UK legislation is to formalise the monitoring of the internal Risk Management and Internal Control Framework effectiveness which comes into effect on 1 January 2026. The committee will need to follow the progress of the plan to ensure that the Board is ready to report in 2026.
- **Operational change:** There are a number of operational change programmes across the Group, including the UK's transformation programme as well as the merger of the Dutch division. The committee will ensure that it maintains a close eye on risks around operational change across the Group.
- **Group operational resilience:** The committee will be focusing on ensuring that it is satisfied that the Group remains materially operationally resilient, with appropriate recovery plans in place. This will include monitoring emerging regulation and industry practice. A particular focus will be on ensuring the requirements of the Digital Operational Resilience Act ('DORA') are embedded in our European businesses, and that the UK delivers the regulatory Operational Resilience requirements to the required deadline.
- **Consumer Duty:** The committee will be paying close attention to the ongoing delivery of the UK's Consumer Duty programme. It will also be mindful of the impact that the Consumer Duty has regarding any associated risks for future UK-based acquisitions.
- **Acquisitions:** Should the Group enter into any acquisition processes over the course of 2025 the committee will ensure that it has the appropriate oversight over the process, commensurate with the size and complexity of the target, mindful of any industry developments that will need to be considered in any future acquisition diligence process. Any associated benefits and risk analysis will be scrutinised by the committee.
- **Tax oversight:** As the Group becomes more complex, with more complex transactions and arrangements in place, the committee's role will be to ensure that tax risks around the Group are being appropriately identified and managed. This includes the implementation of the new BEPS 2.0 requirements.
- **Financial reporting controls:** From a financial controls perspective, it remains critical that the committee has good oversight over any financial reporting control risks across the Group. In particular the committee will focus on areas of operational change such as acquisitions; the bedding in of new controls in relation to IFRS 17 and finalising the implementation of the Group's new financial and solvency reporting consolidation tool.

This is my final report after nine years and I wish to thank all my colleagues at Chesnara for their dedication and professionalism over those nine years which has made my role as the Audit & Risk Committee Chair so much easier. There has been so much going on over that period, not least the introduction of Solvency II, followed by IFRS 17, plus a number of significant acquisitions and more recently the addition of sustainability reporting, all of which required our oversight. We also had to contend with a global pandemic and its aftermath as well as the changing economic, technological and political landscape; I did not envisage nine years ago that risk management would be so interesting! We have safely navigated through these different challenges and I am very pleased to be handing over to Gail Tucker, who brings a wealth of experience and will continue to provide strong scrutiny and oversight. I wish her and the entire Chesnara team every success for the future.

Jane E Dale

Jane Dale
Chair of the Audit & Risk Committee
26 March 2025

Role of the Audit & Risk Committee
The role of the Audit & Risk Committee includes assisting the Board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control. The scope of its responsibilities also includes focus on risk management: accordingly, it also assists the Board in fulfilling its obligations in this regard. The committee is also responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor. The committee's duties include keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the external auditor. The full Terms of Reference of the Audit & Risk Committee are available on our website **www.chesnara.co.uk**.

AUDIT & RISK COMMITTEE REPORT

The Chesnara Audit & Risk Committee has responsibilities over a combination of both risk and audit matters. An update against each of these two key obligations has been provided below.

Audit responsibilities

This section of the report includes the following:

1. **Activities during 2024:** A summary of the work performed by the Audit & Risk Committee during the year.
2. **External audit:** Further detail of how the committee has overseen various aspects of the external audit process.
3. **Internal audit:** The work performed by the committee in overseeing the Internal Audit function of Chesnara.
4. **Significant issues:** Provides some insight into the significant issues that the committee has considered during the year in relation to the financial statements, and how these were addressed.

1. Activities during 2024

The committee's work is driven by a combination of business as usual ('BAU') activities and non-standard areas that have required attention during the year. The committee has focused on the following non-BAU areas during 2024 and subsequent transformation programme, the Group's operational resilience programme; climate change and sustainability reporting; and any conduct regulatory developments, including the UK's Consumer Duty. A summary of all the activities performed by the committee during 2024 in relation to its audit responsibilities is summarised below:

Financial reporting	**Annual Report and Accounts:** Reviewed the Annual Report and Accounts, including; compliance with accounting standards, Accounting Policy appropriateness; consideration of any other financial reporting changes and emerging practice; whether they are fair, balanced and understandable; and disclosures surrounding going concern, prospects and longer-term viability. See the significant issues section on pages 132 to 133 for further details on certain aspects of this year's accounts. **Half year report:** Reviewed and challenged the Chesnara half year report for the six months ended 30 June 2024, which included the Group's second reporting at the half year under IFRS 17 Insurance Contracts. **Actuarial assumptions:** Reviewed and challenged the actuarial assumptions underpinning the quarterly financial reporting process, covering IFRS, Solvency II and EcV. See the significant issues section on pages 132 to 133 for further detail.	**Solvency II narrative reporting:** Reviewed the Chesnara Group Solvency and Financial Condition Report, which is published annually on the Chesnara website and sent to the Prudential Regulation Authority. **Financial performance:** Monitored and scrutinised the financial performance of the Group, covering IFRS, Solvency, EcV, cash generation and expenses. **IFRS 17:** Monitored the embedding of the Group's IFRS 17 application, which included the oversight of any residual key matters to be resolved, close monitoring of the audit process and an ongoing committee education programme. **FRC updates:** Actively monitored and reviewed any key publications issued by the Financial Reporting Council regarding financial reporting matters during the year. This has included, amongst other things, a review of our Annual Report and Accounts' IFRS 17 disclosure as part of the FRC's sample thematic review. As a result of the review no questions or queries were raise by the FRC which was a positive outcome.
External audit	**External audit plans:** Reviewed the groupwide plans of the external auditor, including consideration of the key audit risks. **External audit quality:** Assessed the quality of the external auditor during the year. This has included, amongst other things, consideration of feedback from management, coupled with reviewing the FRC report entitled 'Deloitte LLP Audit Quality Inspection and Supervision Report' which was published in July 2024.	**External audit reporting and feedback:** Reviewed key findings reported by the Group external auditor on the Annual Report and Accounts, including key judgements and control matters. As part of its interactions with the external auditor, the committee met with the external auditor without the presence of executive directors. **External audit independence:** Reviewed the assessment regarding the independence of the external auditor, with specific consideration given to audit fees and the nature and volume of the services delivered by the external auditor during the year.
Internal audit	**Oversight of Internal Audit function during the year:** The committee reviewed the work of the Internal Audit functions across the Group, via interactions with local Audit & Risk Committees, and their subsequent delivery. See page 131 for more information. **Evaluation of Internal Audit effectiveness:** The committee evaluates the effectiveness of Internal Audit on an annual basis and concluded that the function remains appropriate for the business.	**Review of internal audit findings:** Received regular updates from business unit Audit & Risk Committees regarding key findings from internal audits that have been performed during the year. Reviewed the internal audit findings and management responses for Chesnara plc.
Other	**Feedback from divisional Audit & Risk Committees:** Reviewed and challenged regular feedback provided by the Group's divisional Audit & Risk Committees. The Audit & Risk Committee Chair of the Dutch divisions attended a Chesnara A&RC meeting during 2024; the Swedish and UK divisions are represented by plc directors who are also Chairs of the local Audit & Risk Committees. **Committee Terms of Reference:** Reviewed its Terms of Reference during the year and completed its annual assessment of compliance with its Terms of Reference.	**Performance evaluation:** Conducted an evaluation of the committee's performance during the year, which was completed by members of the committee. The review showed that the committee performed well across all aspects of the Assessment Framework.

2. External audit

Quality and effectiveness of the audit process

The quality and effectiveness of the external audit process is reviewed on an annual basis and had regard to the following factors:

- The quality of the background papers and verbal presentations to the committee on the audit planning process and final audit findings and compliance with independence criteria;
- This year has seen the change in the lead audit partner from Matt Perkins to Matt Bainbridge. The committee concluded that Matt has the appropriate qualifications and experience to lead the audit;
- The rationale put forward for the materiality limits established and the explanation given of the impact these have had on the work performed;
- The views of the executive on the way in which the audit has been conducted;
- The conclusion from the FRC's publication entitled 'Deloitte LLP Audit Quality Inspection and Supervision Report' which was published in July 2024; and
- The audit fees charged and the change in fees from the previous year. Changes in annual fees do, of course, need to reflect change in the nature of the Company's business which has expanded over time.

It was concluded that the audit process was effective. The Company is committed to putting its audit out to tender at least every ten years, having completed its last external audit tender during 2017. The next audit tendering process will need to take place at the latest during 2027, following the 2026 audit.

Provision of non-audit services and independence

The committee has in place a policy on the engagement of the audit firm for non-audit services. Approval is granted where the service is clearly related to the process of audit services, including regulatory returns ('assurance services'). In other cases, the approval of the committee is required and documented governance processes are followed.

The committee regularly monitors the level of fees paid for non-audit services to ensure, over a period of years, that these represent a low proportion of total fees paid. Reports from the auditor on independence are also reviewed annually and discussed with the auditor. It should be noted that total fees paid by the Company are not material in the context of the overall business of the auditor.

Details of the fees paid to Deloitte, and its associates, for both audit and non-audit services during the year have been provided below:

Audit fees	2024 £000	% proportion	2023 £000	% proportion
Audit services	2,077	92	3,456	93
Assurance services	186	8	259	7
Total	**2,263**		**3,715**	

Audit services

The fees charged for audit services have decreased when compared with 2023. The key reasons for the net decrease since the prior year are:

- A decrease of c£1,556k in relation to the preparatory audit work and additional scope work associated with the implementation of IFRS 17; and
- An increase of c£104k in relation to additional recurring scope work and inflation increase offset by a reduction in one-off audit work.

Audit fees of £1,012k (2023: £1,056k) were paid to EY during the year for the audits of Scildon, the Waard Group and Movestic.

Assurance services

Assurance services totalling £186k (2023: £259k) were provided by Deloitte in 2024 and consisted of £171k (2023: £244k) relating to an annual CASS audit of CASFS Limited, and £15k (2023: £15k) relating to assurance on the Group's covenant compliance. Further assurance services were provided by EY to Scildon of EUR 12.5k (2023: nil), for the provision of assurance on the accuracy of the cost pricing model published on the entity's website for its disability products, which is required by law/regulation every 3 years.

Non-audit services

Non-audit services totalling £nil (2023: £71k) were delivered in 2024. The non-audit service in 2023 was in relation to market analysis and strategic planning work delivered by EY to Movestic.

In the prior year, a component auditor (EY Sweden) provided market analysis and strategic planning services totalling £71k to the Movestic division. These services were permitted under the component auditor's local ethical standard, however not the FRC's Ethical Standard, and were approved by those charged with governance at Movestic. We are satisfied that the independence and objectivity of the Group and component auditor was not impaired as a result of this service being provided and have implemented processes to ensure that FRC independence policies are applied by component auditors within the Group.

3. Internal audit

Within Chesnara, Internal Audit operates as separate functions within each of its businesses and these report into their own Audit & Risk Committee who have the primary oversight and supervisory responsibility. This includes determining how the local Internal Audit function will be resourced and as a result these are a mix of outsourced and in-house capabilities.

At a Group level, the Chesnara Audit & Risk Committee sets three high level principles which must be followed by each of the businesses. This committee then receives periodic reports from each business on matters such as the make-up of the audit plan, progress against this plan and any significant issues identified/reported.

The remit of the UK based Internal Audit team also covers Chesnara plc and consequently the committee gets similar periodic reports to the local committees on its own audit plan throughout the year.

Across the Group, Internal Audit covered a broad range of topics including Remuneration, Reinsurance, Business Continuity planning, Outsourcing, Change Programme, Governance, Claims Handling, CASS, Information Security, Operational Resilience and Consumer Duty.
No significant issues have been identified through the delivery of the internal audit programme during the year.

AUDIT & RISK COMMITTEE REPORT

4. Significant issues

The table below provides information regarding the significant issues that the committee has considered in relation to the preparation of the Annual Report and Accounts. This includes consideration of matters communicated by the auditors.

Area of focus	Reporting issue	Role of the committee	Conclusion/action taken
IFRS accounting for the Canada Life acquisitions	The accounting approach applied to the Canada Life acquisition in 2023 has been reassessed in these financial statements following consultation with the external auditor. A long contract boundary had previously been applied in valuing the future cash flows. This approach has been revised so that only the cash flows within the boundary of the initial reinsurance contract are valued.	The committee's role is to review and challenge the change in accounting approach.	The committee is satisfied that the new accounting approach is appropriate. The IFRS comparatives have been restated accordingly throughout this report and the new accounting approach has been applied in the year end 2024 financial statements.
Valuation of Chesnara plc's investment in CA plc	Chesnara plc's solo balance sheet includes the value of its investment in its various subsidiaries. These are typically carried at cost and are reviewed at least annually for impairment. As a result of dividend payments over time, at some point the underlying value of the Group's closed-book subsidiaries will become lower than the carrying value that it is held at in the Chesnara plc balance sheet, resulting in a need to write down the carrying value.	The committee's role is to review and challenge management's paper covering the assessment of the carrying value of Chesnara's investment in its subsidiaries. This includes scrutinising the underlying assumptions underpinning the 'value in use' assessment and the conclusions made.	As a result of the annual impairment process, it was concluded that the carrying value of Chesnara plc's investment in Countrywide Assured plc required writing down by £4.0m. This reflects that the underlying value of Countrywide Assured has reduced, largely because of its continued dividend streams up to Chesnara plc. Further detail can be found on page 167.
Impairment assessment of AVIF intangible assets	The Group IFRS balance sheet includes intangible assets (the 'AVIF' assets), representing the acquired value of the in-force policies at the point of previous acquisitions, which is amortised over the estimated profit profile of the associated polices that were acquired. An impairment test of these intangible assets is required on an annual basis.	The committee is required to review the work performed by management in assessing the carrying value of the AVIF intangible assets, including scrutinising the assumptions made, and conclusions drawn.	The review concluded that no impairment of the net of tax AVIF should be made.
BEPS 2.0	The Group has determined the impact of the OECD's Pillar 2 Global Anti-Base Erosion (GloBE) rules (BEPS 2.0). An impact assessment has been carried out in conjunction with KPMG UK and Sweden, and it is noted that: HMRC has released draft guidance for the insurance sector stating that unit-linked returns are out of scope when determining a group's eligibility for BEPS 2.0 Pillar Two (EUR 750 million revenue threshold). As a result, the Group is out of scope for the financial year ending 2024; and The Swedish government has initiated a consultation stating that insurance entities should be able to make a transparency election regarding their investment funds. This would effectively remove any risk of policyholder returns being subject to the top-up tax and mitigate any material risks of BEPS applying to Movestic (under their domestic application of the rules).	The committee's role is to review and challenge the assessment performed by management, including the latest impact assessment provided by KPMG.	The committee has reviewed the IAS 12 disclosures that have been made within these financial statements and concluded that they reflect our current view of the impact of BEPS 2.0 on the Group.
UK expense assumptions used in determining insurance contract provisions	The actuarial reserving process for the UK division includes an assumption on the future expenses that are required to run the business. This includes making judgements on both the future outsourcer and non-outsourcer costs, and any associated transition costs that might be incurred in achieving the longer-term expense assumptions.	The responsibility of the committee is to satisfy itself that the judgements underpinning the projected future expenses required to the run UK life insurance operations are appropriate, and to ensure these judgements are appropriately reflected in the year end 2024 financial statements.	The committee is satisfied that the expense assumptions included in the valuation of the insurance contract liabilities of the UK division on 31 December 2024 are appropriate and that they are suitably described in note A6(m) on page 167.

Area of focus	Reporting issue	Role of the committee	Conclusion/action taken
Actuarial assumptions	A key aspect of the Audit & Risk Committee's role is to review and challenge the actuarial assumptions that underpin the valuation of the policyholder liabilities in the financial statements. The assumptions are inherently judgemental and are updated at least annually to reflect the facts and circumstances available at the time. The assumptions are underpinned by a combination of internally observed experience coupled with data that is available at a market level. The key assumptions include estimates over: – future mortality and morbidity rates; – future lapse assumptions; – future expense required to manage the policies in force; and – policyholder options and guarantees.	The committee's role is to review and challenge the actuarial assumptions report which underpins the valuation of insurance liabilities.	The committee concluded that the actuarial assumptions were appropriate. Disclosures over key judgements are included in note 5 of the IFRS financial statements.

Risk responsibilities

This section of the report provides information regarding the risk oversight responsibilities of the Audit & Risk Committee.

General responsibilities

Overall, the committee is responsible for:

- the Group's risk management and internal control systems and their effectiveness;
- overseeing the Group's risk profile in the context of its current and future strategy;
- discussing and recommending to the Board for approval, the Group's risk appetite statement, reverse stress testing and scenario stress testing;
- advising the Board on proposed changes to the Group's risk appetite statement where this is deemed appropriate;
- monitoring risk exposures across the Group and advising the Board where such exposures do not appear to accord with the Group's risk appetite statement;
- reviewing the Group's capability to identify and manage emerging and new risk types;
- challenging the regular stress and scenario testing of the Group's business;
- determining whether there is a sufficient level of risk mitigation in place;
- overseeing due diligence of a major strategic transaction, including any proposed acquisition or disposal, prior to the Board taking a decision to proceed with a view to ensuring that the Board is aware of all material risks associated with the transaction;
- considering the adequacy and effectiveness of the technology infrastructure and supporting documentation in the Risk Management System and framework;
- considering and approving the remit of the Risk function and ensuring it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- providing qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to any performance objectives; and
- considering and recommending to the Board for approval, the Group's risk related regulatory submissions, including the ORSA.

Focused activities performed during the year

The below provides some information regarding the more focused activities that the committee has performed during the year in discharging its risk oversight responsibilities.

Acquisitions

The Audit & Risk Committee has overseen the due diligence for the acquisition of a second book of business from Canada Life, ensuring that the Board is aware of all material associated risks, in particular the implications for the risk appetite and tolerance of the Company, taking independent external advice where appropriate and available. The committee was satisfied that the risk reporting surrounding these activities has been appropriate and that management has responded to any associated risks as they emerge.

UK transition and transformation

The Audit & Risk Committee has continued to be updated on the multi-year programme to migrate our policy administration services and newly acquired books of business to SS&C Technologies. The committee is satisfied that there is appropriate visibility of the key strategic risks and that appropriate mitigants have been in place, with regular and transparent reporting on programme progress.

IT/data security and cyber risk

The committee's risk responsibilities include overseeing management's plans to continue to ensure the Group remains resilient to IT risks. This includes monitoring results from various initiatives such as the Group's 'phishing' tests, cyber-attack simulations and penetration testing and the implementation of the EU legislation, Digital Operational Resilience Act (DORA) which came into force on January 1 2025. Chesnara has embedded a groupwide Cyber Response Framework to guide the Group in preparing and responding effectively to a cyber-attack which includes an updated policy on ransomware. The committee was satisfied that the Group's IT risk programme continues to focus on the right priorities and this ever-evolving area.

AUDIT & RISK COMMITTEE REPORT

Global market instability

Ongoing global conflict and economic uncertainty remains a prominent emerging risk for the Group, with potential for inflation driven expense risk and future investment returns being the affected key areas with greatest potential impact. As a result of these observations the committee has obtained regular updates from management on potential impacts. This has included consideration of the following:

- Financial results volatility;
- Increased expense base with wage inflation and increasing supplier costs; and
- 3rd party/supplier failure risks.

The committee is satisfied that management is monitoring these risks closely, and that the Group's ORSA process suitably examines these scenarios.

Operational and regulatory change

There are a number of operational and regulatory change projects across the Group, and as a result the committee has been monitoring these closely. Activity across the Group includes:

- integration and Part VII activity for the acquisitions of Canada Life;
- the UK Transition and Transformation project including moving to a new outsourced admin provider, SS&C;
- the ongoing policy administration IT upgrade programme in Scildon;
- the merger of our Dutch entities into one combined insurer;
- operational resilience and Digital Operational Resilience Act (DORA);
- Consumer Duty; and
- climate change risk and sustainability.

The committee was satisfied that the risk reporting surrounding these programmes has been appropriate and that management has responded to any associated risks as they emerge.

Regular activities performed during the year

The below provides some further information regarding the 'business as usual' activities that the committee has performed during the year in discharging its risk oversight responsibilities:

- **Quarterly risk reporting:** During the year the committee reviewed the quarterly group and divisional risk reports on the identification, evaluation and management of principal risks across the Group, including any emerging risks. The quarterly risk reporting included 'in focus' topics as required and reports against the Group's 'watchlist' of items.
- **Principal risk definition:** Reviewed and challenged the Group's definition of principal risks for the purpose of reporting and monitoring against these risks, including how they are mitigated through the Group's Internal Control Framework.
- **Dividend proposal:** The committee considered the final dividend proposal review document prepared by the Group Chief Risk Officer.
- **Risk plan review and sign off:** The committee reviewed and approved the Group and divisional risk plans and associated resourcing needs.
- **Internal control report:** The committee reviewed and approved the annual internal controls assessment report, which concluded that the controls across the Group are operating effectively.
- **Systems of governance review:** An annual review of the effectiveness of the systems of governance review was facilitated by the Risk function. This considered a number of areas of the overall system of governance including its completeness, effectiveness, its use and the overall culture. This concluded there were no major areas of concern. Any areas for improvement have been built into future plans, with suitable priorities attached.
- **ORSA review:** The committee reviewed the 2024 Group ORSA and made a formal recommendation to the Board to approve it. The ORSA includes the outcome of the Group's stress and scenario testing. The stresses that are modelled are reviewed and approved as part of the ORSA planning process, and the results are included in the final ORSA report.
- **Risk appetite:** Reviewed and re-approved the Group's Risk Appetite Framework, including reviewing and challenging the key risk indicators/tolerance limits and key business performance measures.
- **Review divisional Audit & Risk Committee progress:** Received and challenged updates provided by divisional Audit & Risk Committees.
- **Continuous solvency monitoring:** Reviewed the output from the Group's continuous solvency monitoring activities. There were no issues arising from this process during the year.
- **Standard formula assessment:** As part of its annual cycle the Actuarial function performs an assessment of the appropriateness of the standard formula for the purposes of calculating the Group's capital requirements under Solvency II. The work and associated findings was reviewed and challenged by the committee as part of the ORSA process.

Assurance

Taken together, the Group's Risk function and Internal Audit function ensure that the committee is provided with appropriate assurance throughout each year. The second-line Risk function ensures independent review and challenge of business performance and activities with the opportunity to influence areas of review to be undertaken by the independent third-line Internal Audit function. The committee can direct the activity of either function as circumstances require, amending work plans to accommodate deep dives if felt appropriate to do so. The committee leverages these functions within the Group's proportionate three lines of defence model in addition to engaging with and having Board representation on the business unit Audit & Risk Committees which themselves have local Risk and Internal Audit functions. In this way, and through receiving assurance reports from each business unit on a quarterly basis, the committee satisfies itself with regard to the assurance it obtains on the Group's activities and performance.

Jane E Dale

Jane Dale
Chair of the Audit & Risk Committee
26 March 2025

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of Chesnara plc for the year ended 31 December 2024. The Corporate Governance Report on pages 98 to 103 forms part of the Directors' Report.

Chesnara plc – Company No. 4947166

The following information, that has been included by way of a cross reference to other areas of the Annual Report and Accounts, is required by the Companies Act to be included within the Directors' Report:

Requirements/reference

Financial risk management objectives and policies

The financial management section on pages 55 to 56 and the risk management section on pages 57 to 67.

Exposure to price risk, credit risk, liquidity risk and cash flow risk

Note B3 Financial Risk to the IFRS Financial Statements.

Likely future developments

The business review section on pages 40 to 46.

Greenhouse gas reporting

The corporate and social responsibility section on pages 68 to 91.

Environmental, employee and social community matters

The corporate and social responsibility section on pages 68 to 91.

Directors

Full information of the directors who served in 2024 is detailed in the Corporate Governance Report on pages 98 to 103.

Detail of the non-executive directors who served as Chairs and members of the Board committees of the Board are set out in the Corporate Governance Report on pages 98 to 103. Information in respect of the Chair and members of the Remuneration Committee and in respect of directors' service contracts is included in the Remuneration Report on pages 110 to 126, which also includes details of directors' interests in shares and share options. The Chair and all the non-executive directors will retire at the Annual General Meeting and, with the exception of Jane Dale, who has completed a nine-year tenure, offer themselves for election or re-election as appropriate. All of the executive directors have service contracts with the Company of no more than one year's duration and will offer themselves for re-election at least every three-years.

The service contracts of all the directors are retained at the Company's office and will be available for inspection for 15 minutes prior to the Annual General Meeting. No director had any material interest in any significant contract with the Company or with any of the subsidiary companies during the year.

The directors benefitted from qualifying third party indemnity provisions in place during the years ended 31 December 2023 and 31 December 2024 and the period to 27 March 2025.

Director evaluations

During the year, the Chair evaluated the performance of all appointed directors in one to one meetings and the Senior Independent Director evaluated the performance of the Chair. It was confirmed that each director continued to make effective contributions in their role and to the Board as a whole.

Director appointments

With regard to the appointment and replacement of directors, the Company followed the UK Corporate Governance Code 2018 during the financial year ending 31 December 2024 and is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders. The Company follows the UK Corporate Governance Code 2024 since 1 January 2025.

Share capital

Details of the issued share capital, together with details of movements in the issued share capital of Chesnara plc during the year are shown in note H1 to the IFRS Financial Statements which is incorporated by reference and deemed to be part of this report.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 31 December 2024, the Company had 150,991,019 ordinary shares in issue, of which none were held as treasury shares. During the year, no treasury shares were held or traded.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2024, to repurchase up to 10% of its issued share capital. Further details are provided in the Notice of this year's Annual General Meeting.

At the Annual General Meeting in 2024, shareholders approved resolutions to allot shares up to an aggregate nominal value of £5,028,520 and to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's Annual General Meeting to renew these authorities.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The directors have no current plans to issue shares.

Articles of Association

The Company's Articles of Association may only be amended by special resolution of the Company at a general meeting of its shareholders.

Conflicts of interest

Procedures are in place to ensure compliance with the directors' conflict of interest duties as set out in the Companies Act 2006. The Company has complied with these procedures during the year and the Board considers that the procedures operated effectively. During the year, details of any new conflicts or potential conflicts were advised and submitted to the Board for consideration, and where appropriate, approved.

There were no material conflicts of interest noted in 2024.

DIRECTORS' REPORT

Results and dividends

The consolidated statement of comprehensive income for the year ended 31 December 2024, prepared in accordance with United Kingdom adopted international accounting standards and set out on page 148 shows:

	2024 £m	Restated 2023 £m
Post-tax profit for year attributable to shareholders	3.9	18.6

The Group IFRS results are reported under IFRS 17 in the annual financial statements.

An interim dividend of 8.61p (2023: 8.36p) per ordinary share was paid by Chesnara on 1 November 2024. The Board recommends payment of a final dividend of 16.08p (2023: 15.61p) per ordinary share on 20 May 2025 to shareholders on the register at the close of business on 4 April 2025.

The Chesnara Dividend Policy is directly influenced by two key factors. We recognise that our shares are predominantly held as a source of predictable and sustainable income. Our primary aim is therefore to provide an attractive yield with steady growth where possible.

Our aim to satisfy investor expectations cannot and will not be delivered at the expense of financial security and solvency. As such, dividend capacity is assessed giving full regard to our Group Capital Management Policy which currently prohibits dividends to be declared that would result in Chesnara having a solvency ratio below 110%.

Total dividend as a ratio of cash generated

Considerations

Cash generation	Historic and projected cash generation levels need to support any dividend payment although there is no explicit requirement for the current year's cash generation to cover the dividend.
Solvency	The Company's risk appetite solvency level is 140% of SCR, however, the Board is prepared to approve dividend distributions such that, post payment of the dividend, the solvency position of the Group is at least 120% of SCR.
Acquisition strategy	The Chesnara business model is based upon making future acquisitions and any dividend payments consider the financial requirements to continue to deliver our acquisition strategy.
Investor expectations	In addition to a stable and attractive dividend yield our investors value predictability and sustainability of earnings. As such, under normal circumstances, 'special dividends' are unlikely.

The chart above shows the coverage of Commercial Cash generated over the dividend paid in each respective year. Over the past 5 years, £175m of dividends have been paid at an average annual yield of 8.4% (based on average annual share prices) representing a Commercial Cash Generation coverage of 1.37 against dividends paid.

The Board makes dividend decisions with reference to a range of management information, reports and policies including the Group ORSA, Group business plan, solvency analysis including sensitivities, analysis of historic financial results and the Group Capital Management Policy.

Substantial shareholdings

Information provided to the Company by major shareholders pursuant to the FCA's Disclosure and Transparency Rules (DTR), is published via a Regulatory Information Service and is available on the Company's website. The Company had been notified under Rule 5 of the DTR of the following interests in voting rights in its shares.

Name of substantial shareholder	Total number of ordinary shares held	Percentage of the issued share capital as at 31 December 2024
Columbia Threadneedle Investments	17,936,775	11.88%
abrdn	14,735,716	9.76%
Hargreaves Lansdown Asset Mgt	13,399,131	8.87%
Interactive Investor	12,499,492	8.28%
M&G Investments	8,751,254	5.80%
Canaccord Genuity Wealth Mgt	5,656,703	3.75%
Royal London Asset Mgt	5,549,225	3.68%
Janus Henderson Investors	5,227,132	3.46%

Subsequent to 31 December 2024 there have been changes to this position and the holdings as at 5 March 2025 are shown below. No other person holds a notifiable interest in the issued share capital of the Company.

Name of substantial shareholder	Total number of ordinary shares held	Percentage of the issued share capital as at 5 March 2025
Columbia Threadneedle Investments	17,778,343	11.71%
abrdn	14,592,272	9.66%
Hargreaves Lansdown Asset Mgt	13,437,650	8.90%
Interactive Investor	12,544,702	8.31%
M&G Investments	8,700,317	5.76%
Royal London Asset Mgt	5,608,635	3.71%
Janus Henderson Investors	5,225,612	3.46%
Canaccord Genuity Wealth Mgt	4,935,113	3.27%

Chesnara plc has no multiple voting rights or voting certificates relative to total voting rights and no issued share capital is composed of non-voting shares. Depositary receipts represent 0% of voting rights and our free float percentage of voting rights exceeds 98%.

Related party transactions and significant contracts

During the year ended 31 December 2024, the Company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in which any director has or had a material interest.

There were no significant contracts with substantial shareholders during the year.

Post balance sheet events

There have been no post balance sheet events that either require adjustment to the financial statements or are important in the understanding of the Company's current position, financial performance or results.

Charitable donations

Charitable donations made by Group companies during the year ended 31 December 2024 were £9,491 (2023: £36,285). We have provided financial and non-financial assistance to charitable organisations including UNICEF, Sherpa, Just Diggit and Safenet. UK colleagues also can donate through a Give as You Earn scheme, supported by the Charities Aid Foundation.

No political contributions were made during the year ended 31 December 2024 (2023: £nil).

Employees

The average number of employees during 2024 was 355 (2023: 387).

DIRECTORS' REPORT

Employee involvement

The Group believes that employee communication and consultation is important in enhancing the Company culture and connectivity, and in motivating and retaining employees. An open communications programme enables all employees to understand key strategies and other matters of interest and importance, quickly and efficiently. The communication includes face-to-face briefings, open discussion forums with executive and senior management and updates via email.

Business relationships

Throughout the year the directors have had regard for the need to foster the Company's business relationships with suppliers, customers and stakeholders, including on the principal decisions taken by the Company during the financial year. Information supporting this is provided in the Section 172 disclosures on pages 32 to 39.

Going concern statement

After making appropriate enquiries, including consideration of the economic uncertainty in the wake of a high-inflation environment on the Group's operations, financial position and prospects, the directors confirm that they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements. Further details can be found within the financial management section on page 56.

Viability Statement

In accordance with provision 30 of the 2018 UK Corporate Governance Code, the directors have assessed the prospects of the Group over a period longer than the 12 months required by the 'going concern' provision. The viability statement, aligned with Provision 31 of the 2018 UK Corporate Governance Code, is included in the Strategic Report on page 56.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information. This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

A resolution for the re-appointment of Deloitte LLP as Auditor of the Company is to be proposed at the forthcoming Annual General Meeting. Chesnara is satisfied that it adheres to the rules that are imposed on UK listed companies to perform a tender after 10 years and with a mandatory change of auditors after 20 years.

Approved by the Board on 26 March 2025 and signed on its behalf by:

Tom

Tom Howard
Group Chief Financial Officer

DIRECTORS’ RESPONSIBILITIES STATEMENT

Directors’ responsibilities
The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the Company financial statements on the same basis.

In preparing the financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance; and
- make an assessment of the Company’s ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Details of the Company’s greenhouse gas emissions, energy consumption and energy efficiency can be found in the Climate-Related Financial Disclosures within section B, on pages 86 to 90.

Disclosures under Listing Rule 9.8.4R
For the purposes of Listing Rule 9.8.4C, the information required to be disclosed under Listing Rule 9.8.4R can be found within the following sections of the Annual Report and Accounts:

Section	Requirement	Location
1	Statement of interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
3	Deleted	Not applicable
4	Details of long-term incentive schemes	Directors’ Remuneration Report
5	Waiver of emoluments by a director	Not applicable
6	Waiver of any future emoluments by a director	Not applicable
7	Non pre-emptive issue of equity for cash	Not applicable
8	As per 7, but for major subsidiary undertakings	Not applicable
9	Parent participation in any placing of a subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Controlling shareholder provision of services	Not applicable
12	Shareholder dividend waiver	Not applicable
13	Shareholder dividend waiver – future periods	Not applicable
14	Controlling shareholder agreements	Not applicable

Responsibility statement
The directors whose names and functions are listed in the Board profile and Board of Directors section on pages 94 and 95, confirm that to the best of our knowledge:

- the Group and Company financial statements, prepared in accordance with the relevant Financial Reporting Framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and the Group and Company financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s position, performance, business model and strategy.

Approved by the Board on 26 March 2025 and signed on its behalf by:

Luke Savage
Chair
26 March 2025

Steve Murray
Chief Executive Officer
26 March 2025

IFRS FINANCIAL STATEMENTS

IFRS Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Parent Company Financial Statements

Notes to the Parent Company Financial Statements

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CHESNARA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- **the financial statements of Chesnara plc (the Parent Company, the Company) and its subsidiaries (the Group) give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 December 2024 and of the Group’s profit for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;**
- **the Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements, which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Company Balance Sheets;
- the Consolidated and Company Statements of Changes in Equity;
- the Consolidated and Company Statement of Cash Flows; and
- the related Notes A1 to J9, excluding the Capital Management disclosures calculated in accordance with the Solvency II regime in Note B4, which are labelled as ‘unaudited’.

The Financial Reporting Framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the FRC’s) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in Note D4 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC’s Ethical Standard to the Group or the Parent Company, with the exception of the matter described in the following paragraph.

In the prior year, a component auditor (Ernst & Young Sweden AB, EY Sweden) provided market analysis and strategic planning services totalling £71k to the Movestic division. These services were permitted under the component auditor’s local ethical standard, however not the FRC’s Ethical Standard, and were approved by those charged with governance at Movestic. No similar, prohibited services have been provided to the Group in the current year. In assessing the impact on our independence, firstly, there was no self-review threat identified as the team providing the work was not involved in the component audit, and further, the service provided did not affect balances audited by the component audit team. Secondly, we also considered that the fees for the work, £71,000, were not material to the Group or EY Sweden or of a level that would give rise to a significant self-interest threat. Based on the lack of self-review and insignificant self-interest threats, we believe an objective, reasonable and informed third party would agree that our independence was not impaired.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Expense assumptions used in the valuation of insurance contract liabilities; and – Valuation of Chesnara plc’s investment in Countrywide Assured plc (CA) Within this report, key audit matters are identified as follows: ◇ Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £9,900,000 which was determined on the basis of 2% of adjusted net assets. In line with the previous year, we defined ‘adjusted net assets’ as net assets plus contractual service margin.
Scoping	We scoped our audit at the significant account balance level, scoping in 4 components (2023: 4 components) for audit procedures on one or more classes of transactions, account balances and disclosures that together represent 99% of the Group’s net insurance and investment results, 98% of the Group’s profit before tax and 100% of the Group’s insurance and investment contract liabilities. This involved the performance of procedures for the CA division directly by the Group audit team, as well as the involvement of component auditors for the Movestic (Sweden), Scildon (Netherlands) and Waard (Netherlands) divisions.
Significant changes in our approach	In the previous year, we included a key audit matter in relation to the Group’s first-time adoption of IFRS 17 ‘Insurance Contracts’ given the significance and complexity of judgements made when transitioning to IFRS 17. As the year ended 31 December 2024 represents the second year that the Group has applied IFRS 17, we no longer consider this to represent a key audit matter.

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls in place over management's going concern assessment process;
- evaluating the key assumptions underpinning the Group's forecast liquidity and capital, including those determined for each of its significant business units;
- evaluating the adequacy and completeness of stress testing performed within the Group's Own Risk and Solvency Assessment (ORSA), with reference to our understanding of its internal and external environment, including the impacts on the Group's forecast liquidity and Solvency Capital Requirements, considering the Group's principal risks and uncertainties as outlined on page 61 to 67; and
- assessing the appropriateness of the going concern disclosures in the financial statements, based on our knowledge gained throughout the audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expenses assumptions used in the valuation of insurance contract liabilities

Key audit matter description

The Group's insurance contract liabilities are one of the largest balances on the balance sheet, held at £4.1bn (2023: £4.2bn) at 31 December 2024. The valuation of insurance contract liabilities is determined using actuarial assumptions that require complex judgements and forward-looking estimates to be made by management. A number of the assumptions, such as mortality and morbidity, economic assumptions, and lapse rates, are made with reference to industry tables and actual experience, and hence market benchmarking highlights material deviations from industry practices.

The expense assumptions require management to make significant judgements and estimates relating to the future expenses attributable to insurance contracts. The risk associated with the expense assumptions is higher than other actuarial assumptions as a result of:

- planned changes to the policy administration outsourcing arrangements of CA, including the anticipated project costs of migration and termination;
- the impact of inflation on future expenses in the short- and long-term, particularly given recent changes in the Group's macroeconomic environments; and
- uncertainties in the costs of maintaining insurance portfolios in run-off, particularly where variable cost assumptions are used.

Given the significance of the insurance contract liabilities held within CA (£1.3bn), Scildon (£1.9bn) and Waard (£0.7bn), our key audit matter was pinpointed to the expense assumptions within these divisions. As the expense assumptions are susceptible to manipulation by management, impacting its reported profit before taxation, we determined that there was a risk of material misstatement due to fraud and therefore identified this area as a key audit matter.

The Group's accounting policy relating to its insurance contract liabilities has been presented in Note A4, with details of the balance and movement from 31 December 2023 set out within Notes F2 to F5. The expense assumptions used in determining insurance contracts liabilities are also referred to in the Audit & Risk Committee Report on page 127.

How the scope of our audit responded to the key audit matter

In respect of the expense assumptions used in the valuation of insurance contract liabilities, we performed the following procedures:

- obtained an understanding of relevant controls in place around management's assumption setting processes at the Group and divisional level;
- with the involvement of actuarial specialists, evaluated the appropriateness of expense assumptions and methodology. Our assessment considered the reasonableness of forecasts for future periods with reference to the Group's internal and external business environments, the impacts of any planned management actions, and whether the assumptions have been subject to management bias;
- tested actual expenses in the year ended 31 December 2024 and compared these to management's previous forecasts to understand the predictive accuracy of management's process;
- assessed the mechanical accuracy of management's underlying expense calculations, verifying that management's selected methodology had been applied correctly; and
- assessed the appropriateness of the disclosures within the financial statements in relation to expense assumptions used in the valuation of the underlying insurance contract liabilities.

Key observations

Based on the procedures performed, we consider the expense assumptions used in the valuation of insurance contract liabilities and related disclosures to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESNARA PLC

Valuation of Chesnara plc's investment in CA

Key audit matter description
Chesnara plc holds investments in subsidiaries totalling £389.9m (2023: £399.6m) on its Company balance sheet, measured at cost less cumulative impairment losses.

In line with IAS 36 'Impairment of Assets', management are required to carry out an impairment assessment if there is indication of impairment loss at the balance sheet date. Through its assessment, management evaluated whether the investment in CA was carried at more or less than its recoverable amount, which is the higher of fair value less costs of disposal and value in use, and therefore whether an impairment is required. Management have historically deemed Economic Value (EcV) to be an appropriate proxy for recoverable amount, with management's definition of EcV included on page 260.

In recent years, the CA EcV has been on a downwards trend as dividends paid to the Parent Company have exceeded EcV growth, with this dynamic being a function of CA being a closed book insurer. The impairment assessment performed by management at the balance sheet date highlighted £4.0m (2023: £14.4m) of impairment over the carrying value of the investment.

Due to the potential for management to introduce inappropriate bias to judgements made in the impairment assessment when determining the EcV, with impairment losses impacting the Parent Company income statement and balance sheet, we determined that there was a risk of material misstatement due to fraud and therefore identified this area as a key audit matter.

The Parent Company's accounting policy relating to its subsidiary investments has been presented in Note A4, with details of the impairment sensitivities included in Note A5. The carrying value of Chesnara plc's investment in CA is also referred to in the Audit & Risk Committee Report on page 127.

How the scope of our audit responded to the key audit matter
In respect of the valuation of Chesnara plc's investment in CA, we performed the following procedures :

- obtained an understanding of relevant controls in place around management's impairment assessment and EcV valuation processes;
- evaluated management's methodology for determining the recoverable amount of CA in accordance with IAS 36 'Impairment of Assets', including the appropriateness of using EcV as a proxy for recoverable amount;
- with the involvement of actuarial specialists, evaluated the accuracy and completeness of adjustments made to CA's IFRS balance sheet in order to determine the EcV and considered whether the adjustments have been subject to management bias;
- performed a stand-back assessment of management's impairment assessment against our knowledge and understanding of changes in CA internal and external business environment;
- evaluated management's impairment assessment by performing benchmarking against other recent industry transactions to gain corroborative and contradictory evidence; and
- evaluated the appropriateness of disclosures included in Note J1 of the financial statements.

Key observations
Based on the procedures performed, we consider the carrying value of Chesnara plc's investment in CA to be appropriate.

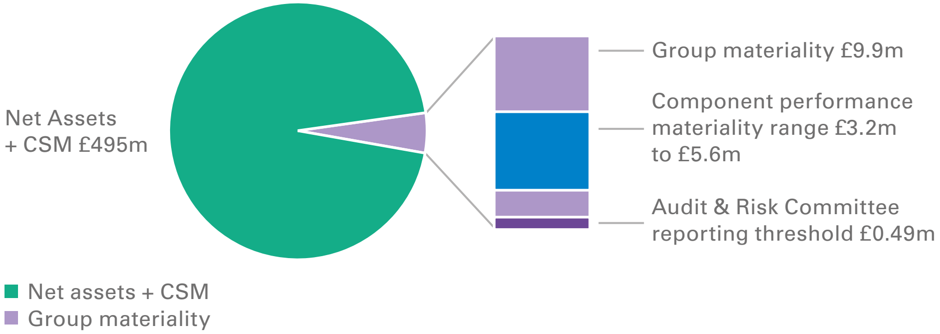
Our application of materiality

Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£9.9m (2023: £10.3m)	£9.2m (2023: £9.0m)
Basis for determining materiality	2% of adjusted net assets (2023: 2% of adjusted net assets) In line with the prior year, adjusted net assets is defined as net assets plus Contractual Service Margin (CSM).	3% of net assets (2023: 3% of net assets) The performance materiality applied to the Parent Company for the purposes of the Group audit opinion is discussed on page 145.
Rationale for the benchmark applied	The Group's key stakeholders are focused on the management of capital under Solvency II and therefore we consider the most relevant and equivalent metric to be net assets. IFRS 17 introduced the concept of CSM, which reflects the estimated deferred profit that is expected to be realised within net assets in future reporting periods. We deem it appropriate to adjust net assets by adding CSM to the benchmark, reflecting the future value of the Group.	A net assets or equity measure is closely aligned to the objectives of the Parent Company, in making dividend payments from its distributable reserves, with the benchmark representing a stable long-term measure of the Company's financial position.

As permitted by FRC Practice Note 20 'The Audit of Insurers in the United Kingdom', we applied a separate testing threshold of £24.5m (2023: £24.0m) when performing our testing over CA unit-linked insurance assets and the related notes. This was determined with reference to 1% of unit-linked assets (2023: 1% of unit-linked assets).



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	65% (2023: 65%) of Group materiality	£5.6m (2023: £5.8m), which equates to 61% (2023: 65%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the quality of the Group and Parent Company's control environment and whether we were able to rely on controls, our understanding of changes in the Group's internal and external business environment, the nature of the Group's significant account balances and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.	

Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the committee all audit differences in excess of £495,000 (2023: £500,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Identification and scoping of components

We scoped our audit by obtaining an understanding of the Group and its environment, including groupwide controls, and identifying significant account balances and related risks of material misstatement at the Group level.

We scoped our audit at the significant account balance level, scoping in 4 components (2023: 4 components) for audit procedures on one or more classes of transactions, account balances and disclosures that together represent 99% of the Group's net insurance and investment results, 98% of the Group's profit before tax and 100% of the Group's insurance and investment contract liabilities. This involved the performance of procedures for the CA division directly by the Group audit team, as well as the involvement of component auditors for the Movestic (Sweden), Scildon (Netherlands) and Waard (Netherlands) divisions.

For the Parent Company component, we applied a component performance materiality equal to £5.6m; for the other components, we used individual component performance materiality levels determined on the basis of their individual financial statements, which ranged from £3.2m to £5.6m.

At the Group level, we performed audit procedures over the consolidation process and analytical procedures over account balances where no audit procedures had been performed, in order to assess whether there were any additional risks of material misstatement at the Group level.

An overview of the scope of our audit (continued)

Our consideration of the control environment

We focused our assessment of relevant controls around each of the key audit matters detailed above, as well as significant account balances and business processes such as revenue, claims paid, actuarial reserving, investments and financial reporting. With the assistance of IT specialists, we also performed walkthroughs to gain an understanding of the Group's key IT systems in each of its significant business divisions. The extent of controls assessment and testing performed varied depending on the maturity of the IT systems and controls in place.

Where, through the process of understanding the systems and controls in place, we identified deficiencies or found that previously identified deficiencies had not been remediated, we did not seek to rely on those controls in the current year. We shared observations arising from our procedures with management and the Audit & Risk Committee. Where improvements to controls have been identified, management are remediating the deficiencies in response to provision 29. The Board of Directors' assessment of the Group's control environment set out on page 103.

In line with previous years, we relied on controls in place over the Movestic division's investments process.

Our consideration of climate-related risks

In planning our audit, we considered the potential impact of climate-related risks on the Group's business and its financial statements. The Group's Risk Management Policy and Framework encompass the potential impacts and opportunities of environmental, social and governance factors (ESG) and climate change as explained in the Strategic Report on pages 58 to 60. As set out in Note A4, management does not consider that climate change risk is currently a key source of estimation uncertainty nor that it presents a material impact to the judgements made in the financial statements.

We held discussions with management to understand the approach for identifying climate-related risks, as well as their impact on the financial statements. This included obtaining an understanding of governance controls in place over the Group's risk assessment process, which includes the consideration of climate-related risks. We also obtained an understanding of the Group's long-term strategy to respond to climate-related risks as they evolve, including the potential impact on the Group's forecasts for future periods.

Our audit work has included assessing the conclusions reached by management regarding the impact of climate-related risks on the Group's financial statements in the current year and reading the disclosures in the Strategic Report, with the involvement of ESG specialists, to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also evaluated the appropriateness of disclosures included in the financial statements in Note A4.

Working with other auditors

Referral instructions were provided to each of the component auditors of the Movestic, Scildon and Waard divisions, outlining the procedures to be performed to support the Group audit opinion. The Group audit team directed and supervised the work performed by component auditors on its behalf, which included:

- involving the component audit teams in our groupwide fraud and planning discussions;
- holding regular meetings throughout the audit in order to monitor and challenge the nature and extent of each component auditor's planned audit procedures; and
- performing in-person file reviews of each component auditor's risk assessment and audit work, assessing the appropriateness of the conclusions reached.

In addition to reviewing the audit files of each component auditor, the Group audit team also evaluated the formal responses provided to our referral instructions, assessing whether the planned procedures had been performed appropriately.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESNARA PLC

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities** This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board;
- results of our enquiries of management, internal audit, the directors and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including significant component audit teams, and relevant internal specialists, including tax, actuarial, IT and ESG specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: expense assumptions used in the valuation of insurance contract liabilities and the valuation of Chesnara plc's investment in CA. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory solvency requirements and compliance with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA), De Nederlandsche Bank (DNB) and the Swedish Financial Services Authority (FSA).

Audit response to risks identified

As a result of performing the above, we identified expense assumptions used in the valuation of insurance contract liabilities and the valuation of Chesnara plc's investment in CA as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- enquiring of management, the Audit & Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FCA, PRA, DNB and FSA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Report relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 138;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate, set out on page 138;
- the directors' statement on fair, balanced and understandable, set out on page 139;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 58;
- the section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems, set out on page 103; and
- the section describing the work of the Audit & Risk Committee, set out on page 128.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters which we are required to address

Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the Group Board of Directors on 1 October 2009 to audit the financial statements for the year ending 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 16 years, covering the years ending 31 December 2009 to 31 December 2024.

Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

M. Bainbridge

Matthew Bainbridge (Senior Statutory Auditor) for and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

26 March 2025

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	Note	2024 £m	2023 £m
Insurance revenue	**D1**	261.9	228.0
Insurance service expense	**D1**	(244.1)	(224.8)
Net expenses from reinsurance contracts held	**D1**	(9.2)	(8.4)
Insurance service result		**8.6**	**(5.2)**
Net investment return	**D2**	1,286.1	1,023.5
Net finance (expenses)/income from insurance contracts issued	**D2**	(334.8)	(314.9)
Net finance income/(expenses) from reinsurance contracts held	**D2**	2.6	6.7
Net change in investment contract liabilities	**D2**	(740.4)	(529.6)
Change in liabilities relating to policyholders' funds held by the Group	**D2**	(160.8)	(114.0)
Net investment result		**52.7**	**71.7**
Fee, commission and other operating income	**D3**	104.2	89.4
Total revenue net of investment result		**165.5**	**155.9**
Other operating expenses	**D4**	(133.6)	(149.9)
Total income less expenses		**31.9**	**6.0**
Financing costs	**D5**	(11.1)	(11.0)
Profit arising on business combinations and portfolio acquisitions	**I7**	–	6.7
Profit/(loss) before income taxes	**C2**	**20.8**	**1.7**
Income tax credit	**D6**	(16.9)	16.9
Profit/(loss) for the period	**C2**	**3.9**	**18.6**
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange translation differences arising on the revaluation of foreign operations		(15.3)	(7.8)
Revaluation of land and building		0.4	0.1
Items that will not be reclassified to profit and loss:			
Revaluation of pension obligations after tax		–	(0.7)
Other comprehensive (expense)/income for the period, net of tax		**(14.9)**	**(8.4)**
Total comprehensive income/(expense) for the period		**(11.0)**	**10.2**
Basic earnings per share (based on profit or loss for the period)	**I3**	2.56p	12.36p
Diluted earnings per share (based on profit or loss for the period)	**I3**	2.52p	12.24p

The Notes and information on pages 152 to 243 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December	Note	2024 £m	Restated 2023 £m
Assets			
Intangible assets	**E1**	87.2	96.4
Property and equipment	**E2**	7.8	8.4
Investment properties	**E3**	91.7	88.1
Deferred tax assets	**G4**	38.9	54.6
Insurance contract assets	**F1**	1.8	3.9
Reinsurance contract assets	**F1**	169.9	185.7
Amounts deposited with reinsurers		34.3	32.5
Financial investments	**E4**	12,116.7	11,456.1
Derivative financial instruments	**E5**	0.1	0.3
Other assets	**E6**	68.7	57.7
Cash and cash equivalents	**E7**	138.0	146.0
Total assets		**12,755.1**	**12,129.7**
Liabilities			
Insurance contract liabilities	**F1**	4,099.1	4,203.0
Reinsurance contract liabilities	**F1**	16.6	17.1
Other provisions	**G1**	20.3	23.2
Investment contracts at fair value through profit or loss		6,116.7	5,872.3
Liabilities relating to policyholders' funds held by the Group		1,825.5	1,281.8
Lease contract liabilities	**G2**	0.6	1.2
Borrowings	**G3**	204.8	207.9
Derivative financial instruments	**E5**	0.6	4.4
Deferred tax liabilities	**G4**	24.7	24.3
Deferred income	**G5**	1.3	2.8
Other current liabilities	**G6**	129.7	131.7
Bank overdrafts	**E7**	0.8	0.2
Total liabilities		**12,440.7**	**11,769.9**
Net assets	**C2**	**314.4**	**359.9**
Shareholders' equity			
Share capital	**H1**	7.5	7.5
Merger reserve	**H1**	36.3	36.3
Share premium	**H1**	142.5	142.5
Other reserves	**H2**	(8.4)	6.5
Retained earnings	**H3**	136.5	167.0
Total shareholders' equity		**314.4**	**359.8**

The Notes and information on pages 152 to 243 form part of these financial statements.

Approved by the Board of Directors and authorised for issue on 26 March 2025 and signed on its behalf by:

Luke Savage
Chair

Steve Murray
Chief Executive Officer

Company number: 04947166

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December	Note	2024 £m	Restated 2023 £m
Profit/(Loss) for the period		**3.9**	**18.6**
Adjustments for:			
Depreciation of property and equipment	**E2**	0.9	0.8
Depreciation on right-of-use assets		0.8	0.8
Amortisation of intangible assets	**E1**	16.1	17.1
Impairment of intangible assets		–	21.0
Share-based payment		2.0	0.7
Tax expense/(credit)		16.9	(16.9)
Interest receivable		(18.5)	(5.6)
Dividends receivable		(34.9)	(2.3)
Interest expense		10.5	10.3
Fair value (gains)/losses on financial assets and investment properties		(1,286.1)	(1,023.5)
Profit on business combinations and portfolio acquisitions		–	(6.7)
Increase in intangible assets related to investment contracts		(11.3)	(10.2)
Adjustment total		**(1,303.6)**	**(1,014.5)**
Interest received		18.1	7.5
Dividends received		35.2	19.6
Changes in operating assets and liabilities:			
Decrease/(increase) in financial assets and investment properties		151.3	327.6
Decrease/(increase) in net reinsurers contract assets		14.8	7.8
Decrease/(increase) in amounts deposited with reinsurers		(1.8)	0.3
(Increase)/decrease in other assets		16.2	(19.5)
Increase/(decrease) in net insurance contract liabilities		35.7	93.8
Increase/(decrease) in investment contract liabilities		1,121.0	526.4
Increase/(decrease) in provisions		(2.2)	2.3
Increase/(decrease) in other current liabilities		(12.9)	5.7
Cash generated/(utilised) by operations		**75.7**	**(24.4)**
Income tax paid		(37.1)	(10.5)
Net cash generated/(utilised) from operating activities		**38.6**	**(34.9)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		–	30.3
Capital contribution received from subsidiary		5.8	–
Net proceeds/(purchases) of property and equipment		(0.8)	(0.8)
Net cash (utilised)/generated by investing activities		**5.0**	**29.5**
Cash flows from financing activities			
Net proceeds from the issue of share capital		–	0.2
Repayment of borrowings		(2.6)	(3.9)
Repayment of lease liabilities		(0.3)	(0.6)
Dividends paid		(36.5)	(35.4)
Interest paid		(10.3)	(10.1)
Net cash utilised by financing activities		**(49.7)**	**(49.8)**
Net decrease in cash and cash equivalents		**(6.1)**	**(55.2)**
Net cash and cash equivalents at beginning of period	**E7**	145.9	204.6
Effect of exchange rate changes on net cash and cash equivalents		(2.6)	(3.6)
Net cash and cash equivalents at end of the period	**E7**	**137.2**	**145.8**

Note. Net cash and cash equivalents includes overdrafts.

The Notes and information on pages 152 to 243 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2024	**7.5**	**142.5**	**36.3**	**6.5**	**167.0**	**359.8**
Profit for the year	–	–	–	–	3.9	3.9
Foreign exchange translation differences	–	–	–	(15.3)	–	(15.3)
Other items of comprehensive income	–	–	–	0.4	–	0.4
Total comprehensive income	**–**	**–**	**–**	**(14.9)**	**3.9**	**(11.0)**
Dividends paid	–	–	–	–	(36.5)	(36.5)
Share-based payment	–	–	–	–	2.1	2.1
Equity shareholders' funds at 31 December 2024	**7.5**	**142.5**	**36.3**	**(8.4)**	**136.5**	**314.4**

Year ended 31 December 2023 – restated	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2023	**7.5**	**142.3**	**36.3**	**14.9**	**183.1**	**384.1**
Profit for the year	–	–	–	–	18.6	18.6
Foreign exchange translation differences	–	–	–	(7.8)	–	(7.8)
Other items of comprehensive income	–	–	–	(0.6)	–	(0.6)
Total comprehensive income	**–**	**–**	**–**	**(8.4)**	**18.6**	**10.2**
Dividends paid	–	–	–	–	(35.4)	(35.4)
Issue of share premium	–	0.2	–	–	–	0.2
Share-based payment	–	–	–	–	0.7	0.7
Equity shareholders' funds at 31 December 2023	**7.5**	**142.5**	**36.3**	**6.5**	**167.0**	**359.8**

The Notes and information on pages 152 to 243 form part of these financial statements.

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A1 General information

Chesnara plc (Registered number 4947166) (the Company) is a limited liability company, incorporated in the United Kingdom and registered in England and Wales. The Company is limited by shares and has a primary listing on the London Stock Exchange. The address of the registered office is 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, England, PR1 8UY, UK.

The Company and its subsidiaries, together forming the Group, comprise UK, Swedish and Dutch life and pensions businesses.

The UK segment comprises a number of legacy books consisting of a mix of unit-linked, with-profits and non-linked business and is substantially closed to new business, such that new insurance contracts are only issued to existing customers, dependent on their changing needs. On 23 December 2024, Chesnara announced the acquisition of a block of unit-linked bond and pension business from Canada Life Limited. Further details regarding this transaction are disclosed in Note I7.

The Swedish segment comprises the Movestic business, as described in Note C1. Its activities are performed predominantly in Sweden, where it underwrites life, accident and health risks and provides a portfolio of investment contracts. It is open to new business, distributing its products principally through independent financial advisors.

The Dutch segment comprises the Waard Group and Scildon businesses, as described in Note C1. The Group's Dutch life businesses contain a mix of term life, unit-linked, index-linked and non-linked business. Scildon is open to new business for some of its products, whilst the Waard Group has seen growth in recent years through a number of acquisitions of closed-book portfolios.

These financial statements are presented in pounds sterling, which is the functional currency of the Parent Company. Foreign operations are included in accordance with the policies set out in Note A4. The results and cash flows of these operations have been translated into sterling at an average rate for the year of £1 = SEK 13.51 (2023: £1 = SEK 13.20) for the Swedish business and £1 = EUR 1.18 (2023: £1 = EUR 1.15) for the Dutch business.

Assets and liabilities have been translated at the year end rate of £1 = SEK 13.84 (31 December 2023: £1 = SEK 12.84) for the Swedish business and £1 = EUR 1.21 (31 December 2023: £1 = EUR 1.15) for the Dutch business.

Total foreign currency exchange rate loss for the year ended 31 December 2024 recognised in the Consolidated Statement of Comprehensive Income of £15.3m (year ended 31 December 2023: loss of £7.8m).

The financial statements were authorised for issue by the directors on 26 March 2025.

A2 Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and of entities controlled by the Company (its subsidiaries), made up to 31 December each year. Control is achieved when the Company is exposed or has rights to the variable returns from the involvement with the entity and has the ability to affect those returns through its power over the entity. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

There are no non-controlling interests in the net assets of the Group and all total comprehensive income is attributed to the Company shareholders.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A3 Basis of preparation

The consolidated and Parent Company financial statements have been prepared on a going concern basis. The directors believe that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for a minimum of 12 months from the date of signing. In making this assessment, the directors have taken into consideration the points as set out in the financial management section of the Annual Report and Accounts under the heading 'Maintain the Group as a going concern'.

The financial statements are presented in pounds sterling, rounded to the nearest one hundred thousand, and are prepared on the historical cost basis except for insurance and reinsurance contracts which are stated at their fulfilment value in accordance with IFRS 17 and the following assets and liabilities which are stated at their fair value: derivative financial instruments; financial instruments at fair value through profit or loss; investment property; and investment contract liabilities at fair value through profit or loss.

Assets and liabilities are presented in order of increasing liquidity in the balance sheet. In addition, amounts expected to be recovered or settled within a year are classified as current in the notes to the accounts. If they are expected to be recovered or settled in more than 1 year, they are classified as non-current in the notes to the accounts. Assets and liabilities are presented on a current and non-current basis in the Company Balance Sheet.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the process of applying the Group's accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in Note A5.

The Group prepares interim financial statements at half year and as permitted by IFRS 17 has elected to apply the 'year-to-date' method and restate estimates in respect of insurance contracts made in the previous interim financial statements, in these year end financial statements. This accounting policy election applies to all groups of insurance and reinsurance contracts.

The accounting policies set in Note A4, unless otherwise stated, have been applied consistently to all years presented in these Consolidated Financial Statements.

The Consolidated Financial Statements have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with United Kingdom adopted international accounting standards.

Restatement of prior year numbers

A prior year restatement has been applied in respect of the accounting treatment of the Canada Life portfolio in 2023.

In the previously reported financial statements for December 2023, a long contract boundary was applied in valuing the future cash flows beyond the expected termination of the reinsurance contract. On further assessment, as there is no executable right under the reinsurance agreement itself to the underlying policies, then under IFRS 17 requirements a short contract boundary should have been applied.

This accounting change means that the resulting CSM reflects only the profit to be realised in the reinsurance contract timeframe. Following the legal transfer of the underlying policies, the CSM is recalculated to reflect the profit to be earned on the full remaining duration of the policies.

Balance sheet:

	As reported £m	Restated £m
Present value of future cash flows	15.7	5.0
Risk adjustment	(0.9)	–
CSM	(11.2)	(1.5)
Assets for incurred claims	0.4	0.4
Insurance contract assets total	**4.0**	**3.9**

The total net assets reported at 31 December 2023 of £359.9m have therefore been restated to £359.8m from £359.9m as previously reported.

Income statement:

	As reported £m	Restated £m
Insurance revenue	228.0	228.0
Insurance service expense	(224.7)	(224.8)

The total comprehensive income reported for 2023 of £10.3m has therefore been restated to £10.2m.

Basic earnings per share has been restated from 12.41p to 12.36p.

Diluted earnings per share has been restated from 12.29p to 12.24p.

The Part VII business transfer for the transaction received court approval on the 3 February 2025.

Standards and amendments issued but not yet effective

At the date of authorisation of these financial statements the following standards and interpretations, which are applicable to the Group, and which have not been applied in these financial statements, were in issue but not yet effective:

Title	Effective date
IFRS 9/IFRS 7 Amendments to the classification and measurement of financial instruments	1 January 2026
IFRS 18 Presentation and disclosure financial statements	1 January 2027

The directors do not expect that the adoption of the IFRS 9/IFRS 7 amendments have a material impact on the financial statements of the Group in future periods. The directors expect that the adoption of IFRS 18 will have a material impact on the presentation of the primary statements in future periods.

BEPS 2.0

The Organisation for Economic Cooperation and Development (OECD) has introduced international tax reform measures under the Two-Pillar solution, including the Global Anti-Base Erosion (GloBE) rules, which establish a 15% global minimum tax for multinational groups with a consolidated turnover of at least EUR 750m in at least 2 of the past 4 years.

The Group operates in the United Kingdom, Sweden and the Netherlands, all of which have enacted legislation implementing BEPS Pillar II effective from 1 January 2024. Based on the latest available guidance and the Group's financial position, Chesnara remains below the EUR 750m threshold and is not in scope of the GloBE rules for 2024.

The Group continues to monitor interpretations of BEPS legislation in each jurisdiction to assess potential for future exposure, particularly the treatment of policyholder investment returns in the UK and the application of OECD guidance in Sweden in connection with insurance investment funds, together with the classification of taxes paid therefrom.

Although Chesnara remains below the threshold, the Group continues to assess potential future exposure, including the impact of business growth and future acquisitions; effective tax rates across jurisdictions; and the interaction of local tax regimes with GloBE rules.

Discussions with relevant tax authorities and industry bodies are ongoing to ensure continued compliance with evolving published and draft guidance.

Based on our assessment that Chesnara remains below the EUR 750m threshold, and is not in scope for BEPS in 2024, no adjustments to current or deferred tax have been made in respect of BEPS Pillar II, and no additional disclosures are required necessary under IAS 12.

A4 Material accounting policy information

The following accounting policy information is in respect of the Group and also for the Parent Company where it is applicable. The material accounting policies that relate to the Parent Company as well as to the Group are in respect of: Investment return, Other operating expenses, Financing costs, Income taxes, Financial investments, Derivative financial instruments, Other assets, Cash and cash equivalents, Lease contract liabilities, Borrowings, Other current liabilities and Employee benefits. The material accounting policies that relate to the Parent Company and not the Group are: Investment in subsidiary, Share-based payments, Share capital and shares held in treasury and Dividends.

(a) Insurance contracts and reinsurance contracts

(i) Scope and classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risk.

Insurance contracts may be issued, and reinsurance contracts may be initiated by the Group, or they may be acquired in a business combination or in a transfer of contracts that does form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, reinsurance contracts initiated or insurance or reinsurance contracts acquired by the Group, unless otherwise stated.

Some contracts entered into by the Group have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts' (see Note A4(b)). Similarly financial reinsurance contracts do not transfer significant insurance risk and are accounted for under IFRS 9. Mass lapse reinsurance contracts also contain no insurance risk and are accounted for under IAS 37.

A4 Material accounting policy information (continued)

(a) Insurance contracts and reinsurance contracts (continued)

(i) Scope and classification (continued)

Insurance contracts are classified as direct participating contracts or contracts without direct participating features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participating features. Some of these contracts are measured under the PAA.

The following table provides a summary of the broad product categories and the measurement model approach applied.

Classification	Product category
Long-term contracts without direct participating features (GMM)	Immediate annuities Term assurance and other non-linked Unit-linked/index-linked/with-profits – GMM
Long-term contracts with direct participating features (VFA)	Unit-linked/index-linked/with-profits – VFA
Short-term contracts (PAA)	Short-term protection

(ii) Separating components from insurance and reinsurance contracts

The Group does not have any distinct investment components which require separation from the insurance or reinsurance contract. Distinct investment components are investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

The Group does not have any insurance contracts containing embedded derivatives or have any insurance contracts which transfer distinct goods and services other than insurance contract services which require separation from the host contract.

(iii) Aggregation of insurance and reinsurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts that are subject to similar risks and are managed together. Each portfolio is divided into annual cohorts (i.e. by year of issue) and each annual cohort into a maximum of three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Further detail regarding the judgements involved in the defining portfolios and profitability groups can be found in Note A5(c).

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics can be included in the same group, however the Group has not taken advantage of this.

Portfolios of reinsurance contracts held are assessed separately from insurance contracts issued and are assessed for aggregation on an individual contract basis. Some reinsurance contracts provide cover for underlying contracts that are included in different groups.

As per the gross insurance contracts the reinsurance contracts are divided into profitability groupings as follows:

- any contracts on which there is a net gain on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of showing a net gain subsequently; and
- any remaining contracts in the annual cohort.

All reinsurance contracts within the Group fall into the third profitability category above.

(iv) Recognition and derecognition of insurance and reinsurance contracts

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when a group of contracts becomes onerous or if the facts and circumstances indicate that a group of contracts is onerous for those contracts measured using the PAA.

An insurance contract acquired in a transfer of contracts, or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Non-proportionate reinsurance contracts are recognised at the earlier of:

(a) the beginning of the coverage period of the group of reinsurance contracts; or

(b) the date the entity recognises an onerous group of underlying insurance contracts if the entity entered into the related reinsurance contract held at or before that date.

The recognition of proportionate reinsurance contracts is delayed until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

Reinsurance contracts acquired as recognised at the date of acquisition.

The Group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled. The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

(v) Fulfilment Cash Flows

The Fulfilment Cash Flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts and:

- are unbiased estimates of the future cash flows;
- are determined from the perspective of the Group, provided that the estimates are consistent with observable market practises and variables; and
- reflect conditions existing at the period-end date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates and reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non financial risk represents the amount of risk being transferred by the Group to the reinsurer. Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note A5(e).

The estimates of the future cash flows are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation (See Note A5(d)).

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

(vi) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Group. For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment related services).

A substantive obligation to provide insurance contract services ends when either:

- the Group has the practical ability to reassess the risks of the particular policyholder and as a result can set a price or level of benefits that fully reflects those risks, or
- the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and as a result can set a price or level of benefits that fully reflects the risk of that portfolio unless the pricing of the premiums up to the date when the risks are reassessed takes into account the risks that relate to periods after the assessment.

For reinsurance contracts cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

(vii) Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset and the asset is derecognised, when the insurance acquisition cash flows are included in the measurement of the group of contracts. The Group derecognises the assets for insurance acquisition cash flows in the year within the reporting period in which the expenses are incurred and therefore does not have any assets for insurance acquisition cash flows on the balance sheet at the reporting date.

(viii) Initial measurement – insurance contracts not measured under the PAA

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognise as it provides insurance contract services in the future. At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

(a) the initial recognition of the FCF; and

(b) cash flows arising from the contracts in the group at that date.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised (see Note A4(a)(xi)).

(ix) Initial measurement – reinsurance contracts not measured under the PAA

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

(a) the initial recognition of the FCF;

(b) cash flows arising from the contracts in the group at that date; and

(c) any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (c) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

(x) Contracts acquired in a business combination or portfolio transfer

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date. If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or the gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue and instead reported within ‘insurance service expense’.

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A4 Material accounting policy information (continued)
(a) Insurance contracts and reinsurance contracts (continued)
(xi) Subsequent measurement – insurance contracts not measured under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC). The LRC comprises the FCF that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The LIC includes the FCF for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The FCF of groups of insurance contracts are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated follow the general principle below:

(a) changes that relate to current or past service are recognised in profit or loss; and

(b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM:
The following adjustments relate to future service and thus adjust the CSM:

(a) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

(b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

(c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

(d) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b) and (d) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

(a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;

(b) changes in the FCF relating to the LIC; and

(c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Group does not classify any premiums received in the period as relating to current service on materiality grounds.

For insurance contracts under the VFA:
Direct participating contracts are contracts under which the Group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The Group provides investment related services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

The Group has not applied the risk mitigation option that is available under IFRS 17.B115 regarding offsetting the impacts of derivatives and reinsurance contracts and therefore recognises all changes in financial risk and the time value of money against the CSM for direct participating contracts.

The following adjustments relate to future service and thus adjust the CSM:

(a) changes in the amount of the Group's share of the fair value of the underlying items; and

(b) changes in the FCF that do not vary based on the returns of underlying items:

  (i) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;

  (ii) changes in estimates of the present value of future cash flows in the LRC; and

  (iii) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

(a) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;

(b) changes in the FCF that do not vary based on the returns of underlying items:

  (i) changes in the FCF relating to the LIC; and

  (ii) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Group does not classify any premiums received in the period as relating to current service on materiality grounds.

Changes to the CSM for insurance contracts:
For insurance contracts, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

(i) the CSM of any new contracts that are added to the Group in the year;

(ii) interest accreted on the carrying amount of the CSM during the year (for contracts under the GMM, using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items);

(iii) as detailed above, changes in fulfilment cash flows that relate to future services, to the extent that there is a CSM available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with the impact going to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;

(iv) the effect of any currency exchange differences on the CSM; and

(v) the amount recognised as insurance revenue for insurance services provided in the year, determined after all other adjustments above.

The CSM for Movestic, Scildon in Waard is calculated in the Swedish krona and euro respectively and translated into sterling on consolidation into the Group financial statements.

Release of the CSM to profit or loss for insurance contracts – coverage units
The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. The coverage period is defined as a period during which the entity provides insurance contract

services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA.

Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the Group expects these amounts to include an investment return that is achieved by the Group by performing investment activities to generate that investment return.

Note A5(g) sets out the coverage units that are applied to the products within the Group.

Insurance contracts – loss component
When the negative adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous, and the Group recognises the excess in insurance service expenses and records the excess as a loss component of the LRC. Both additions and reversals to the loss component are measured at locked-in discount rates and allocations are made at the beginning of the period. The systematic allocation is calculated as the opening loss component of the LRC divided by the sum of the total opening present value of future cash flows and adjustment for future non-financial risk.

When a loss component exists, the Group allocates between the loss component and the remaining component of the LRC for the respective group of contracts, on a systematic and rational basis for:

(a) expected incurred claims and other directly attributable expenses for the period;

(b) changes in the risk adjustment for non-financial risk for the risk expired; and

(c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses. Decreases in the FCF in subsequent periods that relate to future service reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods that relate to future service increase the loss component.

Movement in the loss component comprises changes in experience and systematic allocation. Changes relating to experience and assumptions are presented as 'Losses and reversals of losses on onerous contracts' and changes relating to systematic allocation are presented as 'Incurred claims and other directly attributable expenses' in the loss component column of the 'analysis by remaining coverage and incurred claims' tables in the insurance and reinsurance contracts notes in Section F.

(xii) Subsequent measurement – reinsurance contracts not measured under the PAA
The carrying amount of a group of insurance contracts at each reporting date is the sum of the Asset for Remaining Coverage (ARC) and the Asset for Incurred Claims (AIC). The ARC comprises the FCF that relates to services that will be received under the reinsurance contracts held in future periods and any remaining CSM at that date. The AIC comprises the FCF related to past service for incurred claims that have not yet been received.

Changes to the CSM for reinsurance contracts:
For reinsurance contracts, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

(i) the CSM of any new contracts that are added to the Group in the year;

(ii) Interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;

(iii) Income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;

(iv) reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;

(v) changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;

(vi) the effect of any currency exchange differences on the CSM; and

(vii) the amount recognised in profit or loss because of the services received in the year.

Income referred to in (iii) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts. For the purposes of (iii) to (v) above, when underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Release of the CSM to profit or loss for reinsurance contracts – coverage units
For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period. Note A5(g) sets out the coverage units that are applied to the reinsurance contracts held within the Group.

Reinsurance contracts held – loss-recovery component
A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Group expects to recover from the group of reinsurance contracts held. The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

(xiii) Insurance and reinsurance contracts measured under PAA
The Group uses PAA to simplify the measurement of groups of contracts where the coverage period of each contract in the group is 1 year or less. This approach is used for stand-alone short-term protection products in Movestic.

On initial recognition of each group of insurance contracts, the carrying amount of the LRC is measured at the premiums received. The Group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the LRC is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided. On initial recognition of each group of contracts, the Group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the Group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

For contracts measured under the PAA, the LIC is adjusted for the time value of money, as the contracts issued and measured under the PAA typically have a settlement period of over 1 year. A risk adjustment for non-financial risk is also calculated.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

A4 Material accounting policy information (continued)

(a) Insurance contracts and reinsurance contracts (continued)

(xiv) Non-distinct investment components

Insurance revenue and insurance service expenses exclude any Non-Distinct Investment Components (NDIC). The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses, being recognised instead directly in the balance sheet.

The table that follows details the source of the NDICs for the broad product categories.

Product category	Typical NDIC
Immediate annuities	None
Term assurance and other non-linked	Term assurance: None Other non-linked: Lower of death, surrender and maturity benefit
Unit-linked/index-linked/with-profits – GMM	Lower of death, surrender and maturity benefit
Unit-linked/index-linked/with-profits – VFA	Lower of death, surrender and maturity benefit
Short-term protection	None

(xv) Presentation in the profit and loss and balance sheet

Under IFRS 17, for contracts not measured under the PAA, the Group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the LRC that relate to services for which the Group expects to receive consideration. This mainly comprises the release of expected claims, the risk adjustment expired and the CSM amortised in the period.

For contracts measured under the PAA, the insurance revenue for each period equates to the amount of expected premium receipts for providing services in the period.

‘Insurance service expenses’ in each reporting period represents the cost of providing those services, broadly comprising incurred claims and benefits and expenses that are directly attributable to providing the service in the period. Incurred claims and benefits include lapse amounts but exclude NDICs per note above.

‘Net income/(expenses) from reinsurance contracts’ generally comprises reinsurance expenses and the recovery of incurred claims. Reinsurance expenses are recognised similarly to insurance revenue, with the amount of reinsurance expenses representing an allocation of the premiums paid to reinsurers that depicts the received insurance contract services in the period. Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts issued. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis on the face of the income statement as ‘net expenses from reinsurance contracts’ in the insurance service result.

Together, the insurance revenue, insurance service expenses and net income/(expenses) from reinsurance contracts make up the insurance service result, presented on the face of the income statement.

The ‘investment result’ comprises the ‘net investment return’, changes in investment contract liabilities and policyholder funds held by the Group and insurance finance income or expenses (IFIE) for both insurance and reinsurance contracts. The IFIE broadly includes the effect of changes in the time value of money and the effect of financial risk and changes in financial risk. The Group includes all IFIE in the profit or loss, with no disaggregation into Other Comprehensive Income.

The Group disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses so that the impact of measuring the risk adjustment for non-financial risk at current discount rates is reported within insurance finance income or expense.

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the balance sheet. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

(b) Investment contracts

Investment contracts are contracts that carry financial risk, with no significant insurance risk and are accounted for under IFRS 9. Where contracts contain both insurance and investment components the investment component can only be separated if it meets the requirements of a ‘distinct investment component’. Distinct in this sense is where the investment component is not highly inter-related with the insurance component and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

All investment contract liabilities are designated on initial recognition as held at fair value through profit or loss. The Group has designated investment contract liabilities at fair value through profit or loss as this more closely reflects the basis on which the businesses are managed.

The financial liability in respect of unit-linked contracts is measured by reference to the value of the underlying net asset value of the unitised investment funds, determined on a bid value, at the balance sheet date.

For the UK business, the impact of deferred tax on unrealised capital gains is passed to the policyholder and for the Swedish business a policyholder yield tax in respect of an estimate of the investment return on the underlying investments in the unitised funds are also reflected in the measurement of the respective unit-linked liabilities.

Investment contract liabilities are managed together with related investment assets on a fair value basis as part of the documented risk management strategy.

The fair value of other investment contracts is measured by discounting current estimates of all contractual cash flows that are expected to arise under contracts.

Amounts collected on investment contracts are accounted for using deposit accounting, under which the amounts collected, less any initial fees deducted, are credited directly to the balance sheet as an adjustment to the liability to the investor. Similarly, benefits paid are not included in the income statement but are instead deducted from investment contract liabilities in the accounting period in which they are paid.

(c) Amounts deposited with reinsurers

Amounts deposited with reinsurers are investment contract assets under reinsurance arrangements, which primarily involve the transfer of financial risk with no significant insurance risk. These assets are designated on initial recognition as at fair value through profit or loss in order to significantly reduce the accounting mismatch with the corresponding liabilities which these assets share a risk with and tend to offset. These assets are accounted for under IFRS 9 in line with the corresponding gross investment contracts.

(d) Investment return

Investment return comprises investment income from financial assets and rental income from investment properties.

Income from financial assets comprises dividend and interest income, net fair value gains and losses (both unrealised and realised) in respect of financial assets classified as fair value through profit or loss, and realised gains on financial assets classified as measured at amortised cost.

Dividends are accrued on an ex-dividend basis. Interest received and receivable in respect of interest-bearing financial assets classified as fair value through profit or loss is included in net fair value gains and losses. For financial assets measured at amortised cost, interest income is calculated using the effective interest method.

Rental income from investment properties under operating leases is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of each lease. Lease incentives are recognised in the Consolidated Statement of Comprehensive Income as an integral part of the total lease income.

The investment return in respect of assets backing investment contracts is disclosed separately from the investment return for those assets backing insurance contracts in order to meet the IFRS 17 requirement to illustrate the relationship between insurance finance income or expenses and the corresponding return on the assets.

(e) Fee, commission income and other operating income

Fee and commission income for investment contracts:
In accordance with IFRS 15, fees charged for investment management services provided in connection with investment contracts are recognised as revenue over time, as the services are provided. Initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period over time in which services will be provided.

Initial fees, annual management charges and contract administration charges are recognised over time as revenue on an accruals basis. Surrender charges are recognised as a reduction to policyholder claims and benefits incurred when the surrender benefits are paid and as such are not reported in the income statement.

Commissions received or receivable which do not require the Group to render further services are recognised at the point at which the commission becomes due. However, when it is probable that the Group will be required to render further services during the life of the contract, the commission, or part thereof, is deferred and recognised over time as revenue over the period in which services are rendered.

All fees in respect of insurance contracts are now recognised within insurance revenue.

Other operating income:
Fee income from investment managers is recognised in accordance with IFRS 15 and are in relation to Movestic, and are received from the fund companies, based on the value of the managed assets. The fee income is recognised and adjusted on an ongoing basis, as Movestic meets its commitments.

(f) Other operating expenses

Actual incurred expenses within the Group are assessed according to the Group's guidelines to consider whether they are attributable to fulfilling insurance contracts and those meeting this requirement are reported as 'insurance service expenses'. As part of this assessment, the eligible expenses are apportioned between investment and insurance contracts on a systematic and rational basis. Certain expenses such as project expenses and one-off expenses are considered to be non-attributable and are therefore excluded from the apportionment and directly allocated to 'other operating expenses'. The 'other operating expenses' therefore include all expenses that are not attributable to insurance contracts, as they are either not eligible or have been apportioned to investment contracts.

Operating lease payments
Under IFRS 16, the deprecation of right-of-use assets is recognised in the Statement of Comprehensive Income as an administration expense. Payments made in relation to lease commitments are reflected in the balance sheet as a reduction to the corresponding lease liability.

(g) Financing costs

Financing costs comprise interest payable on borrowings and on reinsurance claims deposits included within reinsurance payables, calculated using the effective interest rate method. Under IFRS 16, interest on lease liabilities is recognised in the Statement of Comprehensive Income as finance costs.

(h) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income. Tax that relates directly to transactions reflected within equity is also presented within equity.

(i) Current tax
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities arising from different tax jurisdictions in which the Group operates are not offset against each other.

(iii) Policyholders' fund yield tax
Certain of the Group's policyholders within the Swedish business are subject to a yield tax which is calculated based on an estimate of the investment return on underlying investments within their unitised funds. The Group is under an obligation to deduct the yield tax from the policyholders' unitised funds and to remit these deductions to the tax authorities. The remittance of this tax payment is included in other operating expenses as it does not comprise a tax charge on Group profits.

(i) Intangible assets

(i) Acquired value of in-force business (AVIF)
Acquired in-force investment contracts are in respect of investment contracts acquired under business combinations and are measured at fair value at the time of acquisition.

The present value of in-force investment contracts recognised under IFRS 9 is stated at cost less accumulated amortisation and impairment losses. The initial cost is deemed to be the fair value of the contractual customer relationships acquired. The acquired present value of the in-force investment contracts is carried gross of tax and is amortised against income on a time profile which, it is intended, will broadly match the profile of the underlying emergence of profit from the contracts. The recoverable amount is estimated at each balance sheet date. If the recoverable amount is less than the carrying amount, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income and the carrying amount is reduced to its recoverable amount.

(ii) Acquired value of customer relationships (AVCR)
The acquired value of customer relationships arising from business combinations is measured at fair value at the time of acquisition. This comprises the discounted cash flows relating to new insurance and investment contracts which are expected to arise from existing customer relationships. These are carried gross of tax, are amortised in accordance with the expected emergence of profit from the new contracts and are tested for recoverability if there is an indication of impairment.

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A4 Material accounting policy information (continued)

(i) Intangible assets (continued)

(iii) Software assets

An intangible asset in respect of internal development software costs is only recognised if all of the following conditions are met:

(i) an asset is created that can be identified;

(ii) it is probable that the asset created will generate future economic benefits; and

(iii) the development costs of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Software assets, including internally developed software, are amortised on a straight-line basis over their estimated useful life, which typically varies between 3 and 5 years.

(iv) Deferred acquisition costs

Acquisition costs relating to investment contracts comprise directly attributable incremental acquisition costs, which vary with, and are related to, securing new contracts, and are recognised as an asset under IFRS 15 to the extent that they represent the contractual right to benefit from the provision of investment management services. The asset is presented as a deferred acquisition cost asset and is amortised over the expected term of the contract, as the fees relating to the provision of the services are recognised. All other costs are recognised as expenses when incurred.

(j) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful economic lives of the property and equipment on the following basis:

Computers and similar equipment	3 to 5 years
Fixtures and other equipment	5 years

Assets held under leases, as right-of-use assets, are depreciated over their useful economic lives on the same basis as owned assets, or where shorter, over the term of the relevant lease. These include office buildings, office and IT equipment and motor vehicles.

(k) Investment properties

Investment properties consist of properties held in the Unit-Linked Property Investment Fund and SIPP Commercial Property (Directly Held) in our UK division, as described below.

Unit-Linked Property Investment Fund

The properties held in the unit-linked property fund are valued on a monthly basis by Jones Lang Lasalle (JLL), an independent property valuer, on an open-market basis. Their valuation is prepared in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards (5th Edition).

The properties are measured initially at cost. The carrying amount includes the cost of replacing part of an existing property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of a property. Subsequent to initial recognition, properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of properties are included within investment income in the Statement of Comprehensive Income in the year in which they arise. Rental income from investment property is accounted for as described in Accounting Policy (l).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes. All such valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

The properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised within investment income in the Statement of Comprehensive Income in the year of retirement or disposal.

SIPP Commercial Property (Directly Held)

The self-invested fund properties are initially recorded at purchase price and then valued triennially, by an independent professional valuer, on an open market basis, using valuation models in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards (5th Edition). The portfolio is revalued annually using an index valuation on each property. Any funds in receipt of the sale of the property are for the benefit of the respective pension fund members.

(l) Financial investments, assets and liabilities

IFRS 9 requires financial investments to be classified into measurement categories using the ‘business model’ test and the ‘solely payment of principal and interest’ test. The measurement categories under IFRS 9 are:

(i) Amortised Cost (AC);

(ii) Fair Value Through Other Comprehensive Income (FVOCI); and

(iii) Fair Value Through Profit or Loss (FVTPL).

IFRS 9 also permits the application of a ‘fair value option’ in instances where the outcome of the business model and SPPI tests would lead to a classification of financial assets that would result in an accounting mismatch with the corresponding liabilities.

The Group has accordingly classified all financial assets held for investment purposes and derivative financial instruments as FVTPL either mandatorily as a result of the business model and SPPI tests or has designated as FVTPL as permitted by the ‘fair value option’. The fair values of financial assets quoted in an active market are their bid prices at the balance sheet date.

Asset groups to which the fair value option has been applied are debt securities, the mortgage loan portfolio and cash and cash equivalents. The mortgage loan portfolio includes the savings mortgage books for Argenta which encompass both insurance and investment components. As a separate contractional relationship exists, the mortgage assets are accounted for separately to the liabilities. For the liabilities, the investment component and the insurance component are not separated but accounted for as a single unit of account.

The present value of the insurance liabilities associated with the mortgage loan and debt securities are strongly dependent on discount rates sourced from market data and therefore a classification of AC for these assets would lead to a large mismatch with the insurance liability.

Investments in subsidiaries are carried in the Company Balance Sheet at cost less impairment and all short-term receivables are classified as AC.

Financial assets are derecognised when contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities

‘Investment contract liabilities’ and ‘Liabilities relating to policyholder funds held by the Group’ are designated as FVTPL, since the liabilities are managed together with the investment assets on a fair value basis as part of the documented risk management strategy. Purchases and sales of ‘regular way’ financial assets are recognised on the trade date, which is when the Group commits to purchase, or sell, the assets.

Borrowings and short-term payables are classified as AC.

(m) Impairment and Expected Credit Loss provisioning

IFRS 9 utilises a forward-looking Expected Credit Loss (ECL) impairment model which applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

As stated above, for the Group all financial assets held for investment purposes are classified as FVTPL. Financial assets that are subject to ECL provisioning are limited to short-term receivables only. The simplified approach under IFRS 9 has been applied in assessing full lifetime loss provisions for these assets. Due to the short-term nature of these instruments and the minimal historical losses on these asset classes, the resulting provisions that would be required are not considered to be material and therefore no provision is made.

(n) Policyholders' funds held by the Group and liabilities relating to policyholders' funds held by the Group

Policyholders' funds held by the Group and liabilities relating to policyholders' funds held by the Group are investment contracts that are recognised at fair value and accounted for under IFRS 9.

(i) Policyholders' funds held by the Group
The policyholders' funds held by the Group represent the assets associated with an investment product in the Swedish business, where the assets are held on behalf of the policyholder, for which the group holds a corresponding liability as noted in (ii) below.

The policyholders' funds held by the Group are held for investment purposes on behalf of the policyholders and are designated as at fair value through profit or loss. The fair values of the policyholders' funds held by the Group are the accumulation of the bid prices of the underlying assets at the balance sheet date. Transactions in these financial assets are recognised on the trade date, which is when the Group commits (on behalf of the policyholder) to purchase or sell the assets.

(ii) Liabilities relating to policyholders' funds held by the Group
The liability relating to policyholders' funds held by the Group represents the liability that matches the asset policyholders' funds held by the Group.

(o) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. Hedge accounting has not been applied.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Embedded derivatives which are not closely related to their host contracts, and which meet the definition of a derivative are separated and fair valued through profit or loss.

(p) Other assets

'Other assets' comprise receivables arising from investment contracts and other receivables such as accrued interest, receivables from fund management companies and income tax balances. Financial assets classified as 'other assets', other than accrued interest, are stated at amortised cost less impairment losses. These assets are subject to an expected credit loss assessment under IFRS 9 and are assessed as being immaterial given the typically short-term nature of these balances. The majority of the accrued interest relates to financial assets that are measured at FVTPL and are therefore not subject to the expected credit loss assessment.

(q) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments. Highly liquid is defined as having a short maturity of 3 months or less at their acquisition.

Operating activities cash flows include loans and financial investments. The purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. This is due to the cash receipts and payments made on behalf of the customers for which their funds are held by the entity. Dividends and interest received from the financial investments are captured within the operating activities.

Investing activities cash flows include cash payments to acquire property, plant and equipment, intangibles, and other long-term assets. These payments include those relating to capitalised development costs.

Financing activities cash flows include cash proceeds from issuing share capital, cash payments to owners to acquire or redeem the entity's shares, cash repayments of amounts borrowed, cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease, dividends paid out to shareholders, and interest paid on the borrowings.

(r) Other provisions

Provisions are recognised when the Group has a present, legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. The Group recognises provisions for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(s) Lease contract liabilities

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments
- Variable lease payments
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options
- The payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the Consolidated Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A4 Material accounting policy information (continued)

(s) Lease contract liabilities (continued)

The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset. The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if these were owned. For the Group this is 'Property and Equipment'.

For short-term leases (lease of than 12 months or less) and leases of low-value assets (such as personal computers and office furniture) the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Other operating expenses' in the Consolidated Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group's weighted average incremental borrowing rate applied to lease liabilities during 2024 is 4.7% for the UK division, 2.1% or the Swedish division and 2.0% for the Dutch division.

(t) Borrowings

Borrowings are recognised initially at fair value, less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised in the Consolidated Statement of Comprehensive Income on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial liability.

(u) Deferred income

Deferred income is in respect of initial fees that relate to the future provision of services that are deferred and amortised over the anticipated period.

(v) Other current liabilities

'Other current liabilities,' comprising investment contract payables and other payables, are recognised when due and are measured on initial recognition at the fair value of the consideration paid. Current liabilities in respect of insurance contracts are reported as part of the Liability for Incurred Claims.

(w) Employee benefits

(i) Pension obligations

UK businesses

Group companies operate defined contribution pension schemes, which are funded through payments to insurance companies, to which Group companies pay fixed contributions. There are no legal or constructive obligations on Group companies to pay further contributions if the fund does not hold sufficient assets to pay employee benefits relating to service in current and prior periods. Accordingly, Group companies have no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised in the Consolidated Statement of Comprehensive Income when due.

Swedish business

The Group participates in a combined defined benefit and defined contribution scheme for the benefit of its employees. However, the Scheme is a multi-employer scheme, with the associated assets and liabilities maintained on a pooled basis. There is limited information available to the Group to allow it to account for the Scheme as a defined benefit scheme and, in accordance with IAS 19 Employee Benefits, it is, therefore, accounted for as a defined contribution scheme. Contributions paid to the Scheme are recognised in the Consolidated Statement of Comprehensive Income when due.

Dutch business (Waard)

Group companies operate defined contribution pension schemes, which are funded through payments to insurance companies, to which Group companies pay fixed contributions. There are no legal or constructive obligations on Group companies to pay further contributions if the fund does not hold sufficient assets to pay employee benefits relating to service in current and prior periods. Accordingly, Group companies have no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised in the Consolidated Statement of Comprehensive Income when due.

As a result of the Conservatrix acquisition, Waard Leven assumed the obligations under a defined benefit pension scheme for a small number of former Conservatrix employees. This scheme is closed to new entrants with no further benefits accruing and as such the exposure for Waard Leven is limited to the longevity risk of the contracts. The liability is valued under IAS 19 and reported under 'Other provisions' in the balance sheet.

Dutch business (Scildon)

Scildon had a defined benefit plan which was closed and transferred into a defined contribution pension plan during 2019. The defined benefit pension scheme was administered by Stichting Pensionfonds Legal & General Nederland. The Company had agreed to contribute to the premium for the unconditional part of the pension. The Company paid a contribution to the Scheme and subsequently had no further financial obligations with respect to this part of the Scheme. During 2019, a new defined contribution pension scheme was established for the benefit of Scildon employees.

(ii) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The expense is recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

(x) Share-based payments (Parent Company only)

The value of employee share options and other equity settled share-based payments is calculated at fair value at the grant date using appropriate and recognised option pricing models. Vesting conditions, which comprise service conditions and performance conditions, other than those based upon market conditions, are not taken into account when estimating the fair value of such awards but are taken into account by adjusting the number of equity instruments included in the ultimate measurement of the transaction amount. The value of the awards is recognised as an expense on a systematic basis over the period during which the employment services are provided. Where an award of options is cancelled by an employee, the full value of the award (less any value previously recognised) is recognised at the cancellation date.

(y) Share capital and shares held in treasury (Parent Company only)

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments, as consideration for the acquisition of a business, are included in the cost of acquisition.

(ii) Shares held in treasury

Where the Company purchases its own equity share capital, the consideration paid, including directly attributable costs, is deducted from total shareholders' equity and shown separately as 'treasury shares' until they are cancelled. Where such shares are subsequently sold, any consideration received is credited to the share premium account.

(z) Dividends (Parent Company only)

Dividend distributions to the Company's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, when approved by the Company's shareholders at the Annual General Meeting.

(aa) Investment in subsidiaries (Parent Company only)

Investments in subsidiaries are carried in the balance sheet at cost less impairment. The Company assesses at each reporting date whether an investment is impaired by assessing whether any indicators of impairment exist. If objective evidence of impairment exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the Group entity and its carrying value and recognises the amount as an expense in the income statement. The recoverable amount is determined based on the cash flow projections of the underlying entities.

(ab) Business combinations

Acquisitions meeting the definition of a 'business' are accounted for under IFRS 3 'Business combinations'. This requires management to perform an assessment of the fair value of the assets and liabilities acquired and consideration paid at the point of acquisition. The acquiree's identifiable assets, liabilities, and contingent liabilities, are classified according to the relevant accounting standard and are measured initially at their fair values at the acquisition date. Expenses directly attributable to the acquisition are expensed as incurred unless determined to be attributable to future insurance contracts. Gains arising on a bargain purchase, where the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed exceeds the fair value of the consideration for the acquisition, are recognised in the Consolidated Statement of Comprehensive Income. Where the fair value of the consideration exceeds the fair value of the assets and liabilities acquired it is recognised as a goodwill intangible asset on the Group balance sheet.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(ac) Portfolio transfers

Where a transaction is not deemed to be a business combination it is accounted for as an asset and liability purchase. In this scenario the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The cost of the transaction to the Group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

(ad) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates, being its functional currency. For the purpose of these Consolidated Financial Statements, the results and balance sheet of each Group company are expressed in pounds sterling, which is the functional currency of the Parent Company and the presentation currency of the Consolidated Financial Statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency, being foreign currencies, are recorded at the rates of exchange prevailing on the dates of the transactions. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. At each balance sheet date, monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date and exchange differences are recognised in profit or loss. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing when the fair value was determined.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising are classified as other comprehensive income and are recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expense in the year in which the operation is disposed of.

Transactions relating to business combinations denominated in foreign currencies are translated into sterling at the exchange rates prevailing on the transaction date.

(ae) Climate change

In our Climate-related Financial Disclosures on pages 74 to 91, we note that climate change-related risks are potentially material and as such we have made commitments to transition to net zero by 2050. Primarily for Chesnara, climate change risk would be expected to arise through other financial risks e.g. equity risk, credit risk etc (PR1 – Investment and Liquidity risk) and also regulatory risk given the level of ongoing change. The Group is also exposed to strategic and reputational risks (PR9 – Reputational risk) arising from its action or inaction in response to climate change.

The year end balance sheet does not include any explicit adjustments in relation to climate risk related impacts. This is based on the expectation that financial markets will factor into their pricing the potential risks and impacts of climate change and other sustainability risks. The market approach to this will continue to develop as the methodology and underlying data to quantify the potential risk becomes better understood.

A5 Significant accounting judgements and estimates

In preparing the financial statements, the Group makes judgements and applies estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Disclosures of judgements made by the Group in applying the accounting policies include those that have the most significant effect on the amounts that are recognised in the Consolidated Financial Statements.

Such estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Details of all critical accounting judgements and estimates are set out in the notes that follow.

IFRS 17 significant judgements applied in determining the transition amounts

(a) Judgement in applying the IFRS 17 fair value approach at transition

IFRS 17 became effective from 1 January 2023 with a transition date of 1 January 2022. The Group applied the full retrospective approach where practical to measure each group of insurance contracts on transition which means IFRS 17 has been applied since acquisition into the Group. Where it was impractical to apply the full retrospective approach a fair value approach was used. The transition approach was determined at the level of a group of insurance contracts, however due to the factors under consideration (such as the length of time since acquisition and availability of data) the outcome of the practicability assessment resulted in a transition approach being applied for the operating segment as a whole, with the exception of Movestic.

Operating segment	Transition approach
UK – CA	Fair value
Movestic	Fair value*
Waard Group	Full retrospective
Scildon	Full retrospective
Other Group activities	N/A

*For PAA contracts in Movestic the Group has concluded that it is practicable to apply the full retrospective approach and hence this was applied. However, it was concluded that the full retrospective approach could not be applied to the majority of the pension benefits in scope of IFRS 17, and hence the fair value approach has been applied.

Note F2 provides information relating to the disaggregation of insurance revenue and CSM by transition approach.

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting judgements and estimates (continued)

IFRS 17 significant judgements applied in determining the transition amounts (continued)

(a) Judgement in applying the IFRS 17 fair value approach at transition (continued)

The Group determined that it would be impracticable to apply the full retrospective approach where the following applied:

(i) Historical cash flow information was unavailable at the required level of aggregation

(ii) Historical actuarial models were unavailable

(iii) Information relating to historical assumptions that reflected the conditions existing at the relevant date was unavailable or not possible to create without the use of hindsight

Chesnara has been able to apply the full retrospective approach to all material business acquired or written since 2016 when SII was introduced. There was no material new business in the UK or Sweden from 2016 to the transition date. In addition the full retrospective approach has been applied to all of the contracts within Waard, which includes business acquired in 2015. Note A5 provides information relating to the key accounting judgements applied to business that has transitioned under the full retrospective approach.

In applying the fair value approach, the Group determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, 'Fair Value Measurement' (IFRS 13), and its FCF at the transition date. The fair value of an insurance liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date.

In the absence of recent market transactions for similar contracts, a present value technique was used to determine the fair value of the groups of contracts. IFRS 13 defines fair value accounting techniques according to the inputs used. The lack of observable market prices for the liabilities under consideration and hence the reliance on significant judgement to determine a market participant's view results in the present value technique being considered a Level 3 technique. The significant judgements to determine a market participant's view include:

(a) a market participant's view of the expected future cash flows and risk allowances would align to Chesnara's view;

(b) only future cash flows within the boundaries of the insurance contracts were included in the market participant's fair value estimation;

(c) a market participant would require a compensation for the cost of holding capital in respect of the liabilities which has been determined based on market rates; and

(d) a market participant would determine the compensation for the cost of holding capital based on a buffer in excess of the SII regulatory capital requirements. The buffer assumed is in the range of 130%-140% reflecting the specifics of the underlying business.

A number of specific modifications are permitted when using the fair value approach. The Group has adopted the following modifications:

(i) Level of aggregation – to use information at the transition date to identify groups of insurance contracts;

(ii) Level of aggregation – to group annual cohorts of business;

(iii) Level of aggregation – the assessment for profitability was made at the transition date; and

(iv) Measurement model – to use information at the transition date to assess eligibility for the VFA.

Fulfilment cash flows were estimated prospectively at the transition date and discount rates were determined at the transition date.

IFRS 17 accounting judgements

(b) Separation of contracts and classification

Judgement has been exercised across the Group in determining whether contracts issued contain significant insurance risk and whether contracts including investment components and insurance components can be separated. Once any investment components are separated, the Group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts to reflect the substance of the transaction. To determine whether insurance components should be recognised and measured separately, the Group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately. When the Group enters into one legal contract with different insurance components operating independently of each other, insurance components are recognised and measured separately applying IFRS 17.

Generally, the contracts identified as insurance contracts under IFRS 17 at transition were the same as those under IFRS 4. However, there are some contracts, in the Swedish business, where under IFRS 17 the investment and insurance components can no longer be separated resulting in certain pension benefits becoming in scope of IFRS 17. No contracts have been switched from insurance to investment contracts at transition. Many contracts issued include 'rider' benefits in addition to the base policy, however having considered the facts and circumstances of these products it has been determined that these components should not be separated and that the contract is measured as one contract.

The assessment as to whether insurance contracts have direct participating features qualify for the VFA requires an element of judgement to determine whether the proportion of the underlying item to be paid to the policyholder is substantial and whether the policyholder liability varies substantially with the movement in the fair value of the underlying item.

(c) Level of aggregation

Judgement is required in applying the requirement to group portfolios of insurance contracts that have similar risks and are managed together. The Group has considered the following factors (to the extent that they are relevant for the entity) in order to group contracts by similar risks and those that are managed together: principal insurance risk, product type, tax status, legacy book/outsource provider and measurement model.

Further judgement is required in determining the profitability grouping that applies to portfolios of contracts. For the new business cohorts in Scildon, a policy level test is applied and contracts are allocated to the relevant profitability group. To date, this has not resulted in any contracts being classified as 'no significant risk of becoming onerous'. Where portfolios of contracts are acquired in a business combination or a portfolio transfer, the purchase terms have been such that to date all contracts have been allocated to the 'other' profitable cohort.

(d) Discount rates

Cash flows are discounted using currency-specific, risk-free yield curves adjusted for the characteristics of the cash flows and the liquidity of the insurance contracts. The Group applies a 'bottom-up' approach to determining discount rates and follows the methodology used by the PRA and EIOPA to determine risk-free yield curves and ultimate forward rates for regulatory solvency calculations. To reflect the liquidity or otherwise of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium, which is aligned to the SII Volatility Adjustment.

For certain Dutch 'savings mortgage' products, there is a direct connection to the policyholder's mortgage loan and the premiums to repay the loan in that the crediting rate is set such that the account value will be equal to the balance on the loan at maturity. For this product, the cash flows are discounted using the same curve used to value the corresponding mortgage assets which itself is derived from mortgage rates available in the market.

The cash flows are discounted using a discount rate that adjusts risk-free yields for portfolio specific characteristics, with differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium).

Inflation rates mainly relate to expense inflation. The assumptions in respect of expense inflation reflect the Group's best estimate view incorporating market consistent data such as earnings indices and central bank inflation targets.

The yield curves that were used to discount the estimates of future cash flows that were modelled deterministically are shown in the table below:

					2024					2023		
Yield curve	**Broad product category**	**Currency**	**1 yr**	**5 yrs**	**10 yrs**	**20 yrs**	**30 yrs**	**1 yr**	**5 yrs**	**10 yrs**	**20 yrs**	**30 yrs**
RFR	Unit-linked/index-linked/with-profits – VFA	EUR	2.24%	2.14%	2.27%	2.26%	2.39%	3.36%	2.32%	2.39%	2.41%	2.53%
	Unit-linked/index-linked/with-profits – GMM *(with high liquidity)*	GBP	4.46%	4.04%	4.07%	4.30%	4.23%	4.74%	3.36%	3.28%	3.43%	3.36%
	Short-term protection	SEK	2.25%	2.41%	2.63%	2.93%	3.05%	3.03%	2.26%	2.25%	2.76%	2.99%
RFR + VA	Immediate annuities	EUR	2.47%	2.37%	2.50%	2.49%	2.58%	3.56%	2.52%	2.59%	2.61%	2.70%
	Term assurance and other non-linked Unit-linked/index-linked/with-profits – GMM *(with medium liquidity)*	GBP	4.70%	4.28%	4.31%	4.54%	4.47%	5.05%	3.67%	3.59%	3.74%	3.67%
Market Mortgage Rates	Waard Savings Mortgage	EUR	3.36%	3.32%	3.43%	3.39%	3.51%	4.77%	3.73%	3.80%	3.82%	3.94%

The sensitivity of the income statement and balance sheet to movements in the yield curve is shown in Note B3(a)(ii).

(e) Methods used to measure the risk adjustment for non-financial risk

The Group calculates the risk adjustment using a Cost of Capital (CoC) methodology similar to the PRA and EIOPA Solvency II Risk Margin approach. The differences between the Solvency II Risk Margin and the IFRS 17 risk adjustment for non-financial risk include:

(a) the risk adjustment for non-financial risk only includes risks within the IFRS 17 contract boundary which may differ to the contract boundary assumed in Solvency II;

(b) the Solvency II risk margin makes allowance for counterparty default risk and operational risk, but these are not permitted in the risk adjustment for non-financial risk; and

(c) the Solvency II risk margin does not apply a tapering factor for the overseas divisions.

The tapering factor reduces the liabilities within the Group and was introduced to the risk margin calculation in the UK SII reforms at December 2023. The same methodology and parameters have been applied for the first time to the risk adjustment calculation for IFRS 17 at 31 December 2024 as a result of the Group also adopting the tapering factor in its EcV reporting, from which the CoC is also derived. The impact of this change in accounting estimate in the year has been a reduction in the risk adjustment of £15.0m and an increase in the CSM of £13.8m.

In determining the risk adjustment for non-financial risk each entity allows for diversification between the risks in a consistent manner to that applied in the Solvency II risk margin. Diversification is allowed for within each entity, but not across the entities, and is allocated to groups of insurance contracts in proportion to the undiversified risk capital amounts. The risk adjustment is then determined by applying a CoC rate to the amount of capital required for each future reporting date and discounting the result using the appropriate portfolio level risk-free rates adjusted for illiquidity.

The required capital is determined using stresses and diversification factors aligned to the relevant Solvency II methodologies and allocated to groups of contracts in a way that is consistent with the risk profiles of the groups. The CoC rate reflects that used in the Group's own EcV reporting, currently 3.25%pa (2023: 3.25%).

To determine the risk adjustments for non-financial risk for reinsurance contracts, the Group applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Over a 1 year time horizon and on a net of reinsurance basis, this risk adjustment corresponds to a confidence level of 66.5% (2023: 75.9%). This is equivalent to estimating that the probability that any changes in best estimate liabilities from non-financial risk over the next year exceed the amount of the risk adjustment is less than 33.5%. Using statistical approximations, the 1-year figure can be transformed into an equivalent confidence level over the expected lifetime of in-force policies of 59.6% (2023: 61.9%).

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting judgements and estimates (continued)

IFRS 17 accounting judgements (continued)

(f) Expense allocations

Expenses cash flows are assessed as to whether they are attributable to the fulfilment or acquisition of insurance contracts. Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Group has determined that this method results in a systematic and rational allocation.

(g) Coverage period and units

Judgement is required in determining the expected coverage period over which the CSM is allocated into profit or loss for the services provided or received.

For contracts issued, the Group determines the coverage period for the CSM recognition as follows:

(a) for non-participating contracts, the coverage period corresponds to the policy coverage for mortality and/or morbidity risk and investment return services;

(b) for contracts with direct participating features, the coverage period corresponds to the period in which insurance or investment related services are expected to be provided.

The coverage period for reinsurance contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

The CSM at the end of the reporting period is allocated to profit and loss based on the relevant underlying coverage units where the number of coverage units in a group is determined by considering, for each contract, the quantity of the benefits provided under a contract and its expected coverage period. The quantity of benefits provided includes insurance, investment return and investment-related services and hence the coverage unit is based on the maximum benefit payment (including insurance, investment return and investment-related services) which may become due in a period.

Where a specific unit of account contains a mixture of services, and therefore coverage units, it is necessary to weight the coverage units so that the resulting profile of CSM release reflects the overall package of benefits provided. This is particularly pertinent to units of account incorporating a combination of immediate and deferred annuities. Under IFRS 17, deferred annuities usually provide multiple services, split between the two phases of benefit provision (the deferral phase and the payment phase). Judgement is therefore required to combine the different coverage units so that they fairly reflect the services provided. The weighting between the deferral phase and the payment phase coverage units is calculated so that the services provided in the deferral phase reflect the investment return provided and the probability weighted delivery of any lump sum death benefits, both adjusted so that all of the CSM is earned in the deferral phase for all contracts which do not enter the payment phase either through transfer out, withdrawal of funds or death.

For contracts that provide an investment return or investment-related service, the account balance is generally considered the main driver for determining the amount of service provided in a period. For products that provide an insurance service the sum assured, in excess of any account balance, is considered the main driver for determining the amount of insurance service provided in a period.

The following table provides details of the coverage units applied for the broad product categories:

Product category	Typical coverage unit
Immediate annuities	Annuity face amount
Term assurance and other non-linked	Term assurance: Sum insured Other non-linked: Higher of death and maturity benefit
Unit-linked/index-linked/with-profits – GMM	Higher of death benefit, account value and maturity benefit
Unit-linked/index-linked/with-profits – VFA	Higher of death benefit, account value and maturity benefit
Short-term protection	N/A

Notes F2 to F5 provide information regarding the timing of the future release of the CSM to the profit and loss account, based on the CSM at the balance sheet date.

(h) Non-distinct investment components

Insurance revenue and insurance service expenses exclude any NDIC. The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. In so doing a judgement that this is from the perspective of the policyholder has been applied. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses. Where the required information for the actual NDIC is unavailable at a policy level, the Group applies estimation techniques based on expected data. Typical non-distinct investment components are outlined in Note A4(a)(xiv).

Other significant accounting estimates

(i) Acquired value of in-force business (CASLP)

The Group applies accounting estimates and judgements in determining the fair value, amortisation and recoverability of acquired in-force business. In the initial determination of the acquired value of in-force business, the Group uses actuarial models to determine the expected net cash flows (on a discounted basis) of the policies acquired. The key assumptions applied in the models are driven by the expected behaviour of policyholders on termination rates, expenses of management and age of individual contract holders as well as global estimates of investment growth, based on recent experience at the date of acquisition. The assumptions applied within the models are considered against historical experience of each of the relevant factors. Refer to accounting policy Note A4(i).

The acquired value of in-force business is amortised on a basis that reflects the expected profit stream arising from the investment contracts acquired at the date of acquisition. The rate of amortisation is therefore based on expected claims and the asset is expected to run-off over a period of 30 years as at the balance sheet date.

Impairment testing requires a degree of estimation and judgement. In particular, the value is sensitive to the rate at which future cash flows are discounted and to the rates of return on invested assets, which have been determined with reference to our review of the current market assessment of the true value of money and the risks specific to the asset for which the cash flows have not been adjusted. The actual (pre-tax) rate applied for the impairment test was 9.55% (31 December 2023: 11.45%).

The acquired value of in-force business for CASLP has been tested for recoverability as at 31 December 2024 and as a result of that test no impairment is required as at 31 December 2024 (31 December 2023: £21.0m, £6.1m net of tax). The prior year impairment is reported in 'other operating expenses' in the Group income statement and UK segmental income statement.

A 200 bps increase in the effective discount rate would reduce the underlying value of in-force business in CASLP by £2.8m (31 December 2023: £2.0m). A 10% fall in projected future profits would reduce the underlying value of in-force business in CASLP by £2.8m (31 December 2023: £2.2m).

(j) Investment in subsidiary CA

The Group applies accounting estimates and judgements in determining the holding value and recoverability of its investment in subsidiaries, in particular that of Countrywide Assured plc. An annual impairment test is performed which requires a degree of estimation and judgement, and for which recoverability is tested by reference to the fair value of existing assets and liabilities and expected future income and expense levels as calculated under EcV methodology. The EcV methodology assesses the future cash flows on a best-estimate basis, discounted at a risk-free rate, to measure the future profitability of the business. This assessment showed that as at the balance sheet date, there was a deficit of £4.0m (31 December 2023: £14.4m) against the carrying value of the investment in subsidiary value and hence the carrying value has been impaired by this amount, thereby impacting the Parent Company income statement and balance sheet but no impact to the Group Consolidated Financial Statements.

A 200 bps increase in interest rates would reduce the EcV, and hence the carrying value, by £9.5m (31 December 2023: £2.7m). A 10% fall in equity values would reduce the carrying value by £8.0m (31 December 2023: £7.9m). A 10% mass lapse of policyholders would reduce the carrying value by £10.6m (31 December 2023: £11.1m).

(k) Persistency

Best estimate assumptions about policyholder behaviour, such as surrenders and lapses, used in estimating future cash flows are developed for homogeneous product types and groups of policyholders at a local entity level. Assumptions are generally based on a combination of the local entity's recent experience and future expectations. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Surrenders and lapses depend on the product and policy duration in force. Note B2 provides more information on lapse rates and the sensitivity of the income statement and balance sheet to changes in persistency assumptions.

Key sources of estimation and uncertainty

(l) Mortality/Longevity/Morbidity

Best estimate assumptions about mortality, longevity and morbidity used in estimating future cash flows are developed for homogeneous product types and groups of policyholders at a local entity level. Assumptions are generally based on a combination of national data, standard industry tables, the local entity's recent experience and also future expectations. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts. Note B2 provides more information on mortality rates used and the sensitivity of the income statement and balance sheet to changes in mortality and morbidity assumptions.

(m) Future expenses

Best estimate assumptions regarding expenses used in the estimation of future cash flows are set at a level that reflects the Group's expectations as to future expenditure based on each entity's cost base and annual budgeting process along with longer-term expectations as to how the business will run off net of any new business. Transition costs and major project expenses are reviewed on a case-by-case basis as to whether they should be treated as non-attributable. Costs which are borne centrally for groupwide projects have been considered non-attributable. Expenses pertaining to investment costs on assets backing liabilities where no investment related service is provided to policyholders, generally term assurance and annuities, are also excluded. Note B2 provides more information on the sensitivity of the income statement and balance sheet to changes in future expense assumptions.

SECTION B – RISK AND CAPITAL MANAGEMENT

B1 Risk Management Framework

The Group's Board of Directors has overall responsibility for the adequacy of the design and implementation of the Group's Risk Management Framework and its consistent application across divisions. The Group and its divisions operate within a defined risk strategy and supporting Risk Appetite Framework. Risk preferences are approved by the Board of Directors and the risk position of the business is monitored against these preferences.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor adherence to risk limits. The risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities whilst the Board of Directors approves the review, updates and attestation of these policies at least annually.

Risk is managed at local entity level where the business is transacted, based on the principles and policies established at Group level. The Group Audit & Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the Group. It is assisted in its oversight role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit & Risk Committee.

The Group issues insurance contracts and investment contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities.

B2 Underwriting risk

General

Underwriting risk consists of insurance risk, persistency risk (together demographic experience risk) and expense risk:

- **Insurance risk:** the risk transferred from the policyholder to the Group, other than financial risk. Insurance risk arises from uncertainty regarding the occurrence, timing and amount of future claims.
- **Persistency (or lapse) risk:** the risk that a policyholder will cancel a contract, increase or reduce premiums, withdraw deposits or annuitise a contract earlier or later than expected.
- **Expense risk:** the risk of unexpected increases in the administrative costs of servicing contracts.

The Group is exposed to different aspects of insurance risk for life insurance policies issued:

- Mortality risk – the risk of losses arising from death of life insurance policyholders being earlier than expected
- Morbidity risk – the risk of medical claims arising from the diagnosis of illness being higher than expected
- Longevity risk – the risk of losses due to policyholders living longer than expected

The Group's management of insurance risk is a critical aspect of its business. The primary insurance activity carried out by the Group comprises the assumption of the risk of loss from persons that are directly subject to the risk. As such, the Group is exposed to the uncertainty surrounding the timing and severity of claims under the related contracts. The principal risk is that the frequency and severity of claims is greater than expected.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. Insured events are, by their nature, random, and the actual number and size of events during any 1 year may vary from those estimated using established statistical techniques. It is noted that the annuity policies give exposure to longevity risk, which provides a partial natural hedge to the exposure to mortality risk.

The Group manages its insurance risk through adoption of underwriting strategies, the aim of which is to avoid undue concentration of risk, approval procedures for new products, pricing guidelines and adoption of reinsurance strategies, the aim of which is to reinforce the underwriting strategy by avoiding the retention of undue concentration of risk.

Notwithstanding that the Group pursues common overarching objectives and employs similar techniques in managing these risks, the range of product characteristics and the differing market and regulatory environments of the UK, Swedish and Dutch businesses are such that insurance risk is managed separately for the separate operating segments and concentration of insurance risk is mitigated. The UK segment consists of largely closed legacy books of business that are in run-off. Within the Dutch business, the Waard Group operates as an acquisitive vehicle with a number of acquisitions of closed books in recent years whereas Scildon is a writer of new business. The Swedish segment, Movestic, also writes new business however this predominantly comprises of investment contracts valued under IFRS 9. Accordingly, the information which follows (and also the quantitative disclosures in Section F of the notes to the financial statements) differentiates these segments and sets out for each the key risks arising from insurance contracts and how those risks are measured and managed.

(a) UK business

The main insurance contract portfolios within the UK and the associated risks that have a material effect on the amount, timing and uncertainty of future cash flows arising from the insurance contracts issued are as follows:

(i) Immediate annuities

Immediate annuities provide regular income payments generally during the outstanding life of the policyholder, and in some cases that of a surviving spouse or partner. In certain cases, payments may be guaranteed for a minimum period. These contracts expose the business to longevity risk.

(ii) Term assurances and other non-linked

The principal insurance risk for these portfolios is mortality risk with some morbidity risk arising from critical illness benefits. The policies generally provide fixed and guaranteed benefits and have fixed future premiums.

(iii) Unit-linked/Index-linked/With-profits – GMM

The contracts in these portfolios are with-profits or unit-linked pensions and savings products which, due to the presence of in the money guarantees or the charges applied, did not meet the criteria for measurement under VFA. The with-profits policies comprise a guaranteed sum assured payable on death or at maturity, to which may be added a discretionary terminal bonus. The unit-linked policies include guarantees in excess of the unit fund. The principal insurance risk for these contracts is mortality risk however some contracts also contain morbidity risk.

(iv) Unit-linked/Index-linked/With-profits – VFA

These portfolios contain unit-linked pensions, endowments and whole of life contracts and a small number of with-profits policies. The contracts passed the criteria for measurement under VFA. The principal insurance risk for these contracts is mortality risk however some contracts also contain morbidity risk.

Management of insurance risks

The risk at outset of a contract is managed through the pricing basis. Thereafter the risks associated with these products are managed by reinsurance and, in some cases, by the ability to charge the policyholder for the mortality benefits provided.

For unit-linked contracts there is exposure to insurance risk only insofar as the value of the unit-linked fund is lower than the guaranteed minimum death benefit.

The with-profits business which is measured using the VFA is reinsured to ReAssure Limited and hence the only risk retained for this business is the risk of default by the reinsurer and some expense risk.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in the UK:

31 December				Restated		Restated
Type of contracts		2024			2023	
	Gross £m	Reinsurance £m	Total £m	Gross £m	Reinsurance £m	Total £m
Immediate annuities	102.0	(43.9)	58.1	113.4	(48.8)	64.6
Term assurance and other non-linked	86.7	(61.1)	25.6	92.7	(68.0)	24.7
Unit-linked/Index-linked/ With-profits – GMM	202.4	(0.3)	202.1	223.3	(0.2)	223.1
Unit-linked/Index-linked/ With-profits – VFA	915.6	(47.2)	868.4	949.7	(47.7)	902.0
Total	**1,306.7**	**(152.5)**	**1,154.2**	**1,379.1**	**(164.7)**	**1,214.4**

Concentration of insurance risk

The UK does not underwrite group insurance covers which tends to naturally limit geographic concentrations. Exposures to material insurance risks, on individual cases, are avoided through the use of quota share and surplus reinsurance and retained sums assured on any one life are generally under £250,000.

Mortality assumptions

A base mortality table is selected which is most appropriate for each type of contract taking into account historical experience and where appropriate, reinsurers rates. The mortality rates reflected in these tables are periodically adjusted, allowing for emerging experience. The mortality assumptions used on the blocks of business most sensitive to changes in mortality assumptions are disclosed below.

Term assurance ex-Protection Life, Life Business: 65% TMN00 select (2023: 65%) and 65% TFN00 select (non-smokers) (2023: 65%), 65% TMS00 select (2023: 65%) and 65% TFS00 select (smokers) (2023: 65%).

Annuitant mortality (CA): 104% PMA08 table (2023: 104%) and 104% PFA08 table (2023: 104%), with 100% CMI_2023 improvements (2023: 100% CMI_2022 improvements) with a 1.5% long-term convergence rate from 31 December 2024 (2023: 1.5%).

Annuitant mortality (CASLP conventional annuities): 120% PMA08 table (2023: 120%) and 120% PFA08 table (2023: 120%), with 100% CMI_2023 improvements (2023: 100% CMI_2022 improvements) with a 1.5% long-term convergence rate from 31 December 2024 (2023: 1.5%).

Other underwriting risks on insurance contracts

Expense risk

The UK business outsources the majority of operational activities to third party administrators in order to reduce the expense inefficiencies that would arise with fixed and semi-fixed costs on a reducing policy base, although this is mitigated by acquisitions of business. There are, however, risks associated with the use of outsourcing. In particular, there will be a need for periodic renegotiations of the terms of the outsourcing arrangements as the existing agreements expire, the outcome of which could potentially impact ongoing maintenance expenses and involve transition costs. There is also a risk that, at some point in the future, third party administrators could default on their obligations. The UK business monitors the financial soundness of third-party administrators and has retained step-in rights on the more significant of these agreements. There are also contractual arrangements in place which provide for financial penalties in the event of default by the administration service provider.

Persistency risk

Persistency risk is the risk that the investor cancels the contract or discontinues paying new premiums into the contract, thereby exposing the UK business to the risk of a reduction in profits. Persistency experience is actively monitored to allow early identification of trends. In addition, reinsurance is in place to limit the impact arising from a mass lapse event on the long-term contracts.

(b) Swedish business

The Movestic business is focused predominantly on unit-linked savings and pensions in the local Swedish market. IFRS 17 requires that contracts are separated according to the benefits selected. The majority of the benefits in Movestic are classified as investment contracts, with no significant insurance risk, and are therefore measured under IFRS 9, however some of the savings benefits do however fall within the scope of IFRS 17 ‘Insurance Contracts’. In addition, there is some short-term protection business, measured under PAA.

(i) Unit-linked/Index-linked/With-profits – VFA

The insurance benefits within scope of IFRS 17 are unit-linked pension savings contracts where the policyholder has selected to receive a payment on survival to a specified date but there are no payments to beneficiaries on death before this date, with invested amounts instead becoming the property of Movestic. To compensate the insured for this risk, Movestic allocates inheritance gains on a monthly basis to surviving policyholders such that the gains broadly match the long-term average values retained due to death. At the individual beneficiary level there is insurance risk as significant additional amounts are paid to the beneficiary on survival compared to receiving no payment on death.

(ii) Short-term protection

These portfolios primarily include insurance contracts providing:

- Life cover on an individual or group contract basis
- Accident and sickness cover for group contracts
- Income protection benefits separated from group pension schemes
- Waiver of premium separated from group pension schemes

The principal risk for the life cover is mortality risk and the principal risk for the remaining products is morbidity risk. The above are 1-year contracts as Movestic has the practical ability to re-price all benefits within 1 year.

SECTION B – RISK AND CAPITAL MANAGEMENT

B2 Underwriting risk (continued)

(b) Swedish business (continued)

(ii) Short-term protection (continued)

Management of insurance risks

For linked contracts the investment risk is borne by the policyholder and there is limited exposure to insurance risk. In addition, the allocation of inheritance gains are reviewed regularly and are subject to change in order that the inheritance gains allocated broadly equals the amount paid to Movestic on death, thereby reducing the risk to Movestic.

For the contracts measured under the PAA the key risks are managed through appropriate product design and pricing of the policies to ensure that the potential cost to Movestic of these events (and associated expenses of underwriting and administration) are reflected in the price charged to the policyholder. These contracts are either 1-year contracts or Movestic has the practical ability to re-price all benefits within 1 year, which allows Movestic to manage its risk exposure. In addition, risk is further mitigated by the use of reinsurance.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in Sweden:

31 December Type of contracts	2024 Gross £m	 Reinsurance £m	 Total £m	2023 Gross £m	 Reinsurance £m	 Total £m
Long-term with direct participating features	142.1	–	142.1	131.5	–	131.5
Short-term protection	32.0	(12.4)	19.6	40.3	(14.5)	25.8
Total	**174.1**	**(12.4)**	**161.7**	**171.8**	**(14.5)**	**157.3**

Concentration of insurance risk

Regarding benefits assured for individual contracts, the combined effect of reinsurance and the fact that the vast majority of the total benefit assured relates to numerous small value contracts limits the level of concentration risk. The use of reinsurance means that exposures to material insurance risks on individual cases are avoided, with 96.9% of the business having retained sums assured of less than £250,000.

In respect of group contracts, the business is exposed to multiple employees of the same organisation being involved in a single loss event. Movestic forecasts that its maximum loss would be of the order of SEK 666m (approximately £48.1m) gross of reinsurance and SEK 33m (approximately £2.4m) after reinsurance. The equivalent retention for 2023 was SEK 15m (approximately £1.2m).

Mortality assumptions

These are not material for the long-term Swedish contracts as the inheritance gains allocated by Movestic to the surviving policyholders are such that they broadly match the long-term average of the amounts retained on death. Mortality assumptions are not material to the protection products due to the short-term nature of these contracts.

Other underwriting risks on insurance contracts

Expense risk

Expense risk is the risk that expenses are higher than expected hence leading to a reduction in profits. Expenses are actively monitored and managed to reduce this risk.

Persistency risk

Persistency risk is the risk that the investor cancels the contract or discontinues paying new premiums into the contract, thereby exposing the Swedish business to the risk of a reduction in profits. Persistency experience is actively monitored to allow early identification of trends. In addition, reinsurance is in place to limit the impact arising from a mass lapse event on the long-term contracts.

(c) Waard Group

The Waard Group comprises the original business acquired by the Chesnara Group in 2015 and the subsequent acquisitions of portfolios of business made by the Waard Group from 2019 onwards (see Note C1 for details). With the recent acquisitions there is now a mix of protection and savings business in the Waard Group and both the GMM and VFA measurement models are applied. The acquisition of Conservatrix in 2023 also contained contracts where no significant insurance risk remained at the date of acquisition and these contracts have consequently been classified as investment contacts.

(i) Immediate annuities

The Robein and Conservatrix blocks of business contain immediate annuities, where the risk is longevity.

(ii) Term assurance and other non-linked

Waard's original business includes term assurances, with further contracts added in subsequent acquisitions most significantly for Argenta and Brand New Day. These portfolios are exposed to mortality risk.

The portfolio acquired from Monuta contained endowment and savings business, some with-profit sharing conditions however there are separate portfolios for mortality and longevity risk depending on which is considered to be the predominant risk.

The Robein acquisition also included term assurance business.

The Robein book includes some term assurance business and Conservatrix includes pension, endowment and funeral plans all of which are exposed to mortality risk.

(iii) Unit-linked/Index-linked/With-profits – GMM

The Argenta book includes a significant amount of mortgage savings which contain mortality risk.

Robein contains unit-linked savings products with death cover as a percentage of fund value. A significant amount of these policies had no insurance risk on acquisition (as over time the death cover moves to 100% of the fund value) however as the acquisition was before the effective date of IFRS 17, the scope is determined at inception of the contract. For those policies with insurance risk, the predominant risk is considered to be longevity risk. The unit-linked savings products have been allocated to two portfolios as only certain types of policy (execution only) passed all criteria of the VFA eligibility test.

The Conservatrix book includes 'Natural Guarantee Plans' which provide varying degrees of death benefit cover, ranging from 0% to 110%. These policies have been split between those with mortality risk (where the death cover exceeds the fund value) and those with longevity risk (where the death cover is lower than fund value). In addition Conservatrix also includes unit-linked products with mortality being the predominant risk.

(iv) Unit-linked/Index-linked/With-profits – VFA

As noted above, the Robein book contains unit-linked savings contracts, for which the criteria for measurement under VFA are met. The principal insurance risk for these contracts is longevity risk.

Management of insurance risks

The portfolio is closed to new business and is in run-off and hence no significant underwriting occurs. For the existing portfolio, the division entered into an excess of loss and catastrophe (Life) and quota share (Health) reinsurance agreement to mitigate the risk in excess of risk appetite for mortality, disability and unemployment.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in the Waard Group:

31 December Type of contracts	2024 Gross £m	Reinsurance £m	Total £m	2023 Gross £m	Reinsurance £m	Total £m
Immediate annuities	61.3	–	61.3	67.8	–	67.8
Term assurance and other non-linked	137.5	(2.7)	134.8	153.7	(4.4)	149.3
Unit-linked/Index-linked/ With-profits – GMM	463.5	–	463.5	496.9	–	496.9
Unit-linked/Index-linked/ With-profits – VFA	58.2	–	58.2	67.0	–	67.0
Total	**720.5**	**(2.7)**	**717.8**	**785.4**	**(4.4)**	**781.0**

Concentration of insurance risk
The Waard portfolios do not include group contracts and hence do not have the concentration of risk which may be presented by these contracts. For individual life contracts an excess of loss limit of €100,000 is applied for life risk, hence concentration risk is limited.

Mortality assumptions
Different assumptions are used for each portfolio. As an example, the most material portfolio (Argenta Savings Mortgages) uses the following mortality assumptions: 80% of the generational prognosis table AG2018.

The assumptions are subject to regular review to ensure that the assumption reflects the experience incurred on the specific book.

Persistency and expense risk
The Waard portfolio is small relative to the Group which limits the risks presented to the Group. To mitigate the expense risk, management actively monitors the expenses incurred to keep costs to an appropriate level. Management will continue with the current acquisition strategy to maintain expenses efficiencies and in addition, expense risk will be further mitigated by the planned integration of the Waard and Scildon businesses, as referred to in the risk management section of the Strategic Report. Persistency levels are moderate and largely depend on investment performance.

(d) Scildon

Scildon contains a mixture of unit-linked and traditional savings contracts with life cover, term assurance, annuities and group pension business.

(i) Immediate annuities

Immediate annuities provide regular income payments for either the outstanding lifetime of the policyholder and in some cases the outstanding lifetime of a surviving spouse or partner or for the fixed term chosen by the policyholder. Payments are guaranteed for a minimum period. These contracts expose the business to longevity risk.

(ii) Term assurance and other non-linked

Scildon mainly writes term life contracts, sold as a regular premium policy. The current mass market product has no surrender value or profit sharing. The most significant factors that could increase risk are epidemics and changes in lifestyle leading to higher mortality.

There are also older traditional policies with-profit sharing conditions (before 2011) that allow for a surrender value at lapse or profit sharing at maturity. These are split into separate portfolios reflecting the principal risks of mortality or longevity.

(iii) Unit-linked/Index-linked/With-profits – GMM

Scildon writes unit-linked and index-linked business, with most policies paying out 0%, 90% or 110% of the unit-value at death of the policyholder and 100% at maturity. When the death benefit is greater than 100% of the unit fund value the principal risk is mortality and if the death benefit is less than 100% of the unit fund value the principal risk is longevity. These are allocated to two portfolios as only policies allocating the majority of premiums to unit-linked holdings passed the criteria of the VFA eligibility test.

(iv) Unit-linked/Index-linked/With-profits – VFA

As noted above, Scildon contains unit-linked and index-linked savings contracts, for which the criteria for measurement under VFA are met.

The group pension contracts are also unit-linked in nature and pass the VFA eligibility criteria. The principal risk for these contracts is mortality risk.

Management of insurance risks
Term assurances are the main new business product type and significant underwriting occurs.

For linked contracts the investment risk is borne by the policyholder, therefore there is exposure to insurance risk only insofar as the value of the unit-linked fund is lower than any guaranteed benefits.

Quota share reinsurance agreements are in place with a maximum retention per policy, to mitigate the risk in excess of risk appetite for mortality at the moment of underwriting. Catastrophe reinsurance is in place to mitigate the loss arising from a catastrophe risk event.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in Scildon:

31 December Type of contracts	2024 Gross £m	Reinsurance £m	Total £m	2023 Gross £m	Reinsurance £m	Total £m
Immediate annuities	143.1	–	143.1	146.7	–	146.7
Term assurance and other non-linked	161.7	14.6	176.3	173.3	14.9	188.2
Unit-linked/Index-linked/ With-profits – GMM	242.2	–	242.2	278.8	–	278.8
Unit-linked/Index-linked/ With-profits – VFA	1,349.1	–	1,349.1	1,264.0	–	1,264.0
Total	**1,896.1**	**14.6**	**1,910.7**	**1,862.8**	**14.9**	**1,877.7**

Concentration of insurance risk
Scildon does write group pensions contracts with an excess of loss limit of €200,000 per life, hence concentration risk is limited. Regarding benefits assured for individual contracts, the combined effect of reinsurance and the fact that the vast majority of the total benefit assured relates to numerous small value contracts, limit the level of concentration risk.

Mortality assumptions
The assumptions differ by product type, and there are also different assumptions applied within each product type depending on when the contract was written. The unit-linked contracts are the largest product group and an example of the mortality tables used are the GBM 1976-1980 (males) and the GBV 1976-1980 (females). For annuities, an example of the mortality tables applied are the GBM 1980-1985 (males) and GBV 1980-1985 (females) tables.

Persistency and expense risk
To mitigate the expense risk, management actively monitor the expenses incurred to keep costs to an appropriate level. Persistency levels are moderate however they are actively monitored to allow early identification of trends. In addition, expense risk will be further mitigated by the planned integration of the Waard and Scildon businesses, as referred to in the risk management section of the Strategic Report.

B2 Underwriting risk (continued)

(e) Sensitivity analysis

The following tables show the impact to the CSM, profit or loss after tax and shareholders' equity if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. The analysis has been prepared for a change in the stated variable, with all other assumptions remaining constant and presents the impact both before and after reinsurance.

31 December 2024 Variation in/arising from	CSM gross £m	CSM net £m	Profit or loss gross £m	Profit or loss net £m	Equity gross £m	Equity net £m
Mortality and morbidity combined – 10% increase	(35.6)	(11.0)	(17.9)	(11.6)	(17.9)	(11.6)
Expenses – 10% increase	(10.5)	(11.0)	(5.2)	(4.9)	(5.2)	(4.9)
Lapse – 10% decrease	(1.0)	(2.3)	(0.3)	0.3	(0.3)	0.3

31 December 2023 – restated Variation in/arising from	CSM gross £m	CSM net £m	Profit or loss gross £m	Profit or loss net £m	Equity gross £m	Equity net £m
Mortality and morbidity combined – 10% increase	(34.1)	(9.2)	(19.3)	(11.9)	(19.3)	(11.9)
Expenses – 10% increase	(11.7)	(12.3)	(5.9)	(5.6)	(5.9)	(5.6)
Lapse – 10% decrease	(1.9)	(3.0)	(1.1)	(0.5)	(1.1)	(0.5)

The sensitivities to mortality and morbidity (critical illness) rates shown above are calculated on the assumption that there would be no consequential change in rates to policyholders. In practice, Group policy is to pass costs on to policyholders where it is contractually permitted and where it considers that the impact of the change is significant and subject to treating customers fairly.

A 10% increase in mortality and morbidity rates in 2024 is expected to result in a lower fall in profits compared to 2023 as Scildon, which has the highest exposure to mortality and morbidity risks, has a higher CSM in 2024. This means that the CSM would absorb more of the impact of the stress. This is partially offset by a higher fall in profits for CA (lower CSM for one of the protection books than 2023) and Waard (lower pvFCF than 2023).

The impact of a 10% increase in expenses has increased from 2023 to 2024, driven by CA due to a reduction in per policy expenses allocated to insurance contracts.

B3 Financial risk

General

The Group is exposed to a range of financial risks, principally through its insurance contracts, financial assets, including assets representing shareholder assets, financial liabilities, including investment contracts and borrowings, and its reinsurance assets. These risks are described at a high level in the risk management section of the Annual Report and Accounts under 'PR1 – Investment and Liquidity Risk'.

In particular, the key financial risk is that, in the long-term, proceeds from financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts and borrowings. The most important components of this financial risk are market risk (interest rate risk, equity and property price risk and foreign currency exchange risk), liquidity risk and credit risk (including the risk of reinsurer default).

The risks related to insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising are set out in Note B2.

The Group provides two types of investment contract: unit-linked savings and unit-linked pensions predominantly written in the UK and Sweden.

(i) Unit-linked savings are single or regular premium contracts, with the premiums invested in a pooled investment fund, where the policyholder's investment is represented by units or trust accounts where the policyholder decides where to invest. On certain contracts there is a small additional benefit payable on death which is deemed not to transfer significant insurance risk to the business for these contracts. The benefits payable at maturity or surrender of the contracts are the underlying value of the investment in the unit-linked funds or trust accounts, less surrender charges where applicable.

(ii) Unit-linked pensions are single or regular premium contracts with features similar to unit-linked savings contracts. Benefits are payable on transfer, retirement or death.

(a) Market risk

(i) Management of market risk

The Group businesses manage their market risks within Asset Liability Matching (ALM) frameworks that have been developed to achieve long-term investment returns at least equal to their obligations under insurance and investment contracts, with minimal risk. Within the ALM frameworks the businesses produce quarterly reports at legal entity and asset and liability class level, which are circulated to the businesses' key management. The principal technique of the ALM frameworks is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders, with separate portfolios of assets being maintained for linked and non-linked liabilities.

For non-unit-linked business, the Group's objective is to match the timing and nature of cash flows from insurance and investment contract liabilities with the timing of cash flows from assets subject to identical or similar risks. By matching the cash flows of liabilities with those of suitable assets, market risk is managed effectively, whilst liquidity risk is minimised. These processes to manage the risks, which the Group has not changed from previous periods, ensure that the Group is able to meet its obligations under its contractual liabilities as they fall due.

Unit-linked and index-linked insurance contracts and investment contracts

The Group matches the financial liabilities relating to these contracts with units in the financial assets of the funds to which the value of the liabilities is linked, such that the policyholders bear the principal market risk (being interest rate, equity price and foreign currency risks) and credit risk. Accordingly, this approach results in the Group having no significant direct market or credit risk on these contracts. Its primary exposure to market risk is the risk of volatility in asset-related fees due to the impact of interest rate, equity price and foreign exchange rate movements on the fair value of the assets held in the linked funds, on which asset-related fees are based.

There is residual exposure to market risk on certain unit-linked contracts where the Group provides to policyholders guarantees as to fund performance or additional benefits which are not dependent on fund performance. This exposure is mitigated to the extent that the Group matches the obligations with suitable financial assets external to the unit-linked funds, such that the residual exposure is not considered to be material.

With-profits contracts

Some non-linked insurance contracts within the UK businesses include discretionary participation features in the form of with-profits policies. For the CA business, where the policyholder benefits comprise a discretionary annual bonus and a discretionary terminal bonus, the with-profits business is wholly reinsured to ReAssure Limited and hence there is no market risk for this class of business on a net basis.

For the CA (S&P) business, the primary investment objective of the with-profits policyholder funds is that the guaranteed minimum benefits of the with-profits policyholders should be met entirely from the policyholder funds.

The secondary investment objective is, where possible, to provide a surplus in excess of the guaranteed minimum benefits. The entire surplus in the policyholder fund accrues to the with-profits policyholders. Any deficit in the policyholder fund is ultimately borne by shareholders. Therefore, the Group has a significant exposure to market risk in relation to with-profits business should the with-profits policyholder assets be unable to fully meet the cost of guarantees. To achieve the investment objectives, the funds may invest in a range of asset classes including property, equities, fixed interest securities, convertibles, cash and derivatives, both in UK and overseas.

Other insurance contracts

Other non-linked contracts include contracts which pay guaranteed benefits on insured events, the terms being fixed at the inception of the contract. Exposure to market price risk is minimised by generally investing in fixed-interest debt securities, while interest rate risk is generally managed by closely matching contracts written with financial assets of suitable nature, yield, duration and currency. To the extent that the Group is unable to fully match its interest rate risk, it makes provision in respect of assumed shortfalls on guaranteed returns to policyholders as part of the present value of future cash flows of the contracts.

Shareholder funds

Shareholder funds at both Group Parent Company and operating subsidiary level, in accordance with corporate objectives and, in some instances, in accordance with local statutory solvency requirements, are invested in order to protect capital and to minimise market and credit risk. Accordingly, they are generally invested in assets of a shorter-term liquid nature, which gives rise to the risk of lower returns on these investments due to changes in short-term interest rates.

(ii) Interest rate risk

As discussed in the management of market risk section the Group is exposed to interest rate risks in regard to the assets backing non-linked contracts, such assets being primarily in the form of interest-bearing debt securities. The exposure is managed by closely matching contracts written with financial assets of suitable nature, yield, duration and currency.

The tables below show the impact of movements in per annum market rates of interest on the CSM, profit or loss after tax and on shareholder equity as at the balance sheet dates. We believe these interest rate risk variables, to which the Group results are sensitive, represent the ones that might reasonably occur in the future.

31 December 2024 **Variation in/arising from 100 basis points in market rate of interest**	**Increase CSM £m**	**Decrease CSM £m**	**Increase Profit or loss £m**	**Decrease Profit or loss £m**	**Increase Shareholder equity £m**	**Decrease Shareholder equity £m**
Insurance and reinsurance contracts	1.0	(1.7)	71.3	(82.1)	71.3	(82.1)
Financial instruments	–	–	(79.4)	91.2	(79.4)	91.2
Total	**1.0**	**(1.7)**	**(8.1)**	**9.1**	**(8.1)**	**9.1**

31 December 2023 – restated **Variation in/arising from 100 basis points in market rate of interest**	**Increase CSM £m**	**Decrease CSM £m**	**Increase Profit or loss £m**	**Decrease Profit or loss £m**	**Increase Shareholder equity £m**	**Decrease Shareholder equity £m**
Insurance and reinsurance contracts	2.7	(2.6)	83.5	(101.5)	83.5	(101.5)
Financial instruments	–	–	(89.1)	99.1	(89.1)	99.1
Total	**2.7**	**(2.6)**	**(5.6)**	**(2.4)**	**(5.6)**	**(2.4)**

The Group's exposure to interest rate risk principally comes from non-linked liabilities and the assets backing them. The change in exposure from 2023 to 2024 is primarily driven by Waard, in particular due to a deferred tax asset which can be fully substantiated after a shock, whereas in 2023 this was not the case under a yield fall in particular, causing a reduction in net assets that isn't experienced this year. The Group's only material interest-bearing liability is in respect of the Tier 2 debt for which the interest rate is fixed and therefore no material exposure.

(iii) Equity price risk

As discussed in the management of market risk section, the Group is exposed to equity and property price risks in regards to the asset related fees from the assets backing its unit-linked and index-linked insurance contracts and investment contracts and also in regards to policyholder guarantees for these contracts. The exposure is mitigated somewhat by investing in suitable financial assets outside of the unit-linked and index-linked funds.

As also in the management of market risk section, the Group is exposed to equity and property price risks in regards to the UK with-profits. The exposure is mitigated by limiting these investments to back the surplus in the relevant funds and not the guaranteed minimum benefits.

SECTION B – RISK AND CAPITAL MANAGEMENT

B3 Financial risk (continued)

(a) Market risk (continued)

(iii) Equity price risk (continued)

The tables below show the impact of movements in equity and property values on the CSM, profit or loss after tax and on shareholder equity as at the balance sheet date. We believe these equity and property risk variables, to which the Group results are sensitive, are appropriate for the current year and represent the ones that might reasonably occur in the future.

31 December 2024 Variation in/arising from 10% in equity and property price	Increase CSM £m	Decrease CSM £m	Increase Profit or loss £m	Decrease Profit or loss £m	Increase Shareholder equity £m	Decrease Shareholder equity £m
Insurance and reinsurance contracts	5.8	(5.8)	(149.5)	149.6	(149.5)	149.6
Financial instruments	–	–	154.7	(154.8)	154.7	(154.8)
Total	**5.8**	**(5.8)**	**5.2**	**(5.2)**	**5.2**	**(5.2)**

31 December 2023 Variation in/arising from 10% in equity and property price	Increase CSM £m	Decrease CSM £m	Increase Profit or loss £m	Decrease Profit or loss £m	Increase Shareholder equity £m	Decrease Shareholder equity £m
Insurance and reinsurance contracts	5.8	(4.7)	(142.4)	141.4	(142.4)	141.4
Financial instruments	–	–	152.5	(152.6)	152.5	(152.6)
Total	**5.8**	**(4.7)**	**10.1**	**(11.2)**	**10.1**	**(11.2)**

A fall in equity and property values reduces policyholder fund values and so reduces the value of charge income. Thus, the profit and loss impact of a 10% decrease in equity and property values is negative. This impact has increased in 2024 due to an increase in equity exposures following strong equity growth. Conversely, a 10% increase in equity and property values is now more positive than before.

(iv) Currency translation risk

Currency risk is the risk that the fair value or future cash flows of an asset or liability will change as a result of movements in foreign exchange rates. The Group's exposure to currency risk is minimised to the extent that the risk on investments denominated in foreign currencies which back unit-linked investment and insurance contracts is borne by policyholders. It is, however, exposed to currency risk through:

(i) its investment in Movestic, the assets and liabilities of which are principally denominated in Swedish krona; and

(ii) its investment in Waard and Scildon, the assets and liabilities of which are principally denominated in euros.

The Group's currency risk through its ownership of Movestic, Scildon and Waard Group is reflected in:

(i) foreign exchange translation differences arising on the translation into sterling and consolidation of Movestic, Scildon and Waard Group's financial statements; and

(ii) the impact of adverse exchange rate movements on cash flows between Chesnara plc and its foreign subsidiaries: in the short-term these relate to cash flows from Movestic, Scildon and Waard to Chesnara by way of dividend payments. The risk on cash flows is reduced by:

  (a) the foreign currency hedge held by Chesnara plc which mitigates against adverse exchange rate impacts whilst also providing a dampening effect to a favourable currency movement, and;

  (b) by closely monitoring exchange rate movements and buying forward foreign exchange contracts, where deemed appropriate.

Each business unit settles its material transactions in its functional currency, as such the Group's exposure to currency risk is limited.

The following table sets out the Group's material exposure to assets and liabilities denominated in foreign currencies, expressed in sterling, at the respective balance sheet date. This exposure reflects the translation risk faced by the Group as currency fluctuations can have significant impact on the results of the Group:

31 December	2024 £m	2023 £m
Swedish krona		
Assets	5,259.1	4,507.1
Liabilities	(5,177.7)	(4,442.0)
Net assets	**81.4**	**65.1**
Euro		
Assets	2,887.5	2,955.9
Liabilities	(2,710.0)	(2,761.6)
Net assets	**177.5**	**194.3**

The tables below show the impact of movements in foreign currency exchange rates on profit before tax for the year under review and on shareholder equity as at the balance sheet date. We believe these currency risk variables, to which the Group results are sensitive, are appropriate for the current year and represent the ones that are most reasonably possible to occur in the future.

31 December 2024 **Variation in/arising from 10% in SEK: sterling exchange rate**	**Favourable CSM £m**	**Adverse CSM £m**	**Favourable Profit or loss £m**	**Adverse Profit or loss £m**	**Favourable Shareholder equity £m**	**Adverse Shareholder equity £m**
Insurance and reinsurance contracts	0.8	(0.7)	0.6	(0.5)	(18.0)	14.7
Financial instruments	–	–	(6.9)	7.8	21.5	(16.0)
Total	**0.8**	**(0.7)**	**(6.3)**	**7.3**	**3.5**	**(1.3)**

31 December 2024 **Variation in/arising from 10% in EUR: sterling exchange rate**	**Favourable CSM £m**	**Adverse CSM £m**	**Favourable Profit or loss £m**	**Adverse Profit or loss £m**	**Favourable Shareholder equity £m**	**Adverse Shareholder equity £m**
Insurance and reinsurance contracts	15.4	(12.6)	(0.3)	0.2	(292.0)	238.9
Financial instruments	–	–	(13.1)	19.4	301.4	(240.1)
Total	**15.4**	**(12.6)**	**(13.4)**	**19.6**	**9.4**	**(1.2)**

31 December 2023 **Variation in/arising from 10% in SEK: sterling exchange rate**	**Favourable CSM £m**	**Adverse CSM £m**	**Favourable Profit or loss £m**	**Adverse Profit or loss £m**	**Favourable Shareholder equity £m**	**Adverse Shareholder equity £m**
Insurance and reinsurance contracts	0.6	(0.5)	0.3	(0.3)	(17.5)	14.3
Financial instruments	–	–	(7.2)	2.2	20.8	(20.0)
Total	**0.6**	**(0.5)**	**(6.9)**	**1.9**	**3.3**	**(5.7)**

31 December 2023 **Variation in/arising from 10% in EUR: sterling exchange rate**	**Favourable CSM £m**	**Adverse CSM £m**	**Favourable Profit or loss £m**	**Adverse Profit or loss £m**	**Favourable Shareholder equity £m**	**Adverse Shareholder equity £m**
Insurance and reinsurance contracts	14.7	(12.0)	(0.3)	0.3	(295.4)	241.7
Financial instruments	–	–	(8.5)	7.4	308.2	(251.8)
Total	**14.7**	**(12.0)**	**(8.8)**	**7.7**	**12.8**	**(10.1)**

(b) Credit risk

(i) Management of credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- Counterparty risk with respect to debt securities and cash deposits;
- The mortgage loan portfolio held by Waard with respect to the interest and capital repayments due from the borrowers;
- Reinsurers' share of insurance liabilities;
- Amounts deposited with reinsurers in relation to investment contracts;
- Amounts due from reinsurers in respect of claims already paid; and
- Other short-term receivables.

SECTION B – RISK AND CAPITAL MANAGEMENT

B3 Financial risk (continued)

(b) Credit risk (continued)

(i) Management of credit risk (continued)

In addition, there will be some exposures to individual policyholders, on amounts due on insurance contracts. These are tightly controlled, with contracts being terminated or benefits amended if amounts owed are outstanding for more than a specified period of time, so that there is no significant risk to the results of the businesses.

The Group businesses structure the levels of credit risk they accept by placing limits on their exposure to a single counterparty, or group of counterparties. Such risks are subject to at least an annual review, while watch lists are maintained for exposures requiring additional review.

Although the businesses hold a significant proportion of their financial assets in debt securities and cash deposits the risk of default on these is mitigated to the extent that any losses arising in respect of unit-linked assets backing the insurance and investment contracts which the businesses issue, would effectively be passed on to policyholders and investors through the unit-linked funds backing the insurance and investment contracts.

Reinsurance is used to manage insurance risk in the businesses. This does not, however, discharge the businesses' liability as primary insurers. If a reinsurer fails to pay a claim for any reason, the businesses remain liable for the payment to the policyholder. The Group limits its exposure to reinsurance counterparties with a credit rating lower than BBB- and the creditworthiness of reinsurance exposures is regularly monitored as part of the Group's Risk Framework.

(ii) Exposure to Credit Risk

The following table presents the assets of the Group which are subject to credit risk and a reconciliation to the balance sheet carrying amount for each item, this amount representing the maximum credit risk exposure:

31 December	2024 Policyholder linked £m	2024 Amount subject to credit risk £m	2024 Balance sheet carrying value £m	2023 Policyholder linked £m	2023 Amount subject to credit risk £m	2023 Balance sheet carrying value £m
Reinsurance contract assets	–	169.9	169.9	–	185.7	185.7
Amounts deposited with reinsurers	–	34.3	34.3	–	32.5	32.5
Holdings in collective investment schemes	8,333.3	328.3	8,661.6	8,025.4	350.8	8,376.2
Debt securities at fair value through profit or loss	15.1	1,075.8	1,090.9	14.8	1,222.3	1,237.1
Policyholders' funds held by the Group	1,825.8	–	1,825.8	1,281.8	–	1,281.8
Mortgage loan portfolio	346.9	–	346.9	366.8	–	366.8
Derivative financial instruments	0.1	–	0.1	0.1	0.2	0.3
Other assets	26.9	41.8	68.7	12.6	45.1	57.7
Cash and cash equivalents	83.1	54.9	138.0	78.3	67.7	146.0
Total	**10,631.2**	**1,705.0**	**12,336.2**	**9,779.8**	**1,904.3**	**11,684.1**

The amounts presented above as policyholder linked represent unit-linked assets where there is a corresponding liability meaning that the risk is borne predominantly by the holders of unit-linked insurance and investment contracts.

(iii) Credit quality analysis

The creditworthiness of major reinsurers is considered on an annual basis by reviewing their financial strength.

The Group's exposure to credit risk is summarised as:

Credit rating As at 31 December 2024	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Unrated £m	Total £m
Reinsurance contract assets	–	122.9	–	–	–	47.0	169.9
Amounts deposited with reinsurers	–	32.5	–	–	–	1.8	34.3
Debt securities at fair value through profit or loss	215.8	337.0	367.9	157.2	0.8	12.2	1,090.9
Policyholders' funds held by the Group	–	136.8	411.6	293.2	984.2	–	1,825.8
Mortgage loan portfolio	–	–	10.2	–	–	336.7	346.9
Derivative financial instruments	–	–	–	–	–	0.1	0.1
Other assets	0.6	0.4	0.4	0.2	–	67.1	68.7
Cash and cash equivalents	–	3.4	73.0	39.8	–	21.8	138.0
Total	**216.4**	**633.0**	**863.1**	**490.4**	**985.0**	**486.7**	**3,674.6**

Credit rating As at 31 December 2023	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	Unrated £m	Total £m
Reinsurance contract assets	–	138.7	–	–	–	47.0	185.7
Amounts deposited with reinsurers	–	32.5	–	–	–	–	32.5
Debt securities at fair value through profit or loss	409.6	349.1	338.4	128.2	1.2	10.6	1,237.1
Policyholders' funds held by the Group	–	101.9	353.3	167.3	659.7	(0.4)	1,281.8
Mortgage loan portfolio	–	–	10.7	–	–	356.1	366.8
Derivative financial instruments	–	–	0.3	–	–	–	0.3
Other assets	0.7	0.5	0.5	0.2	–	55.8	57.7
Cash and cash equivalents	0.1	3.2	89.7	41.2	–	11.8	146.0
Total	**410.4**	**625.9**	**792.9**	**336.9**	**660.9**	**480.9**	**3,307.9**

Credit ratings have not been disclosed in the above tables for holdings in unconsolidated collective investment schemes and investments in associates totalling £8,661.6m (31 December 2023: £8,376.2m). The credit quality of the underlying debt securities within these vehicles is managed by the investment managers in line with agreed investment guidelines.

Included within reinsurers' share of insurance contract liabilities and amounts deposited with reinsurers (in respect of investment contracts) above, is a total exposure of £73.4m as at 31 December 2024 (31 December 2023: £71.4m) to ReAssure, which has been included within the 'AA' rating category.

Monument Re makes up £43.8m of the unrated exposure to reinsurers' share of insurance contract liabilities as at 31 December 2024 (31 December 2023: £48.7m). Exposure is limited through the use of a funds withheld arrangement under which the reinsurer has deposited collateral to CA in respect of the value of expected future reinsured claim payments.

The 'Other assets' in the credit risk rating table are not held at fair value or managed on a fair value basis. These assets generally consist of short-term receivables and are not considered to have a low credit rating as at 31 December 2024.

(iv) Concentration of credit risk

Debt securities As at 31 December 2024	Policyholder linked £m	Policyholder with-profit £m	Non-linked/ shareholder £m	Total £m
Austria	–	–	17.5	17.5
Belgium	–	–	32.1	32.1
France	0.6	2.7	219.5	222.8
Germany	–	0.4	90.9	91.3
Italy	–	–	15.9	15.9
Ireland	–	–	13.1	13.1
Netherlands	–	2.5	179.7	182.2
Poland	–	–	0.4	0.4
Portugal	–	–	0.3	0.3
Spain	–	0.5	38.8	39.3
UK	12.0	26.0	169.1	207.1
Other	2.1	11.2	152.5	165.8
Europe	**14.7**	**43.3**	**929.8**	**987.8**
USA	0.3	3.2	82.4	85.9
Other	–	1.5	1.1	2.6
North America	**0.3**	**4.7**	**83.5**	**88.5**
Australia	–	–	7.9	7.9
Other	–	–	6.7	6.7
Asia Pacific	**–**	**–**	**14.6**	**14.6**
Total	**15.0**	**48.0**	**1,027.9**	**1,090.9**

Debt securities As at 31 December 2023	Policyholder linked £m	Policyholder with-profit £m	Non-linked/ shareholder £m	Total £m
Austria	–	–	24.8	24.8
Belgium	–	–	37.1	37.1
France	0.7	2.7	200.1	203.5
Germany	–	0.4	210.7	211.1
Italy	–	–	12.3	12.3
Ireland	–	–	14.4	14.4
Netherlands	–	2.5	230.6	233.1
Poland	–	–	0.4	0.4
Portugal	–	–	3.3	3.3
Spain	–	0.5	37.1	37.6
UK	11.4	25.9	181.9	219.2
Other	2.2	13.4	117.4	133.0
Europe	**14.3**	**45.4**	**1,070.1**	**1,129.8**
USA	0.5	3.2	82.4	86.1
Other	–	1.7	1.4	3.1
North America	**0.5**	**4.9**	**83.8**	**89.2**
Australia	–	–	11.3	11.3
Other	–	–	6.8	6.8
Asia Pacific	**–**	**–**	**18.1**	**18.1**
Total	**14.8**	**50.3**	**1,172.0**	**1,237.1**

There are no direct holdings in debt securities within Russia or Ukraine.

B3 Financial risk (continued)

(c) Liquidity risk

(i) Management of liquidity risk

Liquidity risk is the risk that adequate liquid funds are not available to settle liabilities as they fall due and is managed by forecasting cash requirements and by adjusting investment management strategies to meet those requirements. Liquidity risk is generally mitigated by holding sufficient investments which are readily marketable in sufficiently short timeframes to allow the settlement of liabilities as they fall due. Where liabilities are backed by less marketable assets, for example investment properties, there are provisions in contractual terms which allow deferral of redemptions in times of adverse market conditions. The Group's substantial holdings of money market assets also serve to reduce liquidity risk.

(ii) Maturity analysis

The tables below present a maturity analysis of the Group's liabilities on discounted basis. The insurance and reinsurance contracts are presented on a discounted basis. Financial liabilities are presented on an undiscounted basis.

31 December 2024		Contractual cash flows							
Carrying values and cash flows arising from:	Carrying value £m	<1 yr £m	1-2 yrs £m	2-3 yrs £m	3-4 yrs £m	4-5 yrs £m	5-10 yrs £m	>10 yrs £m	Total £m
Insurance contract liabilities	4,099.1	704.4	301.8	264.3	245.6	249.9	813.0	1,322.1	3,901.1
Reinsurance contract liabilities	16.6	3.5	3.6	3.3	3.0	2.8	14.7	22.2	53.1
Total insurance and reinsurance contract liabilities (discounted)	4,115.7	707.9	305.4	267.6	248.6	252.7	827.7	1,344.3	3,954.2
Investment contract liabilities	6,116.7	6,070.3	4.6	5.4	4.4	5.0	21.2	5.8	6,116.7
Liabilities relating to policyholder's fund held by the Group	1,825.5	1,825.5	–	–	–	–	–	–	1,825.5
Lease contract liabilities	0.6	0.6	–	–	–	–	–	–	0.6
Borrowings	204.8	1.4	0.5	0.2	0.2	0.2	201.6	–	204.1
Derivative financial instruments	0.6	0.6	–	–	–	–	–	–	0.6
Other current liabilities	129.7	116.8	–	–	–	–	–	–	116.8
Bank overdrafts	0.8	0.8	–	–	–	–	–	–	0.8
Total financial liabilities (undiscounted)	8,278.7	8,016.0	5.1	5.6	4.6	5.2	222.8	5.8	8,265.1
Total	**12,394.4**	**8,723.9**	**310.5**	**273.2**	**253.2**	**257.9**	**1,050.5**	**1,350.1**	**12,219.3**

31 December 2023 – restated		Contractual cash flows							
Carrying values and cash flows arising from:	Carrying value £m	<1 yr £m	1-2 yrs £m	2-3 yrs £m	3-4 yrs £m	4-5 yrs £m	5-10 yrs £m	>10 yrs £m	Total £m
Insurance contract liabilities	4,203.0	651.2	332.8	294.4	277.8	267.2	872.9	1,222.6	3,918.9
Reinsurance contract liabilities	17.1	3.2	3.6	3.5	3.2	2.9	15.1	24.7	56.2
Total insurance and reinsurance contract liabilities (discounted)	4,220.1	654.4	336.4	297.9	281.0	270.1	888.0	1,247.3	3,975.1
Investment contract liabilities	5,872.3	5,414.0	40.3	38.0	40.2	47.7	131.0	69.6	5,780.8
Liabilities relating to policyholder's fund held by the Group	1,281.8	1,281.8	–	–	–	–	–	–	1,281.8
Lease contract liabilities	1.2	1.0	0.2	–	–	–	–	–	1.2
Borrowings	207.9	3.6	1.7	0.7	0.3	0.2	0.9	200.6	208.0
Derivative financial instruments	4.4	4.4	–	–	–	–	–	–	4.4
Other current liabilities	131.7	131.7	–	–	–	–	–	–	131.7
Bank overdrafts	0.2	0.2	–	–	–	–	–	–	0.2
Total financial liabilities (undiscounted)	7,499.5	7,037.3	42.2	38.7	40.5	47.9	131.9	69.6	7,408.1
Total	**11,719.6**	**7,691.7**	**378.6**	**336.6**	**321.5**	**318.0**	**1,019.9**	**1,316.9**	**11,383.2**

The values reported for insurance contract liabilities and reinsurance contract liabilities exclude the risk adjustment and contractual service margin as these are not considered to be financial liabilities subject to liquidity risk. The carrying values in the table above are the balance sheet values.

The maturity analysis for unit-linked investment contracts presents all the liabilities as due in the earliest period in the table because they are repayable or transferable on demand, with no notice period.

(ii) Maturity analysis (continued)

The table that follows shows the amounts from insurance contract assets and liabilities that are payable on demand. In most cases the non-distinct investment component is considered to be appropriate as a proxy for the amount payable on demand. As per the maturity analysis table, the amounts presented exclude the risk adjustment and contractual service margin. The carrying amount is the full balance sheet value.

31 December Type of contracts	2024 Payable on demand £m	2024 Carrying amount £m	2023 Payable on demand £m	Restated 2023 Carrying amount £m
Immediate annuities	2.7	306.4	2.4	327.9
Term assurance and other non-linked	130.1	385.9	150.3	419.8
Unit-linked/Index-linked/With-profits – GMM	822.2	908.1	882.0	999.0
Unit-linked/Index-linked/With-profits – VFA	2,161.5	2,464.9	2,132.5	2,412.1
Short-term protection	29.1	32.0	36.9	40.3
Total	**3,145.6**	**4,097.3**	**3,204.1**	**4,199.1**

B4 Capital management

(a) Regulatory context

Solvency II

On 31 December 2024 the PRA's restatement of Solvency II assimilated law came into force. Throughout the document we refer to the new regime as Solvency II, in line with the name of the prudential regime in PRA policy material.

The Group is required to comply with the 'Solvency II' regime. Solvency II includes rules over the quantity and quality of capital (known as 'Own Funds') that insurance companies and groups need in order to meet the required level of capital (known as the 'Solvency Capital Requirement'). The Group operates exclusively within the UK and the EU and as a result, the Solvency II regime is applied to the Group and all regulated insurance companies within the Group in the financial year.

The Solvency II regime has specific rules regarding how Own Funds are recognised and valued. In a number of cases, the IFRS and Solvency II value of an asset and liability are the same, but in some cases there are differences. In particular, liabilities for insurance and investment contracts are valued differently, with insurance contracts valued according to IFRS 17 and therefore including a contractual service margin and investment contracts valued as per unit value under IFRS 9. In addition, Solvency II has differing treatments for certain intangible assets. A high-level reconciliation between the IFRS net assets and Solvency II Own Funds of the Group and its subsidiaries has been provided in section (c)(ii) of this Note.

Regarding the Solvency Capital Requirement (SCR) of the Group and its subsidiaries, the Group has elected to use the 'standard formula' approach for its calculation, which means we are applying the formulae as included in the Solvency II framework. The calculations within the standard formula have been designed such that, on the basis that an insurance company holds Own Funds that are at least equal to its SCR, it will be able to withstand a 1 in 200 year event. An alternative would have been to use an 'internal model' but this was not deemed appropriate for the size and complexity of the Group.

The UK Treasury and EIOPA have both undertaken a review of Solvency II rules implementation. In the UK this resulted in a reduction in the Risk Margin from 31 December 2023 and similar is expected for the overseas entities from the EIOPA review.

Company law

As well as complying with the Solvency II regime, each company within the Group is required to comply with relevant company law capital and distribution rules.

(b) Objectives, policies and processes for managing capital

(i) Objectives

To manage compliance with the externally imposed capital requirements, the Group and its subsidiaries have established capital management policies in place. The objectives of these policies are:

- to ensure that capital is managed in a way that is consistent with the business strategy of the Group and its subsidiaries, in that they:
  - promote fair customer outcomes through protecting policyholders;
  - provide protection to shareholders through ensuring that the business is adequately protected against stress events; and
  - provide a framework to support the decision making process for returns to shareholders via dividends.
- to ensure that capital of the Group and its subsidiaries is managed in accordance with the Board's risk appetite, in particular each Board's aversion for Own Funds to fall below the SCR.

(ii) Policies

In light of the objectives for the Group's and its subsidiaries' capital management policies, the following quantitative limits for managing Own Funds are applied across the Group:

Region	UK	Movestic	Waard Group	Scildon	Group
Dividend paying limit: Own Funds stated as % of SCR	120%	120%	135%	175%	140%
Management actions limit: Own Funds stated as % of SCR	110%	110%	135%	175%	110%

Dividend paying limit: This is the point at which a dividend would cease to be paid, until at such time the solvency position was restored above this point. This limit is set by the relevant Board in each division with reference to its respective risk appetite, as articulated in each division's Capital Management Policy.

Management actions limit: This is the point at which, should Own Funds fall below this level, additional management actions would be considered to restore Own Funds back above this level. In essence this represents an internal 'ladder of intervention limit' that is set by the Group and divisional Boards.

To put the above table and definitions in context, and taking Group as an example, this means that the Group will not pay a dividend should the payment of the dividend take the Group Own Funds to below 140% of its SCR. Should Own Funds fall below 110% of SCR additional management actions will be taken.

SECTION B – RISK AND CAPITAL MANAGEMENT

B4 Capital management (continued)

(b) Objectives, policies and processes for managing capita (continued)

(iii) Process for management of capital

The following key processes and procedures are in place across the Group to manage adherence to the capital management policies in place:

- *Internal solvency reporting:* A number of internal reports are produced that focus on the solvency position of the Group/Company. These include the Own Risk & Solvency Assessment (ORSA) Report, a quarterly actuarial report and a quarterly finance report. All of these are presented to and approved by the Board.
- *Production of projections:* On at least an annual basis, solvency projections are produced for the Group and its subsidiaries. These projections are included in both the business plans and the ORSA Report and show how management anticipates the solvency position to develop over time. The projections process includes assessing the impact of a number of different stress scenarios to ensure that the sensitivities of the business are understood. Both the ORSA and the business plans are presented to and approved by the Board.
- *Regular review of internal limits in place:* On at least an annual basis, the limits described in section (b)(ii) of this Note are reviewed and assessed, having regard to the developments of the business and any other changes that may have affected the Group's/divisions' risk appetite.
- *Recovery management protocol:* A protocol for management actions has been designed which, in effect, represents an internally set 'ladder of intervention'. The protocol includes items such as solvency monitoring frequency, what level of escalations are required and what management actions need to be considered.
- *Monthly solvency monitoring:* Full solvency calculations are performed on a quarterly basis. For intra-quarter months, a monthly solvency estimate is produced. Where full estimation routines are not practical intra-valuation solvency can be monitored through trigger monitoring and sensitivity analysis. In addition to the Group level indicators, the Chesnara Board will remain close to any indications of divisional solvency movements by means of divisional MI and quarterly business reviews. On at least a monthly basis, specific key risk indicators are monitored against pre-defined trigger points. The trigger points are set having regard for the sensitivity of the Group to certain scenarios. Trigger points and the list of risk indicators being monitored are assessed at least annually.

(iv) Compliance during year

The Group, and all insurance companies within the Group, held Own Funds above their respective Solvency Capital Requirements at all times during the year.

(c) Quantitative analysis

(i) Group solvency position

The unaudited solvency position of the Group and its divisions at 31 December 2024, and at 31 December 2023, has been shown in the tables below. They present a view of the solvency position which may differ to the position of the individual insurance company(ies) within that division.

31 December 2024 (unaudited) Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other Group and consolidation adjustments £m	Group £m
Own Funds (pre dividends)	175.4	186.0	88.3	139.8	76.7	666.2
Proposed dividend	(45.0)	(2.5)	(6.6)	–	30.6	(23.5)
Own Funds (post dividends)	**130.4**	**183.5**	**81.7**	**139.8**	**107.3**	**642.7**
SCR	96.5	121.9	25.2	68.3	4.0	315.9
Solvency surplus	**33.9**	**61.6**	**56.5**	**71.5**	**n/a**	**326.8**
Solvency ratio	**135%**	**151%**	**324%**	**205%**	**n/a**	**203%**
Dividend paying limit (% of SCR)	120%	120%	135%	175%	n/a	140%
Dividend paying limit (£)	115.8	146.3	34.0	119.5	n/a	442.2
Surplus over dividend paying limit	14.6	37.2	47.7	20.3	n/a	200.4

31 December 2023 (unaudited) Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other Group and consolidation adjustments £m	Group £m
Own Funds (pre dividends)	187.5	178.7	105.3	133.7	102.0	707.2
Proposed dividend	(35.0)	(7.8)	(6.9)	–	26.2	(23.5)
Own Funds (post dividends)	**152.5**	**170.9**	**98.4**	**133.7**	**128.2**	**683.7**
SCR	102.6	116.7	27.9	72.8	12.7	332.7
Solvency surplus	**49.9**	**54.2**	**70.5**	**60.9**	**n/a**	**351.0**
Solvency ratio	**149%**	**147%**	**353%**	**184%**	**n/a**	**205%**
Dividend paying limit (% of SCR)	120%	120%	135%	175%	n/a	140%
Dividend paying limit (£)	123.1	140.0	37.7	127.4	n/a	465.8
Surplus over dividend paying limit	29.4	30.9	60.7	6.2	n/a	217.9

(ii) Reconciliation between Solvency II Own Funds and IFRS net assets (unaudited)

The tables below show the key differences between the Solvency II Own Funds reported in section (c)(i) of this Note and the Group's IFRS net assets.

31 December 2024 (unaudited) Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other Group and consolidation adjustments £m	Group £m
Solvency II Own Funds (post dividends)	**130.4**	**183.5**	**81.7**	**139.8**	**107.3**	**642.7**
Add Back: Ring-fenced fund surplus restrictions	1.9	–	–	–	–	1.9
Add Back: Intangible assets	20.4	66.8	–	–	–	87.2
Add Back: Tier 2 debt and restriction	–	–	16.4	–	(184.8)	(168.4)
Add Back: Foreseeable dividends	45.0	2.5	6.6	–	30.6	23.5
Add Back: Difference in valuation of technical provisions	(66.8)	(162.1)	(60.4)	(33.2)	34.5	(288.0)
Add Back: Difference in deferred tax	(3.2)	–	14.5	9.2	(8.4)	12.1
Add Back: Other valuation differences	(1.1)	1.2	3.9	(0.8)	0.2	2.7
IFRS net assets	**126.6**	**91.9**	**62.7**	**115.0**	**(81.8)**	**314.4**

31 December 2023 (unaudited) Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other Group and consolidation adjustments £m	Group £m
Solvency II Own Funds (post dividends)	**152.5**	**171.0**	**98.4**	**133.7**	**128.1**	**683.7**
Add Back: Ring-fenced fund surplus restrictions	0.5	–	–	–	–	0.5
Add Back: Intangible assets	22.1	72.8	–	–	–	94.9
Add Back: Tier 2 debt and restriction	–	–	13.7	–	(214.3)	(200.6)
Add Back: Foreseeable dividends	35.0	7.8	6.9	–	(26.2)	23.5
Add Back: Difference in valuation of technical provisions	(49.2)	(153.4)	(27.7)	(25.6)	40.3	(215.4)
Add Back: Difference in deferred tax	(4.7)	–	16.5	6.5	(10.2)	8.1
Add Back: Other valuation differences	(5.7)	(1.0)	(28.0)	(0.2)	0.1	(34.8)
IFRS net assets	**150.5**	**97.2**	**79.8**	**114.4**	**(82.2)**	**359.9**

Further information on how the Group uses Solvency II, and metrics derived from Solvency II, as Alternative Performance Measures can be found in the additional information section of the Annual Report and Accounts on page 261.

SECTION C – SEGMENTAL INFORMATION

C1 Composition of operating segments

The Group considers that it has no product or distribution-based business segments. It reports segmental information on the same basis as reported internally to the chief operating decision maker, which is the Board of Directors of Chesnara plc.

The segments of the Group as at 31 December 2024 comprise:

UK: This segment comprises the UK's life insurance and pensions business within Countrywide Assured plc (CA), the Group's principal UK operating subsidiary, and Sanlam Life & Pensions UK (SLP), acquired by the Group on 28 April 2022 and subsequently renamed to CASLP Limited (CASLP). The majority of the assets and liabilities of CASLP were transferred to CA in 2023 under a Part VII business transfer. CASLP was dissolved on 14 January 2025.

During the year, the Group reached an agreement to acquire the unit-linked bond and pension business of Canada Life Limited with the transaction initially in the form of a reinsurance agreement accepted by CA. See Note I7 for further details.

Movestic: This segment comprises the Group's Swedish life and pensions business, Movestic Livförsäkring AB (Movestic) and its subsidiary company Movestic Fonder AB (investment fund management company). Movestic is open to new business and primarily comprises unit-linked pension business and also providing some life and health product offerings.

Waard Group: This segment represents the Group's closed Dutch life insurance business and comprises a number of acquisitions of closed insurance books of business since the acquisition of the original Waard entities into the Group in 2015. The Waard Group comprises a mixture of long-term savings and protection business and also contains some non-life business.

Scildon: This segment represents the Group's open Dutch life insurance business. Scildon's policy base is predominantly made up of individual protection and savings contracts. It is open to new business and sells protection, individual savings and group pension contracts via a broker-led distribution model.

The planned integration of the Waard and Scildon businesses, as referred to in the risk management section of the Strategic Report has not been applied in the segmental reporting in these financial statements.

Other Group activities: The functions performed by the Parent Company, Chesnara plc, are defined under the operating segment analysis as other Group activities. Also included therein are consolidation and elimination adjustments.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are on normal commercial terms in normal market conditions. The Group evaluates performance of operating segments on the basis of the profit before tax attributable to shareholders of the reporting segments and the Group as a whole. There were no changes to the measurement basis for segment profit during the year ended 31 December 2024.

C2 Segmental performance and net assets

(a) Segmental income statement for the year ended 31 December 2024

	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other Group activities (UK) £m	Total £m
Insurance revenue	71.3	10.2	29.8	150.6	–	261.9
Insurance service expense	(64.9)	(2.6)	(31.4)	(145.2)	–	(244.1)
Net expenses from reinsurance contracts held	(0.9)	(1.8)	(2.0)	(4.5)	–	(9.2)
Segmental insurance service result	**5.5**	**5.8**	**(3.6)**	**0.9**	**–**	**8.6**
Net investment return	380.7	666.6	28.1	201.4	9.3	1,286.1
Net finance (expenses)/income from insurance contracts issued	(98.4)	(23.6)	(23.2)	(189.6)	–	(334.8)
Net finance expenses from reinsurance contracts held	3.1	0.3	–	(0.8)	–	2.6
Net change in investment contract liabilities	(260.0)	(479.6)	(0.8)	–	–	(740.4)
Change in liabilities relating to policyholders' funds held by the Group	–	(160.8)	–	–	–	(160.8)
Segmental investment result	**25.4**	**2.9**	**4.1**	**11.0**	**9.3**	**52.7**
Fee, commission and other operating income	37.4	65.5	0.3	–	1.0	104.2
Segmental revenue, net of investment result	**68.3**	**74.2**	**0.8**	**11.9**	**10.3**	**165.5**
Other operating expenses	(39.7)	(54.9)	(3.3)	(4.3)	(22.0)	(124.2)
Financing costs	(0.2)	(0.4)	–	–	(10.5)	(11.1)
Profit/(loss) before tax and consolidation adjustments	**28.4**	**18.9**	**(2.5)**	**7.6**	**(22.2)**	**30.2**
Other operating expenses:						
Amortisation and impairment of intangible assets	(0.1)	(9.3)	–	–	–	(9.4)
Segmental income less expenses	**28.3**	**9.6**	**(2.5)**	**7.6**	**(22.2)**	**20.8**
Post completion gain on portfolio acquisition	–	–	–	–	–	–
(Loss)/profit before tax	**28.3**	**9.6**	**(2.5)**	**7.6**	**(22.2)**	**20.8**
Income tax credit/(charge)	(17.0)	(0.5)	0.8	(2.0)	1.8	(16.9)
(Loss)/profit after tax	**11.3**	**9.1**	**(1.7)**	**5.6**	**(20.4)**	**3.9**

(b) Segmental balance sheet as at 31 December 2024

	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other Group activities (UK) £m	Total £m
Total assets	4,473.8	5,269.7	851.9	2,035.7	124.0	12,755.1
Total liabilities	(4,347.2)	(5,177.8)	(789.2)	(1,920.7)	(205.8)	(12,440.7)
Net assets	**126.6**	**91.9**	**62.7**	**115.0**	**(81.8)**	**314.4**
Investment in associates	–	–	–	–	–	–
Additions to non-current assets	–	–	–	–	–	–

SECTION C – SEGMENTAL INFORMATION

C2 Segmental performance and net assets (continued)

(c) Segmental income statement for the year ended 31 December 2023

	Restated UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other Group activities (UK) £m	Total £m
Insurance revenue	65.8	11.1	36.1	115.0	–	228.0
Insurance service expense	(65.7)	(7.4)	(37.8)	(113.9)	–	(224.8)
Net expenses from reinsurance contracts held	(5.5)	(0.6)	0.4	(2.7)	–	(8.4)
Segmental insurance service result	**(5.4)**	**3.1**	**(1.3)**	**(1.6)**	**–**	**(5.2)**
Net investment return	339.3	432.5	63.2	181.2	7.3	1,023.5
Net finance (expenses)/income from insurance contracts issued	(86.4)	(16.0)	(49.3)	(163.2)	–	(314.9)
Net finance expenses from reinsurance contracts held	9.3	0.7	0.1	(3.4)	–	6.7
Net change in investment contract liabilities	(226.4)	(299.6)	(3.6)	–	–	(529.6)
Change in liabilities relating to policyholders' funds held by the Group	–	(114.0)	–	–	–	(114.0)
Segmental investment result	**35.8**	**3.6**	**10.4**	**14.6**	**7.3**	**71.7**
Fee, commission and other operating income	39.8	50.3	2.9	–	(3.6)	89.4
Segmental revenue, net of investment result	**70.2**	**57.0**	**12.0**	**13.0**	**3.7**	**155.9**
Other operating expenses	(39.9)	(40.0)	(3.5)	(5.5)	(23.1)	(112.0)
Financing costs	(0.2)	(0.5)	–	–	(10.3)	(11.0)
Profit/(loss) before tax and consolidation adjustments	**30.1**	**16.5**	**8.5**	**7.5**	**(29.7)**	**32.9**
Other operating expenses:						
Amortisation and impairment of intangible assets	(26.7)	(11.2)	–	–	–	(37.9)
Segmental income less expenses	**3.4**	**5.3**	**8.5**	**7.5**	**(29.7)**	**(5.0)**
Post completion gain on portfolio acquisition	–	–	6.7	–	–	6.7
(Loss)/profit before tax	**3.4**	**5.3**	**15.2**	**7.5**	**(29.7)**	**1.7**
Income tax credit/(charge)	20.5	–	(1.6)	(1.9)	(0.1)	16.9
(Loss)/profit after tax	**23.9**	**5.3**	**13.6**	**5.6**	**(29.8)**	**18.6**

(d) Segmental balance sheet as at 31 December 2023

	Restated UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other Group activities (UK) £m	Total £m
Total assets	4,527.1	4,519.4	946.8	2,009.1	127.3	12,129.8
Total liabilities	(4,376.6)	(4,422.2)	(867.0)	(1,894.6)	(209.5)	(11,769.9)
Net assets	**150.5**	**97.2**	**79.8**	**114.5**	**(82.2)**	**359.9**
Investment in associates	–	–	–	–	–	–
Additions to non-current assets	–	–	–	–	–	–

SECTION D – PERFORMANCE IN THE YEAR

D1 Insurance result

Year ended 31 December 2024 **Insurance revenue**	**UK £m**	**Movestic (Sweden) £m**	**Waard Group (Netherlands) £m**	**Scildon (Netherlands) £m**	**Total £m**
Contracts not measured under the PAA:					
Amounts relating to changes in the liability for remaining coverage:					
Expected incurred claims and other directly attributable expenses	65.6	0.3	22.1	133.7	221.7
Change in risk adjustment for non-financial risk for the risk expired	1.8	0.1	0.7	2.3	4.9
CSM recognised for the services provided	3.9	0.5	7.0	11.0	22.4
Insurance acquisition cash flows recovery	–	–	–	3.6	3.6
Insurance revenue for contracts not measured under the PAA	**71.3**	**0.9**	**29.8**	**150.6**	**252.6**
Insurance revenue for contracts measured under the PAA	**–**	**9.3**	**–**	**–**	**9.3**
Total insurance revenue	**71.3**	**10.2**	**29.8**	**150.6**	**261.9**
Insurance service expenses					
Incurred claims and other directly attributable expenses	(60.5)	(8.9)	(28.6)	(108.8)	(206.8)
Changes that relate to past service – changes in the FCF relating to the LIC	–	6.3	–	–	6.3
Losses on onerous contracts and reversals of those losses	(4.4)	–	(2.8)	(32.8)	(40.0)
Insurance acquisition cash flows amortisation	–	–	–	(3.6)	(3.6)
Total insurance service expenses	**(64.9)**	**(2.6)**	**(31.4)**	**(145.2)**	**(244.1)**
Net income/(expenses) from reinsurance contracts held					
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA					
Amounts relating to changes in the remaining coverage:					
Expected amount recoverable for claims and other insurance service expenses	(22.9)	–	(4.3)	(18.7)	(45.9)
Change in risk adjustment for non-financial risk for the risk expired	(0.6)	–	(0.1)	(0.9)	(1.6)
CSM recognised for the services received	(0.4)	–	–	(3.1)	(3.5)
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA	**(23.9)**	**–**	**(4.4)**	**(22.7)**	**(51.0)**
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts measured under the PAA	**–**	**(1.3)**	**–**	**–**	**(1.3)**
Amounts recoverable for incurred claims and other incurred insurance service expenses	23.0	2.0	2.4	19.0	46.4
Changes in amounts recoverable that relate to past service – adjustments to incurred claims	–	(2.5)	–	–	(2.5)
Recoveries of loss on recognition of onerous underlying contracts	–	–	–	0.5	0.5
Recoveries of losses on onerous underlying contracts and reversals of such losses	–	–	–	(1.3)	(1.3)
Total net expenses from reinsurance contracts held	**(0.9)**	**(1.8)**	**(2.0)**	**(4.5)**	**(9.2)**
Total insurance service result	**5.5**	**5.8**	**(3.6)**	**0.9**	**8.6**

D1 Insurance result (continued)

Year ended 31 December 2023 Insurance revenue	Restated UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Contracts not measured under the PAA:					
Amounts relating to changes in the liability for remaining coverage:					
Expected incurred claims and other directly attributable expenses	59.3	0.3	28.2	100.1	187.7
Change in risk adjustment for non-financial risk for the risk expired	1.9	0.1	0.9	2.4	5.3
CSM recognised for the services provided	4.6	0.3	7.0	9.0	20.9
Insurance acquisition cash flows recovery	–	–	–	3.5	3.5
Insurance revenue for contracts not measured under the PAA	**65.8**	**0.7**	**36.1**	**115.0**	**217.6**
Insurance revenue for contracts measured under the PAA	**–**	**10.4**	**–**	**–**	**10.4**
Total insurance revenue	**65.8**	**11.1**	**36.1**	**115.0**	**228.0**
Insurance service expenses					
Incurred claims and other directly attributable expenses	(50.8)	(11.0)	(30.4)	(75.1)	(167.3)
Changes that relate to past service – changes in the FCF relating to the LIC	–	3.6	–	–	3.6
Losses on onerous contracts and reversals of those losses	(14.9)	–	(7.4)	(35.4)	(57.7)
Insurance acquisition cash flows amortisation	–	–	–	(3.4)	(3.4)
Total insurance service expenses	**(65.7)**	**(7.4)**	**(37.8)**	**(113.9)**	**(224.8)**
Net income/(expenses) from reinsurance contracts held					
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA					
Amounts relating to changes in the remaining coverage:					
Expected amount recoverable for claims and other insurance service expenses	(23.8)	–	(5.0)	(17.7)	(46.5)
Change in risk adjustment for non-financial risk for the risk expired	(0.7)	–	(0.2)	(1.3)	(2.2)
CSM recognised for the services received	(0.5)	–	2.2	(2.7)	(1.0)
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA	**(25.0)**	**–**	**(3.0)**	**(21.7)**	**(49.7)**
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts measured under the PAA	**–**	**(2.5)**	**–**	**–**	**(2.5)**
Amounts recoverable for incurred claims and other incurred insurance service expenses	19.5	3.2	3.4	17.3	43.4
Changes in amounts recoverable that relate to past service – adjustments to incurred claims	–	(1.3)	–	–	(1.3)
Recoveries of loss on recognition of onerous underlying contracts	–	–	–	0.5	0.5
Recoveries of losses on onerous underlying contracts and reversals of such losses	–	–	–	1.2	1.2
Total net expenses from reinsurance contracts held	**(5.5)**	**(0.6)**	**0.4**	**(2.7)**	**(8.4)**
Total insurance service result	**(5.4)**	**3.1**	**(1.3)**	**(1.6)**	**(5.2)**

D2 Investment result

In the tables that follow the investment return on surplus shareholder assets is included in the insurance contracts column. Net fair value gains and losses in respect of holdings in collective investment schemes are included in the line that is most appropriate taking into account the nature of the underlying investments.

Year ended 31 December 2024 Net Investment return	Insurance contracts				Investment contracts		
	UK £m	Movestic £m	Waard £m	Scildon £m	(without DPFs) £m	Chesnara plc £m	Total £m
Interest revenue from financial assets not measured at FVTPL	–	0.5	0.7	–	–	–	1.2
Net gains on financial investments mandatorily measured as FVTPL	90.2	25.6	16.2	169.1	739.6	7.5	1,408.2
Net gains on financial investments designated as FVTPL	16.6	0.1	11.2	32.5	160.8	1.8	223.0
Net gains from fair value adjustments to investment properties	13.9	–	–	(0.2)	–	–	13.7
Total net investment return	**120.7**	**26.2**	**28.1**	**201.4**	**900.4**	**9.3**	**1,286.1**
Finance income/(expenses) from insurance contracts issued							
Change in fair value of underlying assets of contracts measured under the VFA	(99.8)	(22.8)	(5.8)	(170.6)	–	–	(299.0)
Interest accreted	(19.5)	(1.0)	(30.0)	(19.8)	–	–	(70.3)
Effect of changes in interest rates and other financial assumptions	20.2	0.2	7.8	1.5	–	–	29.7
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	0.5	–	4.8	(0.5)	–	–	4.8
Total finance income from insurance contracts issued	**(98.6)**	**(23.6)**	**(23.2)**	**(189.4)**	**–**	**–**	**(334.8)**
Finance income from reinsurance contracts held							
Interest accreted	8.6	0.4	–	(1.1)	–	–	7.9
Effect of changes in interest rates and other financial assumptions	(4.6)	(0.1)	–	(0.1)	–	–	(4.8)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	(0.9)	–	–	0.4	–	–	(0.5)
Total finance expenses from reinsurance contracts held	**3.1**	**0.3**	**–**	**(0.8)**	**–**	**–**	**2.6**
Net insurance finance expenses	**(95.5)**	**(23.3)**	**(23.2)**	**(190.2)**	**–**	**–**	**(332.2)**
Net gains/losses on investment contract liabilities	–	–	–	–	(740.4)	–	(740.4)
Net gains/losses on liabilities relating to policyholder funds held by the Group	–	–	–	–	(160.8)	–	(160.8)
Net investment result	**25.2**	**2.9**	**4.9**	**11.2**	**(0.8)**	**9.3**	**52.7**

SECTION D – PERFORMANCE IN THE YEAR

D2 Investment result (continued)

Year ended 31 December 2023 Net Investment return	Insurance contracts				Investment contracts (without DPFs) £m	Chesnara plc £m	Total £m
	UK £m	Movestic £m	Waard £m	Scildon £m			
Interest revenue from financial assets not measured at FVTPL	6.8	0.9	0.5	–	–	0.9	9.1
Net gains on financial investments mandatorily measured as FVTPL	63.0	18.1	21.4	129.6	527.7	6.3	766.1
Net gains on financial investments designated as FVTPL	41.9	–	37.6	51.7	115.8	–	247.0
Net gains from fair value adjustments to investment properties	1.2	–	–	–	–	–	1.2
Total net investment return	**112.9**	**19.0**	**59.5**	**181.3**	**643.5**	**7.2**	**1,023.4**
Finance income/(expenses) from insurance contracts issued							
Change in fair value of underlying assets of contracts measured under the VFA	(75.4)	–	(5.1)	(132.6)	–	–	(213.1)
Interest accreted	(18.2)	–	(30.0)	(19.1)	–	–	(67.3)
Effect of changes in interest rates and other financial assumptions	2.4	(16.0)	(21.2)	(14.2)	–	–	(49.0)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	4.7	–	6.9	2.9	–	–	14.5
Total finance income from insurance contracts issued	**(86.5)**	**(16.0)**	**(49.4)**	**(163.0)**	**–**	**–**	**(314.9)**
Finance income from reinsurance contracts held							
Interest accreted	8.8	–	0.1	(1.1)	–	–	7.8
Effect of changes in interest rates and other financial assumptions	1.5	0.7	–	(1.6)	–	–	0.6
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	(1.0)	–	–	(0.7)	–	–	(1.7)
Total finance expenses from reinsurance contracts held	**9.3**	**0.7**	**0.1**	**(3.4)**	**–**	**–**	**6.7**
Net insurance finance expenses	**(77.2)**	**(15.3)**	**(49.3)**	**(166.4)**	**–**	**–**	**(308.2)**
Net gains/(losses) on investment contract liabilities	–	–	–	–	(529.6)	–	(529.6)
Net gains/(losses) on liabilities relating to policyholder funds held by the Group	–	–	–	–	(113.9)	–	(113.9)
Net investment result	**35.7**	**3.7**	**10.2**	**14.9**	**–**	**7.2**	**71.7**

D3 Fees, commission and other operating income

Year ended 31 December	2024 £m	2023 £m
Policy-based fees	2.9	3.2
Fund management-based fees recognised under IFRS 15	44.1	45.5
Change in deferred income – gross	0.2	0.6
Commission income from investment contracts	22.4	20.4
Fee income from investment managers	1.3	1.3
Charges to policyholder funds for yield tax	30.8	17.9
Other types of operating income	2.5	0.5
Total fee, commission and other operating income	**104.2**	**89.4**

Fund management-based fees recognised under IFRS 15 has been disaggregated based on the geographical region as follows:

Year ended 31 December	2024 £m	2023 £m
UK	33.9	35.0
Sweden	10.2	10.5
Total fund management-based fees recognised under IFRS 15	**44.1**	**45.5**

D4 Expenses by nature

Year ended 31 December 2024	Note	Insurance acquisition cash flows £m	Other attributable expenses £m	Other operating expenses £m	Total £m
Administrative expenses					
Personnel-related costs	I1	2.7	13.6	26.8	43.1
Investment management fees		–	2.4	1.3	3.7
Costs paid to third-party administrators		–	10.6	2.4	13.0
Other goods and services		4.0	14.0	23.4	41.4
Depreciation charge on property and equipment		0.1	0.5	0.3	0.9
Depreciation of right-of-use assets		–	–	0.8	0.8
Amortisation charge on software assets		–	–	2.7	2.7
Sub-total		**6.8**	**41.1**	**57.7**	**105.6**
Commission, new business and renewal costs					
Insurance contracts		–	3.8	–	3.8
Investment contracts		–	–	32.6	32.6
Sub-total		**–**	**3.8**	**32.6**	**36.4**
Amortisation and Impairment of intangible assets					
Acquired value of in-force business		–	–	4.8	4.8
Deferred acquisition costs		–	–	7.7	7.7
Sub-total		**–**	**–**	**12.5**	**12.5**
Other expenses					
Payment of yield tax relating to policyholders funds		–	–	30.8	30.8
Other		–	2.2	–	2.2
Sub-total		**–**	**2.2**	**30.8**	**33.0**
Total		**6.8**	**47.1**	**133.6**	**187.5**

Expenses classed as ‘insurance acquisition cash flows’ in the table above are offset against the CSM on initial recognition. The ‘other attributable expenses’ are reported in the ‘Insurance service expense’ line in the income statement.

SECTION D – PERFORMANCE IN THE YEAR

D4 Expenses by nature (continued)

Year ended 31 December 2023 – restated	Note	Insurance acquisition cash flows £m	Other attributable expenses £m	Other operating expenses £m	Total £m
Administrative expenses					
Personnel-related costs	I1	2.2	13.6	25.4	41.2
Investment management fees		–	2.3	1.3	3.6
Costs paid to third-party administrators		–	9.5	3.9	13.4
Other goods and services		3.3	13.0	28.9	45.2
Depreciation charge on property and equipment		0.1	0.5	0.2	0.8
Depreciation of right-of-use assets		–	–	0.4	0.4
Amortisation charge on software assets		–	–	2.0	2.0
Sub-total		**5.6**	**38.9**	**62.1**	**106.6**
Commission, new business and renewal costs					
Insurance contracts		–	3.8	–	3.8
Investment contracts		–	–	29.4	29.4
Sub-total		**–**	**3.8**	**29.4**	**33.2**
Amortisation and Impairment of intangible assets					
Acquired value of in-force business		–	–	28.6	28.6
Deferred acquisition costs		–	–	7.6	7.6
Sub-total		**–**	**–**	**36.2**	**36.2**
Other expenses					
Payment of yield tax relating to policyholders funds		–	–	17.9	17.9
Other		–	2.9	4.3	7.2
Sub-total		**–**	**2.9**	**22.2**	**25.1**
Total		**5.6**	**45.5**	**149.9**	**201.1**

Included in other goods and services above are the following amounts payable to the auditor and its associates, exclusive of VAT.

Year ended 31 December	2024 £m	2023 £m
Fees payable to the Company's auditor for the audit of the Company's financial statements	0.7	0.6
Fees payable to the Company's auditor and its associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation*	2.4	1.9
Audit-related assurance services**	0.2	2.0
Non-audit services	–	0.1
Total	**3.3**	**4.6**

*Includes £1.0m (2023: £1.6m) audit fees in respect of the Movestic, Waard and Scildon audit in the year performed by EY.

**Includes £0.1m (2023: £0.1m) fees related to assurance services in respect of Waard and Scildon in the year performed by EY, £0.2m (2023: £0.2m) fees related to assurance services in respect of CASFS performed by Deloitte and £0.1m (2023: £0.1m) fees related to assurance services in respect of Chesnara parent company performed by Deloitte.

D5 Financing costs

Year ended 31 December	2024 £m	2023 £m
Interest expense on bank borrowings	1.0	0.7
Interest expense on financial reinsurance	0.4	0.5
Interest expense on Tier 2 debt	9.7	9.8
Total financing costs	**11.1**	**11.0**

Interest expense on bank borrowings and Tier 2 debt is calculated using the effective interest rate method and is the total interest expense for financial liabilities that are not designated at fair value through profit or loss.

D6 Income tax

Total income tax comprises Year ended 31 December	2024 £m	2023 £m
CA and other Group activities – net credit	(15.2)	20.4
Movestic	(0.5)	–
Waard Group – net expense/credit	0.8	(1.6)
Scildon – net (expense)/credit	(2.0)	(1.9)
Total net credit	**(16.9)**	**16.9**

UK business

CA and other Group activities Year ended 31 December	2024 £m	2023 £m
Current tax		
Current year expense	0.1	–
Overseas tax	–	(0.3)
Net expense	0.1	(0.3)
Deferred tax		
Origination and reversal of temporary differences	(17.4)	20.7
Adjustment to prior years	2.1	–
Total income tax credit (expense)/credit	**(15.2)**	**20.4**

Reconciliation of effective tax rate on profit before tax Year ended 31 December	2024 £m	2023 £m
Profit/(loss) before tax	**2.1**	**(26.3)**
Income tax using the domestic corporation tax rate of 25.0% (2023: 23.5%)	(0.5)	6.2
Non-taxable profit on acquisition of subsidiary	(0.2)	–
Impact of small companies rate	–	(1.5)
Other permanent differences	–	(0.6)
Effect of UK tax bases on insurance profits	(15.8)	(7.5)
Offset of franked investment income	2.6	1.2
Variation in rate of tax on amortisation of acquired in-force value	1.5	13.3
Foreign tax	–	(0.3)
Effect of deferred tax not recognised	(4.8)	10.1
Effect of change in tax rate	–	(0.2)
Other	2.0	(0.3)
Total income tax credit (expense)/credit	**(15.2)**	**20.4**

The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023.

SECTION D – PERFORMANCE IN THE YEAR

D6 Income tax (continued)

Movestic

Movestic Year ended 31 December	2024 £m	2023 £m
Current tax		
Current year expense	(0.5)	–
Net expenses	(0.5)	–
Deferred tax		
Origination and reversal of temporary differences	–	–
Total income tax expense	**(0.5)**	**–**

Reconciliation of effective tax rate on profit before tax Year ended 31 December	2024 £m	2023 £m
Profit before tax	**10.4**	**5.4**
Income tax using the domestic corporation tax rate of 20.6% (20.6%)	(2.1)	(1.1)
Non-taxable income in relation to unit-linked business	1.2	1.2
Unrecognised tax recoverable	0.8	(0.3)
Non-deductible expenses	0.1	0.2
Under/(over) provided in prior years	(0.5)	–
Total income tax credit/(expense)	**(0.5)**	**–**

Waard Group

Waard Group Year ended 31 December	2024 £m	2023 £m
Current tax		
Current year expense	(0.9)	(1.7)
Adjustment to prior years	0.6	4.7
Net expenses	(0.3)	3.0
Deferred tax		
Origination and reversal of temporary differences	1.1	(4.6)
Total income tax credit/(expense)	**0.8**	**(1.6)**

Reconciliation of effective tax rate on profit before tax Year ended 31 December	2024 £m	2023 £m
(Loss)/profit before tax	**(2.5)**	**14.7**
Income tax using the domestic corporation tax rate of 25.8% (2023: 25%)	0.7	(3.8)
Non-taxable fair value adjustment	–	1.7
Temporary differences	0.1	1.0
Reversal of temporary difference	–	(0.5)
Total income tax credit/(expense)	**0.8**	**(1.6)**

Scildon

Scildon Year ended 31 December	2024 £m	2023 £m
Current tax	–	**4.8**
Adjustments for prior year	–	–
Net expense	–	4.8
Deferred tax		
Origination and reversal of temporary differences	(2.0)	(6.7)
Total income tax credit/(expense)	**(2.0)**	**(1.9)**

Reconciliation of effective tax rate on profit before tax Year ended 31 December	2024 £m	2023 £m
Loss before tax	**7.5**	**7.5**
Income tax using the domestic corporation tax rate 25.8% (2023: 25%)	(1.9)	(1.9)
Permanent differences	0.1	0.1
Temporary differences	(0.1)	(0.1)
Total income tax credit/(expense)	**(1.9)**	**(1.9)**

SECTION E – BALANCE SHEET ASSETS

E1 Intangible assets

Year ended 31 December 2024	AVIF £m	AVCR £m	Software assets £m	Total £m
Cost:				
Balance at 1 January	**112.3**	**2.3**	**31.1**	**145.6**
Additions	–	–	2.1	2.1
Foreign exchange translation difference	–	–	(2.4)	(2.3)
Balance at 31 December	**112.3**	**2.3**	**30.8**	**145.4**
Amortisation and impairment losses:				
Balance at 1 January	**76.1**	**2.1**	**21.7**	**99.9**
Amortisation for the year	4.7	–	2.7	7.4
Impairment for the year	–	–	–	–
Foreign exchange translation difference	1.0	–	(1.7)	(0.7)
Balance at 31 December	**81.8**	**2.1**	**22.7**	**106.6**
Carrying amounts:				
At 1 January	**36.3**	**0.2**	**9.3**	**45.8**
At 31 December	**30.5**	**0.2**	**8.1**	**38.8**

Year ended 31 December 2023	AVIF £m	AVCR £m	Software assets £m	Total £m
Cost:				
Balance at 1 January	**113.9**	**2.3**	**29.5**	**145.7**
Additions	–	–	2.3	2.3
Foreign exchange translation difference	(1.6)	–	(0.7)	(2.3)
Balance at 31 December	**112.3**	**2.3**	**31.1**	**145.7**
Amortisation and impairment losses:				
Balance at 1 January	**48.5**	**2.1**	**20.2**	**70.8**
Amortisation for the year	7.5	–	2.0	9.5
Impairment for the year	21.0	–	–	21.0
Foreign exchange translation difference	(0.9)	–	(0.5)	(1.4)
Balance at 31 December	**76.1**	**2.1**	**21.7**	**99.9**
Carrying amounts:				
At 1 January	**65.4**	**0.2**	**9.3**	**74.9**
At 31 December	**36.3**	**0.2**	**9.3**	**45.8**

Section A5 (i) provides further details of the significant judgements applied and the sensitivities to those judgements in respect of the AVIF assets held in regard to CASLP within the UK segment of £19.8m (31 December 2023: £22.9m) and also in Movestic of £10.7m (31 December 2023: £13.4m).

The AVCR asset and the software assets are held in respect of Movestic.

The amortisation charged to the Consolidated Statement of Comprehensive Income is recognised in other operating expenses (see Note D4).

Deferred acquisition costs

Year ended 31 December	2024 £m	2023 £m
Balance at 1 January	**50.6**	**51.2**
Additions	9.2	8.3
Amortisation charged to income	(7.7)	(7.6)
Foreign exchange translation difference	(3.6)	(1.3)
Balance at 31 December	**48.4**	**50.6**
Current	6.3	11.1
Non-current	42.1	39.5
Total	**48.4**	**50.6**

The amortisation charged to income is recognised in other operating expenses (see Note D4).

E2 Property and equipment

31 December	2024 £m	2023 £m
Cost:		
Balance at 1 January	**20.6**	**19.0**
Additions	0.8	1.9
Disposals	(1.7)	(0.3)
Revaluation	0.7	0.3
Foreign exchange translation difference	(0.8)	(0.3)
Balance at 31 December	**19.6**	**20.6**
Amortisation and impairment losses:		
Balance at 1 January	**12.2**	**11.1**
Depreciation charge for the year	1.7	0.8
Disposals	(1.7)	–
Foreign exchange translation difference	(0.4)	0.3
Balance at 31 December	**11.7**	**12.2**
Carrying amounts at 31 December	**7.9**	**8.4**

The Group leases several assets including office buildings, office equipment, IT equipment and motor vehicles. The average lease term is 3 years.

E2 Property and equipment (continued)

Right-of-use assets	Non-investment property £m	Other £m	2024 Total £m
Carrying amounts at 1 January	**1.1**	**0.2**	**1.3**
Additions	0.1	–	0.1
Depreciation charge	(0.6)	(0.2)	(0.8)
Carrying amounts at 31 December	**0.6**	**–**	**0.6**

Amounts recognised in profit or loss are not considered to be material.

Right-of-use assets	Non-investment property £m	Other £m	2023 Total £m
Carrying amounts at 1 January	**1.2**	**0.1**	**1.3**
Additions	–	0.8	0.8
Depreciation charge	(0.4)	(0.4)	(0.8)
Foreign exchange translation difference	0.3	(0.3)	–
Carrying amounts at 31 December	**1.1**	**0.2**	**1.3**

Amounts recognised in profit or loss are not considered to be material.

E3 Investment properties

31 December	2024 £m	2023 £m
Balance at 1 January	**88.1**	**94.5**
Additions	3.4	2.3
Disposals	(7.9)	(6.0)
Revaluation	8.1	(2.7)
Balance at 31 December	**91.7**	**88.1**

Investment properties were bought for investment purposes in line with the investment strategy of the Group. Detail on the property types and the frequency of valuations is provide in Note A4(k). There is no observable input and therefore they are classed as Level 3 in the fair value hierarchy, see Note E4(b).

The revaluation is disclosed within net investment return (see Note D2). Expenses incurred in the operation and maintenance of investment properties are disclosed within other operating expenses (see Note D4).

Rental income from investment properties was £6.9m for the year (2023: £6.8m). Operating expenses incurred on investment properties was £0.6m for the year (2023: £1.0m).

E4 Financial investments

(a) Financial investments by classification

The carrying amounts of the financial investments and other financial assets and liabilities held by the Group at the balance sheet date are as follows:

31 December 2024	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Equity securities	–	–	191.5	191.5
Holdings in collective investment schemes	–	–	8,661.6	8,661.6
Debt securities – government bonds	–	446.1	–	446.1
Debt securities – other	–	634.7	10.1	644.8
Policyholder funds help by the Group	–	1,825.8	–	1,825.8
Mortgage loan portfolio	–	346.9	–	346.9
Total	**–**	**3,253.5**	**8,863.2**	**12,116.7**
Derivatives and other financial assets				
Amounts deposited with reinsurer	–	34.3	–	34.3
Derivative financial instruments	–	–	0.1	0.1
Other assets	68.7	–	–	68.7
Cash and cash equivalents	–	138.0	–	138.0
Total financial investments and financial assets	**68.7**	**3,425.8**	**8,863.3**	**12,357.8**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	6,116.7	–	6,116.7
Liabilities relating to policyholder funds help by the Group	–	1,825.5	–	1,825.5
Derivative financial instruments	–	–	0.6	0.6
Borrowings	204.8	–	–	204.8
Other current liabilities	129.7	–	–	129.7
Total financial liabilities	**334.5**	**7,942.2**	**0.6**	**8,277.3**

31 December 2023	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Equity securities	–	–	194.2	194.2
Holdings in collective investment schemes	–	–	8,376.2	8,376.2
Debt securities – government bonds	–	716.5	–	716.5
Debt securities – other	–	520.6	–	520.6
Policyholder funds help by the Group	–	1,281.8	–	1,281.8
Mortgage loan portfolio	–	366.8	–	366.8
Total	**–**	**2,885.7**	**8,570.4**	**11,456.1**
Derivatives and other financial assets				
Amounts deposited with reinsurers	–	32.5	–	32.5
Derivative financial instruments	–	–	0.3	0.3
Other assets	57.7	–	–	57.7
Cash and cash equivalents	–	146.0	–	146.0
Total financial investments and financial assets	**57.7**	**3,064.2**	**8,570.7**	**11,692.6**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	5,872.3	–	5,872.3
Liabilities relating to policyholder funds help by the Group	–	1,281.8	–	1,281.8
Derivative financial instruments	–	–	4.4	4.4
Borrowings	207.9	–	–	207.9
Other current liabilities	131.7	–	–	131.7
Total financial liabilities	**339.6**	**7,154.1**	**4.4**	**7,498.1**

(b) Financial investment fair values

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the Group applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where possible (Level 2), but in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

Fair value measurement at 31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties	–	–	91.7	91.7
Financial assets				
Equities – Listed	191.5	–	–	191.5
Holdings in collective investment schemes	8,454.1	38.9	168.6	8,661.6
Debt securities – government bonds	446.1	–	–	446.1
Debt securities – other debt securities	644.8	–	–	644.8
Policyholders' funds held by the Group	1,781.6	–	44.2	1,825.8
Mortgage loan portfolio	–	346.9	–	346.9
Amounts deposited with reinsurers	–	34.3	–	34.3
Derivative financial instruments	–	0.1	–	0.1
Total	**11,518.1**	**420.2**	**304.5**	**12,242.8**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	6,116.7	–	6,116.7
Liabilities related to policyholders' funds held by the Group	–	1,825.5	–	1,825.5
Derivative financial instruments	–	0.6	–	0.6
Total	**–**	**7,942.8**	**–**	**7,942.8**

Fair value measurement at 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties	–	–	88.1	88.1
Financial assets				
Equities – Listed	194.2	–	–	194.2
Holdings in collective investment schemes	8,189.2	44.5	142.5	8,376.2
Debt securities – government bonds	716.5	–	–	716.5
Debt securities – other debt securities	520.6	–	–	520.6
Policyholders' funds held by the Group	1,239.4	–	42.4	1,281.8
Mortgage loan portfolio	–	366.8	–	366.8
Amounts deposited with reinsurers	–	32.5	–	–
Derivative financial instruments	–	0.3	–	0.3
Total	**10,859.9**	**444.1**	**273.0**	**11,577.0**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	5,872.3	–	5,872.3
Liabilities related to policyholders' funds held by the Group	1,281.8	–	–	1,281.8
Derivative financial instruments	–	4.4	–	4.4
Total	**1,281.8**	**5,876.7**	**–**	**7,158.5**

SECTION E – BALANCE SHEET ASSETS

E4 Financial investments (continued)

(b) Financial investment fair values (continued)

Investment properties

The investment properties are valued by external chartered surveyors using industry standard techniques based on guidance from the Royal Institute of Chartered Surveyors. The valuation methodology includes an assessment of general market conditions and sector level transactions and takes account of expectations of occupancy rates, rental income and growth. Properties undergo individual scrutiny using cash flow analysis to factor in the timing of rental reviews, capital expenditure, lease incentives, dilapidation and operating expenses; these reviews utilise both observable and unobservable inputs.

Holdings in collective investment schemes

The holdings classified as Level 3 £168.6m (Dec 2023: £142.5m) also relate to Scildon, and represent investments held in a mortgage fund. These are classified as Level 3 as the fair value is derived from valuation techniques that include inputs that are not based on observable market data.

Policyholder funds held by the Group

There is also a small holding of assets classified as Level 3 £44.2m (Dec 2023: £42.4m) from our Movestic operation which are unlisted. The valuation of the vast majority of these assets is based on unobservable prices from trading on the over-the-counter market.

Debt securities

The debt securities classified as Level 2 at 2023 and 2024 are traded in active markets with less depth or wider bid-ask spreads. This does not meet the classification as Level 1 inputs. The fair values of debt securities not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes.

These assets were valued using counterparty or broker quotes and were periodically validated against third-party models.

Derivative financial instruments

The derivatives financial instruments include a foreign currency hedge related to the Group. This was obtained to manage the exposure to foreign exchange movements between sterling and both the euro and Swedish krona.

It includes an uncapped collar which consists of two hedges:

- one hedge to protect against the downside (sterling strengthening) (starting at strike A), and one to remove the upside (weakening) (strike B); with the strikes of these coordinated to result in no upfront premium.
- the second hedge (strike B) creates an uncapped liquidity requirement when it bites.

The capped collar comes with an additional leg which creates value and liquidity when exchange rates move beyond a certain point (strike C).

Within derivative financial instruments is a financial reinsurance embedded derivative related to our Movestic operation. The Group has entered into a reinsurance contract with a third party that has a section that is deemed to transfer significant insurance risk and a section that is deemed not to transfer significant insurance risk. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative asset at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rate at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out above. Further detail can be found in Note E5.

Investment contract liabilities

The investment contract liabilities in Level 2 of the valuation hierarchy represent the fair value of linked and non-linked liabilities valued using established actuarial techniques utilising market observable data for all significant inputs, such as investment yields.

Significant unobservable inputs in Level 3 instruments valuations

The Level 3 instruments held in the Group are in relation to investments held in an Aegon managed Dutch Mortgage Fund that contains mortgage-backed assets in the Netherlands. The fair value of the mortgage fund is determined by the fund manager on a monthly basis using an in-house valuation model. The valuation model relies on a number of unobservable inputs, the most significant being the assumed conditional prepayment rate, the discount rate and the impairment rate, all of which are applied to the anticipated modelled cash flows to derive the fair value of the underlying asset.

The assumed Conditional Prepayment Rate (CPR) is used to calculate the projected prepayment cash flow per individual loan and reflects the anticipated early repayment of mortgage balances. The CPR is based on four variables:

- Contract age – The CPR for newly originated mortgage loans will initially be low, after which it increases for a couple of years to its maximum expected value, and subsequently diminishes over time.
- Interest rate differential – The difference between the contractual rates and current interest rates are positively correlated with prepayments. When contractual rates are higher than interest rates of newly originated mortgages, we observe more prepayments and the vice versa.
- Previous partial repayments – Borrowers who made a partial prepayment in the past, are more likely to do so in the future.
- Burnout effect – Borrowers who have not made a prepayment in the past, while their option to prepay was in the money, are less likely to prepay in the future.

The projected prepayment cash flows per loan are then combined to derive an average expected lifetime CPR, which is then applied to the outstanding balance of the fund. The CPR used in the valuation of the fund as at 31 December 2024 was 3.7% (31 December 2023: 3.2%).

The expected projected cash flows for each mortgage within the loan portfolio are discounted using rates that are derived using a matrix involving the following three parameters:

- The remaining fixed rate term of the mortgage
- Indexed Loan to Value (LTV) of each mortgage
- Current (Aegon) mortgage rates

At 31 December 2024 this resulted in discounting the cash flows in each mortgage using a range from 4.06% to 4.26% (31 December 2023: 4.67% to 4.68%).

An impairment percentage is applied to those loan cash flows which are in arrears, to reflect the chance of the loan actually going into default. For those loans which are 1, 2 or 3 months in arrears, an impairment percentage is applied to reflect the chance of default. This percentage ranges from 0.60% for 1 month in arrears to 13.70% for loans which are 3 months in arrears (31 December 2023: 0.60% for 1 month in arrears to 13.70% for loans which are 3 months in arrears). Loans which are in default receive a 100% reduction in value.

The value of the fund has the potential to decrease or increase over time. This can be as a consequence of a periodic reassessment of the conditional prepayment rate and/or the discount rate used in the valuation model.

A 1 percent increase in the CPR would increase the value of the asset by £2.0m (31 December 2023: £1.9m).

A 1 percent decrease in the CPR would reduce the value of the asset by £2.2m (31 December 2023: £2.1m).

A 1 percent increase in the discount rate would reduce the value of the asset by £15.3m (31 December 2023: £11.4m).

A 1 percent decrease in the discount rate would increase the value of the asset by £17.5m (31 December 2023: £13.3m).

Reconciliation of Level 3 fair value measurements of financial instruments
Level 3 movement

31 December 2024	Investment properties £m	Holdings in collective investment schemes £m	Policyholder funds held by Group £m	Total £m
At start of period	**88.1**	**142.5**	**42.4**	**273.0**
Additions – acquisition of subsidiary	–	–	–	–
Total gains and losses recognised in the income statement	8.1	33.5	1.9	43.5
Purchases	3.4	–	17.0	20.4
Settlements	(7.9)	–	(13.9)	(21.8)
Exchange rate adjustment	–	(7.4)	(3.2)	(10.6)
At the end of period	**91.7**	**168.6**	**44.2**	**304.5**

31 December 2023	Investment properties £m	Holdings in collective investment schemes £m	Policyholder funds held by Group £m	Total £m
At start of period	**93.3**	**145.4**	**35.1**	**273.8**
Additions – acquisition of subsidiary	–	–	–	–
Total gains and losses recognised in the income statement	(2.7)	0.5	(6.4)	(8.6)
Purchases	2.3	–	20.5	22.8
Settlements	(4.8)	–	(6.0)	(10.8)
Exchange rate adjustment	–	(3.4)	(0.8)	(4.2)
At the end of period	**88.1**	**142.5**	**42.4**	**273.0**

31 December	Carrying amount 2024 £m	Carrying amount 2023 £m	Fair value 2024 £m	Fair value 2023 £m
Financial liabilities				
Borrowings	200.8	200.6	166.1	148.4
Amounts due in relation to financial reinsurance	2.4	5.3	2.3	5.1
Term finance	1.6	2.0	1.6	1.9
Total	**204.8**	**207.9**	**170.0**	**155.4**

The fair value of the Tier 2 debt is calculated using quoted prices in active markets and they are classified as Level 1 in the fair value hierarchy. The amount due in relation to financial reinsurance is fair valued with reference to market interest rates at the balance sheet date and is classed as Level 2 in the fair value hierarchy.

There were no transfers between Levels 1, 2 and 3 during the year. The Group holds no Level 3 liabilities as at the balance sheet date.

E5 Derivative financial instruments

A currency hedge is held in the Parent Company in order to manage the exposure to foreign exchange movements between sterling and both the euro and Swedish krona. The currency hedge is classed as Level 2 (2023: Level 2) in the three-level fair value determination hierarchy set out in Note E4(b).

There are also derivatives held within the unit-linked and with-profits funds, except for an option to repay a financial reinsurance contract early, which comprises an embedded derivative.

31 December	2024 Asset £m	2024 Liability £m	2023 Asset £m	2023 Liability £m
Exchange-traded futures	–	(0.3)	0.2	–
Foreign currency hedge	–	(0.3)	–	(4.4)
Financial reinsurance embedded derivative	0.1	–	0.1	–
Total	**0.1**	**(0.6)**	**0.3**	**(4.4)**
Current	0.1	(0.6)	0.3	(4.4)
Non-current	–	–	–	–
Total	**0.1**	**(0.6)**	**0.3**	**(4.4)**

Derivatives within unit-linked funds

As part of its investment management strategy, the Group purchases derivative financial instruments as part of its investment portfolio for unit-linked investment funds, which match the liabilities arising on its unit-linked insurance and investment business.

A variety of equity futures are part of the portfolio matching the unit-linked investment and insurance liabilities. Derivatives are used to facilitate more efficient portfolio management allowing changes in investment strategy to be reflected by futures transactions rather than a high volume of transactions in the underlying assets.

All the contracts in the unit-linked funds are exchange-traded futures, with their fair value being the bid price at the balance sheet date. They are, accordingly, determined at Level 1 in the three-level fair value determination hierarchy set out in Note E4(b).

Exchange-traded futures (by geographical investment market) 31 December	2024 Asset £m	2024 Liability £m	2023 Asset £m	2023 Liability £m
Japan	–	–	0.2	–
USA	–	(0.2)	–	–
Total	**–**	**(0.2)**	**0.2**	**–**

SECTION E – BALANCE SHEET ASSETS

E5 Derivative financial instruments (continued)

Financial reinsurance embedded derivative

In respect of Movestic, the Group has a reinsurance contract with a third party that has an element that is deemed to transfer significant insurance risk and an element that is deemed not to transfer significant insurance risk. This assessment has been determined by management based on the contractual terms of the reinsurance agreement. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rates at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out in Note E4(b).

Derivatives within CA (S&P with-profits funds)

As part of its investment management strategy, CA enters into a limited range of derivative instruments to manage its exposure to various risks.

CA uses equity index futures in order to economically hedge equity market risk in the with-profit funds' investments.

The change in fair value of the futures contracts is intended to offset the change in fair value of the underlying equities being hedged. CA settles the market value of the futures contracts on a daily basis by paying or receiving a variation margin. The futures contracts are not discounted as this daily settlement is equal to the change in fair value of the futures. As a result, there is no additional fair value to recognise in relation to these derivatives on the balance sheet at the year end.

CA also purchases exchange rate futures to mitigate exchange rate risk within its with-profits funds.

These contracts are exchange-traded contracts in active markets with their fair value being the bid price at the balance sheet date. They are, accordingly, determined at Level 1 in the three-level fair value determination hierarchy set out in Note E4(b).

E6 Other assets

31 December	2024 £m	2023 £m
Receivables arising from investment contracts		
Reinsurers share of accrued policyholder claims	1.9	1.9
Receivables from policyholders	6.3	3.5
Commission receivables	0.1	0.1
Sub-total	**8.3**	**5.5**
Other receivables		
Accrued interest income	10.2	10.2
Receivables from fund management companies	3.4	3.3
Prepayments	12.5	13.7
Income tax balances	21.1	16.4
Other	13.1	8.6
Sub-total	**60.3**	**52.2**
Total	**68.6**	**57.7**
Current	66.5	54.9
Non-current	2.1	2.8
Total	**68.6**	**57.7**

E7 Cash and cash equivalents

31 December	2024 £m	2023 £m
Bank and cash balances	127.4	135.7
Call deposits due after 1 month	10.6	10.3
Total cash and cash equivalents	**138.0**	**146.0**
Bank overdrafts	(0.8)	(0.2)
Cash and cash equivalents in the statement of cash flows	**137.2**	**145.8**

Deposits are subject to a combination of fixed and variable interest rates, with an average maturity of 95 days (2023: 95 days).

Included in cash and cash equivalents held by the Group are balances totalling £69.7m (2023: £52.6m) held in unit-linked policyholders' funds.

The following tables show the changes in liabilities arising from financing activities in the year. These liabilities are measured at amortised cost.

31 December	1 Jan 2024 £m	Financing cash flows (i) £m	Foreign exchange translation differences £m	Other changes (ii) £m	31 Dec 2024 £m
Tier 2 debt	200.6	(9.5)	–	9.7	200.8
Financial reinsurance	5.3	(2.6)	(0.7)	0.4	2.4
Lease liabilities	1.2	(0.3)	(0.3)	–	0.6
Total	**207.1**	**(12.4)**	**(1.0)**	**10.1**	**203.8**

31 December	1 Jan 2023 £m	Financing cash flows (i) £m	Foreign exchange translation differences £m	Other changes (ii) £m	31 Dec 2023 £m
Tier 2 debt	200.4	–	–	0.2	200.6
Financial reinsurance	9.6	(3.9)	(0.4)	–	5.3
Lease liabilities	1.2	(0.6)	(0.1)	0.7	1.2
Total	**211.2**	**(4.5)**	**(0.5)**	**0.9**	**207.1**

(i) The cash flows from bank loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

(ii) Other changes include interest accruals.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F1 Insurance and reinsurance contracts

The following notes provide a quantitative analysis of the insurance and reinsurance contract assets and liabilities and are disaggregated by the IFRS 8 operating segments. This disaggregation has been chosen for the following notes because it is management's view that together with the information in the underwriting risk section, it provides the most relevant information for assessing the effect that contracts within the scope of IFRS 17 have on the entity's financial performance and position.

(a) Composition of the balance sheet

The following tables show the breakdown of the insurance and reinsurance contract assets and liabilities for each of the operating segments within Chesnara. Note A4(a)(i) provides details regarding broad product groups and measurement models. Note B2 provides details for the values of insurance and reinsurance contracts for the broad product groups within each segment.

31 December 2024	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Insurance contracts					
Insurance contract liabilities	1,308.5	174.1	720.4	1,896.1	4,099.1
Insurance contract assets	(1.8)	–	–	–	(1.8)
Net insurance contract liabilities	**1,306.7**	**174.1**	**720.4**	**1,896.1**	**4,097.3**
Reinsurance contracts					
Reinsurance contract assets	154.8	12.4	2.7	–	169.9
Reinsurance contract liabilities	(2.0)	–	–	(14.6)	(16.6)
Net reinsurance contract assets	**152.8**	**12.4**	**2.7**	**(14.6)**	**153.3**

	Current £m	Non-current £m	Total £m
Insurance contract liabilities	730.5	3,368.6	4,099.1
Insurance contract assets	(1.8)	–	(1.8)
Reinsurance contract assets	29.9	140.0	169.9
Reinsurance contract liabilities	0.5	(17.1)	(16.6)

31 December 2023 – restated	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Insurance contracts					
Insurance contract liabilities	1,383.0	171.8	785.3	1,862.9	4,203.0
Insurance contract assets	(3.9)	–	–	–	(3.9)
Net insurance contract liabilities	**1,379.1**	**171.8**	**785.3**	**1,862.9**	**4,199.1**
Reinsurance contracts					
Reinsurance contract assets	166.8	14.5	4.4	–	185.7
Reinsurance contract liabilities	(2.2)	–	–	(14.9)	(17.1)
Net reinsurance contract assets	**164.6**	**14.5**	**4.4**	**(14.9)**	**168.6**

	Current £m	Non-current £m	Total £m
Insurance contract liabilities	672.1	3,530.9	4,203.0
Insurance contract assets	–	(3.9)	(3.9)
Reinsurance contract assets	29.1	156.6	185.7
Reinsurance contract liabilities	2.1	(19.2)	(17.1)

The prior year non-current and current insurance liabilities have been restated in respect of Scildon.

(b) Fair value of underlying items

The following table shows the fair value of the underlying items of the Group's direct participating contracts for each reporting segment.

	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Fair value of underlying items as at 31 December 2024	711.0	142.4	54.9	1,322.8	2,231.1
Fair value of underlying items as at 31 December 2023	816.9	132.3	65.2	1,238.7	2,253.1

Composition of underlying items

The majority of the fair value of underlying items across the Group are held in collective investment schemes. A small proportion is held in equities, debt securities and in cash and deposits.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2024	**1,301.1**	**12.4**	**65.6**	**1,379.1**
Changes in the statement of profit and loss				
Insurance revenue				
Contracts measured under the fair value approach	(58.1)	–	–	(58.1)
Contracts measured under the full retrospective approach	(13.2)	–	–	(13.2)
Insurance revenue total	**(71.3)**	**–**	**–**	**(71.3)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(1.8)	62.3	60.5
Losses and reversals of losses on onerous contracts	–	4.4	–	4.4
Insurance service expense total	**–**	**2.6**	**62.3**	**64.9**
Insurance service result	**(71.3)**	**2.6**	**62.3**	**(6.4)**
Net finance expenses from insurance contracts	98.5	0.1	–	98.6
Total amounts recognised in comprehensive income	**27.2**	**2.7**	**62.3**	**92.2**
Investment components	(135.7)	–	135.7	–
Cash flows				
Premiums received	35.3	–	–	35.3
Claims and other directly attributable expenses paid	–	–	(197.7)	(197.7)
Acquisitions	9.7	–	(11.9)	(2.2)
Total cash flows	**45.0**	**–**	**(209.6)**	**(164.6)**
Insurance contract liabilities as at 31 December 2024	**1,237.6**	**15.1**	**54.0**	**1,306.7**

Restated	Liabilities for remaining coverage Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,382.3**	**–**	**65.3**	**1,447.6**
Changes in the statement of profit and loss				
Insurance revenue				
Contracts measured under the fair value approach	(57.5)	–	–	(57.5)
Contracts measured under the full retrospective approach	(8.3)	–	–	(8.3)
Insurance revenue total	**(65.8)**	**–**	**–**	**(65.8)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	0.2	(2.5)	53.1	50.8
Losses and reversals of losses on onerous contracts	–	14.9	–	14.9
Insurance service expense total	**0.2**	**12.4**	**53.1**	**65.7**
Insurance service result	**(65.6)**	**12.4**	**53.1**	**(0.1)**
Net finance expenses from insurance contracts	86.5	–	–	86.5
Total amounts recognised in comprehensive income	**20.9**	**12.4**	**53.1**	**86.4**
Investment components	(131.0)	–	131.0	–
Cash flows				
Premiums received	37.9	–	–	37.9
Claims and other directly attributable expenses paid	–	–	(183.8)	(183.8)
Acquisitions	(9.0)	–	–	(9.0)
Total cash flows	**28.9**	**–**	**(183.8)**	**(154.9)**
Insurance contract liabilities as at 31 December 2023	**1,301.1**	**12.4**	**65.6**	**1,379.1**

There is no PAA business in the UK segment. Note A5(a) sets out the fair value methodology applied at transition that has been applied for the CA contracts in the UK.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Insurance contract liabilities as at 1 January 2024	**1,340.9**	**12.5**	**3.2**	**22.5**	**1,379.1**
Changes that relate to current service					
CSM recognised for services provided	–	–	(0.1)	(3.8)	(3.9)
Change in risk adjustment for non-financial risk for risk expired	–	(1.8)	–	–	(1.8)
Experience adjustments	(5.0)	–	–	–	(5.0)
Revenue recognised for incurred policyholder tax expenses	–	–	–	–	–
Total changes that relate to current service	**(5.0)**	**(1.8)**	**(0.1)**	**(3.8)**	**(10.7)**
Changes that relate to future service					
Contracts initially recognised in the period	(0.8)	0.1	0.7	–	–
Changes in estimates that adjust the CSM	(6.2)	(4.9)	(2.8)	13.9	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	4.3	–	–	–	4.3
Total changes that relate to future service	**(2.7)**	**(4.8)**	**(2.1)**	**13.9**	**4.3**
Insurance service result	**(7.7)**	**(6.6)**	**(2.2)**	**10.1**	**(6.4)**
Net finance expenses from insurance contracts	96.6	1.1	0.3	0.6	98.6
Total amounts recognised in comprehensive income	**88.9**	**(5.5)**	**(1.9)**	**10.7**	**92.2**
Cash flows					
Premiums received	35.3	–	–	–	35.3
Claims and other directly attributable expenses paid	(197.7)	–	–	–	(197.7)
Acquisitions	(2.2)	–	–	–	(2.2)
Total cash flows	**(164.6)**	**–**	**–**	**–**	**(164.6)**
Insurance contract liabilities as at 31 December 2024	**1,265.2**	**7.0**	**1.3**	**33.2**	**1,306.7**

The contracts initially recognised in the period relate to the acquisition of the unit-linked bond and pension portfolio from Canada Life.

Restated	**Present value of future cash flows £m**	**Risk adjustment £m**	**CSM (new contracts and contracts measured under FRA) £m**	**CSM (contracts measured under FVA) £m**	**Total £m**
Insurance contract liabilities as at 1 January 2023	**1,397.1**	**13.2**	**1.1**	**36.2**	**1,447.6**
Changes that relate to current service					
CSM recognised for services provided	–	–	(1.5)	(3.1)	(4.6)
Change in risk adjustment for non-financial risk for risk expired	–	(2.0)	–	–	(2.0)
Experience adjustments	(8.3)	–	–	–	(8.3)
Revenue recognised for incurred policyholder tax expenses	(0.1)	–	–	–	(0.1)
Total changes that relate to current service	**(8.4)**	**(2.0)**	**(1.5)**	**(3.1)**	**(15.0)**
Changes that relate to future service					
Contracts initially recognised in the period	(1.7)	0.2	1.5	–	–
Changes in estimates that adjust the CSM	9.0	0.5	1.8	(11.3)	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	14.9	–	–	–	14.9
Total changes that relate to future service	**22.2**	**0.7**	**3.3**	**(11.3)**	**14.9**
Insurance service result	**13.8**	**(1.3)**	**1.8**	**(14.4)**	**(0.1)**
Net finance expenses from insurance contracts	84.9	0.6	0.3	0.7	86.5
Total amounts recognised in comprehensive income	**98.7**	**(0.7)**	**2.1**	**(13.7)**	**86.4**
Cash flows					
Premiums received	37.9	–	–	–	37.9
Claims and other directly attributable expenses paid	(183.8)	–	–	–	(183.8)
Acquisitions	(9.0)	–	–	–	(9.0)
Total cash flows	**(154.9)**	**–**	**–**	**–**	**(154.9)**
Insurance contract liabilities as at 31 December 2023	**1,340.9**	**12.5**	**3.2**	**22.5**	**1,379.1**

The contracts initially recognised in the period relate to the acquisition of the term assurance portfolio from Canada Life.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2024	**150.8**	**13.8**	**164.6**
Reinsurance expenses – allocation of reinsurance premiums paid	(23.9)	–	(23.9)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	23.0	23.0
Net (expenses)/income from reinsurance contracts held	**(23.9)**	**23.0**	**(0.9)**
Net finance expenses from reinsurance contracts	3.1	–	3.1
Total amounts recognised in comprehensive income	**(20.8)**	**23.0**	**2.2**
Investment components	(2.8)	2.8	–
Cash flows			
Premiums paid	11.4	–	11.4
Recoveries from reinsurance contracts held	–	(25.4)	(25.4)
Total cash flows	**11.4**	**(25.4)**	**(14.0)**
Reinsurance contract assets as at 31 December 2024	**138.6**	**14.2**	**152.8**

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2023	**156.6**	**16.0**	**172.6**
Reinsurance expenses – allocation of reinsurance premiums paid	(25.0)	–	(25.0)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	19.5	19.5
Net (expenses)/income from reinsurance contracts held	**(25.0)**	**19.5**	**(5.5)**
Net finance expenses from reinsurance contracts	9.3	–	9.3
Total amounts recognised in comprehensive income	**(15.7)**	**19.5**	**3.8**
Investment components	(2.6)	2.6	–
Cash flows			
Premiums paid	12.5	–	12.5
Recoveries from reinsurance contracts held	–	(24.3)	(24.3)
Total cash flows	**12.5**	**(24.3)**	**(11.8)**
Reinsurance contract assets as at 31 December 2023	**150.8**	**13.8**	**164.6**

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Reinsurance contract assets as at 1 January 2024	**155.6**	**3.0**	**0.4**	**5.6**	**164.6**
Changes that relate to current service					
CSM recognised for services received	–	–	–	(0.3)	(0.3)
Change in risk adjustment for non-financial risk for risk expired	–	(0.6)	–	–	(0.6)
Experience adjustments	0.1	–	–	–	0.1
Total changes that relate to current service	**0.1**	**(0.6)**	**–**	**(0.3)**	**(0.8)**
Changes that relate to future service					
Changes in estimates that adjust the CSM	0.8	–	–	(0.9)	(0.1)
Total changes that relate to future service	**0.8**	**–**	**–**	**(0.9)**	**(0.1)**
Net (expense)/income from reinsurance contracts held	**0.9**	**(0.6)**	**–**	**(1.2)**	**(0.9)**
Net finance income from reinsurance contracts held	3.0	–	–	0.1	3.1
Total amounts recognised in comprehensive income	**3.9**	**(0.6)**	**–**	**(1.1)**	**2.2**
Cash flows					
Premiums paid	11.3	–	–	–	11.3
Recoveries from reinsurance contracts held	(25.3)	–	–	–	(25.3)
Total cash flows	**(14.0)**	**–**	**–**	**–**	**(14.0)**
Reinsurance contract assets as at 31 December 2024	**145.5**	**2.4**	**0.4**	**4.5**	**152.8**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA (continued)

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Reinsurance contract assets as at 1 January 2023	**161.1**	**3.1**	**0.5**	**7.9**	**172.6**
Changes that relate to current service					
CSM recognised for services received	–	–	–	(0.5)	(0.5)
Change in risk adjustment for non-financial risk for risk expired	–	(0.7)	–	–	(0.7)
Experience adjustments	(4.3)	–	–	–	(4.3)
Total changes that relate to current service	**(4.3)**	**(0.7)**	**–**	**(0.5)**	**(5.5)**
Changes that relate to future service					
Changes in estimates that adjust the CSM	1.5	0.5	(0.1)	(1.9)	–
Total changes that relate to future service	**1.5**	**0.5**	**(0.1)**	**(1.9)**	**–**
Net (expense)/income from reinsurance contracts held	**(2.8)**	**(0.2)**	**(0.1)**	**(2.4)**	**(5.5)**
Net finance income from reinsurance contracts held	9.1	0.1	–	0.1	9.3
Total amounts recognised in comprehensive income	**6.3**	**(0.1)**	**(0.1)**	**(2.3)**	**3.8**
Cash flows					
Premiums paid	12.5	–	–	–	12.5
Recoveries from reinsurance contracts held	(24.3)	–	–	–	(24.3)
Total cash flows	**(11.8)**	**–**	**–**	**–**	**(11.8)**
Reinsurance contract assets as at 31 December 2023	**155.6**	**3.0**	**0.4**	**5.6**	**164.6**

(e) Insurance contracts recognised in the period

	2024 £m	Restated 2023 £m
Estimates of the present value of future cash inflows	**(12.5)**	**(7.3)**
Estimates of the present value of future cash outflows		
Claims and other insurance service expenses payable	11.7	5.6
Insurance acquisition cash flows	–	–
Total estimates of the present value of net future cash inflows/(outflows)	**11.7**	**5.6**
Risk adjustment for non-financial risk	0.1	0.2
CSM	0.7	1.5
Losses recognised on initial recognition	**–**	**–**

Insurance contracts recognised in the period relate to the acquisition of the unit-linked bond and pension business from Canada Life in the current year and the term assurance portfolio from Canada Life in the prior year. None of the acquired portfolios were onerous at initial recognition.

(f) Reinsurance contracts recognised in the period

There are no material new insurance contracts recognised in the period for the UK.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2024	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	3.5	(0.3)
Later than one year and not later than two years	2.5	(0.3)
Later than two years and not later than three years	2.2	(0.3)
Later than three years and not later than four years	2.0	(0.3)
Later than four years and not later than five years	1.8	(0.3)
Later than five years and not later than ten years	6.6	(1.3)
Later than ten years	16.0	(1.9)
Total	**34.6**	**(4.7)**

31 December 2023 – restated	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	3.4	(0.5)
Later than one year and not later than two years	1.9	(0.5)
Later than two years and not later than three years	1.9	(0.5)
Later than three years and not later than four years	1.7	(0.4)
Later than four years and not later than five years	1.5	(0.4)
Later than five years and not later than ten years	5.0	(1.6)
Later than ten years	10.3	(2.1)
Total	**25.7**	**(6.0)**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

		Liabilities for incurred claims			
			Contracts under PAA		
	Liabilities for remaining coverage £m	For contracts not under PAA £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Insurance contract liabilities as at 1 January 2024	**133.5**	**–**	**37.1**	**1.2**	**171.8**
Changes in the statement of profit and loss					
Insurance revenue					
Contracts measured under the fair value approach	(0.9)	–	–	–	(0.9)
Contracts measured under the full retrospective approach	(9.3)	–	–	–	(9.3)
Insurance revenue total	**(10.2)**	**–**	**–**	**–**	**(10.2)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	0.6	8.2	0.1	8.9
Adjustments to liabilities for incurred claims	–	–	(6.0)	(0.3)	(6.3)
Insurance service expense total	**–**	**0.6**	**2.2**	**(0.2)**	**2.6**
Insurance service result	**(10.2)**	**0.6**	**2.2**	**(0.2)**	**(7.6)**
Net finance expenses from insurance contracts	22.8	–	–	0.8	23.6
Effect of movements in exchange rates	(10.1)	–	(2.5)	(0.1)	(12.7)
Total amounts recognised in comprehensive income	**2.5**	**0.6**	**(0.3)**	**0.5**	**3.3**
Investment components	(9.4)	9.4	–	–	–
Cash flows					
Premiums received	17.4	–	–	–	17.4
Claims and other directly attributable expenses paid	–	(10.1)	(8.3)	–	(18.4)
Total cash flows	**17.4**	**(10.1)**	**(8.3)**	**–**	**(1.0)**
Insurance contract liabilities as at 31 December 2024	**144.0**	**(0.1)**	**28.5**	**1.7**	**174.1**

		Liabilities for incurred claims			
			Contracts under PAA		
	Liabilities for remaining coverage £m	For contracts not under PAA £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Insurance contract liabilities as at 1 January 2023	**119.1**	**–**	**38.2**	**1.6**	**158.9**
Changes in the statement of profit and loss					
Insurance revenue					
Contracts measured under the fair value approach	(0.7)	–	–	–	(0.7)
Contracts measured under the full retrospective approach	(10.4)	–	–	–	(10.4)
Insurance revenue total	**(11.1)**	**–**	**–**	**–**	**(11.1)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	0.6	10.3	0.1	11.0
Adjustments to liabilities for incurred claims	–	–	(3.4)	(0.2)	(3.6)
Insurance service expense total	**–**	**0.6**	**6.9**	**(0.1)**	**7.4**
Insurance service result	**(11.1)**	**0.6**	**6.9**	**(0.1)**	**(3.7)**
Net finance expenses from insurance contracts	14.2	–	2.0	(0.2)	16.0
Effect of movements in exchange rates	(2.8)	–	(1.1)	(0.1)	(4.0)
Total amounts recognised in comprehensive income	**0.3**	**0.6**	**7.8**	**(0.4)**	**8.3**
Investment components	(6.1)	6.1	–	–	–
Cash flows					
Premiums received	20.2	–	–	–	20.2
Claims and other directly attributable expenses paid	–	(6.7)	(8.9)	–	(15.6)
Total cash flows	**20.2**	**(6.7)**	**(8.9)**	**–**	**4.6**
Insurance contract liabilities as at 31 December 2023	**133.5**	**–**	**37.1**	**1.2**	**171.8**

The fair value approach was applied to all insurance contracts not measured under PAA in Movestic at transition. Note A5(a) provides further details relating to fair value methodology applied for contracts in Movestic.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic (continued)

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2024	**125.4**	**1.1**	**5.0**	**131.5**
Changes that relate to current service				
CSM recognised for services provided	–	–	(0.5)	(0.5)
Change in risk adjustment for non-financial risk for risk expired	–	(0.1)	–	(0.1)
Experience adjustments	0.3	–	–	0.3
Total changes that relate to current service	**0.3**	**(0.1)**	**(0.5)**	**(0.3)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(3.4)	0.2	3.3	0.1
Total changes that relate to future service	**(3.4)**	**0.2**	**3.3**	**0.1**
Insurance service result	**(3.1)**	**0.1**	**2.8**	**(0.2)**
Net finance expenses from insurance contracts	22.6	–	0.2	22.8
Effect of movements in exchange rates	(9.5)	(0.1)	(0.4)	(10.0)
Total amounts recognised in comprehensive income	**10.0**	**–**	**2.6**	**12.6**
Cash flows				
Premiums received	8.1	–	–	8.1
Claims and other directly attributable expenses paid	(10.1)	–	–	(10.1)
Total cash flows	**(2.0)**	**–**	**–**	**(2.0)**
Insurance contract liabilities as at 31 December 2024	**133.4**	**1.1**	**7.6**	**142.1**

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2023	**111.4**	**1.1**	**4.5**	**117.0**
Changes that relate to current service				
CSM recognised for services provided	–	–	(0.3)	(0.3)
Change in risk adjustment for non-financial risk for risk expired	–	(0.1)	–	(0.1)
Experience adjustments	0.3	–	–	0.3
Total changes that relate to current service	**0.3**	**(0.1)**	**(0.3)**	**(0.1)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(0.8)	0.1	0.7	–
Total changes that relate to future service	**(0.8)**	**0.1**	**0.7**	**–**
Insurance service result	**(0.5)**	**–**	**0.4**	**(0.1)**
Net finance expenses from insurance contracts	14.0	–	0.2	14.2
Effect of movements in exchange rates	(2.6)	–	(0.1)	(2.7)
Total amounts recognised in comprehensive income	**10.9**	**–**	**0.5**	**11.4**
Cash flows				
Premiums received	9.8	–	–	9.8
Claims and other directly attributable expenses paid	(6.7)	–	–	(6.7)
Total cash flows	**3.1**	**–**	**–**	**3.1**
Insurance contract liabilities as at 31 December 2023	**125.4**	**1.1**	**5.0**	**131.5**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic (continued)

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Contracts under PAA			
		Assets for incurred claims		
	Assets for remaining coverage £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Reinsurance contract assets as at 1 January 2024	**(0.6)**	**14.9**	**0.2**	**14.5**
Reinsurance expenses – allocation of reinsurance	(1.3)	–	–	(1.3)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	1.9	–	1.9
Changes in the expected recoveries for past claims	–	(2.3)	(0.1)	(2.4)
Net (expenses)/income from reinsurance contracts held	**(1.3)**	**(0.4)**	**(0.1)**	**(1.8)**
Net finance expenses from reinsurance contracts	–	0.3	–	0.3
Effect of movements in exchange rates	–	(1.0)	–	(1.0)
Total amounts recognised in comprehensive income	**(1.3)**	**(1.1)**	**(0.1)**	**(2.5)**
Cash flows				
Premiums paid net of ceding commission	2.6	–	–	2.6
Recoveries from reinsurance contacts held	–	(2.2)	–	(2.2)
Total cash flows	**2.6**	**(2.2)**	**–**	**0.4**
Reinsurance contract assets as at 31 December 2024	**0.7**	**11.6**	**0.1**	**12.4**

	Contracts under PAA			
		Assets for incurred claims		
	Assets for remaining coverage £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Reinsurance contract assets as at 1 January 2023	**0.3**	**15.2**	**0.3**	**15.8**
Reinsurance expenses – allocation of reinsurance	(2.5)	–	–	(2.5)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	3.1	0.1	3.2
Changes in the expected recoveries for past claims	–	(1.2)	(0.1)	(1.3)
Net (expenses)/income from reinsurance contracts held	**(2.5)**	**1.9**	**–**	**(0.6)**
Net finance expenses from reinsurance contracts	–	0.8	(0.1)	0.7
Effect of movements in exchange rates	–	(0.4)	–	(0.4)
Total amounts recognised in comprehensive income	**(2.5)**	**2.3**	**(0.1)**	**(0.3)**
Cash flows				
Premiums paid net of ceding commission	1.6	–	–	1.6
Recoveries from reinsurance contacts held	–	(2.6)	–	(2.6)
Total cash flows	**1.6**	**(2.6)**	**–**	**(1.0)**
Reinsurance contract assets as at 31 December 2023	**(0.6)**	**14.9**	**0.2**	**14.5**

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

All Movestic reinsurance is measured as PAA, therefore no table is presented for analysis of reinsurance contracts by measurement component.

(e) Insurance contracts recognised in the period

There are no material new insurance contracts recognised in the period for Movestic.

(f) Reinsurance contracts recognised in the period

There are no material new reinsurance contracts recognised in the period for Movestic.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2024	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	0.3	–
Later than one year and not later than two years	0.3	–
Later than two years and not later than three years	0.3	–
Later than three years and not later than four years	0.3	–
Later than four years and not later than five years	0.3	–
Later than five years and not later than ten years	1.4	–
Later than ten years	4.6	–
Total	**7.5**	**–**

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	0.1	–
Later than one year and not later than two years	0.2	–
Later than two years and not later than three years	0.2	–
Later than three years and not later than four years	0.2	–
Later than four years and not later than five years	0.2	–
Later than five years and not later than ten years	0.9	–
Later than ten years	3.2	–
Total	**5.0**	**–**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2024	**761.8**	**12.4**	**11.1**	**785.3**
Changes in the statement of profit and loss				
Insurance revenue total	**(29.8)**	**–**	**–**	**(29.8)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(1.3)	29.9	28.6
Losses and reversals of losses on onerous contracts	–	2.8	–	2.8
Insurance service expense total	**–**	**1.5**	**29.9**	**31.4**
Insurance service result	**(29.8)**	**1.5**	**29.9**	**1.6**
Net finance expenses from insurance contracts	23.1	0.1	–	23.2
Effect of movements in exchange rates	(34.6)	(0.6)	(0.5)	(35.7)
Total amounts recognised in comprehensive income	**(41.3)**	**1.0**	**29.4**	**(10.9)**
Investment components	(54.5)	–	54.5	–
Cash flows				
Premiums received	31.0	–	–	31.0
Claims and other directly attributable expenses paid	–	–	(85.0)	(85.0)
Total cash flows	**31.0**	**–**	**(85.0)**	**(54.0)**
Insurance contract liabilities as at 31 December 2024	**697.0**	**13.4**	**10.0**	**720.4**

	Liabilities for remaining coverage			
	Excluding loss component £m	**Loss component £m**	**Liabilities for incurred claims £m**	**Total £m**
Insurance contract liabilities as at 1 January 2023	**447.7**	**7.3**	**8.7**	**463.7**
Changes in the statement of profit and loss				
Insurance revenue total	**(36.1)**	**–**	**–**	**(36.1)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(2.1)	32.5	30.4
Losses and reversals of losses on onerous contracts	–	7.4	–	7.4
Insurance service expense total	**–**	**5.3**	**32.5**	**37.8**
Insurance service result	**(36.1)**	**5.3**	**32.5**	**1.7**
Net finance expenses from insurance contracts	49.4	–	–	49.4
Effect of movements in exchange rates	(11.3)	(0.2)	(0.2)	(11.7)
Total amounts recognised in comprehensive income	**2.0**	**5.1**	**32.3**	**39.4**
Investment components	(62.1)	–	62.1	–
Acquisitions – estimate of the present value of future cash inflows	346.6	–	–	346.6
Cash flows				
Premiums received	27.6	–	–	27.6
Claims and other directly attributable expenses paid	–	–	(92.0)	(92.0)
Total cash flows	**27.6**	**–**	**(92.0)**	**(64.4)**
Insurance contract liabilities as at 31 December 2023	**761.8**	**12.4**	**11.1**	**785.3**

For the Waard Group, the full retrospective approach at transition has been applied to all insurance contracts.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group (continued)

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2024	**699.2**	**7.9**	**78.2**	**785.3**
Changes that relate to current service				
CSM recognised for services provided	–	–	(7.0)	(7.0)
Change in risk adjustment for non-financial risk for risk expired	–	(0.7)	–	(0.7)
Experience adjustments	6.5	–	–	6.5
Total changes that relate to current service	**6.5**	**(0.7)**	**(7.0)**	**(1.2)**
Changes that relate to future service				
Contracts initially recognised in the period	–	–	–	–
Changes in estimates that adjust the CSM	(0.8)	(3.3)	4.1	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	2.7	0.1	–	2.8
Total changes that relate to future service	**1.9**	**(3.2)**	**4.1**	**2.8**
Insurance service result	**8.4**	**(3.9)**	**(2.9)**	**1.6**
Net finance expenses from insurance contracts	20.5	0.1	2.6	23.2
Effect of movements in exchange rates	(31.8)	(0.3)	(3.6)	(35.7)
Total amounts recognised in comprehensive income	**(2.9)**	**(4.1)**	**(3.9)**	**(10.9)**
Cash flows				
Premiums received	31.0	–	–	31.0
Claims and other directly attributable expenses paid	(85.0)	–	–	(85.0)
Total cash flows	**(54.0)**	**–**	**–**	**(54.0)**
Insurance contract liabilities as at 31 December 2024	**642.3**	**3.8**	**74.3**	**720.4**

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2023	**439.3**	**3.2**	**21.2**	**463.7**
Changes that relate to current service				
CSM recognised for services provided	–	–	(7.0)	(7.0)
Change in risk adjustment for non-financial risk for risk expired	–	(0.9)	–	(0.9)
Experience adjustments	2.3	–	–	2.3
Total changes that relate to current service	**2.3**	**(0.9)**	**(7.0)**	**(5.6)**
Changes that relate to future service				
Contracts initially recognised in the period	(52.6)	6.4	46.2	–
Changes in estimates that adjust the CSM	(15.4)	(2.2)	17.6	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	6.7	0.6	–	7.3
Total changes that relate to future service	**(61.3)**	**4.8**	**63.8**	**7.3**
Insurance service result	**(59.0)**	**3.9**	**56.8**	**1.7**
Net finance expenses from insurance contracts	46.6	1.0	1.8	49.4
Effect of movements in exchange rates	(9.9)	(0.2)	(1.6)	(11.7)
Total amounts recognised in comprehensive income	**(22.3)**	**4.7**	**57.0**	**39.4**
Acquisitions – estimate of the present value of future cash inflows	346.6	–	–	346.6
Cash flows				
Premiums received	27.6	–	–	27.6
Claims and other directly attributable expenses paid	(92.0)	–	–	(92.0)
Total cash flows	**(64.4)**	**–**	**–**	**(64.4)**
Insurance contract liabilities as at 31 December 2023	**699.2**	**7.9**	**78.2**	**785.3**

The contracts initially recognised in the prior year relate to the acquisition of Conservatrix.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group (continued)

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2024	**2.8**	**1.6**	**4.4**
Reinsurance expenses – allocation of reinsurance premiums paid	(4.4)	–	(4.4)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	2.4	2.4
Net (expenses)/income from reinsurance contracts held	**(4.4)**	**2.4**	**(2.0)**
Net finance expenses from reinsurance contracts	–	–	–
Effect of movements in exchange rates	(0.1)	(0.1)	(0.2)
Total amounts recognised in comprehensive income	**(4.5)**	**2.3**	**(2.2)**
Cash flows			
Premiums paid	3.5	–	3.5
Recoveries from reinsurance contracts held	–	(3.0)	(3.0)
Total cash flows	**3.5**	**(3.0)**	**0.5**
Reinsurance contract assets as at 31 December 2024	**1.8**	**0.9**	**2.7**

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2023	**1.6**	**1.9**	**3.5**
Reinsurance expenses – allocation of reinsurance premiums paid	(3.0)	–	(3.0)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	3.4	3.4
Net (expenses)/income from reinsurance contracts held	**(3.0)**	**3.4**	**0.4**
Net finance expenses from reinsurance contracts	0.1	–	0.1
Total amounts recognised in comprehensive income	**(2.9)**	**3.4**	**0.5**
Cash flows			
Premiums paid	4.1	–	4.1
Recoveries from reinsurance contracts held	–	(3.7)	(3.7)
Total cash flows	**4.1**	**(3.7)**	**0.4**
Reinsurance contract assets as at 31 December 2023	**2.8**	**1.6**	**4.4**

For the Waard Group, the full retrospective approach at transition has been applied to all reinsurance contracts.

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2024	**3.1**	**0.2**	**1.1**	**4.4**
Changes that relate to current service				
CSM recognised for services received	–	–	–	–
Change in risk adjustment for non-financial risk for risk expired	–	(0.1)	–	(0.1)
Experience adjustments	(1.4)	–	–	(1.4)
Total changes that relate to current service	**(1.4)**	**(0.1)**	**–**	**(1.5)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(0.2)	0.1	(0.3)	–
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	(0.5)	(0.5)
Total changes that relate to future service	**0.2**	**0.1**	**(0.8)**	**(0.5)**
Net (expense)/income from reinsurance contracts held	**(1.2)**	**–**	**(0.8)**	**(2.0)**
Net finance income from reinsurance contracts held	–	–	–	–
Effect of movements in exchange rates	(0.2)	–	–	(0.2)
Total amounts recognised in comprehensive income	**(1.4)**	**–**	**(0.8)**	**(2.2)**
Cash flows				
Premiums paid	3.5	–	–	3.5
Recoveries from reinsurance contracts held	(3.0)	–	–	(3.0)
Total cash flows	**0.5**	**–**	**–**	**0.5**
Reinsurance contract assets as at 31 December 2024	**2.2**	**0.2**	**0.3**	**2.7**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group (continued)

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA (continued)

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2023	**3.6**	**0.5**	**(0.6)**	**3.5**
Changes that relate to current service				
CSM recognised for services received	–	–	2.2	2.2
Change in risk adjustment for non-financial risk for risk expired	–	(0.2)	–	(0.2)
Experience adjustments	(0.8)	–	–	(0.8)
Total changes that relate to current service	**(0.8)**	**(0.2)**	**2.2**	**1.2**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(0.2)	(0.1)	0.3	–
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	(0.8)	(0.8)
Total changes that relate to future service	**(0.2)**	**(0.1)**	**(0.5)**	**(0.8)**
Net (expense)/income from reinsurance contracts held	**(1.0)**	**(0.3)**	**1.7**	**0.4**
Net finance income from reinsurance contracts held	0.1	–	–	0.1
Total amounts recognised in comprehensive income	**(0.9)**	**(0.3)**	**1.7**	**0.5**
Cash flows				
Premiums paid	4.1	–	–	4.1
Recoveries from reinsurance contracts held	(3.7)	–	–	(3.7)
Total cash flows	**0.4**	**–**	**–**	**0.4**
Reinsurance contract assets as at 31 December 2023	**3.1**	**0.2**	**1.1**	**4.4**

(e) Insurance contracts recognised in the period

All insurance and reinsurance contracts recognised in 2023 are in respect of the Conservatrix acquisition. There were no new contracts recognised in 2024.

Year Ended 31 December 2023	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(346.6)**	**–**	**(346.6)**
Estimates of the present value of future cash outflows			
Claims and other insurance service expenses payable	294.1	–	294.1
Total estimates of the present value of future net outflows	**(52.5)**	**–**	**(52.5)**
Risk adjustment for non-financial risk	6.3	–	6.3
CSM	46.2	–	46.2
Losses recognised on initial recognition	**–**	**–**	**–**

(f) Reinsurance contracts recognised in the period

There are no new reinsurance contracts recognised in the period for Waard.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2024	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	4.1	(0.4)
Later than one year and not later than two years	3.7	0.4
Later than two years and not later than three years	3.5	(0.1)
Later than three years and not later than four years	3.2	(0.1)
Later than four years and not later than five years	3.0	(0.1)
Later than five years and not later than ten years	12.2	(0.2)
Later than ten years	44.6	–
Total	**74.3**	**(0.5)**

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	4.9	(1.0)
Later than one year and not later than two years	4.4	0.6
Later than two years and not later than three years	4.0	(0.2)
Later than three years and not later than four years	3.7	(0.1)
Later than four years and not later than five years	3.4	(0.1)
Later than five years and not later than ten years	13.0	(0.3)
Later than ten years	44.8	–
Total	**78.2**	**(1.1)**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,761.7**	**64.6**	**36.6**	**1,862.9**
Changes in the statement of profit and loss				
Insurance revenue total	**(150.6)**	**–**	**–**	**(150.6)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(20.9)	129.6	108.7
Losses and reversals of losses on onerous contracts	–	32.8	–	32.8
Amortisation of insurance acquisition cash flows	3.7	–	–	3.7
Insurance service expense total	**3.7**	**11.9**	**129.6**	**145.2**
Insurance service result	**(146.9)**	**11.9**	**129.6**	**(5.4)**
Net finance expenses from insurance contracts	188.9	0.5	–	189.4
Effect of movements in exchange rates	(84.1)	(3.3)	(1.7)	(89.1)
Total amounts recognised in comprehensive income	**(42.1)**	**9.1**	**127.9**	**94.9**
Investment components	(133.2)	–	133.2	–
Cash flows				
Premiums received	208.2	–	–	208.2
Claims and other directly attributable expenses paid	-	–	(263.1)	(263.1)
Insurance acquisition cash flows	(6.8)	–	–	(6.8)
Total cash flows	**201.4**	**–**	**(263.1)**	**(61.7)**
Insurance contract liabilities as at 31 December 2024	**1,787.8**	**73.7**	**34.6**	**1,896.1**

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,633.1**	**76.3**	**42.0**	**1,751.4**
Changes in the statement of profit and loss				
Insurance revenue total	**(115.0)**	**–**	**–**	**(115.0)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(45.8)	120.9	75.1
Losses and reversals of losses on onerous contracts	–	35.4	–	35.4
Amortisation of insurance acquisition cash flows	3.4	–	–	3.4
Insurance service expense total	**3.4**	**(10.4)**	**120.9**	**113.9**
Insurance service result	**(111.6)**	**(10.4)**	**120.9**	**(1.1)**
Net finance expenses from insurance contracts	162.6	0.4	–	163.0
Effect of movements in exchange rates	(37.5)	(1.7)	(0.9)	(40.1)
Total amounts recognised in comprehensive income	**13.5**	**(11.7)**	**120.0**	**121.8**
Investment components	(110.6)	–	110.6	–
Cash flows				
Premiums received	231.3	–	–	231.3
Claims and other directly attributable expenses paid	–	–	(236.0)	(236.0)
Insurance acquisition cash flows	(5.6)	–	–	(5.6)
Total cash flows	**225.7**	**–**	**(236.0)**	**(10.3)**
Insurance contract liabilities as at 31 December 2023	**1,761.7**	**64.6**	**36.6**	**1,862.9**

For Scildon, the full retrospective approach at transition has been applied to all insurance contracts.

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2024	**1,753.1**	**30.2**	**79.6**	**1,862.9**
Changes that relate to current service				
CSM recognised for services provided	–	–	(11.0)	(11.0)
Change in risk adjustment for non-financial risk for risk expired	–	(2.3)	–	(2.3)
Experience adjustments	(24.8)	–	–	(24.8)
Total changes that relate to current service	**(24.8)**	**(2.3)**	**(11.0)**	**(38.1)**
Changes that relate to future service				
Contracts initially recognised in the period	(7.7)	1.6	8.8	2.7
Changes in estimates that adjust the CSM	(7.2)	(10.7)	17.9	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	31.1	(1.1)	–	30.0
Total changes that relate to future service	**16.2**	**(10.2)**	**26.7**	**32.7**
Insurance service result	**(8.6)**	**(12.5)**	**15.7**	**(5.4)**
Net finance expenses from insurance contracts	186.7	1.6	1.1	189.4
Effect of movements in exchange rates	(83.9)	(1.1)	(4.1)	(89.1)
Total amounts recognised in comprehensive income	**94.2**	**(12.0)**	**12.7**	**94.9**
Cash flows				
Premiums received	208.2	–	–	208.2
Claims and other directly attributable expenses paid	(263.1)	–	–	(263.1)
Insurance acquisition cash flows	(6.8)	–	–	(6.8)
Total cash flows	**(61.7)**	**–**	**–**	**(61.7)**
Insurance contract liabilities as at 31 December 2024	**1,785.6**	**18.2**	**92.3**	**1,896.1**

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,639.5**	**28.5**	**83.4**	**1,751.4**
Changes that relate to current service				
CSM recognised for services provided	–	–	(9.0)	(9.0)
Change in risk adjustment for non-financial risk for risk expired	–	(3.5)	–	(3.5)
Experience adjustments	(24.0)	–	–	(24.0)
Total changes that relate to current service	**(24.0)**	**(3.5)**	**(9.0)**	**(36.5)**
Changes that relate to future service				
Contracts initially recognised in the period	(11.2)	2.6	11.5	2.9
Changes in estimates that adjust the CSM	3.6	1.7	(5.3)	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	33.1	(0.6)	–	32.5
Total changes that relate to future service	**25.5**	**3.7**	**6.2**	**35.4**
Insurance service result	**1.5**	**0.2**	**(2.8)**	**(1.1)**
Net finance expenses from insurance contracts	159.9	2.2	0.9	163.0
Effect of movements in exchange rates	(37.5)	(0.7)	(1.9)	(40.1)
Total amounts recognised in comprehensive income	**123.9**	**1.7**	**(3.8)**	**121.8**
Cash flows				
Premiums received	231.3	–	–	231.3
Claims and other directly attributable expenses paid	(236.0)	–	–	(236.0)
Insurance acquisition cash flows	(5.6)	–	–	(5.6)
Total cash flows	**(10.3)**	**–**	**–**	**(10.3)**
Insurance contract liabilities as at 31 December 2023	**1,753.1**	**30.2**	**79.6**	**1,862.9**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Assets for remaining coverage Excluding loss-recovery component £m	Assets for remaining coverage Loss-recovery component £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2024	**(29.0)**	**6.2**	**7.9**	**(14.9)**
Reinsurance expenses – allocation of reinsurance premiums paid	(22.7)	–	–	(22.7)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	–	19.0	19.0
Changes in the loss-recovery component	–	(0.8)	–	(0.8)
Net (expenses)/income from reinsurance contracts held	**(22.7)**	**(0.8)**	**19.0**	**(4.5)**
Net finance expenses from reinsurance contracts	(0.8)	–	–	(0.8)
Effect of movements in exchange rates	1.2	(0.3)	(0.2)	0.7
Total amounts recognised in comprehensive income	**(22.3)**	**(1.1)**	**18.8**	**(4.6)**
Cash flows				
Premiums paid	30.8	–	–	30.8
Recoveries from reinsurance contracts held	–	–	(25.9)	(25.9)
Total cash flows	**30.8**	**–**	**(25.9)**	**4.7**
Reinsurance contract assets as at 31 December 2024	**(20.5)**	**5.1**	**0.8**	**(14.6)**

	Assets for remaining coverage Excluding loss-recovery component £m	Assets for remaining coverage Loss-recovery component £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2023	**(28.4)**	**4.5**	**8.7**	**(15.2)**
Reinsurance expenses – allocation of reinsurance premiums paid	(21.8)	–	–	(21.8)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	–	17.3	17.3
Changes in the loss-recovery component	–	1.8	–	1.8
Net (expenses)/income from reinsurance contracts held	**(21.8)**	**1.8**	**17.3**	**(2.7)**
Net finance expenses from reinsurance contracts	(3.4)	–	–	(3.4)
Effect of movements in exchange rates	0.6	(0.1)	(0.2)	0.3
Total amounts recognised in comprehensive income	**(24.6)**	**1.7**	**17.1**	**(5.8)**
Cash flows				
Premiums paid	24.0	–	–	24.0
Recoveries from reinsurance contracts held	–	–	(17.9)	(17.9)
Total cash flows	**24.0**	**–**	**(17.9)**	**6.1**
Reinsurance contract assets as at 31 December 2023	**(29.0)**	**6.2**	**7.9**	**(14.9)**

For Scildon, the full retrospective approach at transition has been applied to all reinsurance contracts.

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2024	**(51.8)**	**12.0**	**24.9**	**(14.9)**
Changes that relate to current service				
CSM recognised for services received	–	–	(3.1)	(3.1)
Change in risk adjustment for non-financial risk for risk expired	–	(0.9)	–	(0.9)
Experience adjustments	(0.1)	–	–	(0.1)
Total changes that relate to current service	**(0.1)**	**(0.9)**	**(3.1)**	**(4.1)**
Changes that relate to future service				
Contracts initially recognised in the period	(2.3)	0.5	1.9	0.1
Changes in estimates that adjust the CSM	(1.4)	(4.1)	4.0	(1.5)
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	0.5	0.5
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	0.5	0.5
Total changes that relate to future service	**(3.7)**	**(3.6)**	**6.9**	**(0.4)**
Net (expense)/income from reinsurance contracts held	**(3.8)**	**(4.5)**	**3.8**	**(4.5)**
Net finance income from reinsurance contracts held	(1.8)	0.6	0.4	(0.8)
Effect of movements in exchange rates	2.4	(0.5)	(1.2)	0.7
Total amounts recognised in comprehensive income	**(3.2)**	**(4.4)**	**3.0**	**(4.6)**
Cash flows				
Premiums paid	30.8	–	–	30.8
Recoveries from reinsurance contracts held	(25.9)	–	–	(25.9)
Total cash flows	**4.9**	**–**	**–**	**4.9**
Reinsurance contract assets as at 31 December 2024	**(50.1)**	**7.6**	**27.9**	**(14.6)**

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA (continued)

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2023	**(52.1)**	**10.7**	**26.2**	**(15.2)**
Changes that relate to current service				
CSM recognised for services received	–	–	(2.7)	(2.7)
Change in risk adjustment for non-financial risk for risk expired	–	(1.3)	–	(1.3)
Experience adjustments	(1.0)	–	–	(1.0)
Total changes that relate to current service	**(1.0)**	**(1.3)**	**(2.7)**	**(5.0)**
Changes that relate to future service				
Contracts initially recognised in the period	(3.1)	0.9	2.2	–
Changes in estimates that adjust the CSM	1.5	1.3	(2.8)	–
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	0.5	0.5
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	1.8	1.8
Total changes that relate to future service	**(1.6)**	**2.2**	**1.7**	**2.3**
Net (expense)/income from reinsurance contracts held	**(2.6)**	**0.9**	**(1.0)**	**(2.7)**
Net finance income from reinsurance contracts held	(4.3)	0.6	0.3	(3.4)
Effect of movements in exchange rates	1.1	(0.2)	(0.6)	0.3
Total amounts recognised in comprehensive income	**(5.8)**	**1.3**	**(1.3)**	**(5.8)**
Cash flows				
Premiums paid	24.0	–	–	24.0
Recoveries from reinsurance contracts held	(17.9)	–	–	(17.9)
Total cash flows	**6.1**	**–**	**–**	**6.1**
Reinsurance contract assets as at 31 December 2023	**(51.8)**	**12.0**	**24.9**	**(14.9)**

(e) Insurance contracts recognised in the period

Year Ended 31 December 2024	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(92.5)**	**(40.1)**	**(132.6)**
Estimates of the present value of future cash outflows			
Claims and other insurance service expenses payable	1.2	1.0	2.2
Insurance acquisition cash flows	81.6	41.2	122.8
Total estimates of the present value of future cash outflows	**82.8**	**42.2**	**125.0**
Risk adjustment for non-financial risk	1.0	0.6	1.6
CSM	8.7	–	8.7
Losses recognised on initial recognition	**–**	**2.7**	**2.7**

Year Ended 31 December 2023	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(113.1)**	**(46.2)**	**(159.3)**
Estimates of the present value of future cash outflows			
Claims and other insurance service expenses payable	98.3	47.3	145.6
Insurance acquisition cash flows	1.4	1.0	2.4
Total estimates of the present value of future cash outflows	**99.7**	**48.3**	**148.0**
Risk adjustment for non-financial risk	1.9	0.8	2.7
CSM	11.5	–	11.5
Losses recognised on initial recognition	**–**	**2.9**	**2.9**

All insurance contracts above are in respect of new business written.

(f) Reinsurance contracts recognised in the period

	2024 £m	2023 £m
Estimates of the present value of future cash inflows	11.2	12.5
Estimates of the present value of future cash outflows	(13.6)	(15.6)
Risk adjustment for non-financial risk	0.5	0.9
CSM	1.9	2.2
Total value of reinsurance contracts recognised in the period	**–**	**–**

All reinsurance contracts above are in respect of new business written and all contract groups were originally in a net cost position.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2024	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	9.4	(2.6)
Later than one year and not later than two years	8.6	(2.4)
Later than two years and not later than three years	7.9	(2.2)
Later than three years and not later than four years	7.2	(2.1)
Later than four years and not later than five years	6.6	(1.9)
Later than five years and not later than ten years	24.5	(7.7)
Later than ten years	28.1	(9.0)
Total	**92.4**	**(27.9)**

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	8.1	(2.3)
Later than one year and not later than two years	7.5	(2.1)
Later than two years and not later than three years	6.9	(2.0)
Later than three years and not later than four years	6.3	(1.9)
Later than four years and not later than five years	5.7	(1.7)
Later than five years and not later than ten years	21.1	(6.9)
Later than ten years	24.0	(8.0)
Total	**79.6**	**(24.9)**

SECTION G – BALANCE SHEET LIABILITIES

G1 Other provisions

	2024 £m	2023 £m
Balance at 1 January	**23.2**	**8.7**
Additions – Arising on acquisition	–	12.3
Charge in the year	0.7	7.1
Amounts utilised during the year	(3.0)	(4.8)
Foreign exchange translation difference	(0.6)	(0.1)
Balance at 31 December	**20.3**	**23.2**

The other provisions balance includes the following significant items:

(i) Liabilities acquired as part of the Conservatrix acquisition
The contracts acquired in the acquisition of Conservatrix by Waard Leven in the prior year include £12.5m as at 31 December 2024 (31 December 2023: £12.6m) of liabilities relating to obligations to former employees of Conservatrix under a now closed defined benefit pension scheme. The liabilities are valued under IAS 19.

The pension scheme is closed to new entrants with no further benefits accruing and as such the exposure for Waard Leven is limited to the longevity risk of the contracts. Waard Leven is regulated by De Nederlandsche Bank (DNB) and the Netherlands Authority for financial markets. As such, there is no requirement to hold plan assets against these liabilities, instead the liabilities are assessed as part of the SII requirements and as a result of this assessment there are considered to be sufficient general account assets to meet the obligation related to these pension policies.

(ii) Provision established for the costs associated with outsourced UK administration services
During 2023, Chesnara initiated a Transition and Transformation (T&T) programme in respect of its UK business. This programme includes activities and costs related to both (i) the integration of the acquired CASLP and Canada Life businesses into the standard UK model and (ii) the restructure of the administration outsourcing arrangements for the rest of the legacy UK business, including the migration of the policies onto a new platform architecture with SS&C.

An ongoing assessment of the proposed project costs at 31 December 2024 has been conducted in accordance with the requirements of IAS 37 and as a result of this assessment a provision of £2.9m is held in the balance sheet (31 December 2023: £4.6m). The timing of the outflow of economic benefits is subject to the phased delivery of the programme, however as the majority of the costs provided for are in respect of contractual obligations with third parties, then the amount is not expected to material change due to any required rephasing.

There are also provisions at the year end relating to the mis-selling of contracts in the UK £1.9m (31 December 2023: £2.7m).

G2 Lease liabilities

The Group leases several assets including office buildings and an immaterial amount of office and IT equipment and motor vehicles.

Maturity analysis 31 December 2024	Carrying value £m	0-1 year £m	1-2 years £m	2-5 years £m	Total £m
Non-investment property	0.6	0.3	0.1	0.2	0.6
Total	**0.6**	**0.3**	**0.1**	**0.2**	**0.6**
Current	0.3				
Non-current	0.3				
Total	**0.6**				

Maturity analysis 31 December 2023	Carrying value £m	0-1 year £m	1-2 years £m	2-5 years £m	Total £m
Non-investment property	1.2	0.6	0.3	0.3	1.2
Total	**1.2**	**0.6**	**0.3**	**0.3**	**1.2**
Current	0.6				
Non-current	0.6				
Total	**1.2**				

G3 Borrowings

Group 31 December	2024 £m	2023 £m
Tier 2 debt	200.8	200.6
Amount due in relation to financial reinsurance	2.4	5.3
Term finance	1.6	2.0
Total	**204.8**	**207.9**
Current	1.4	2.8
Non-current	203.4	205.1
Total	**204.8**	**207.9**

The fair value of amounts due in relation to Tier 2 debt at 31 December 2024 was £166.1m (31 December 2023: £148.0m).

The fair value of amounts due in relation to financial reinsurance at 31 December 2024 was £2.3m (31 December 2023: £5.1m).

Term finance comprises capital amounts outstanding on mortgage bonds taken out over properties held in the unit-linked policyholder funds in the UK. The mortgage over each such property is negotiated separately, varies in term from 5 to 20 years, and bears interest at fixed or floating rates that are agreed at the time of inception of the mortgage. The fair value of the term finance is not materially different to the carrying value shown above.

G4 Deferred tax assets and liabilities

Deferred tax assets and liabilities comprise:

31 December	2024 Asset £m	2024 Liability £m	2023 Asset £m	2023 Liability £m
Net deferred tax liabilities:				
UK and other Group activities	1.6	(24.7)	16.0	(24.3)
Movestic	–	–	–	–
Waard Group	34.5	–	35.0	–
Scildon	2.8	–	3.6	–
Total	**38.9**	**(24.7)**	**54.6**	**(24.3)**
Current	–	–	–	–
Non-current	38.9	(24.7)	54.6	(24.3)
Total	**38.9**	**(24.7)**	**54.6**	**(24.3)**

(a) CA and other Group activities: Recognised deferred tax assets and liabilities

31 December	2023 Assets/ (liabilities) £m	Credit/ (charge) in year £m	Recognised through equity £m	2024 Assets/ (liabilities) £m
Deferred acquisition costs	1.0	(0.3)	–	0.7
Deferred income	0.4	(0.1)	–	0.3
Acquired value in-force	(14.0)	2.3	–	(11.7)
Property, plant and equipment	0.1	–	–	0.1
Tax losses on pensions business	1.1	0.4	–	1.5
Unrealised and deferred investment gains	(23.2)	(10.3)	–	(33.5)
Excess expenses of management and recognised trade losses	26.9	(6.5)	–	20.4
Share-based payments	1.0	–	0.5	1.5
Tax losses	0.2	(0.2)	–	–
IFRS 17 transitional adjustment	(1.8)	(0.6)	–	(2.4)
Total	**(8.3)**	**(15.3)**	**0.5**	**(23.1)**
Comprising:				
Net deferred tax liabilities	(8.3)	(15.3)	0.5	(23.1)
Total	**(8.3)**	**(15.3)**	**0.5**	**(23.1)**

31 December	2022 Assets/ (liabilities) £m	Credit/ (charge) in year £m	Recognised through equity £m	2023 Assets/ (liabilities) £m
Deferred acquisition costs	1.5	(0.5)	–	1.0
Deferred income	0.5	(0.1)	–	0.4
Acquired value in-force	(33.6)	19.6	–	(14.0)
Property, plant and equipment	0.1	–	–	0.1
Tax losses on pensions business	1.2	(0.1)	–	1.1
Unrealised and deferred investment gains	(13.7)	(9.5)	–	(23.2)
Excess expenses of management	12.5	14.4	–	26.9
Share-based payments	0.9	0.1	–	1.0
Right-of-use assets/lease liabilities	0.1	(0.1)	–	–
Tax losses	4.7	(4.5)	–	0.2
Difference in IFRS 4 and IFRS 17 reserves	(3.1)	1.3	–	(1.8)
Total	**(28.9)**	**20.6**	**–**	**(8.3)**
Comprising:				
Net deferred tax liabilities	(28.9)	20.6	–	(8.3)
Total	**(28.9)**	**20.6**	**–**	**(8.3)**

On 31 December 2023, the long-term business of CASLP, along with the majority of the assets of the Company were transferred into CA via a Business Transfer Scheme under Part VII of the Financial Services and Markets Act 2000. Consequently, previously unrecognised losses (excess expenses of management) of CA have been recognised as deferred tax assets at 31 December 2023. This has resulted in a £11.9m additional deferred tax asset being recognised at the balance sheet date.

The 2024 IFRS 17 transitional adjustment liability is inclusive of a prior year adjustment of £0.4m following refinement of this calculation on submission of the 2023 tax computation.

The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities where relevant, being the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.

Deferred tax balances have been updated to reflect changes to equity on transition to IFRS 17. The tax rate applied is that which is expected at the time of realisation.

The deferred tax (charge)/credit to the Consolidated Statement of Comprehensive Income for the year is classified as follows:

Year ended 31 December	2024 £m	2023 £m
Income tax (charge)/credit	**(15.3)**	**20.7**

(b) CA and other Group activities: Items for which no deferred tax asset is recognised

31 December	2024 £m	2023 £m
Tax losses on pensions business	12.8	20.7
Trade losses	53.5	28.7
Total	**66.3**	**49.4**

SECTION G – BALANCE SHEET LIABILITIES

G4 Deferred tax assets and liabilities (continued)

(b) CA and other group activities: Items for which no deferred tax asset is recognised (continued)

A deferred tax asset has not been recognised in respect of trading losses due to the uncertainty of future trading profits against which the losses could be offset.

There are no aggregate temporary differences arising on the acquisition of subsidiaries or associated undertakings, for which deferred tax has not been recognised.

(c) Movestic: Recognised deferred tax assets and liabilities

As at the balance sheet date, Movestic had a recognised deferred tax liability of £Nil (31 December 2023: £Nil), in respect of fair value adjustments arising upon acquisition. Unrecognised deferred tax assets were £Nil at the balance sheet date in respect of corporation tax recoverable (31 December 2023: £Nil).

(d) Waard Group: Recognised deferred tax assets and liabilities

31 December	2023 Assets/ (liabilities) £m	Arising on acquisition £m	Credit/ (charge) in year £m	Foreign exchange translation difference £m	2024 Assets/ (liabilities) £m
Fair value adjustments on acquisition	27.1	–	(26.5)	(0.6)	–
Defined benefit scheme obligations	1.2	–	(0.1)	(0.1)	1.0
Valuation differences	1.0	–	10.2	(0.2)	11.0
Valuation differences on investments	5.7	–	17.5	(0.7)	22.5
Total	**35.0**	**–**	**1.1**	**(1.6)**	**34.5**
Comprising:					
Net deferred tax asset	40.0	–	(3.8)	(1.7)	34.5
Net deferred tax liabilities	(5.0)	–	4.9	0.1	–
Total	**35.0**	**–**	**1.1**	**(1.6)**	**34.5**

31 December	2022 Assets/ (liabilities) £m	Arising on acquisition £m	Credit/ (charge) in year £m	Foreign exchange translation difference £m	2023 Assets/ (liabilities) £m
Fair value adjustments on acquisition	2.1	28.9	(3.8)	(0.1)	27.1
Defined benefit scheme obligations	–	1.1	0.1	–	1.2
Valuation differences	2.0	–	(0.9)	(0.1)	1.0
Valuation differences on investments	–	5.8	(0.1)	–	5.7
Total	**4.1**	**35.8**	**(4.7)**	**(0.2)**	**35.0**
Comprising:					
Net deferred tax asset	4.1	35.8	0.1	–	40.0
Net deferred tax liabilities	–	–	(4.8)	(0.2)	(5.0)
Total	**4.1**	**35.8**	**(4.7)**	**(0.2)**	**35.0**

(e) Scildon: Recognised deferred tax assets and liabilities

31 December	2023 Assets/ (liabilities) £m	(Charge)/ credit in year £m	Recognised through equity £m	Foreign exchange translation difference £m	2024 Assets/ (liabilities) £m
Deferred acquisition costs	6.1	–	–	(0.3)	5.8
Revaluation of buildings and investment properties	(0.7)	(0.1)	–	–	(0.8)
Valuation differences on technical provisions	(30.4)	(0.3)	–	1.4	(29.3)
Valuation differences on investments at fair value through profit and loss	23.0	(5.9)	–	(0.9)	16.2
Non-compensable losses within fiscal unity	5.6	4.3	1.3	(0.4)	10.8
Total	**3.6**	**(2.0)**	**1.3**	**(0.2)**	**2.7**
Comprising:					
Net deferred tax assets	10.5	5.5	1.3	(0.6)	16.7
Net deferred tax liabilities	(6.9)	(7.5)	–	0.5	13.9
Total	**3.6**	**(2.0)**	**1.3**	**(0.2)**	**2.7**

31 December	2022 Assets/ (liabilities) £m	(Charge)/ credit in year £m	Recognised through equity £m	Foreign exchange translation difference £m	20243 Assets/ (liabilities) £m
Deferred acquisition costs	6.1	0.1	–	(0.1)	6.1
LAT reserve	(1.8)	1.8	–	–	–
Revaluation of buildings and investment properties	(0.8)	(0.1)	–	0.2	(0.7)
Valuation differences on technical provisions	(35.5)	4.3	–	0.8	(30.4)
Valuation differences on investments at fair value through profit and loss	36.9	(13.0)	–	(0.9)	23.0
Non-compensable losses within fiscal unity	–	–	–	5.6	5.6
Total	**4.9**	**(6.9)**	**–**	**5.6**	**3.6**
Comprising:					
Net deferred tax assets	4.9	–	–	5.6	10.5
Net deferred tax liabilities	–	(6.9)	–	–	(6.9)
Total	**4.9**	**(6.9)**	**–**	**5.6**	**3.6**

SECTION G – BALANCE SHEET LIABILITIES

G5 Deferred income

31 December	2024 £m	2023 £m
Balance at 1 January	**2.8**	**3.5**
Release to income	(0.2)	(0.6)
Settlements	(1.3)	–
Foreign exchange translation difference	–	(0.1)
Balance at 31 December	**1.3**	**2.8**
Current	0.2	0.2
Non-current	1.1	2.6
Total	**1.3**	**2.8**

The release to income is included in fees and commission income (see Note D3). These are initial fees that relate to future provision of services that are deferred and amortised over the anticipated period.

G6 Other current liabilities

31 December	2024 £m	Restated 2023 £m
Reinsurance payables		
Payables in respect of investment contracts	0.6	0.9
Liabilities for assets withheld	40.0	45.5
Reinsurers share of deferred acquisition costs and claims deposits	0.1	0.1
Sub-total	**40.7**	**46.5**
Payables related to investment contracts		
Accrued claims	21.0	19.9
Policyholder liabilities	3.7	2.6
Sub-total	**24.7**	**22.5**
Other payables		
Accrued expenses	13.4	13.9
VAT	0.3	0.2
Employee tax	2.3	2.1
Other	21.8	27.7
Sub-total	**37.8**	**43.9**
Income taxes	26.5	18.8
Total	**129.7**	**131.7**
Current	74.5	131.7
Non-current	55.2	–
Total	**129.7**	**131.7**

The carrying value of other payables is a reasonable approximation of fair value.

SECTION H – SHAREHOLDER EQUITY

H1 Share capital and share premium

Group 31 December	2024 Number of shares issued	2024 Share capital £m	2023 Number of shares issued	2023 Share capital £m
Share capital	**150,991,019**	**7.5**	**150,849,587**	**7.5**

Share premium £m	Share premium £m
142.5	**142.5**

Merger reserve £m	Merger reserve £m
36.3	**36.3**

The number of shares in issue at the balance sheet date included Nil shares held in treasury (31 December 2023: Nil).

The merger reserve is for presentation purposes only in order to show the correct share capital of Chesnara plc following the reverse acquisition in 2004.

H2 Other reserves

Group 31 December	2024 £m	2023 £m
Capital redemption reserve	0.1	0.1
Foreign exchange translation differences	(9.4)	5.9
Other items of comprehensive income	0.9	0.5
Balance at 31 December	**(8.4)**	**6.5**

The foreign exchange translation reserve represents the cumulative impact of exchange differences arising on translation of the financial results of Movestic, Scildon and Waard to sterling, with these exchange differences reported as other comprehensive income within each reporting period. The movement in the year is due to the strengthening of sterling against the euro and Swedish krona.

H3 Retained earnings

Group Year ended 31 December	2023 £m	2023 £m
Retained earnings attributable to equity holders of the Parent Company comprise:		
Balance at 1 January	**167.0**	**183.1**
Profit/(loss) for the year	3.9	18.6
Share-based payment	2.1	0.7
Dividends		
Final approved and paid for 2022	–	(22.8)
Interim approved and paid for 2023	–	(12.6)
Final approved and paid for 2023	(23.5)	–
Interim approved and paid for 2024	(13.0)	–
Balance at 31 December	**136.5**	**167.0**

The interim dividend in respect of 2023, approved and paid in 2023, was paid at the rate of 8.36p per share. The final dividend in respect of 2023, approved and paid in 2024, was paid at the rate of 15.61p per share so that the total dividend paid to the equity shareholders of the Parent Company in respect of the year ended 31 December 2023 was made at the rate of 23.97p per share.

The interim dividend in respect of 2024, approved and paid in 2024, was paid at the rate of 8.61p per share to equity shareholders of the Parent Company registered at the close of business on 20 September 2024, the dividend record date.

A final dividend of 16.08p per share in respect of the year ended 31 December 2024 payable on 20 May 2025 to equity shareholders of the Parent Company registered at the close of business on 4 April 2025, the dividend record date, was approved by the directors after the balance sheet date. The resulting total final dividend of £23.5m has not been provided for in these financial statements and there are no income tax consequences.

The following summarises dividends per share in respect of the year ended 31 December 2023 and 31 December 2024:

Year ended 31 December	2024 p	2023 p
Interim – approved and paid	8.61	8.36
Final – proposed/paid	16.08	15.61
Total	**24.69**	**23.97**

SECTION I – ADDITIONAL DISCLOSURES

I1 Employee benefit expense, including directors

Year ended 31 December	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other Group activities £m	2024 £m	2023 £m
Wages and salaries	3.6	7.8	4.0	8.2	8.5	32.1	31.0
Social security costs	0.6	2.9	0.4	1.1	1.2	6.2	5.8
Pension costs-defined contribution plans	0.4	1.7	0.5	1.2	1.0	4.8	4.4
Total	**4.6**	**12.4**	**4.9**	**10.5**	**10.7**	**43.1**	**41.2**
Monthly average number of employees							
Company						82	62
Subsidiaries						273	325
Total						**355**	**387**

Directors
The Directors' Remuneration Report and Note I2 provides detail of compensation to directors of the Company.

UK
UK-based employees are all employed by Chesnara plc.

At the end of May 2005, the Group allowed eligible employees to enter a pension scheme known as the Chesnara plc Stakeholder Scheme, on a basis where employer contributions are made to the Scheme at the same rate as would be payable had their membership of their predecessor scheme continued, provided that employee contributions also continued to be made at the same rate. The employee may opt to request the Company to pay employer contributions into a personal pension plan, in which instance, employer contributions will be made on the same terms as for the Chesnara plc Stakeholder Scheme.

The Group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

The Group has established frameworks for approved and unapproved discretionary share option plans which may, at the discretion of the Remuneration Committee, be utilised for granting options to executive directors and to other Group employees. Options have been granted to executive directors in the period, in relation to the share-based payment components of the new executive incentive schemes that was introduced under the 2014 terms. Further details can be found in the Directors' Remuneration Report section and in Note I2.

Waard
The Waard business participates in a defined contribution scheme. As a result of the Conservatrix acquisition, Waard Leven assumed the obligations under a defined benefit pension scheme for a small number of former Conservatrix employees. This scheme is closed to new entrants with no further benefits accruing and as such the exposure for Waard Leven is limited to the longevity risk of the contracts. The liability is valued under IAS 19 and reported under 'Other provisions' in the balance sheet.

Scildon
Scildon operated a defined benefit pension scheme for the benefit of its present and past employees. This scheme was closed during 2019 and transferred into a defined contribution scheme. From 1 October 2019, Scildon no longer bears any risks relating to the funding of the plan and all pension assets were transferred to another administrator in 2020. Until that point, Scildon continued to bear only the fund administration costs.

Under the Company's new defined contribution scheme, Scildon pays a contribution to the scheme and subsequently has no further financial obligations with respect to this part of the scheme. This contribution is recognised as an expense when paid.

Movestic
The Swedish business participates in a combined defined benefit and defined contribution scheme operated by Försäkringsbranschens Pensionskassa, 'FPK'. (the Scheme). The Scheme is a multi-employer scheme with participants including other Swedish insurance companies not related to the Group. The Scheme provides, for those born in 1971 or earlier, benefits to employees which are linked to their final salary and to the amount of time working for companies which are members of the Scheme. For those employees born in 1972 or later, the Scheme operates on a defined contribution basis.

Assets and liabilities are held on a pooled basis and are not allocated by the Trustee to any individual company. Consequently, reliable information is not available to account for the Scheme as a defined benefit scheme and therefore, in accordance with IAS 19 Employee Benefits, the Scheme is accounted for as a defined contribution scheme.

Contributions to the Scheme are based on the funding recommendations of the independent qualified actuary: the contributions paid to the Scheme subsequent to the acquisition of the Swedish business on 23 July 2009 and up to 31 December 2023, totalled £5.4m (SEK 74.2m).

During 2024 further contributions of £0.4m were made.

The employers within the Scheme are collectively responsible for the funding of the Scheme as a whole and therefore in the event that other employers exit from the Scheme, remaining employers would be responsible for the ongoing funding. The collective nature of the Scheme results in all participating entities sharing the actuarial risk associated with the Scheme.

Försäkringsbranschens Pensionskassa, 'FPK', issues an audited Annual Report (under Swedish law-limited IFRS) each year. The last available published report was as at 31 December 2022.

The Annual Report states that the Scheme's surplus is £260.1m (£339.3m as at 31 December 2023).

As at 31 December 2023, the fund had assets under management of £1.3bn (31 December 2022: £1.3bn). During 2023 there were 97 (2022: 97) employer insurance companies participating in the Scheme and 22,000 (31 December 2022: 22,000) insured individuals. From the available information, it cannot be determined with certainty as to whether there would be a change in the required employer funding rate, although there is currently no deficit in the Scheme.

I2 Share-based payments

The Group issues equity-settled share-based payments to the executive directors and members of the senior management team based on the 2014 terms. Equity settled share-based payments are measured at fair value at the date of the grant, and expensed on a straight-line over the vesting period, based on the Group's estimate of shares that will eventually vest. The bonus scheme consists of two components:

(a) Short-Term Incentive Scheme (STIS)

(b) Long-Term Incentive Plan (LTIP)

The STIS is based upon a 1 year performance period measured against cash generation, EcV Earnings and strategic Group objectives. In relation to 2024, upon meeting the necessary performance targets, the Company granted an award in the form of a right to receive a cash amount of up to 100% of the gross salary. In the event that the gross cash payment due is greater than £20,000, a mandatory 35% of the cash award was deferred into shares, which had a vesting period of 3 years. Therefore the award was 65% settled in cash and 35% settled by a share option award, which cannot be exercised for 3 years.

Under the LTIP, options are granted with a vesting period of 3 years. These awards are subject to performance conditions tied to the Company's financial performance in respect of growth in EcV, Commercial Cash Generation and Total Shareholder Return (TSR).

For schemes with market performance criteria, the number of options expected to invest is adjusted only for expectations of leavers prior to vesting. Fair value of the options is measured by use of the Monte Carlo model at the issuing date.

The LTIP also contains a target of EcV growth and Commercial Cash Generation. As these are non-market performance conditions, the number of options expected to vest is recalculated at each balance sheet date based on expectations of performance against target. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before options vest and is deemed to be a 'Bad Leaver'.

(a) 2024 award made under the Short-Term Incentive Scheme (STIS)

Details of the short-term incentive awards made in the year are as follows:

2024 Short-Term Incentive Scheme (STIS) Awards made in year	2024 £m	2023 £m
Amount paid as cash bonus through the income statement (65%)	0.6	0.5
Amount deferred into shares for 3 years and subject to forfeiture (35%)	0.3	0.3
Total bonus award for the year	0.9	0.8
Amount of deferred expense recorded in the current year	0.1	0.1

The deferred share award will be made following the end of the performance period by the Remuneration Committee. The deferred amount will be divided by the share price on the award date and the number of share awards will be awarded. The share awards will be accounted for per IFRS 2, under Equity Settled share-based payments.

(b) 2024 award made under the Long-Term Incentive Plan (LTIP)

In 2024, the Group granted 708,094 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value, Commercial Cash Generation and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 150.26p, which was the average weighted share price as at the grant date of the options.

Details of the share options outstanding during the year are as follows:

2024 Long-Term Incentive Plan (LTIP)	2024 Options number 000	2024 Weighted average exercise price £
Outstanding at the beginning of the year	–	–
Granted during the year	708,094	–
Lapsed during the year	–	–
Outstanding at the end of the year	708,094	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	266.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	152.46
Expected volatility	28.19
Expected life	3 years
Risk-free rate	4.57%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised total expense of £334,219 related to equity-settled share-based payments transactions in 2024.

(c) 2023 award made under the Short-Term Incentive Scheme (STIS)

The Group has recorded an expense of £60,825 (2023: £60,825) with regards to the 35% element that has been deferred over the vesting period.

SECTION I – ADDITIONAL DISCLOSURES

(d) 2023 award made under the Long-Term Incentive Plan (LTIP)
In 2023, the Group granted 571,645 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value, Commercial Cash Generation and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 154.53p, which was the average weighted share price as at the grant date of the options.

Details of the share options outstanding during the year are as follows:

2023 Long-Term Incentive Plan (LTIP)	2024		2023	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	572	–	–	–
Granted during the year	–	–	572	–
Lapsed during the year	(42)	–	–	–
Outstanding at the end of the year	530	–	572	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	268.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	154.53
Expected volatility	29.39
Expected life	3 years
Risk-free rate	5.70%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised total expense of £335,807 (2023: £88,222) related to equity-settled share-based payments transactions in 2024.

(e) 2022 award made under the Short-Term Incentive Scheme (STIS)
The Group has recorded an expense of £59,319 (2023: £59,319) with regards to the 35% element that has been deferred over the vesting period.

(f) 2022 award made under the Long-Term Incentive Plan (LTIP)
In April 2022, the Group granted 253,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 284.00p, which was the share price as at 28 April 2022, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2022 Long-Term Incentive Plan (LTIP)	2024		2023	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	253	–	253	–
Granted during the year	–	–	–	–
Lapsed during the year	(3)	–	–	–
Outstanding at the end of the year	250	–	253	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	284.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	162.50
Expected volatility	29.04
Expected life	3 years
Risk-free rate	2.24%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised total expense of £115,033 (2023: £55,714) related to equity-settled share-based payments transactions in 2023.

(g) 2021 award made under the Short-Term Incentive Scheme (STIS)
The Group has recorded an expense of £76,913 (2023: £76,913) with regards to the 35% element that has been deferred over the vesting period.

(h) 2021 award made under the Long-Term Incentive Plan (LTIP)
In April 2021, the Group granted 260,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 278.50p, which was the share price as at 28 April 2021, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2021 Long-Term Incentive Plan (LTIP)	2024		2023	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	342	–	532	–
Exercised during the year	(113)	2.54	(123)	2.78
Lapsed during the year	(203)	–	(67)	–
Outstanding at the end of the year	26	–	342	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	278.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	160.56
Expected volatility	30.01
Expected life	3 years
Risk-free rate	0.48%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised total expense of £48,603 (2023: £45,085) related to equity-settled share-based payments transactions in 2024.

(i) 2020 award made under the Short-Term Incentive Scheme (STIS)

The Group has recorded an expense of £14,775 (2023: £59,099) with regards to the 35% element that has been deferred over the vesting period.

(j) 2020 award made under the Long-Term Incentive Plan (LTIP)

In April 2020, the Group granted 224,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 323.50p, which was the share price as at 28 April 2020, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2020 Long-Term Incentive Plan (LTIP)	2024		2023	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	38	–	192	–
Exercised during the year	–	–	(28)	2.82
Lapsed during the year	–	–	(126)	–
Outstanding at the end of the year	38	–	38	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	323.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	184.04
Expected volatility	28.51
Expected life	3 years
Risk-free rate	0.42%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised total expense of £nil (2023: £18,750) related to equity-settled share-based payments transactions in 2023.

(k) 2019 award made under the Short-Term Incentive Scheme (STIS)

The Group has recorded an expense of £nil (2023: £14,289) with regards to the 35% element that has been deferred over the vesting period.

(l) 2019 award made under the Long-Term Incentive Plan (LTIP)

In April 2019, the Group granted 196,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 358.50p, which was the share price as at 28 April 2019, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2019 Long-Term Incentive Plan (LTIP)	2024		2023	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	–	–	–	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	358.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	202.74
Expected volatility	25.35
Expected life	3 years
Risk-free rate	1.110%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised no expense related to equity-settled share-based payments transactions in 2024.

(m) 2018 award made under the Short-Term Incentive Scheme (STIS)

The Group has recorded no expense with regards to the 35% element that has been deferred over the vesting period.

(n) 2018 award made under the Long-Term Incentive Plan (LTIP)

In April 2018, the Group granted 168,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 410.00p, which was the share price as at 28 April 2018, the grant date of the options.

SECTION I – ADDITIONAL DISCLOSURES

I2 Share-based payments (continued)

(n) 2018 award made under the Long-Term Incentive Plan (LTIP) (continued)

Details of the share options outstanding during the year are as follows:

2019 Long-Term Incentive Plan (LTIP)	2024 Options number 000	Weighted average exercise price £	2023 Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	–	–	–	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	410.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	229.78
Expected volatility	25.77
Expected life	3 years
Risk-free rate	1.190%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised no expense related to equity-settled share-based payments transactions in 2024.

(o) 2017 award made under the Long-Term Incentive Plan (LTIP)

In April 2017, the Group granted 174,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 382.75p, which was the share price as at 28 April 2017, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2017 Long-Term Incentive Plan (LTIP)	2024 Options number 000	Weighted average exercise price £	2023 Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–	26	–
Exercised during the year	–	–	(26)	2.63
Outstanding at the end of the year	–	–	–	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	382.75
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	211.73
Expected volatility	26.97
Expected life	3 years
Risk-free rate	0.70%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised no expense related to equity-settled share-based payments transactions in 2024 and 2023.

(p) 2016 award made under the Long-Term Incentive Plan (LTIP)

In April 2016, the Group granted 255,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the Company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 312.00p, which was the share price as at 28 April 2016, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2016 Long-Term Incentive Plan (LTIP)	2024 Options number 000	Weighted average exercise price £	2023 Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–	90	–
Exercised during the year	–	–	(90)	2.63
Outstanding at the end of the year	–	–	–	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	312.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	179.72
Expected volatility	28.07
Expected life	3 years
Risk-free rate	0.86%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 10 years.

The Group recognised no expense related to equity-settled share-based payments transactions in 2024 and 2023.

I3 Earnings per share

Earnings per share are based on the following:

Year ended 31 December	2024	Restated 2023
(Loss)/profit for the year attributable to shareholders (£m)	3.9	18.7
Weighted average number of ordinary shares	150,938,024	150,528,597
Basic earnings per share	2.56p	12.41p
Diluted earnings per share	2.52p	12.29p

The weighted average number of ordinary shares in respect of the year ended 31 December 2024 is based upon 150,991,019 shares. No shares were held in treasury.

There were 2,330,118 share options outstanding at 31 December 2024 (2023: 1,537,582). Accordingly, there is dilution of the average number of ordinary shares in issue in respect of 2024 and 2023.

I4 Capital commitments

There were no capital commitments as at 31 December 2024 or as at 31 December 2023.

I5 Related parties

(a) Identity of related parties

The shares of the Company were widely held and no single shareholder exercised significant influence or control over the Company.

The Company has related party relationships with:

(i) key management personnel who comprise the directors (including non-executive directors) of the Company;

(ii) its subsidiary companies;

(iii) other companies over which the directors have significant influence; and

(iv) transactions with persons related to key management personnel.

(b) Related party transactions

(i) Transactions with key management personnel.

Key management personnel comprise of the directors of the Company. This is on the basis that the Group's governance map requires all strategically significant decisions to be approved by the Group Board. As such, they have the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management compensation is as follows:

	2024 £m	2023 £m
Short-term employee benefits	3.1	2.1
Post-employment benefits	0.1	0.1
Share-based payments	1.5	0.6
Total	**4.7**	**2.8**

The share-based payments charge comprises £0.3m (2023: £0.3m) of Short-Term Incentive Scheme (STIS), and £1.3m (2023: £0.2m) related to Long-Term Incentive Plan (LTIP), which is determined in accordance with IFRS 2 'Share-based Payment'. Further details on the share-based payment are disclosed in Note I2.

In addition to their salaries, the Company also provides non-cash benefits to directors and contributes to a post-employment defined contribution pension plan on their behalf, or where regulatory contribution limits are reached, pay an equivalent amount as an addition to base salary.

The following amounts were payable to directors in respect of bonuses and incentives:

	2024 £m	2023 £m
Annual bonus scheme (included in the short-term employee benefits above)	**0.9**	**0.7**

These amounts have been included in accrued expenses as disclosed in Note G6. The amounts payable under the annual bonus scheme were payable within 1 year. The terms and conditions attached to the annual bonus scheme can be found in the Remuneration section of the Corporate Governance section of the Annual Report and Accounts.

(ii) Transactions with subsidiaries

The Company undertakes centralised administration functions, the costs of which it charges back to its operating subsidiaries. The following amounts which effectively comprised a recovery of expenses at no mark-up were credited to the Statement of Comprehensive Income of the Company for the respective periods:

Year ended 31 December	2024 £m	2023 £m
Recovery of expenses	**7.2**	**5.4**

(iii) Transactions between subsidiaries

In the Netherlands, Scildon owns a commercial property that has been occupied by its fellow Dutch subsidiary Waard since October 2022. The following amounts of rental income were received from Waard by Scildon during the respective periods:

Year ended 31 December	2024 £m	2023 £m
Rental income	**0.1**	**0.1**

(iv) Transactions with persons related to key management personnel

During the year, there were no transactions with persons related to key management personnel (31 December 2023: £Nil).

SECTION I – ADDITIONAL DISCLOSURES

I6 Group entities

Control of the Group

The issued share capital of Chesnara plc, the Group Parent Company, is widely held, with no single party able to control 20% or more of such capital or of the rights which such ownership confers.

Group subsidiary companies

Name	Country of incorporation	Ownership interest 31 December 2024	Ownership interest 31 December 2023	Functional Currency
Countrywide Assured plc	United Kingdom	100% of all share capital (1)	100% of all share capital (1)	Sterling
Countrywide Assured Life Holdings Limited	United Kingdom	100% of all share capital	100% of all share capital	Sterling
Countrywide Assured Services Limited	United Kingdom	100% of all share capital (1)	100% of all share capital (1)	Sterling
Countrywide Assured Trustee Company Limited	United Kingdom	100% of all share capital (1)	100% of all share capital (1)	Sterling
CASLP Limited	United Kingdom	100% of all share capital	100% of all share capital	Sterling
CASFS Limited	United Kingdom	100% of all share capital (2)	100% of all share capital (2)	Sterling
CASLPTS Limited	United Kingdom	100% of all share capital (2)	100% of all share capital (2)	Sterling
Registered address 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, Lancashire PR1 8UY				
Movestic Livförsäkring AB	Sweden	100% of all share capital	100% of all share capital	Swedish krona
Movestic Fonder AB	Sweden	100% of all share capital (3)	100% of all share capital (3)	Swedish krona
Registered address Box 7853, S-103 99 Stockholm, Sweden				
Waard Leven N.V.	Netherlands	100% of all share capital	100% of all share capital	Euro
Waard Schade N.V.	Netherlands	100% of all share capital	100% of all share capital	Euro
Waard Verzekeringen B.V.	Netherlands	100% of all share capital (4)	100% of all share capital (4)	Euro
Robein Leven N.V.	Netherlands	100% of all share capital (4)	100% of all share capital (4)	Euro
Robein Effectendienstveriening N.V.	Netherlands	100% of all share capital (4)	100% of all share capital (4)	Euro
Registered address Geert Scholtenslaan II 1687 CL Wognum, Netherlands				
Scildon N.V	Netherlands	100% of all share capital	100% of all share capital	Euro
Registered address Laapersveld 68 Hilversum, Netherlands				

(1) Held indirectly through Countrywide Assured Life Holdings Limited.
(2) Held indirectly through Countrywide Assured plc.
(3) Held indirectly through Movestic Livförsäkring AB.
(4) Held indirectly through Waard Leven N.V.

CASLP Limited was dissolved on 14 January 2025.

CASFS Limited (registered number: 02354894) and CASLPTS Limited (registered number: 01489455) are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of s.479A of the Companies Act 2006.

I7 Portfolio acquisition

On 23 December 2024, Chesnara announced it had reached an agreement to acquire the UK unit-linked bond and pension business of Canada Life Limited, representing approximately 17,000 policies. The transaction is initially in the form of a reinsurance agreement with the non-unit cash flows of the unit-linked policies ceded by Canada Life Limited and accepted by CA. The date of recognition of the reinsurance contract under IFRS 17 is 23 December 2024, however under the terms of the contract the economic impacts are backdated to 1 January 2024 and the cash flows from this date are accordingly recognised as a receivable in the December 2024 balance sheet.

The initial commission paid by CA to Canada Life Limited for this reinsurance inwards transaction was £2.2m and was funded from internal group resources. As no inputs and processes have been transferred as part of the transaction it is not accounted for as a business combination, instead it is recognised at cost. The CSM on initial recognition has been calculated as £0.7m as at 31 December 2024.

Customers' policies are expected to transfer to CA in the future via a Part VII transfer, following Court approval.

I8 Post balance sheet event

The directors are not aware of any significant post balance sheet events that require disclosure in the financial statements.

COMPANY BALANCE SHEET

31 December	Note	2024 £m	2023 £m
Assets			
Non-current assets			
Investments in subsidiaries	**J1**	389.9	399.6
Deferred tax asset		1.5	0.9
Total non-current assets		**391.4**	**400.5**
Current assets			
Financial investments	**J2**	104.0	114.6
Other assets		13.7	6.0
Cash and cash equivalents	**J4**	4.8	5.7
Total current assets		**122.5**	**126.3**
Total assets		**513.9**	**526.8**
Current liabilities			
Lease contract liabilities		–	–
Derivative financial instruments	**J3**	0.3	4.4
Other current liabilities	**J6**	5.0	4.4
Total current liabilities		**5.3**	**8.8**
Non-current liabilities			
Borrowings	**J5**	200.8	200.6
Total non-current liabilities		**200.8**	**200.6**
Total liabilities		**206.1**	**209.4**
Net assets		**307.6**	**317.4**
Shareholders' equity			
Share capital	**J7**	7.5	7.5
Share premium	**J7**	142.5	142.5
Other reserves	**J8**	0.1	0.1
Retained earnings	**J9**	157.5	167.3
Total shareholders' equity		**307.6**	**317.4**

The Notes and information on pages 247 to 249 form part of these financial statements.

Approved by the Board of Directors and authorised for issue on 26 March 2025 and signed on its behalf by:

Luke Savage
Chair

Steve Murray
Chief Executive Officer

Company number: 04947166

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of other comprehensive income. The Company reported a profit of £24.7m (2023: £26.8m) during the year. The retained profits of the Company at 31 December 2024 was £157.5m (31 December 2023: £167.3m).

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December	2024 £m	2023 £m
Profit/(loss) for the year	**24.7**	**26.8**
Adjustments for:		
Tax expense/(recovered)	(1.8)	0.2
Interest expense	10.5	10.3
Share-based payment	2.1	0.7
Dividends receivable	(49.0)	(71.3)
Depreciation on right-of-use assets	0.1	0.1
Impairment on investment in subsidiary	4.0	14.4
Fair value (gains)/losses on financial assets	(9.3)	(7.2)
Adjustment total	**(43.4)**	**(52.8)**
Changes in operating assets and liabilities:		
Increase in other assets	(4.6)	(4.0)
Decrease/(increase) in prepayments	–	–
Decrease/(increase) in financial assets	19.7	(1.0)
Increase in other current liabilities	(1.6)	9.4
Net cash utilised by operations	**(5.2)**	**(21.6)**
Income tax paid	–	–
Net cash utilised by operating activities	**(5.2)**	**(21.6)**
Cash flows from investing activities		
Capital contribution received from subsidiary companies	5.8	–
Dividends received from subsidiary companies	45.3	71.3
Net cash generated by investing activities	**51.1**	**71.3**
Cash flows from financing activities		
Net proceeds from the issue of share capital	–	0.2
Repayment of principal under lease liabilities	–	(0.1)
Dividends paid	(36.5)	(35.4)
Interest paid	(10.3)	(10.1)
Net cash utilised by financing activities	**(46.8)**	**(45.4)**
Net (decrease)/increase in net cash and cash equivalents	**(0.9)**	**4.3**
Net cash and cash equivalents at beginning of period	5.7	1.4
Net cash and cash equivalents at end of the period	**4.8**	**5.7**

Note. Net cash and cash equivalents includes overdrafts.

The Notes and information on pages 247 to 249 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2024	**7.5**	**142.5**	**0.1**	**167.3**	**317.4**
Profit for the year and total comprehensive income	–	–	–	24.7	24.7
Dividends paid	–	–	–	(36.5)	(36.5)
Share-based payment	–	–	–	2.0	2.0
Equity shareholders' funds at 31 December 2024	**7.5**	**142.5**	**0.1**	**157.5**	**307.6**

Year ended 31 December 2023	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2023	**7.5**	**142.3**	**0.1**	**175.2**	**325.1**
Profit for the year and total comprehensive income	–	–	–	26.8	26.8
Issue of share premium	–	0.2	–	–	0.2
Dividends paid	–	–	–	(35.4)	(35.4)
Share-based payment	–	–	–	0.7	0.7
Equity shareholders' funds at 31 December 2023	**7.5**	**142.5**	**0.1**	**167.3**	**317.4**

The Notes and information on pages 247 to 249 form part of these financial statements.

SECTION J – COMPANY NOTES TO THE FINANCIAL STATEMENTS

J1 Investment in subsidiary

Company

Year ended 31 December	2024 £m	2023 £m
Cost		
Balance at 1 January	**439.0**	**439.0**
Disposals	(5.7)	(4.8)
Balance at 31 December	**433.3**	**439.0**
Impairment		
Balance at 1 January	**(39.4)**	**(25.0)**
Impairment for the year	(4.0)	(14.4)
Balance at 31 December	**(43.4)**	**(39.4)**
Carrying amounts		
At 1 January	**399.6**	**414.0**
At 31 December	**389.9**	**399.6**

During the year the Company carried out a review of the recoverable amount of its subsidiaries, with EcV used as the basis to determine the recoverable amount and from this assessment it was concluded that its investment in Countrywide Assured plc was impaired. As a result, an impairment loss of £4.0m (31 December 2023: £14.4m) has been recognised in the year. The impairment, which was expected, has primarily arisen as a result of Countrywide Assured plc's policy of distributing its surplus capital up to Chesnara plc as it becomes available over time. Further details regarding the assessment are reported in Note A5(j).

J2 Financial investments

(a) Financial investments by classification

The carrying amounts of the financial investments and other financial assets and liabilities held by the Group at the balance sheet date are as follows:

31 December 2024	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Holdings in collective investment schemes	–	–	93.9	93.9
Debt securities – non government bonds	–	–	10.1	10.1
Total	**–**	**–**	**104.0**	**104.0**
Derivatives and other financial assets				
Other assets	13.7	–	–	13.7
Cash and cash equivalents	–	4.8	–	4.8
Total financial investments and financial assets	**13.7**	**4.8**	**104.0**	**122.5**
Financial liabilities				
Borrowings	200.8	–	–	200.8
Derivative financial instruments	–	–	0.3	0.3
Other current liabilities	5.2	–	–	5.2
Total financial liabilities	**206.0**	**–**	**0.3**	**206.3**

31 December 2023	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Holdings in collective investment schemes	–	–	114.6	114.6
Debt securities – non government bonds	–	–	–	–
Total	**–**	**–**	**114.6**	**114.6**
Derivatives and other financial assets				
Other assets	6.0	–	–	6.0
Cash and cash equivalents	–	5.7	–	5.7
Total financial investments and financial assets	**6.0**	**5.7**	**114.6**	**126.3**
Financial liabilities				
Borrowings	200.6	–	–	200.6
Derivative financial instruments	–	–	4.4	4.4
Other current liabilities	4.4	–	–	4.4
Total financial liabilities	**205.0**	**–**	**4.4**	**209.4**

(b) Financial investment fair values

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the Group applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where possible (Level 2), but in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

Fair value measurement at 31 December 2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Holdings in collective investment schemes	93.9	–	–	93.9
Debt securities – non government bonds	10.1	–	–	10.1
Total	**104.0**	**–**	**–**	**104.0**
Current	104.0	–	–	104.0
Non-current	–	–	–	–
Total	**104.0**	**–**	**–**	**104.0**
Financial liabilities				
Derivative financial instruments	–	0.3	–	0.3
Total	**–**	**0.3**	**–**	**0.3**

SECTION J – COMPANY NOTES TO THE FINANCIAL STATEMENTS

J2 Financial investments (continued)

(b) Financial investment fair values (continued)

Fair value measurement at 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Holdings in collective investment schemes	114.6	–	–	114.6
Debt securities – non government bonds	–	–	–	–
Total	**114.6**	**–**	**–**	**114.6**
Current	114.6	–	–	114.6
Non-current	–	–	–	–
Total	**114.6**	**–**	**–**	**114.6**
Financial liabilities				
Derivative financial instruments	–	4.4	–	4.4
Total	**–**	**4.4**	**–**	**4.4**

J3 Derivative financial instruments

31 December	2024		2023	
	Asset £m	Liability £m	Asset £m	Liability £m
Foreign currency hedge	–	–	–	4.4
Exchange traded futures	–	0.3	–	–
Total	**–**	**0.3**	**–**	**4.4**
Current	–	0.3	–	4.4
Non-current	–	–	–	–
Total	**–**	**0.3**	**–**	**4.4**

Cash collateral of £2.4m is pledged in respect of the foreign currency hedge as at the balance sheet date (31 December 2023: £4.4m).

J4 Cash and cash equivalents

31 December	2024 £m	2023 £m
Bank and cash balances	4.8	5.7
Total cash and cash equivalents	**4.8**	**5.7**
Cash and cash equivalents in the statement of cash flows	**4.8**	**5.7**

Short-term bank deposits are subject to a combination of fixed and variable interest rates, with an average maturity of 1 day (31 December 2023: 1 day). All deposits included in cash and cash equivalents were due to mature within 1 month of their acquisition. All balances are current and available on demand.

J5 Borrowings

31 December	2024 £m	2023 £m
Tier 2 debt	200.8	200.6
Total	**200.8**	**200.6**
Current	–	–
Non-current	200.8	200.6
Total	**200.8**	**200.6**

In 2022, an existing bank loan was fully repaid and replaced by Tier 2 Subordinated Notes Debt. The notes have a maturity date of 4 February 2032. The fair value of amounts due in relation to Tier 2 debt at 31 December 2024 was £166.1m (31 December 2023: £148.4m) and is classified as Level 1 in the fair value hierarchy.

J6 Other current liabilities

31 December	2024 £m	2023 £m
Other payables		
Accrued expenses	5.0	4.4
Total	**5.0**	**4.4**
Current	5.0	4.4
Non-current	–	–
Total	**5.0**	**4.4**

The carrying value of other payables is a reasonable approximation of fair value.

J7 Share capital and share premium

31 December	2024		2023	
	Number of shares issued	Share capital £m	Number of shares issued	Share capital £m
Authorised				
Ordinary shares of 5p each	201,000,000	10.1	201,000,000	10.1
Issued				
Ordinary shares of 5p each	150,991,019	7.5	150,849,587	7.5

Share premium £m	Share premium £m
142.5	**142.5**

The number of shares in issue at the balance sheet date included Nil shares held in treasury (31 December 2023: Nil).

J8 Other reserves

31 December	2024 £m	2023 £m
Capital redemption reserve	0.1	0.1
Balance at 31 December	**0.1**	**0.1**

J9 Retained earnings

Year ended 31 December	2024 £m	2023 £m
Retained earnings attributable to equity holders of the Parent Company comprise:		
Balance at 1 January	**167.3**	**175.2**
Profit/(loss) for the year	24.6	26.8
Share-based payment	2.1	0.7
Dividends		
Final approved and paid for 2022	–	(22.8)
Interim approved and paid for 2023	–	(12.6)
Final approved and paid for 2023	(23.5)	–
Interim approved and paid for 2024	(13.0)	–
Balance at 31 December	**157.5**	**167.3**

ADDITIONAL INFORMATION

FINANCIAL CALENDAR

27 March 2025
Results for the year ended
31 December 2024 announced

3 April 2025
Ex-dividend date

4 April 2025
Dividend record date

22 April 2025
Last date for dividend reinvestment plan elections

13 May 2025
Annual General Meeting

20 May 2025
Dividend payment date

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NOTICE OF THE ANNUAL GENERAL MEETING

This document is important and requires your immediate attention

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional advisor authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial advisor.

If you have sold or otherwise transferred all of your shares in Chesnara plc, please pass this document as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Chesnara plc has a policy of not paying to have access to governance and sustainability analysts' databases on which voting recommendations and reports are produced. We encourage early, open and timely engagement to ensure the accuracy of the information contained in any analysis and reports issued in respect of Chesnara plc.

Company No. 4947166

Notice is given that the 2025 Annual General Meeting of Chesnara plc will be held at the offices of Panmure Liberum, 25 Ropemaker Street, London, EC2Y 9LY on 13 May 2025 at 11am, for the business set out below. Shareholders will be kept informed via the Regulatory News System (RNS) should arrangements need to be changed for any reason.

Resolutions 1 to 14 inclusive and 18 will be proposed as ordinary resolutions and Resolutions 15 to 17 inclusive, 19 and 20 will be proposed as special resolutions.

1. To receive and adopt the audited accounts for the financial year ended 31 December 2024, together with the reports of the directors and auditor thereon.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2024.
3. To declare a final dividend of 16.08 pence per ordinary share for the financial year ended 31 December 2024.
4. To re-appoint Steve Murray as a director.
5. To re-appoint Carol Hagh as a director.
6. To re-appoint Karin Bergstein as a director.
7. To re-appoint Luke Savage as a director.
8. To re-appoint Eamonn Flanagan as a director.
9. To re-appoint Tom Howard as a director.
10. To appoint Gail Tucker as a director.
11. To re-appoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid before shareholders.
12. To authorise the directors to determine the auditor's remuneration.
13. That, from the passing of this Resolution 13 until the earlier of the close of business on 30 June 2026 and the conclusion of the Company's next Annual General Meeting, the Company and all companies which are its subsidiaries at any time during such period are authorised:

    (a) to make donations to political parties or independent election candidates;

    (b) to make donations to political organisations other than political parties; and

    (c) to incur political expenditure up to an aggregate total amount of £50,000,

    with the individual amount authorised for each of (a) to (c) above being limited to £50,000. Any such amounts may comprise sums paid or incurred in one or more currencies. Any sum paid or incurred in a currency other than sterling shall be converted into sterling at such rate as the Board may decide is appropriate. Terms used in this resolution have, where applicable, the meanings that they have in Part 14 of the Companies Act 2006.
14. That, from the passing of this resolution until the earlier of the close of business on 30 June 2026 and the conclusion of the Company's next Annual General Meeting, the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company, to allot shares in the Company and/or to grant rights to subscribe for or to convert any security into shares in the Company (Allotment Rights):

    (a) up to an aggregate nominal amount of £2,516,517 such amount to be reduced by the aggregate nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below in excess of £2,516,517; and

    (b) up to an aggregate nominal amount of £5,033,034 (such amount to be reduced by the aggregate nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph (a) above) in connection with an offer:

      i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

      ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 30 June 2026) save that the Company may, before such expiry, make offers or agreements which would or might require securities to be allotted or Allotment Rights to be granted after such expiry and the directors may allot securities or grant Allotment Rights in pursuance of such offer or agreement notwithstanding the expiry of the authority conferred by this resolution.
15. That, subject to the passing of Resolution 14 in this notice, the directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them by Resolution 14 of this notice or by way of a sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power is limited to:

NOTICE OF THE ANNUAL GENERAL MEETING

(a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Conduct Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and

(b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £754,955, and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the directors by Resolution 14 of this notice, save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

16. That, subject to the passing of Resolution 14 of this notice and, in addition to the power contained in Resolution 15 of this notice, the directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them by Resolution 14 of this notice or by way of sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power is:

(a) limited to the allotment of equity securities up to an aggregate nominal value of £754,955; and

(b) used only for the purposes of financing (or refinancing, if the power is to be exercised within 12 months after the date of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of this meeting, and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the directors by Resolution 14 of this notice save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

17. That the Company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the Act) to make one or more market purchases (as defined in Section 693(4) of the Act) of ordinary shares in the capital of the Company, provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is £15,099,102;

(b) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is its nominal value;

(c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares is the maximum price permitted under the Financial Conduct Authority's listing rules or, in the case of a tender offer (as referred to in those rules), 5% above the average of the middle market quotations for those shares (as derived from the Daily Official List of London Stock Exchange plc) for the 5 business days immediately preceding the date on which the terms of the tender offer are announced;

(d) the authority hereby conferred shall expire at the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 30 June 2026); and

(e) the Company may enter into contracts or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

18. That, in addition to the authority granted pursuant to Resolution 14 (if passed), the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the Company to allot shares in the Company and/or grant rights to subscribe for or to convert any security into shares in the Company:

(a) up to an aggregate nominal value of £2,516,517 in relation to any issues of Restricted Tier 1 (RT1) Instruments where the directors consider that such an issuance of RT1 Instruments would be desirable, including in connection with, or for the purposes of, complying with or maintaining compliance with the regulatory requirements or targets applicable to the Company and its subsidiaries from time to time;

(b) subject to applicable law and regulation, at such allotment, subscription or conversion prices (or such maximum or minimum allotment, subscription or conversion price methodologies) as may be determined by the directors from time to time, and unless previously renewed, varied or revoked by the Company, this authority shall apply in addition to all other authorities under Section 551 of the Act until the conclusion of the Company's next Annual General Meeting (or, if earlier, at the close of business on 30 June 2026), save that the Company may, before such expiry, make offers or agreements which would, or might, require securities to be allotted or rights to be granted after such expiry and the directors may allot securities or grant such rights in pursuance of such offer or agreement notwithstanding the expiry of the authority conferred by this resolution.

19. That, subject to the passing of Resolution 18 in this notice, the directors be and are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the Act), to allot equity securities (as defined in Section 560 of the Act and is to be interpreted in accordance with Section 560(2) of the Act) for cash, pursuant to the authority conferred on them by Resolution 18 of this notice up to an aggregate nominal value of £2,516,517 in relation to any issues of RT1 Instruments, as if Section 561 of the Act did not apply to any such allotment, and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the director by Resolution 18 of this notice save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

This authority is in addition to the authorities conferred by Resolutions 15 and 16 in this notice.

20. That a general meeting of the Company (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.

By order of the Board

Alastair Lonie
Chief of Staff and Company Secretary

2nd Floor, Building 4
West Strand Business Park
West Strand Road
Preston
Lancashire
PR1 8UY

26 March 2025

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

Arrangements for the 2025 AGM

The Company is pleased to be able to invite members to attend the AGM in person in May where a presentation on business progress will be given. A results presentation will also be recorded on 27 March 2025 and made available on the corporate website.

The Company continues to strongly encourage shareholders to vote electronically. Instructions on voting are attached to the Notice of AGM sent out to shareholders and can also be found on the Company's website. Shareholders may also wish to submit questions in advance via email to **info@chesnara.co.uk**. We will endeavour to respond to questions raised directly, or by publishing responses on our website.

1. Any member who is entitled to attend and vote at this Annual General Meeting is entitled to appoint another person, or two or more persons in respect of different shares held by the shareholder, as their proxy to exercise all or any of their rights to attend and to speak and to vote at the Annual General Meeting. Members who wish to appoint a proxy are encouraged to appoint the Chair of the meeting as their proxy and give your instructions on how you wish the Chair of the meeting to vote on the proposed resolutions. Appointing the Chair as your proxy will not prevent you from attending and voting in person at the AGM but will ensure that your vote is able to be cast in accordance with your wishes should you (or any other person who you might otherwise choose to appoint as your proxy) be unable to attend for any reason. Members are strongly encouraged to vote electronically. Unless otherwise indicated on the Form of Proxy, CREST, Proxymity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

2. You will not receive a form of proxy for the AGM in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You may request a physical copy proxy form directly from the registrars, MUFG Corporate Markets, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL (email: **shareholderenquiries@cm.mpms.mufg.com**, telephone number: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00-17:30, Monday to Friday excluding public holidays in England and Wales). If you request a physical copy proxy form, it must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to MUFG Corporate Markets, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL so as to be received by 11am on Friday 9 May 2025.

3. Any member wishing to vote at the Annual General Meeting without attending in person or (in the case of a corporation) through its duly appointed representative, must appoint a proxy to do so. A proxy need not be a member of the Company, but as noted above, members should appoint the Chair of the meeting as their proxy to ensure that their vote is able to be cast in accordance with their wishes should they (or any other persons who members might otherwise choose to appoint as their proxy) be unable to attend for any reason. Members may appoint a proxy online by following the instructions for the electronic appointment of a proxy at **www.signalshares.com** by entering the Company name 'Chesnara plc' and following the on-screen instructions. To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by 11am on Friday 9 May 2025. Members who hold their shares in uncertificated form may also use the 'CREST' voting service to appoint a proxy electronically, as explained below.

4. Proxymity voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by 11am on Friday 9 May 2025 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

5. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in 'the CREST voting service' section of the CREST Manual.

   CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a 'CREST proxy appointment instruction') must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & International Limited ('Euroclear'), and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by MUFG Corporate Markets, (ID RA10), by 11am on Friday 9 May 2025, which is acting as the Company's 'issuer's agent'. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on 'Practical limitations of the system'. In certain circumstances, the Company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

6. Copies of (i) directors' service contracts and letters of appointment; and (ii) a copy of the Company's Articles of Association are available for inspection at the registered office of the Company during normal business hours each business day subject to prevailing public health measures. They will also be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

7. The time by which a person must be entered on the register of members in order to have the right to vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast) is close of business on Friday 9 May 2025. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Annual General Meeting.

8. The right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Companies Act 2006; as such rights can only be exercised by the member concerned. Any person nominated to enjoy information rights under Section 146 of the Companies Act 2006 who has been sent a copy of this notice of Annual General Meeting is hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this Annual General Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

9. As at 20 March 2025 (being the last practicable date prior to the publication of this document), the Company's issued share capital consisted of 150,991,019 ordinary shares, carrying one vote each. No shares were held by the Company in treasury. Therefore, the total voting rights in the Company as at 20 March 2025 (being the last practicable date prior to the publication of this document) were 150,991,019.

10. Information regarding this Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available at **www.chesnara.co.uk**. Any electronic address provided either in this notice or any related documents may not be used to communicate with the Company for any purposes other than those expressly stated.

11. In accordance with Section 319A of the Companies Act 2006, any member attending the Annual General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Annual General Meeting, but no such answer need be given if (a) to do so would interfere unduly with the preparations for the Annual General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered. The Company encourages shareholders to submit their questions electronically in advance of the meeting via **info@chesnara.co.uk**.

12. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement in accordance with Section 528 of the Companies Act 2006 setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006.

Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.

13. Members meeting the threshold requirements in Sections 338 and 338A of the Companies Act 2006 have the right to require the Company (i) to give to members entitled to receive notice of the meeting notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or (as applicable) the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 11am on 1 April 2025, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

The notes on the following pages give an explanation of the proposed resolutions:

Resolution 1

Report and Accounts

The Companies Act 2006 requires the directors of a public company to lay its Annual Report and Accounts before the Company in general meeting, giving shareholders the opportunity to ask questions on the contents. The Annual Report and Accounts comprise the audited financial statements, the Auditor's Report, the Directors' Report, the Directors' Remuneration Report, and the Directors' Strategic Report.

Resolution 2

Approval of the Directors' Remuneration Report

In accordance with the Companies Act 2006, the Company proposes ordinary Resolution 2 to approve the Directors' Remuneration Report for the financial year ended 31 December 2024. The Directors' Remuneration Report can be found on pages 110 to 126 of the 2024 Annual Report and Accounts and, for the purposes of this resolution, does not include the parts of the Directors' Remuneration Report containing the Directors' Remuneration Policy. The vote on this resolution is advisory only and the directors' entitlement to remuneration is not conditional on it being passed. The Companies Act 2006 requires the Directors' Remuneration Policy to be put to shareholders for approval annually unless the approved policy remains unchanged, in which case it need only be put to shareholders for approval at least every 3 years. The Company is not proposing any changes to the Directors' Remuneration Policy approved at the Annual General Meeting in 2023.

Resolution 3

Final dividend

The declaration of the final dividend requires the approval of shareholders in general meeting. If the 2025 Annual General Meeting approves Resolution 3, the final dividend of 16.08 pence per share will be paid on 20 May 2025 to ordinary shareholders who are on the register of members at the close of business on 12 April 2025 in respect of each ordinary share.

Resolutions 4 – 10 inclusive

Appointment and re-appointment of directors

The Company's Articles of Association provide that all directors retire at each Annual General Meeting and that those wishing to continue to serve shall submit themselves for re-appointment or appointment by the shareholders. In line with this, all directors will be retiring at this year's AGM and will be standing for re-appointment, with the exception of Jane Dale who will step down from the Board at the end of the AGM. Gail Tucker will stand for appointment at this year's AGM, following her appointment as a director, subject to regulatory approval (announced to shareholders on 29 January 2025). The Board is satisfied that the performance of each of the directors proposed continues to be effective and important to the Company's long-term sustainable success and demonstrates commitment to their responsibilities. This is supported by the annual performance evaluation that was undertaken recently. The Board unanimously recommend that each of these directors be appointed or re-appointed as a director of the Company.

In accordance with the Code, the Board has reviewed the independence of its non-executive directors and has determined that they remain fully independent of management.

Resolutions 11 and 12

Re-appointment and remuneration of auditor

The Company is required to appoint an auditor, at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. The Board (through its Audit & Risk Committee) has recommended the re-appointment of Deloitte LLP and has confirmed that such recommendation is free from influence by a third party and that no restrictive contractual terms have been imposed on the Company. Deloitte LLP has indicated that it is willing to continue to act as the Company's auditor.

Resolution 11, therefore, proposes Deloitte's reappointment as auditor to hold office until the next general meeting at which the Company's accounts are laid before shareholders. Resolution 12 authorises the directors to determine the auditor's remuneration.

Resolution 13

Political donations

It has always been the Company's policy that it does not make political donations. This remains the Company's policy.

Part 14 of the Companies Act 2006 (the Act) imposes restrictions on companies making political donations to any political party or other political organisation or to any independent election candidate unless they have been authorised to make donations at a general meeting of the Company. Whilst the Company has no intention of making such political donations, the Act includes broad and ambiguous definitions of the terms 'political donation' and 'political expenditure' which may apply to some normal business activities which would not generally be considered to be political in nature.

The directors therefore consider that, as a purely precautionary measure, it would be prudent to obtain the approval of the shareholders to make donations to political parties, political organisations and independent election candidates and to incur political expenditure up to the specified limit. The directors intend to seek renewal of this approval at future Annual General Meetings but wish to emphasise that the proposed resolution is a precautionary measure for the above reason and that they have no intention of making any political donations or entering into party political activities.

Resolution 14

Power to allot shares

The Companies Act 2006 provides that the directors may only allot shares if authorised by shareholders to do so. The directors' current allotment authority is due to lapse at the 2025 Annual General Meeting. The Board is, therefore, seeking to renew its authority over shares having an aggregate nominal amount of £2,516,517, representing approximately one-third of the issued ordinary share capital of the Company (excluding treasury shares) as at 20 March 2025 (being the latest practicable date prior to the publication of this document). The Board is also seeking authority to allot shares having an aggregate nominal amount of £5,033,034, representing approximately two-thirds of the issued share capital of the Company (excluding treasury shares) as at 20 March 2025 by way of pre-emptive offer to existing shareholders.

The allotment authority sought is in line with the Share Capital Management guidelines issued by the Investment Association. For the avoidance of doubt, the authority sought pursuant to this resolution will give the directors the ability to allot shares (or grant rights to shares) up to a maximum aggregate nominal amount of £5,033,034.

As at 20 March 2025, the Company held no treasury shares.

The authority will expire at the earlier of the conclusion of the Company's next Annual General Meeting and the close of business on 30 June 2026.

Passing Resolution 14 will ensure that the directors have flexibility to take advantage of any appropriate opportunities that may arise in pursuit of the Company's strategic objective of acquiring life and pensions businesses.

Resolutions 15 and 16 (special resolution)

Disapplication of statutory pre-emption rights

If the directors wish to allot shares, or grant rights to subscribe for, or convert securities into, shares, or sell treasury shares for cash (other than pursuant to an employee share scheme), they must first offer them to existing shareholders in proportion to their existing shareholdings. In order to give directors flexibility to finance business opportunities by allotting shares without making a pre-emptive offer to existing shareholders and, in accordance with the updated Statement of Principles (PEG Statement of Principles) published by the Pre-Emption Group in November 2022, Resolutions 15 and 16 ask shareholders to grant a limited waiver of their pre-emption rights as referenced below. If the directors elect to exercise powers granted under Resolutions 15 and 16 in relation to a non-pre-emptive offer, they shall follow the shareholder protections in Part 2B of the PEG Statement of Principles.

Resolutions 15 and 16 will be proposed as special resolutions.

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

Resolution 15, if passed, will allow the directors to (a) allot shares in the Company for cash in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares in the Company for cash up to a maximum aggregate nominal value of £754,955, in each case as if the pre-emption rights of Section 561 of the Companies Act 2006 did not apply. This aggregate nominal amount equates to approximately 10% of the issued ordinary share capital of the Company (excluding treasury shares) as at 20 March 2025 (being the latest practicable date prior to the publication of this Notice of Annual General Meeting).

In line with the PEG Statement of Principles, the Company is seeking authority, under Resolution 16, to issue up to an additional 10% of its issued ordinary share capital for cash without pre-emption rights applying. In accordance with the Statement of Principles, the Company will only allot shares under this additional authority in connection with an acquisition or specific capital investment (within the meaning given in the Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the allotment.

The authority granted under Resolutions 15 and 16 will expire at the earlier of the conclusion of the Company's next Annual General Meeting and the close of business on 30 June 2026.

Resolution 17 (special resolution)

Authority to purchase own shares

This resolution, which will be proposed as a special resolution, seeks to renew the Company's authority to purchase its own shares. It specifies the maximum number of shares which may be acquired as 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 20 March 2025, being the latest practicable date prior to the publication of this document, and specifies the minimum and maximum prices at which shares may be bought.

The directors will only use this authority if, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be (where such shares are to be purchased for cancellation) to increase earnings per share, and that taking into account other investment opportunities, purchases will be in the best interests of the shareholders generally. Any shares purchased in accordance with this authority will be cancelled or held in treasury for subsequent transfer to an employee share scheme. The directors have no present intention of exercising this authority, which will expire at the earlier of the conclusion of the Company's next Annual General Meeting and the close of business on 30 June 2026.

The Company has options and awards outstanding under existing share schemes over an aggregate of 1,531,582 ordinary 5p shares, representing 1.02% of the Company's issued ordinary share capital (excluding treasury shares) as at 20 March 2025 (the latest practicable date prior to the publication of this document). This would represent approximately 1.13% of the Company's issued share capital (excluding treasury shares) if the proposed authority being sought at the Annual General Meeting to buy back 15,099,102 ordinary shares was exercised in full (and all the repurchased ordinary shares were cancelled).

Resolution 18

Authority to allot new ordinary shares in relation to an issue of Restricted Tier 1 (RT1) Instruments

Resolution 18, will, if passed, grant authority to directors to allot ordinary shares in the Company or grant rights to subscribe for, or to convert any security into, ordinary shares in the Company, in accordance with Section 551 of the Companies Act 2006, up to an aggregate nominal amount of £2,516,517 in connection with the issue of RT1 Instruments (as defined in the AGM Notice) which is, in aggregate, equivalent to approximately one-third of the issued ordinary share capital of the Company as at 20 March 2025 (being the latest practicable date prior to the publication of this notice of Annual General Meeting).

The directors believe that it is in the best interests of the Company to have the flexibility to issue RT1 Instruments from time to time and the authority sought in Resolution 18 may be used if, in the opinion of the directors, at the relevant time, such an issuance of RT1 Instruments would be desirable to improve the capital structure of the Company and its subsidiaries. However, the request for authority in Resolution 18 should not be taken as an indication that the Company will or will not issue any, or any given amount of, RT1 Instruments.

This authority is in addition to the authority proposed in Resolution 14, which is the usual authority sought on an annual basis in line with the guidance issued by the Investment Association.

This authority will expire at the earlier of the conclusion of the Company's next Annual General Meeting and the close of business on 30 June 2026. The directors may seek a similar authority in the future.

Resolution 19 (special resolution)

Disapplication of pre-emption rights in relation to an issue of Restricted Tier 1 (RT1) Instruments

Resolution 19, which will be proposed as a special resolution, proposes that, in addition to any authority conferred by Resolution 15, the directors be empowered to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash up to a nominal value of £2,516,517 in relation to the issue of RT1 Instruments, which is equivalent to one-third of the issued ordinary share capital of the Company as at 20 March 2025 (being the latest practicable date prior to the publication of this notice of Annual General Meeting), as if Section 561 of the Companies Act 2006 did not apply to any such allotment.

Resolution 19, if passed, would permit the Company the flexibility necessary to allot equity securities pursuant to any proposal to issue RT1 Instruments without the need to comply with the pre-emption rights of Section 561 of the Companies Act 2006 did not apply. Resolution 18 is intended to provide the directors with the continued flexibility to issue RT1 Instruments which may convert into ordinary shares. This will enhance the Company's ability to manage its capital. Further information on the Restricted Tier 1 Instruments is given in the AGM Notice.

This authority will expire at the earlier of the conclusion of the Company's next Annual General Meeting and the close of business on 30 June 2026. The directors may seek a similar authority in the future.

Any exercise of the authorities in Resolutions 14, 15 and 16 (if passed) would be separate from and in addition to the exercise of any powers under Resolutions 18 and 19 and would also have a dilutive effect on existing shareholdings.

Resolution 20 (special resolution)

Notice of general meetings

The Companies Act 2006 requires the notice period for general meetings of the Company to be at least 21 days, but, as a result of a resolution which was passed by the Company's shareholders at last year's Annual General Meeting, the Company is currently able to call general meetings (other than an Annual General Meeting) on not less than 14 clear days' notice. In order to preserve this ability, shareholders must once again approve the calling of meetings on not less than 14 clear days' notice. Resolution 20 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The Company will also need to meet the statutory requirements for electronic voting before it can call a general meeting on less than 21 days' notice.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Directors' recommendation

The directors recommend all shareholders to vote in favour of all of the above resolutions, as the directors intend to do in respect of their own shares (save in respect of those matters in which they are interested), and consider that all resolutions are in the best interests of the Company and its shareholders as a whole.

APPENDIX TO AGM NOTICE

Further information on Restricted Tier 1 Instruments

What are 'Restricted Tier 1 Instruments'?
Solvency II-compliant Restricted Tier 1 Instruments, structured as contingent convertible securities, the terms of which will provide that, upon the occurrence of certain trigger events, the securities will be irrevocably converted into ordinary shares.

Why is the Company seeking authorities in connection with the issuance of Restricted Tier 1 Instruments?
The Group is subject to the Solvency II regulatory framework which came into force on 1 January 2016 and which has been retained in the United Kingdom following the end of the Brexit implementation period on 31 December 2020. Under Solvency II, the Group is required to hold sufficient capital to absorb losses in periods of stress and to provide a buffer to increase resilience against unexpected losses, thereby protecting the interests of policyholders. At least half of the Group's overall capital requirements may only be met with certain types of high-quality capital (referred to as 'Tier 1 Capital'), including share capital, retained profits and, for up to 20% of Tier 1 Capital, instruments that are written down, or, in the case of Restricted Tier 1 Instruments, instruments that are converted into ordinary shares, in the event that the Group's capital position falls below defined levels (referred to as a 'Trigger Event'). The Group may issue Restricted Tier 1 Instruments to satisfy part of its Tier 1 Capital requirements. Any issue of Restricted Tier 1 Instruments would form part of the Group's overall strategy to maintain a strong Capital Base from which it can achieve its objectives.

What is a 'Trigger Event' and what will happen if a Trigger Event occurs?
A Trigger Event will occur if the Group determines, in consultation with the Prudential Regulation Authority, that it has ceased to comply with its capital requirements under Solvency II in a significant way. This may occur if the amount of capital held by the Group falls below 75% of its capital requirements, if the Group fails to comply with its capital requirements for a continuous period of 3 months or more or if the Group fails to comply with other minimum capital requirements applicable to it. Only if a Trigger Event occurs (and not under any other circumstances) will any Restricted Tier 1 Instruments issued by the Group convert into new ordinary shares. The holders of any Restricted Tier 1 Instruments will not have the option to require conversion of the Restricted Tier 1 Instruments at their discretion. The Group may, if permitted by law and regulation and if considered appropriate at the relevant time, issue Restricted Tier 1 Instruments that include in their terms and conditions a mechanism through which the Group may elect to give existing shareholders the opportunity to purchase the ordinary shares issued on conversion of the Restricted Tier 1 Instruments in proportion to their existing shareholdings in the Company (subject to legal, regulatory or practical restrictions).

What steps can the Group take on or before a Trigger Event?
If the Group's capital position were to deteriorate, a number of steps are available to the Group to improve its capital position before the occurrence of a Trigger Event. These could include reducing the Group's liabilities or raising extra share capital from investors by way of a rights issue. If the Company were, in the future, to launch a rights issue, the Company's existing shareholders would be offered the opportunity to acquire new ordinary shares in proportion to their existing shareholding.

How can the issue of Restricted Tier 1 Instruments provide a more efficient capital structure?
The Group can satisfy its Tier 1 Capital requirements through, among other things, the issue of ordinary shares, retention of profits and the issue of Restricted Tier 1 Instruments. Satisfying the Group's Tier 1 Capital requirements in part through the issue of Restricted Tier 1 Instruments could be a cost-effective means of raising capital, therefore enabling the Group to reduce its overall cost of capital. This would, in turn, be expected to be more beneficial for existing shareholders than if the Group were to satisfy its Tier 1 Capital requirements through the issue of ordinary shares or the retention of profits alone.

At what price will Restricted Tier 1 Instruments be converted into or exchanged for ordinary shares?
The terms and conditions of any Restricted Tier 1 Instruments issued will specify a conversion price or a mechanism for setting a conversion price, which is the rate at which the Restricted Tier 1 Instruments will be exchanged into ordinary shares. The resolutions enable the directors to set the specific terms and conditions of the Restricted Tier 1 Instruments (including a conversion price or mechanism for setting a conversion price) after considering market conditions at the time of issuance. Given the nature of the Trigger Events and the implications on the Group's business at the time any Trigger Event occurs, the Group's expectation is that the conversion price at the time of conversion would exceed the market price of the ordinary shares at such time.

How have you calculated the size of the authorities you are seeking?
These authorities are set at a level which, based on the share price of the Group as at 20 March 2025 (being the latest practicable date prior to the publication of this document) corresponds approximately to the Group's regulatory headroom for Restricted Tier 1 Instruments as at the same date (limited to 20% of Tier 1 Capital).

ALTERNATIVE PERFORMANCE MEASURES

Throughout our Annual Report and Accounts, we use Alternative Performance Measures (APMs) to supplement the assessment and reporting of the performance of the Group. These measures are those that are not defined by statutory reporting frameworks, such as IFRS or Solvency II.

The APMs aim to assess performance from the perspective of all stakeholders, providing additional insight into the financial position and performance of the Group and should be considered in conjunction with the statutory reporting measures such as IFRS and Solvency II.

The following table identifies the key APMs used in this report, how each is defined and why we use them. Further information can be found throughout the overview section, with detailed reference within the financial review on pages 49 to 54.

APM	WHAT IS IT?	WHY DO WE USE IT?	REF
Commercial Cash Generation	Cash generation is used by the Group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Commercial Cash Generation excludes the impact of technical adjustments and modelling changes; representing the inherent commercial cash generated by the business.	Commercial Cash Generation provides stakeholders with enhanced insight into cash generation, drawing out components of the result relating to technical complexities or exceptional items. The result is deemed to better reflect the Group's view of commercial performance, showing key drivers within that.	See cash generation on page 49
Base Cash Generation	Base Cash Generation is used by the Group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Base Cash Generation is calculated as the movement in the Group's surplus Own Funds above the Group's internally required capital, as determined by applying the Group's Capital Management Policy, which has Solvency II rules at its heart.	Base Cash Generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'.	See cash generation on page 49 and reconciliation on page 264
Divisional Cash Generation	Divisional Cash Generation represents the movement in surplus Own Funds above local capital management policies within the three operating divisions of Chesnara. Divisional Cash Generation is used as a measure of how much dividend potential a division has generated, subject to ensuring other constraints are managed.	It is an important indicator of the operating performance of the business before the impact of Group level operations and consolidation adjustments.	See cash generation on page 49
Economic Value (EcV)	EcV is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the Group. We define EcV as Own Funds adjusted for contract boundaries, risk margin and restricted with-profit surpluses. As such, EcV and Own Funds have many common characteristics and tend to be impacted by the same factors.	EcV reflects the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess the Group's value. A life and pensions group may typically be characterised as trading at a discount or premium to its Economic Value. Analysis of EcV provides additional insight into the development of the business over time. The EcV development of the Group over time can be a strong indicator of how we have delivered to our strategic objectives.	See EcV analysis on page 50
Economic Value (EcV) Earnings	The principal underlying components of the EcV Earnings are: – The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force); – Value added by the writing of new business; – Variations in actual experience from that assumed in the opening valuation; – The impact of restating assumptions underlying the determination of expected cash flows; and – The impact of acquisitions.	By recognising the market-related value of in-force business (in-force value), a different perspective is provided in the performance of the Group and on the valuation of the business. EcV Earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The EcV Earnings of the Group can be a strong indicator of how we have delivered against all three of our core strategic objectives.	See EcV Earnings analysis on page 51

APM	WHAT IS IT?	WHY DO WE USE IT?	REF
EcV Operating Earnings	This is the element of EcV Earnings that is generated from the Company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future.	EcV Operating Earnings provide an indication of the underlying value generated by the business. This measure can identify profitable activities and also inefficient processes and potential management actions.	See EcV Earnings analysis on page 51
EcV Economic Earnings	This is the element of EcV Earnings that is derived from investment market conditions in the period and any economic assumption changes in the future.	EcV Economic Earnings are important in order to measure the additional value generated from investment market factors.	See EcV Earnings analysis on page 51
New Business Contribution *Note: This measure was previously referred to as 'commercial new business'. There has been no change to the basis of calculation.*	A more commercially relevant measure of new business profit than that recognised directly under the Solvency II regime, allowing for a modest level of return, over and above risk-free, and exclusion of the incremental risk margin Solvency II assigns to new business.	This provides a fair commercial reflection of the value added by new business operations and is more comparable with how new business is reported by our peers, improving market consistency.	See business review section on pages 40 to 45
Solvency	Solvency is a fundamental financial measure which is of paramount importance to investors and policyholders. It represents the relationship between the value of the business as measured on a Solvency II basis and the capital the business is required to hold – the Solvency Capital Requirement (SCR). Solvency can be reported as an absolute surplus value or as a ratio.	Solvency gives policyholders comfort regarding the security of their provider. This is also the case for investors, together with giving them a sense of the level of potential surplus available to invest in the business or distribute as dividends, subject to other considerations and approvals.	See capital management section on pages 46 to 48
Assets Under Administration (AuA) *Note: This measure was previously referred to as 'Funds under Management' (FuM). There has been no change to the basis of calculation.*	AuA reflects the value of the financial assets that the business manages, as reported in the IFRS Consolidated Balance Sheet.	AuA provides an indication of the scale of the business, and the potential future returns that can be generated from the assets that the Group manages and administers on behalf of customers.	See Consolidated Balance Sheet on page 149
Leverage	A financial measure that demonstrates the degree to which the Company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.	This measure indicates the overall level of indebtedness of the Group and is also a key component of the bank covenant arrangements held by Chesnara.	See IFRS balance sheet on page 52
IFRS Capital Base	IFRS net equity plus the consolidated CSM net of reinsurance and tax.	It is a more appropriate measure of the value of the business than net equity as it allows for the store of deferred profits held in the balance sheet, as represented by the CSM, including those as yet unrecognised profits from writing new business and acquisitions.	See IFRS income statement on page 53
Policies/policy count	Policy count is the number of policies that the Group manages on behalf of customers.	This is important to show the scale of the business, particularly to provide context to the rate at which the closed-book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.	See Introduction to Chesnara on page 8

OPERATIONAL AND OTHER PERFORMANCE MEASURES

In addition to financial performance measures, this Annual Report and Accounts includes measures that consider and assess the performance of all our key stakeholder groups. The diagram below summarises the performance measures adopted throughout the Annual Report and Accounts.

	KEY STAKEHOLDERS					
Measure	**Policyholder**	**Investor**	**Regulators**	**Business partner***	**What is it and why is it important?**	**Page**
Customer service levels	🔵	🟠	🔵	🟠	How well we service our customers is of paramount importance and so through various means we aim to assess customer service levels. The business reviews within the Annual Report and Accounts refer to a number of indicators of customer service levels.	40-45
Broker satisfaction	🔵	🟠	🟠	🔵	Broker satisfaction is important because they sell our new policies, provide ongoing service to their customers and influence book persistency. We include several measures within the Annual Report and Accounts, including direct broker assessment ratings for Movestic and general assessment of how our brands fare in industry performance awards in the Netherlands.	40-45
Policy investment performance	🔵	🟠	🔵	🟠	This is a measure of how the assets are performing that underpin policyholder returns. It is important as it indicates to the customer the returns that their contributions are generating, and options available to invest in funds that focus on environmental, social and governance factors.	40-45
Industry performance assessments	🔵	🟠	🟠	🟠	This is a comparative measure of how well our investments are performing against the rest of the industry, which provides valuable context to our performance.	40-45
Emissions and energy usage	🔵	🔵	🔵	🔵	Tracking our scope 1/2/3 emissions is a core part of our transition to be a net zero and sustainable Group.	87-90
Assets Under Administration[†]	🟠	🔵	🟠	🟠	This shows the value of the investments that the business manages. This is important because scale influences operational sustainability in run-off books and operational efficiency in growing books. Assets Under Administration are also a strong indicator of fee income.	8
Policy count[†]	🟠	🔵	🟠	🔵	Policy count is the number of policies that the Group manages on behalf of customers. This is important to show the scale of the business, particularly to provide context to the rate at which the closed-book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.	8
Total Shareholder Returns		🔵	🟠		This includes dividend growth and yield and shows the return that an investor is generating on the shares that they hold. It is highly important as it shows the success of the business in translating its operations into a return for shareholders.	55
New business profitability		🔵	🟠		This shows our ability to write profitable new business which increases the value of the Group. This is an important indicator given one of our core objectives is to 'enhance value through profitable new business'.	40-45
New business market share	🟠	🟠			This shows our success at writing new business relative to the rest of the market and is important context for considering our success at writing new business against our target market shares.	40-45
Leverage ratio		🔵	🟠		The leverage is a financial measure that demonstrates the degree to which the Company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.	52-56
Knowledge, skills and experience of the Board of Directors	🟠	🔵	🔵	🟠	This is a key measure given our view that the quality, balance and effectiveness of the Board of Directors has a direct bearing on delivering positive outcomes to all stakeholders. This includes holding the management teams accountable for the delivery of set objectives and the proper assessment of known and emerging risks and opportunities, e.g. those arising from climate change.	94-95

KEY

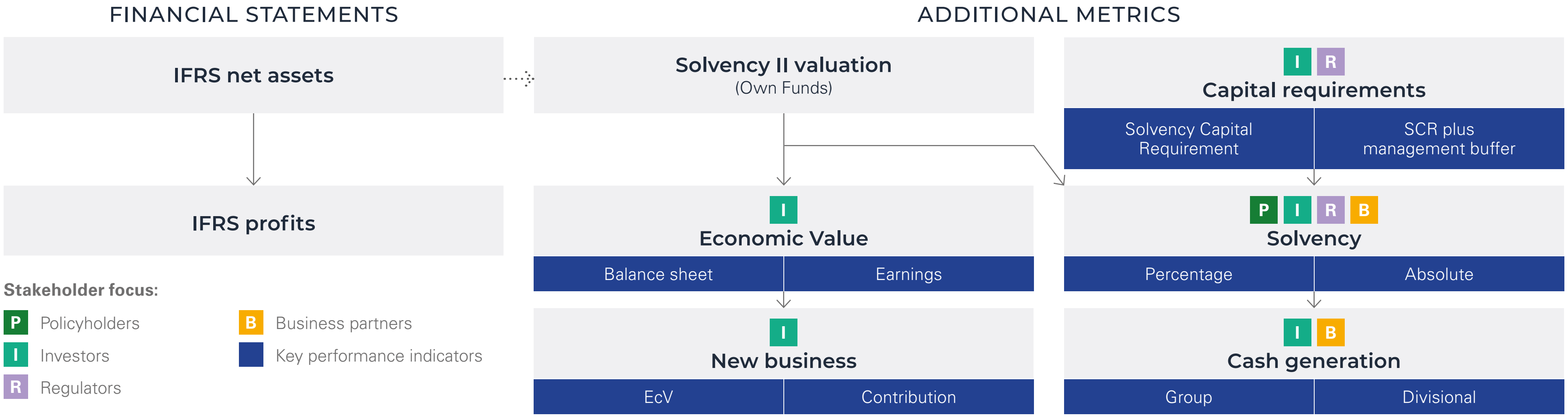
🔵 Primary interest 🟠 Secondary interest

**For the purposes of this key performance indicator assessment, business partners refers to major suppliers and outsource partners.*

[†] *Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the additional information section of this Annual Report and Accounts.*

RECONCILIATION OF METRICS

The diagram below shows the interaction between the IFRS metrics and the Alternative Performance Measures used by the Group.



FINANCIAL STATEMENTS

ADDITIONAL METRICS

IFRS net assets

IFRS profits

Solvency II valuation
(Own Funds)

I R
Capital requirements
Solvency Capital Requirement | SCR plus management buffer

I
Economic Value
Balance sheet | Earnings

P I R B
Solvency
Percentage | Absolute

I
New business
EcV | Contribution

I B
Cash generation
Group | Divisional

Stakeholder focus:

- P Policyholders
- I Investors
- R Regulators
- B Business partners
- ■ Key performance indicators

As shown above, the key interaction between our statutory reporting rules under IFRS and the Alternative Performance Measures is with the Solvency II valuation and the Own Funds balance. A reconciliation from IFRS net assets to Solvency II Own Funds is shown below:

£m	31 Dec 2024	31 Dec 2023	Rationale
Group IFRS net assets	**314.5**	**359.9**	
Removal of intangible assets; AVIF, DAC and DIL	(86.0)	(94.9)	Intangible assets that cannot be sold separately have no intrinsic value under Solvency II rules.
Removal of IFRS reserves, net of reinsurance	11,721.8	11,071.0	Net liabilities are calculated differently between the two methodologies and hence IFRS reserves are replaced with Solvency II technical provisions. The main differences in methodology are discussed further below.
Inclusion of SII technical provisions, net of reinsurance	(11,468.0)	(10,853.3)	
Other valuation differences	(4.4)	0.4	Other valuation differences.
Mortgage loan valuation difference	34.5	32.3	Valuation difference of the Mortgage debt between IFRS and SII.
Deferred tax valuation differences	(12.2)	(8.1)	These are the deferred tax impacts as a result of the adjustments above.
Foreseeable dividends	(24.3)	(23.5)	Under Solvency II rules, future 'foreseeable dividends' are required to be recognised within Own Funds. Under IFRS rules, dividends are recognised when paid.
Tier 2 debt valuation differences	34.7	52.2	Valuation difference of Tier 2 debt between IFRS and SII.
Tier 2 debt under SII	166.1	148.4	Tier 2 capital plus the restriction placed on the subordinated debt within Own Funds under Solvency II requirements.
Tier 2/3 restrictions	(32.1)	(0.3)	
Ring-fenced surpluses	(1.9)	(0.5)	Solvency II requires that Own Funds are reduced by any surpluses that are restricted. For Chesnara, this relates to surpluses within the two S&P with-profits funds, which are temporarily restricted. These restrictions are removed through periodic capital transfers.
Group SII Own Funds	**642.7**	**683.6**	

The main differences between the two methodologies for calculating actuarial net liabilities are as follows:

- Under IFRS 9, the value of investment contracts is taken as the unit liability, whilst under Solvency II, a non-unit reserve and Risk Margin are required.
- Best estimate assumptions are used for both IFRS 17 and Solvency II; however, the former requires the CSM to be held for which there is no equivalent under Solvency II.
- Both bases require a margin for adverse deviation, respectively the Risk Adjustment and the Risk Margin, but whilst the approach used is very similar, the cost of capital applied is different.
- For the most part, the yield curves adopted for discounting under IFRS 17 are very similar to those used in Solvency II, the exception being that for certain Dutch 'savings mortgage' products the IFRS 17 liabilities use a yield curve derived from mortgage rates available in the market.
- The reserve for future expenses held in Chesnara plc under Solvency II is not permitted under IFRS.
- Other valuation differences relate to the definition of contract boundary and the allowability, or otherwise, of certain expenses such as investment management expenses on products where no investment service is provided.

RECONCILIATION OF METRICS

Solvency II position

Solvency II is the solvency regime that applies to the Group. Over and above IFRS, Solvency II imposes a capital requirement on the Group.

A summary of the solvency position of the Group at 31 December 2024 and 31 December 2023 is as follows:

£m	31 Dec 2024	31 Dec 2023
Group SII Own Funds (OF)	642.7	683.7
Solvency Capital Requirement (SCR)	315.8	332.7
Solvency surplus	326.8	351.0
Solvency ratio	203%	205%

Cash generation

Cash generation is used by the Group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Group cash generation is calculated as the movement in the Group's surplus Own Funds above the Group's internally required capital, as determined by applying the Group's Capital Management Policy, which has Solvency II rules at its heart. For further information on cash generation please refer to page 260 and the financial review section.

Cash generation can be derived from the opening and closing solvency positions as follows:

	£m
Opening Solvency II surplus:	
Own Funds – 31 Dec 2023	683.7
Remove Tier 2 debt at book value	(200.0)
SCR – 31 Dec 2023	(332.7)
Add back Own Funds Restriction	0.5
Additional capital to meet normal internal operating range (40% of SCR)	(133.1)
Surplus available for distribution – 31 Dec 2023	**18.4**
Closing Solvency II surplus:	
Own Funds – 31 Dec 2024	642.7
Remove Tier 2 debt at book value	(200.0)
SCR – 31 Dec 2024	(315.8)
Add back Own Funds Restriction	1.9
Additional capital to meet normal internal operating range (40% of SCR)	(126.3)
Surplus available for distribution – 31 Dec 2024	**2.5**

The closing Solvency II position at 31 December 2024 reflects the payment of an interim dividend of £13.0m paid during the year and reflects a foreseeable dividend of £24.3m due to be paid in 2025. As these are distributions to shareholders, akin to IFRS profit reporting, these do not form part of the cash generation metric and should be excluded. Consequently, Base Cash Generation can be derived as follows:

	£m
Closing surplus available for distribution less opening available surplus for distribution	(15.9)
Add back: Movement in Tier 3 asset and restrictions	30.2
Add back: Interim dividend paid	13.0
Add back: Foreseeable year end dividend	24.3
Base Cash Generation	**51.6**
Symmetric adjustment	6.5
WP restriction look through	1.5
Commercial Cash Generation	**59.6**

GLOSSARY

AGM	Annual General Meeting.
ALM	Asset Liability Management – management of risks that arise due to mismatches between assets and liabilities.
APE	Annual Premium Equivalent – an industry-wide measure that is used for measuring the annual equivalent of regular and single premium policies.
Base Cash Generation	This represents the cash that has been generated in the period. The cash generating capacity of the Group is largely a function of the movement in the solvency position of the insurance subsidiaries within the Group and takes account of the buffers that management has set to hold over and above the solvency requirements imposed by our regulators. Cash generation is reported at a Group level and also at an underlying divisional level reflective of the collective performance of each of the divisions prior to any Group level activity.
BLAGAB	Basic life assurance and general annuity business.
CA	Countrywide Assured plc.
CALH	Countrywide Assured Life Holdings Limited and its subsidiary companies.
CASLP	Sanlam Life & Pensions UK.
Commercial Cash Generation	Cash generation excluding the impact of technical adjustments, modelling changes and exceptional corporate activity; the inherent commercial cash generated by the business.
Core Surplus Emergence	Absolute surplus movement of the divisions including Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends as deemed appropriate. Note: Any adjustments will be subject to Board approval (and Remco (Remuneration Committee) approval if they impact remuneration) and will be transparently reported.
CSM	Contractual Service Margin (CSM) represents the unearned profit that an entity expects to earn on its insurance contracts as it provides services.
Divisional Cash Generation	This represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of Group level activity.
Dividend Cover	Defined as Commercial Cash Generation divided by the total of the interim and final proposed shareholder dividend for the financial year.
DNB	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch subsidiaries.
DORA	Digital Operational Resilience Act (European Union regulation).
DPF	Discretionary Participation Feature – a contractual right under an insurance contract to receive, as a supplement to guaranteed benefits, additional benefits whose amount or timing is contractually at the discretion of the issuer.
Dutch business	Scildon and the Waard Group, consisting of Waard Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.
Economic profit	A measure of pre-tax profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance measure – APM).
EcV	Economic Value is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the Group.
EcV Earnings	Measure of the value generated by the Group in a period.
FCA	Financial Conduct Authority.
FI	Finansinspektionen, being the Swedish Financial Supervisory Authority.
Form of proxy	The form of proxy relating to the General Meeting being sent to shareholders with this document.
FSMA	The Financial Services and Markets Act 2000 of England and Wales, as amended.
GMM	General Measurement Model – the default measurement model which applies to insurance contracts with limited or no pass-through of investment risks to policyholders.
Group	Chesnara plc and its existing subsidiary undertakings.
Group Centre	Parent Company operations of Chesnara plc.
Group Own Funds	In accordance with the UK's regulatory regime for insurers, it is the sum of the individual capital resources for each of the regulated related undertakings less the book value of investments by the Group in those capital resources.
Group SCR	In accordance with the UK's regulatory regime for insurers, it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
Group solvency	Group solvency is a measure of how much the value of the Company exceeds the level of capital it is required to hold in accordance with Solvency II regulations.
HCL	HCL Insurance BPO Services Limited.
IFRS	International Financial Reporting Standards.
IFA	Independent Financial Advisor.
KPI	Key performance indicator.
LACDT	Loss Absorbing Capacity of Deferred Tax.
Leverage	A financial measure that demonstrates the degree to which the Company is funded by debt financing versus equity capital, usually presented as a ratio, defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.
London Stock Exchange	London Stock Exchange plc.
LTIP	Long-Term Incentive Plan – a reward system designed to incentivise executive directors' long-term performance.
Movestic	Movestic Livförsäkring AB.
New business	The present value of the expected future cash inflows arising from business written in the reporting period.
Official List	The Official List of the Financial Conduct Authority.
Operating profit	A measure of the pre-tax profit earned from a company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance metric – APM).
Ordinary shares	Ordinary shares of 5 pence each in the capital of the Company.
ORSA	Own Risk and Solvency Assessment.
Own Funds	In accordance with the UK's regulatory regime for insurers, it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the Company in those capital resources.
PAA	Premium Allocation Approach – a simplified measurement model which can be applied to short-term contracts.
PRA	Prudential Regulation Authority.
QRT	Quantitative Reporting Template.
RA	Risk adjustment is the additional reserve held for non-financial risks.
RCF	3 year Revolving Credit Facility of £150m (currently unutilised) renewed in July 2024.
Resolution	The resolution set out in the notice of General Meeting set out in this document.
RMF	Risk Management Framework.
Robein Leven	Robein Leven N.V.
Scildon	Scildon N.V.
Shareholder(s)	Holder(s) of ordinary shares.
Solvency II	A fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aims to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.
Solvency (absolute) surplus	A measure of how much the value of the Company (Own Funds) exceeds the level of capital it is required to hold.
Standard Formula	The set of prescribed rules used to calculate the regulatory SCR where an internal model is not being used.
STIS	Short-Term Incentive Scheme – a reward system designed to incentivise executive directors' short-term performance.
SCR	In accordance with the UK's regulatory regime for insurers, it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
Swedish business	Movestic and its subsidiaries and associated companies.
S&P	Save & Prosper Insurance Limited and Save & Prosper Pensions Limited.
TCF	Treating Customers Fairly – a central PRA principle that aims to ensure an efficient and effective market and thereby help policyholders achieve fair outcomes.
Tier 2	Term debt capital (Tier 2 Subordinated Notes) issued in February 2022 with a 10.5 year maturity and 4.75% coupon rate.
Transfer ratio	The proportion of new policies transferred into the business in relation to those transferred out.
TSR	Total Shareholder Return, measured with reference to both dividends and capital growth.
UK or United Kingdom	The United Kingdom of Great Britain and Northern Ireland.
UK business	CA, S&P and CASLP.
VA	The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. It represents an adjustment to the rate used to discount liabilities to mitigate the effect of short-term volatility bond returns.
VFA	Variable Fee Approach – the measurement model that is applied to insurance contracts with significant investment-related pass-through elements.
Waard	The Waard Group.

NOTE ON TERMINOLOGY

As explained in Note C to the IFRS Financial Statements, the principal reporting segments of the Group are:

CA	which comprises the original business of Countrywide Assured plc, the Group's original UK operating subsidiary; City of Westminster Assurance Company Limited, which was acquired by the Group in 2005, the long-term business of which was transferred to Countrywide Assured plc during 2006; S&P which was acquired on 20 December 2010. This business was transferred from Save & Prosper Insurance Limited and Save & Prosper Pensions Limited to Countrywide Assured plc on 31 December; and Protection Life Company Limited which was acquired by the Group in 2013, the long-term business of which was transferred into Countrywide Assured plc in 2014, as well as the portfolio of policies acquired from Canada Life on 16 May 2023 and reinsured into Countrywide Assured plc;
CASLP – 'SLP'	Sanlam Life & Pensions UK which was acquired on 28 April 2022. CASLP was dissolved by court order on 14 January 2025;
Movestic	which was purchased on 23 July 2009 and comprises the Group's Swedish business, Movestic Livförsäkring AB and its subsidiary and associated companies;
The Waard Group	which was acquired on 19 May 2015 and comprises two insurance companies; Waard Leven N.V. and Waard Schade N.V.; and a service company, Waard Verzekeringen; Robein Leven N.V. acquired on 28 April 2022; and the insurance portfolio of Conservatrix acquired on 1 January 2023;
Scildon	which was acquired on 5 April 2017; and
Other Group activities	which represents the functions performed by the Parent Company, Chesnara plc. Also included in this segment are consolidation adjustments.

CAUTIONARY AND FORWARD-LOOKING STATEMENTS AND MSCI DISCLAIMER

Cautionary and forward-looking statements

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