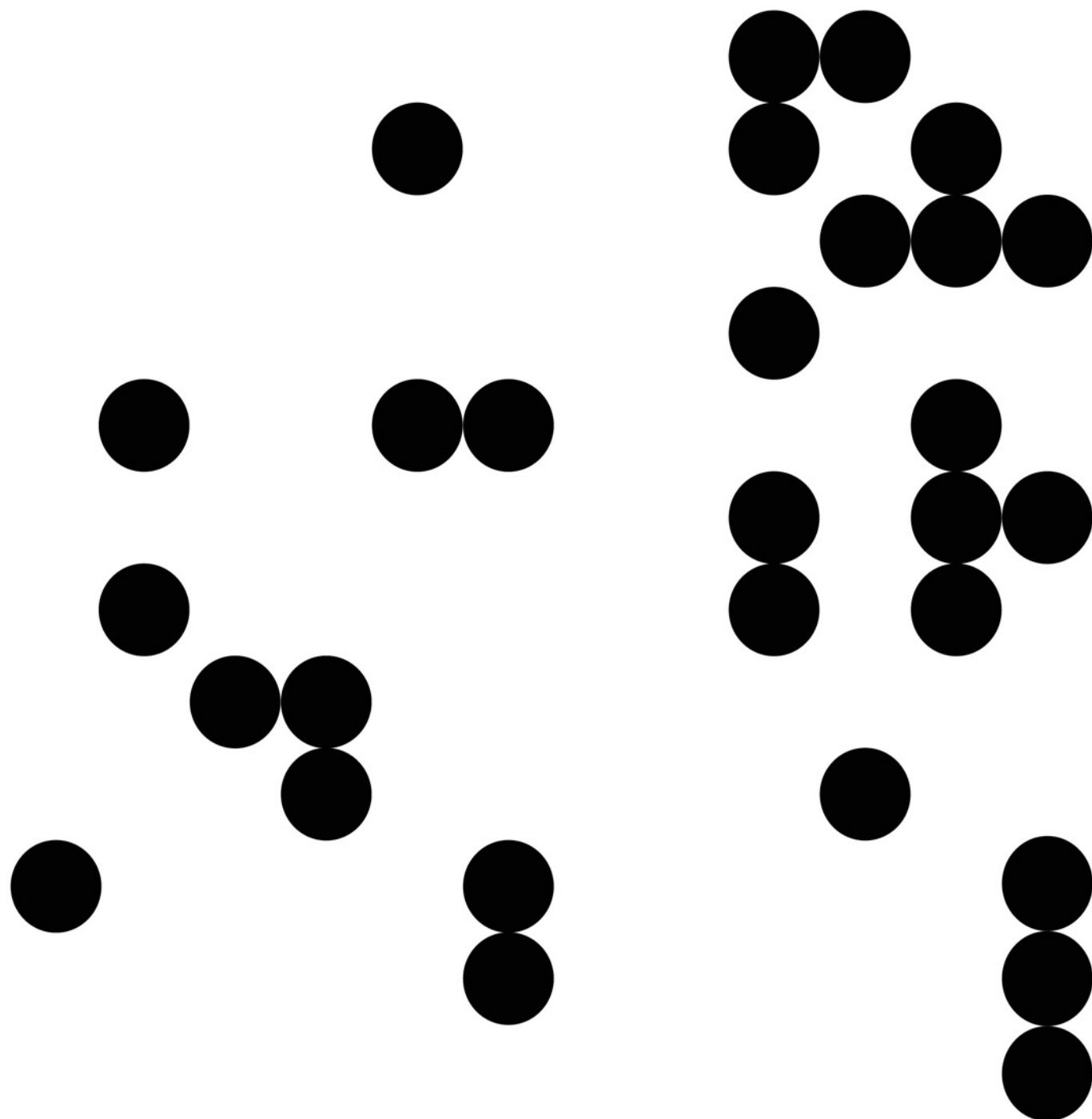
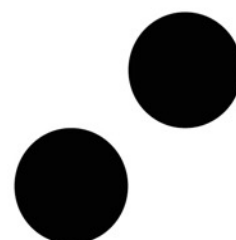




Solvency and financial condition report

30 June 2025

abrdrn Life and Pensions Limited



Contents

1	Summary	
1.1	Business and performance summary	2
1.2	System of governance summary	3
1.3	Risk profile summary	3
1.4	Valuation for solvency purposes summary	4
1.5	Capital management summary	4
1.6	Events since 30 June 2025	4
1.7	External events	4
A	Business and performance	
A.1	Business	5
A.2	Underwriting performance	6
A.3	Investment performance	6
A.4	Performance of other activities	7
A.5	Any other information	7
B	System of governance	
B.1	General information on the system of governance	8
B.2	Fit and proper requirements	12
B.3	Risk management system including own risk and solvency assessment (ORSA)	12
B.4	Internal control system	17
B.5	Internal audit function	18
B.6	Actuarial function	18
B.7	Outsourcing	18
B.8	Any other information	19
C	Risk profile	
C.1	Underwriting risk	20
C.2	Market risk	21
C.3	Credit risk	22
C.4	Liquidity risk	23
C.5	Operational risk	24
C.6	Other material risks	24
C.7	Any other information	25

D	Valuation for solvency purposes	
D.1	Assets	26
D.2	Technical provisions	28
D.3	Other liabilities	30
D.4	Alternative methods for valuation	31
D.5	Any other information	31
E	Capital management	
E.1	Own funds	32
E.2	Solvency Capital Requirement and Minimum Capital Requirement	33
E.3	Differences between the standard formula and any internal model used	34
E.4	Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement	34
E.5	Any other information	34
	Other information	
	Statement of Directors' responsibilities	35
	Prudential Regulation Authority waivers and discretions	36
	Forward-looking statements	36
	Appendix 1 – Quantitative reporting templates (QRTs)	37

This Solvency and financial condition report is available on our website
www.aberdeenplc.com/en-gb/investors/investor-information/regulatory-disclosures
and also our abrdn Life website
www.aberdeeninvestments.com/en-gb/institutional/funds/our-life-fund-range

The abrdn plc Annual report and accounts 2024 is also available on our website
www.aberdeenplc.com/en-gb/investors/financial-library-and-results

Summary

1.1 Business and performance summary

abrdn Life and Pensions Limited ('abrdn Life' or 'the Company') is a UK regulated subsidiary of Aberdeen Group plc. In practice it serves as an efficient mechanism for the asset management business within the Aberdeen Group plc structure "the Group" to deliver investment management services to UK institutional pension scheme clients and other UK insurance entities.

On 23rd February 2021, the Group announced the purchase of certain products in the Phoenix Group's savings business and on 14th September 2021 the Company was party to an implementation agreement between the two Groups. As part of this agreement, abrdn Life agreed to acquire a block of long-term insurance policies from Phoenix Life Limited (Phoenix Life), with the transfer of policies from Phoenix Life to abrdn Life achieved through a scheme of transfer under Part VII of the Financial Services and Markets Act 2000.

The Part VII transfer process commenced in 2024. The transfer was approved by the High Court of Justice of England and Wales on 12 March 2025 and became effective on 28 March 2025. The transfer included 335 policies, with total assets under management of £3bn. On completion of the transfer, abrdn Life made an acquisition payment of £4m to the Group. This interim Solvency and Financial Condition Report (SFCR) provides an update for stakeholders, allowing for the post-transfer position as at 30 June 2025. In this interim SFCR the business transferred is referred to as the Arbour business and the transfer is referred to as the Arbour transfer.

The Arbour business is similar to the business written directly by abrdn Life. The main differences are:

- A small number of Arbour business policyholders are the trustees of self-invested personal pension plan (SIPP) arrangements.
- The Arbour business policies do not typically include a clause, a unilateral termination clause, that permits them to be terminated at the option of abrdn Life subject to the policyholder being given three months' notice.
- abrdn Life will use unit-linked investment only reinsurance to continue to offer the Arbour business policyholders access to one of Phoenix Life's internal linked funds.

The absence of a unilateral termination clause has necessitated a change in the way technical provisions, and consequently, capital requirements, are determined. The impacts of this are discussed in Sections D and E. The use of reinsurance introduces reinsurer counterparty default risk. This is discussed in sub-section C.3.

The Company's inforce business consists of unit-linked investment policies (Trustee Investment Plans) that have been issued to trustees of UK pension schemes and the trustees of UK self-invested personal pension (SIPP) arrangements, and reinsurance policies to insurance companies covering unit-linked pension liabilities.

Key aspects of the contracts written are:

- There are no investment guarantees on the policies.
- The benefits payable are linked solely to the performance of the internal linked funds.
- The primary charges on policies are fund management charges (fund charges, with the amount collected referred to as fee income) and there are no penalties on the customer taking a surrender value at any time.
- They include no material insurance risk. The contracts do have annuity options (on non-guaranteed terms), but abrdn Life has not written any annuity business and does not expect to do so.
- They permit abrdn Life to increase the level of fund charges, subject to a period of notice.
- The contracts include no element of member level administration (for Trustee Investment Plans) or policyholder level administration (for reinsurance).

Furthermore:

- Some policies may be terminated at the option of abrdn Life subject to the policyholder being given three months' notice.
- Some policies may have additional charges or fees applied (in addition to fund management charges) although currently, these are generally waived.

The contracts therefore leave abrdn Life solely with wholesale management of internal linked funds.

The Company also provides investment management services to UK pension schemes under segregated pension fund management mandates, for which it receives fees accordingly.

All business is written in the UK.

The Company's underwriting performance is limited to the excess of fee income over expenses, which was £1.66m for the six months to 30 June 2025 (2024 full year: £0.00m).

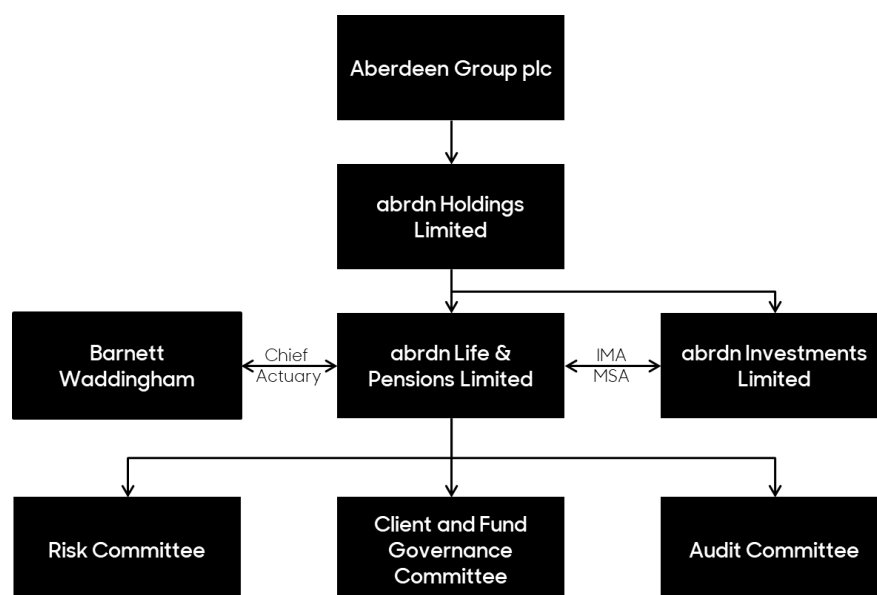
The Company's non-linked assets are prudently invested in cash deposits and a highly liquid short-term money market fund.

1.2 System of governance summary

The governance framework of abrdrn Life is based on the framework which applies to the Group. Additional arrangements have been established by the abrdrn Life Board (the Board) where necessary to address the requirements of abrdrn Life as a UK insurance undertaking.

The Company has identified a range of key functions which are provided by abrdrn Investments Limited (aIL) via a Management Services Agreement (MSA) and an Investment Management Agreement (IMA). Individuals performing key functions are established as fit and proper through a robust framework of initial and ongoing assessment. All remuneration requirements comply fully with the provisions of Solvency II regulations. The Chief Actuary function is outsourced to an individual who is an employee of an external company.

The chart below shows the Company's position within the legal structure of the Group as well as a high level overview of the governance structure which supports the company.



The Group operates a 'three lines of defence' risk management model:

- Business units are responsible for the identification and mitigation of risks and taking the lead with respect to implementing and maintaining appropriate controls (first line).
- Oversight functions within the Risk and Compliance function oversee compliance with regulatory and legal requirements as well as monitoring operational, investment and counterparty risk (second line).
- Independent assurance is provided by Internal Audit which recommends improvements to the control environment (third line).

Further details on the three lines of defence model is provided in Section B.3.1.2. The three lines of defence model is supplemented by a range of risk related committees at divisional and operational business level. The Group Board, Executive Directors and senior management have overarching responsibility to ensure, through the application of good corporate governance, the effective and strategic stewardship and risk management of the Group.

An integrated risk management system, Shield, is used to identify, assess, track and report risk issues and events. Risk management uses a combination of top down strategic planning with bottom up risk assessment.

The Company carries out an Own Risk and Solvency Assessment (ORSA) annually and more frequently if required. The ORSA process is intended to identify, assess, monitor, manage and report on both short and long-term risks and to determine the capital required to ensure that abrdrn Life can continue to meet its solvency requirements. The ORSA enhances awareness of the risks faced by abrdrn Life and the capital needed given those risk exposures. This awareness is used by abrdrn Life as part of its decision making process.

There has been no material change to the governance arrangements of the Company during the reporting period, although a new Chief Actuary has been appointed following the retirement of the previous role holder.

1.3 Risk profile summary

abrdrn Life has limited exposure to underwriting risk and market risk. Although the extent of future profits will be affected by underwriting and market risks, the intra-group fee arrangements with aIL in respect of the MSA and IMA protect abrdrn Life from making a loss in all but very extreme circumstances. Shareholder assets are managed to limit liquidity risk and operational risk is effectively transferred to aIL as explained in Section B.7.

abrdn Life has a high tolerance to Group risk and, in general, accepts the risk without management, reflecting the rationale for the existence of abrdn Life. However, within Group risk, abrdn Life closely manages all's obligations to compensate abrdn Life for any operational risk losses. In addition to the contractual protections given in the internal and external outsourcing agreements, abrdn Life also considers the capital position and the extent of insurance cover maintained by all in determining the ongoing security of the outsourcing arrangement.

Exposure to bank and asset credit risk is limited by investing non-linked assets in a diverse portfolio of high quality, short-term assets. Cash balances are normally limited to £2m exposure to a single counterparty.

abrdn Life accepts reinsurer counterparty default risk, but only where necessary to provide appropriate investment solutions to its policyholders and where policy terms and conditions do not permit reinsurer counterparty default risk to be borne by the policyholder. Reinsurance exposures are carefully managed.

1.4 Valuation for solvency purposes summary

abrdn Life prepares its financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework and Schedule 3 of the Companies Act 2006.

The valuation of assets for solvency purposes differs to the financial statements with respect to goodwill (reflecting the acquisition of the Arbour business) and the best estimate of default on reinsurance recoverable.

The valuation for solvency purposes differs to the financial statements only to the extent of the net of tax impact of the value of the in-force business (VIF) and the risk margin.

These differences are discussed in Section D.

1.5 Capital management summary

The Company aims to maintain sufficient capital out of retained profits to be treated as an entity with credit quality step 1 under section 3E12 of the Prudential Regulation Authority's Solvency Capital Requirement – Standard Formula Rulebook. The Company does not use any Solvency II transitional measures. At the reporting date the Company's:

- Solvency Capital Requirement (SCR) was £7.35m (31 December 2024: £0.74m).
- Minimum Capital Requirement (MCR) was £3.50m (31 December 2024: £3.50m).
- Own funds, all of which is 'tier 1' capital, were £20.48m (31 December 2024: £20.18m).
- Tier 1 capital represented 279% (31 December 2024: 2,736%) of the SCR and 585% (31 December 2024: 577%) of the MCR.

The significant increase in the SCR reflects the transfer of the Arbour business. The increase in own funds reflects the increase in the contribution from the net of tax impact of the VIF and risk margin and Solvency II deferred tax liability, reflecting the transfer of the Arbour business, and profits over the six months to 30 June 2025, offset by the acquisition payment of £4m that was paid to the Group following completion of the Arbour transfer. The increase in the SCR, coupled with the reduction in own funds, has reduced SCR cover to 279%, but remains significantly above the Company's solvency target. Changes in the composition of the SCR are explained in more detail in Section E.

1.6 Events since 30 June 2025

There have been no events since 30 June 2025 that have had a material impact on the financial position of the Company.

1.7 External events

During the six months to 30 June 2025 there have been no events which have had a material impact on the financial position of the Company.

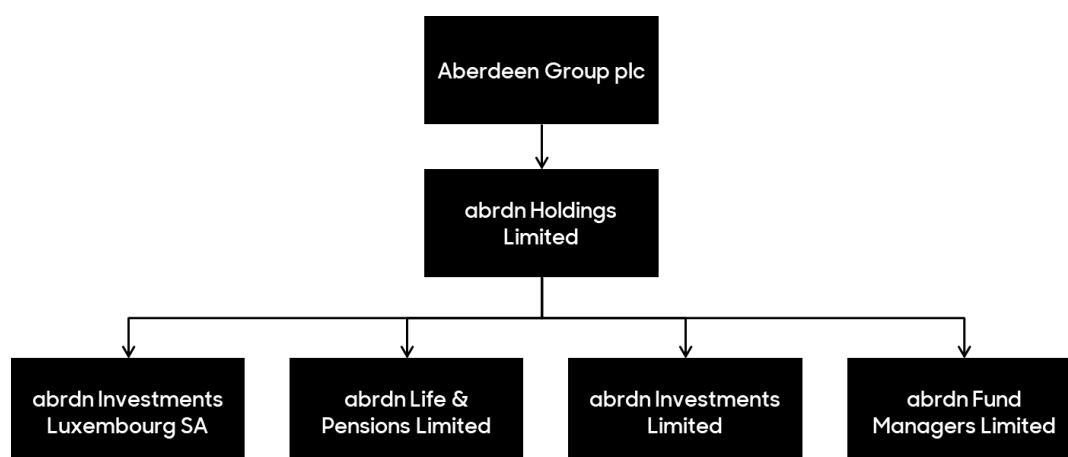
A. Business and performance

A.1 Business

abrdn Life is a private limited company. The Company is a wholly owned subsidiary of abrdn Holdings Limited (aHL) and is incorporated and domiciled in England. aHL is a wholly owned subsidiary of Aberdeen Group plc. The Group's business is structured around three types of businesses (Investments, Adviser and interactive investor) which are focused on the changing needs of clients. abrdn Life sits in the Investments business.

The ordinary shares of Aberdeen Group plc are listed on the London Stock Exchange. Further information on the business of the Group is available in the Aberdeen Group plc Annual report and accounts. The Company is authorised by the Prudential Regulation Authority (PRA), 20 Moorgate, London, EC2R 6DA and regulated by the Financial Conduct Authority (FCA), 12 Endeavour Square, London, E20 1JN and PRA in the United Kingdom to conduct Classes I (life & annuity), III (linked long term) and VII (pension fund management) of long-term insurance business. Financial supervision is undertaken by the PRA. The registered office is 280 Bishopsgate, London EC2M 4AG. The registered number is 03526143. The Company's Auditor is PKF Littlejohn LLP, 15 Westferry Circus, Canary Wharf, London, E14 4HD.

Group supervision is undertaken by the FCA. An extract of the organisation's structure showing the position of Group companies directly relevant to abrdn Life is shown below:



On 23rd February 2021, the Group announced the purchase of certain products in the Phoenix Group's savings business and on 14th September 2021 the Company was party to an implementation agreement between the two Groups. As part of this agreement, abrdn Life agreed to acquire a block of long-term insurance policies from Phoenix Life, with the transfer of policies from Phoenix Life to abrdn Life achieved through a scheme of transfer under Part VII of the Financial Services and Markets Act 2000.

The Part VII transfer process commenced in 2024. The transfer was approved by the High Court of Justice of England and Wales on 12 March 2025 and became effective on 28 March 2025. The transfer included 335 policies, with total assets under management of £3bn. On completion of the transfer, abrdn Life made an acquisition payment of £4m to the Group. This interim SFCR provides an update for stakeholders, allowing for the post-transfer position as at 30 June 2025. In this interim SFCR the business transferred is referred to as the Arbour business and the transfer is referred to as the Arbour transfer.

The Arbour business is similar to the business written directly by abrdn Life. The main differences are:

- A small number of Arbour business policyholders are the trustees of SIPP arrangements.
- The Arbour business policies do not typically include a clause, a unilateral termination clause, that permit them to be terminated at the option of abrdn Life subject to the policyholder being given three months' notice.
- abrdn Life will use unit-linked investment only reinsurance to continue to offer the Arbour business policyholders access to one of Phoenix Life's internal linked funds.

The business of abrdn Life consists entirely of contracts with institutional customers for the provision of investment management on a wholesale basis. All business is written in the UK. The services are provided to institutional customers by three contract types:

- Trustee investment plans (TIPs). These are provided to trustees of occupational pension schemes or SIPP arrangements and are classified as unit-linked insurance business, with the investment options being the Company's pooled funds (internal linked funds).
- Reinsurance contracts covering the unit-linked liabilities of third-party life assurers. These contracts are structured in a similar way to TIPs and are intended as a means for third-party life assurers with 'open architecture' pension products to access the internal linked funds operated by abrdn Life. They are classified as unit-linked reinsurance accepted business.

- Segregated investment mandates (SIMs). These contracts are classified as pension fund management where the Company provides investment management services to pension schemes in respect of their assets. The assets remain the legal property of the scheme and are managed by abrđn Life in exchange for investment management fees.

The key characteristics of the TIP and Reinsurance contracts are that:

- There are no investment guarantees on the policies.
- The benefits payable are linked solely to the performance of the internal linked funds.
- The primary charges on policies are fund charges and there are no penalties on the customer taking a surrender value at any time.
- They include no material insurance risk. The contracts do have annuity options (on non-guaranteed terms), but abrđn Life has not written any annuity business and does not expect to do so.
- They permit abrđn Life to increase the level of fund charges, subject to a period of notice.
- The contracts include no element of member level administration (for TIPs) or policyholder level administration (for reinsurance).

Furthermore:

- Some policies may be terminated at the option of abrđn Life subject to the policyholder being given three months' notice.
- Some policies may have additional charges or fees applied (in addition to fund charges) although these are, generally, currently waived.

The contracts therefore leave abrđn Life solely with wholesale management of internal linked funds.

The SIMs have similar characteristics. There is no investment guarantee, insurance risk, charge guarantee or member administration. All SIM contracts can be terminated by abrđn Life at three months' notice.

A.2 Underwriting performance

As described in the previous section, the policies written by the Company contain no guaranteed benefits and no investment guarantees. All unit-linked policies are classified as investment contracts for accounting purposes and assets managed under SIM contracts are not included in the financial statements.

The underwriting performance is limited to consideration of the excess of fee income over expenses and is shown in the table below.

Underwriting performance, six months to 30 June 2025 and twelve months to 31 December 2024

	Six months to 30 June 2025				Twelve months to 31 December 2024			
	SIM	Reinsurance accepted	TIP	Total	SIM	Reinsurance accepted	TIP	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fee income	0.14	0.44	2.40	2.98	0.22	1.26	0.04	1.52
Performance fee income	0.00	N/A	N/A	0.00	0.00	N/A	N/A	0.00
Expenses	0.06	0.20	1.06	1.32	0.22	1.26	0.04	1.52
Underwriting performance	0.08	0.25	1.34	1.66	0.00	0.00	0.00	0.00

The increase in underwriting performance during 2025 reflects the increase in the volume of business from the Arbour transfer.

A.3 Investment performance

The income and expenses arising from the investments within the internal linked funds held in respect of policyholder liabilities are fully offset by an equivalent change in the value of policyholder liabilities. The non-linked assets are invested in cash and the abrđn Liquidity Fund (Lux) Sterling Fund, a short-term money market fund which provides access to a diversified pool of high credit quality assets as follows:

- Collective Investment Undertakings: abrđn Liquidity Fund (Lux) Sterling Fund as at 30 June 2025 of £15.41m (31 December 2024: £14.19m).
- In the six month period to 30 June 2024 the Company received interest on these assets of £398,657 (twelve month period to 31 December 2024: £765,185).
- Cash and cash equivalents: Bank deposits as at 30 June 2025 of £3.19m (31 December 2024: £6.28m).
- There was no income arising from bank deposits.

The cash on deposit was temporarily higher than usual at 31 December 2024, following a capital injection of £5.00m in December 2024, and returned to a more typical level at 30 June 2025.

No material expenses were incurred in respect of the non-linked assets.

abrđn Life does not invest directly in any securitisations.

Environmental Social and Governance (ESG) considerations

Environmental, Social and Governance considerations, including stewardship of investments responsibilities, are part of the investment management services provided by the fund manager, all to abrdn Life. The Group (and all) uses the term 'sustainability risks' to cover ESG events or conditions that, if it were to occur, could cause an actual or a potential material negative impact on the value of investments. The identification of the most material sustainability risks for abrdn Life funds is therefore carried out by all, who adopt a risk-based assessment, utilizing data, engagement, and internal and external research & analytical tools to help inform overall investment decisions.

all's wider approach for sustainable investing, governance and voting can be found at www.aberdeeninvestments.com/en-gb/institutional/funds/our-life-fund-range

abrdn Life publishes annually a Taskforce on Climate-related Financial Disclosures (TCFD) report which provides climate-related financial disclosures for abrdn Life. The abrdn Life funds also have TCFD products reports which provide carbon analysis and climate scenario analysis at fund level. These can be found using the web address above.

Further information on climate change and sustainable investing within the Group can be found at www.aberdeeninvestments.com/en-gb/institutional/sustainable-investing/climate-change

Information on the performance of each internal linked fund can be found in fund factsheets which are available within the literature centre on the abrdn Life website at www.aberdeeninvestments.com/en-gb/institutional/funds/our-life-fund-range

A.4 Performance of other activities

The Company has no finance or operating lease arrangements.

The Company had no other material income or expenses in the reporting period.

A.5 Any other information

There is no other material information relating to the business and performance.

B. System of governance

B.1 General Information on the system of governance

The governance framework for abrdn Life is based on the Group framework, with specific arrangements where necessary to address the requirements of abrdn Life as a UK insurance undertaking.

Day to day management of operational risks is delegated by abrdn Life to aLL via a formal MSA. Investment management is delegated to aLL via a separate IMA. All operational risks and issues are promptly escalated to the abrdn Life Chief Executive Officer (CEO) and Chief Risk Officer (CRO) by aLL.

The role of the Board is to organise and direct the affairs of the Company in a manner that seeks to promote the long-term sustainable success of the Company, maximise the value of the Company for the benefit of its shareholder whilst complying with the Constitution of the Company and relevant regulatory and corporate governance requirements, including the overriding regulatory responsibility to ensure fair treatment for all customers and, as a product manufacturer, to help deliver good outcomes for retail customers through its role in the distribution chain.

The Board considers the current system of governance appropriate for its business model, which is limited to offering unit-linked pension policies and investment management contracts to trustees of approved UK pension schemes and unit-linked pension reinsurance policies to UK insurance companies.

The Board has established the following two dedicated sub-committees, which receive input from functional committees established by the Group as part of its Group-wide risk management framework.

Risk Committee

The Risk Committee of abrdn Life is responsible for reviewing risk management information relating to the Company. In particular, the Committee keeps the following areas under review:

- The alignment of the Group's strategy to the risk appetite and policy of the Company's Board.
- Quality of the Group's Enterprise Risk Management framework and operating structure as a key control over the Company's risks.
- The extent to which risk assessment is in line with industry best practice and regulatory requirements.

Audit Committee

The Audit Committee of abrdn Life monitors the integrity of the financial statements of the Company, reviewing significant financial reporting issues and judgements. The Committee reviews and challenges as appropriate:

- The consistency of, and any changes to, accounting policies.
- Whether the Company has followed appropriate accounting standards and made appropriate estimates, assumptions and judgements, taking into account the view of the external auditor and the Chief Actuary.
- The clarity of disclosure in the Company's financial reports.
- The annual internal audit plan, as informed by the Company's Board.

The Committee also reviews and challenges the external auditor's audit plan.

In addition, abrdn Life has the following executive management committee, chaired by the CEO, to review the output from activity delegated to aLL under the MSA and IMA which has an impact on customer outcomes.

Client and Fund Governance Committee

The Client and Fund Governance Committee (CFGFC) of abrdn Life assists the CEO in their responsibilities for oversight of any activity which has a direct impact on customer outcomes. This includes, but is not limited to:

- Investment performance.
- Client facing documents and communications.
- Consumer Duty compliance.
- Product changes.
- Complaints.

The Committee is also responsible for reviewing decisions around unit dealing and pricing.

The CEO is responsible for keeping the Board informed of any relevant matters.

Diversity

On an annual basis the Aberdeen Group plc Board attests to its compliance with the relevant provisions of the UK Corporate Governance Code issued by the Financial Reporting Council. As part of this the Aberdeen Group plc Board approved the following Board Diversity statement.

- The Aberdeen Group plc Board: believes in equality and supports the principle that the best person should always be appointed to the role with due regard given to the benefits of the full range of diversity, characteristics, including gender, ethnicity, age and educational and professional background when undertaking a search for candidates both executive and non-executive.
- Recognises that a diverse, equitable, and inclusive culture makes a valuable contribution to the firm's effectiveness, and enables the open exchange of ideas and sound decision making.
- Believes that it should have a blend of skills, experience, independence, knowledge, ethnicity and gender amongst its individual members that is appropriate to its needs.
- Believes that it should be able to demonstrate with conviction that any new appointee can make a meaningful contribution to its deliberations.
- Is committed to maintaining its diverse composition.
- Supports the Group Chief Executive Officer's commitment to achieve and maintain a diverse workforce and an inclusive workplace, throughout the Group within the Executive Leadership Team, and at senior leadership.
- Has a zero tolerance approach to unfair treatment or discrimination of any kind, both throughout the Group and in relation to clients individuals, and 3rd parties associated with the Group.
- Supports, reviews, and has oversight of the Group's Diversity Equity and Inclusion framework, ensuring accountability at executive and senior leadership level through both qualitative and quantitative scorecards and tracking.

The abrdn Life Board is subject to the Group governance arrangements in relation to diversity policies in line with the above statement and the Aberdeen Group plc Board Charter, which also includes the terms of reference of the Group Nominations and Governance Committees. Further details are available at www.aberdeenplc.com/en-gb/about-us/governance

abrdn Life also has its own Diversity policy, which can be found on the website below:

www.aberdeeninvestments.com/en-gb/institutional/funds/our-life-fund-range

Senior Managers and Certification Regime (SMCR)

The SMCR consists of 3 parts:

- Senior Managers Regime (SMR), which focuses on the most senior people (senior managers) who perform key roles (senior management functions) requiring PRA or FCA approval before starting their roles.
- Certification Regime, which applies to other staff who could pose a risk of significant harm to the firm or any of its customers.
- Conduct Rules, which are high level requirements that hold individuals to account.

abrdn Life has implemented SMCR and certified additional individuals who fall into the Certification Regime.

Changes in the system of governance over the six months to 30 June 2025

Following the retirement of the previous holder of the role, a new Chief Actuary was appointed with effect from 1 June 2025. The Chief Actuary and the Actuarial Function remains outsourced to Barnett Waddingham LLP.

B.1.1 Key Functions

B.1.1.1 Overview

Key functions have been identified as the four mandatory functions required under Solvency II (actuarial, compliance, risk management and internal audit) and any other function that is of specific importance to the sound and prudent management of the Company.

A list of functions delegated to all (which may in turn rely on other companies within the Group) is provided in the MSA and the IMA. abrdn Life has determined which are considered to be key functions by identifying those which would significantly impact the business commercially or have adverse impact on policyholders should the services fail or not perform effectively. The additional key functions identified are detailed in Section B.1.1.2.

All key functions, except the Actuarial function and those captured as running the firm, are outsourced to all. The Actuarial function is outsourced to Barnett Waddingham LLP. In implementing the outsourcing arrangements, abrdn Life recognises the authority of the Key Function Holder (KFH) to carry out the relevant role on its behalf. This authority is supplemented by the scope of responsibilities included in the Company's Management Responsibility Map, and by the ability of any KFH or member of a key function to escalate any relevant matters to the abrdn Life CEO or to the Board. Details of the individuals responsible for the key functions (KFHs) are also detailed in the Management Responsibility Map which is reviewed and updated at least quarterly and shows individual responsibilities.

All key function holders, apart from the Chief Actuary, are senior managers within the Group and most hold Senior Management Functions (SMFs) for abrdrn Life as set out in the table overleaf. Many of them (or their delegates) regularly interact with the abrdrn Life Board and/or abrdrn Life CEO and/or attend the abrdrn Life Board or Risk Committee meetings or other management forums chaired by the abrdrn Life CEO, including the CFGC, to report developments in their areas of responsibility.

The terms of the outsourcing agreements are such that each outsourced service provider should maintain sufficient and appropriate resources to carry out the relevant key functions and must inform the Company of any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements. abrdrn Life monitors the performance of the outsourcing arrangements and would escalate any actual or perceived resourcing concerns with the appropriate provider to consider any remedial actions necessary. The Company has also appointed individuals on the abrdrn Life Board to oversee key functions. Such individuals may also escalate any relevant matters to the abrdrn Life Board and/or within the wider Group.

B.1.1.2 Summary of key functions, key function holders and responsibilities

Actuarial – Chief Actuary (SMF20) - Provision of the Actuarial function in accordance with Conditions Governing Business 6. - Provision of additional actuarial and consultancy services as requested by abrdrn Life or as required by UK regulation, legislation or actuarial professional standards and guidance in relation to work that does not strictly fall under the remit of the Actuarial function.	Compliance Head of Compliance (Insurance) (SMF16) - Provision of compliance advice to the abrdrn Life Board and reporting of regulatory developments. - Day to day support to abrdrn Life CEO and abrdrn Life Board on regulatory matters.
Risk management Chief Risk Officer (SMF4) - Responsible for owning the ORSA policy and overseeing the production of the ORSA (PRA Prescribed Responsibility T2). - Ensuring that the Group risk framework owned by the Group CRO is implemented effectively at local entity level. - Overseeing the operation of the systems and controls of the firm.	Internal audit Head of Audit, Investments (SMF5) - Input to and implement the Internal Audit plan in accordance with the Group's Internal Audit framework and policies. - Reviewing the adequacy and effectiveness of the firm's governance, processes, controls and risk management. - Providing the Board with an objective opinion on the results of the Internal Audit function's review.
Investment Management Chief Executive Officer of aIL (SMF7) - Investment management services and ensuring instruments held are aligned with mandate permissions and fund regulatory environment – as notified by abrdrn Life. - Dealing and execution of trades and integration of ESG (and entity policies) into investment processes.	IT and Security and Resilience Group Deputy Chief Operating Officer (SMF18) - Overall responsibility for IT and Security & Resilience services. - Ensuring the operational model is robust including the provision of technology infrastructure and premises. - Delivers the global technology platform and supporting services across the Group in line with best practice.
Distribution Chief Client Officer (SMF18) - Implementation of sales strategy and reporting to the abrdrn Life Board. - Sales process and customer experience including Insurance distribution and customer administration activities and regulatory compliance.	Finance Head of Capital Management (SMF2) - Client billing, banking, statutory accounting, management of shareholder capital, regulatory reporting of financial and actuarial data as appropriate (excluding actuarial elements). - Regulatory reporting under Solvency II.
Human resources Chief People Officer (SMF7) - Development, communication and implementation of People policies. - Responsibility for the provision of HR Regulatory services to enable compliance with SMCR & Remuneration Regulations.	Product Chief Product Officer - Ensures processes and procedures lead to a clear identification of target market and customer needs and that abrdrn Life products remain suitable over time. - Ensures the Board receives the right management information to effectively monitor the product process to enable it to take appropriate action in the event of any concerns.

Operations and Outsourcing Chief Operating Officer, Investments (SMF24) - Oversight of third-party operational services outsourced and risk framework. - Lead and oversee Investment Operations. - Ensures the operational model for abrdn Life is robust and understood.	Sound and prudent management Group Executive Directors (SMF7) - Maintain safety and soundness of the Group by implementing and/or overseeing strategy, performance, risk management, resources (financial & human), key appointments, third-party arrangements, and standards of conduct.
Group Risk Group Chief Risk Officer (SMF7) - Design, proposal and implementation of the Group-wide Enterprise Risk Management (EMR) framework within the Group - Provision of central risk support services, e.g. compliance monitoring, regulatory policy and development.	Group Risk Money Laundering Reporting Officer (SMF17) - Overall responsibility for anti-money laundering and anti-financial crime.
Running the Firm Chief Executive Officer (SMF1) - Leading the Executive Directors and Senior Management Function holders in the day to day running of the firm. - Establish and maintain a system of governance within the context of the integrated operating model. - Carry out oversight of all key functions providing services to the firm.	Running the Firm abrdn Life Non-Executive Directors (SMF9, SMF10, SMF11) - Provide independent oversight and constructive challenge to the Executive Directors. - Collectively responsible along with other members of the abrdn Life Board to; agree, implement and then oversee all management actions on behalf of the entity, including strategy, performance, risk management, resources (financial & human), key appointments, third-party arrangements, and standards of conduct. - As chairs of committees and/or Boards, execution of its duties as set out in relevant Terms of Reference.

B.1.2 Remuneration

B.1.2.1 Overview

The Group has an overarching Remuneration Policy that applies to all entities in the Group. abrdn Life has reviewed the Group Remuneration Policy and is of the view that it:

- Is consistent with Article 275 of the Delegated Regulation.
- Is consistent with and promotes sound and effective risk management.
- Does not encourage risk-taking which is inconsistent with the risk profiles or the instruments constituting the internal linked funds.
- Does not impair compliance with its duty to act in the best interests of each of the internal linked funds and its shareholder.
- Recognises that different remuneration requirements may be applied within the Group and achieves a high degree of consistency between different regimes and allows for day to day arrangements to be controlled at a Group level.

The Aberdeen Group plc Board delegates decision making for Remuneration matters to the Group Remuneration Committee in accordance with Group Governance arrangements. The Chair of the Group Remuneration Committee holds the Senior Management Function Chair of the Remuneration Committee (SMF7) for the Company. The Group Remuneration Committee reviews and approves the Group Remuneration Policy no less frequently than annually.

B.1.2.2 How the Group remuneration policy and practices are consistent with and promote sound and effective risk management and do not encourage excessive risk taking

No supplementary pensions or early retirement schemes are in place for board members, SMFs, certified staff or KFHs.

The Group does not calculate individual awards directly on the basis of annual revenues or profit. Instead, proposals are discretionary and based on a number of factors including non-financial metrics, also taking into account compliance and risk considerations and individual conduct.

Paragraph 3A.2(3) of the PRA Conditions Governing Business Rulebook requires firms to defer a 'substantial portion of any variable remuneration' for a period of not less than three years. The Group Remuneration Policy is in line with this requirement where variable remuneration is deferred for a minimum of three years (with vesting no faster than on a pro-rata basis) when variable remuneration reaches a pre-defined level. This triggers deferral for a substantial proportion of variable remuneration. Solvency II also requires abrdn Life to ensure that the deferral period is correctly aligned with the nature of the business, its risk and the activities of the employees in question. Taking into account its business model, abrdn Life is of the opinion that the Group

remuneration deferral arrangements are appropriate. In addition to this, all variable remuneration at the Group is subject to the application of malus and clawback terms.

B.1.3 Payments between abrdn Life and the Group

abrdn Life pays a share of its net revenues to Group companies for services under the MSA and IMA. abrdn Life also makes dividend payments from time to time. No dividend was paid in the reporting period (2024: £nil).

B.2 Fit and proper requirements

All individuals performing an FCA or PRA SMF role, KFH role or certified role must be 'fit' and 'proper'.

The assessment of whether a person is 'fit':

- Includes an assessment of the person's professional and formal qualifications, knowledge (including their awareness, and understanding, of requirements applying to the business area in which they work, control and manage) and relevant experience within the relevant financial sectors and whether these are adequate to enable sound and prudent management. Typically, the requirements include possession of relevant qualifications and sufficient relevant experience within the Group or similar organisations. For Senior Managers, information is detailed in a document which is reviewed internally and sent to the relevant regulator as part of the application process. For Certified staff, information is stored internally as part of new joiner and annual certification reviews.
- Takes account of the respective duties allocated to that person and, where relevant, the asset management, insurance, financial, accounting, actuarial and management skills of the person.
- In the case of board members, takes account of the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the business is managed and overseen in a professional manner.

The assessment of whether a person is 'proper':

- Considers whether they are of good repute and integrity.
- Includes an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour and business conduct including any criminal, financial and supervisory aspects relevant for the purpose of the assessment.
- Considers whether the person performs his or her key functions in accordance with the relevant conduct standards specified in Insurance – Conduct Standards 3 of the PRA rulebook and COCON of the FCA handbook.
- Considers references received. abrdn Life must take reasonable steps to obtain appropriate references in accordance with the FCA and PRA rules.

Ongoing competence:

Processes are in place to assess the competence of all employees on a regular basis, as well as to continue to assess employees' training needs. This is mainly done through the Performance Management Process and attestation of competence is also sought as part of the ongoing Fitness & Propriety assessments repeated annually. This process comprises the following five areas:

- Job Description.
- Competencies.
- Appraisal.
- Continuing Professional Development (CPD).
- Mandatory Training.

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

The Board is responsible for the management and oversight of all risks affecting abrdn Life. To achieve this, abrdn Life uses a comprehensive risk management framework which has been established by the Group and which the Board considers to be appropriate to abrdn Life's business model in general. The Group risk framework is supplemented by specific additional arrangements established by the Board where necessary to address specific aspects of abrdn Life's business model.

B.3.1 Group risk management framework

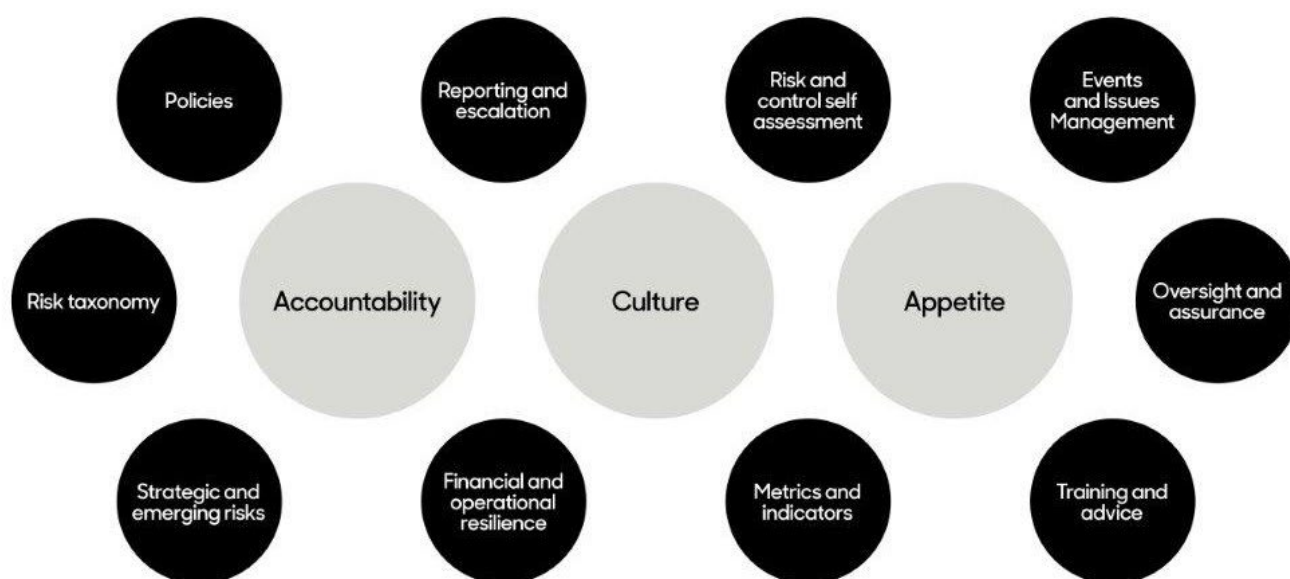
B.3.1.1 Enterprise Risk Management Framework (ERMF)

The Group recognises the need for an integrated solution to risk management to safeguard assets and protect the interests of shareholders, clients and other stakeholders. Consequently, the Group is committed to building and continually improving an effective and sound system of internal control that is embedded within the Group and monitored up to Aberdeen Group plc Board level. As such, an ERMF is maintained that is based on the following principles:

- **Accountability in Risk Management:** Clearly defined accountabilities for identifying, assessing, and managing risks across the business, ensuring that colleagues in all three lines of defence understand and adhere to the ERMF
- **Strong Risk Culture:** A robust set of expectations regarding mindset, capabilities, and behaviours, ensuring all colleagues do the right thing when managing risks. This culture is driven by a clear tone from the top, supported by effective training and understanding, and reinforced through incentive and performance management processes.

- **Effective Governance:** Well-defined and effectively implemented governance arrangements that facilitate the timely flow of risk management information and enable effective decision-making without impediment.
- **Risk Identification and Assessment:** Practical processes to ensure effective identification and assessment of risks, helping us understand risk exposures and potential harms.
- **Risk Control and Mitigation:** Robust but cost effective and efficient control through a strong internal control environment to manage risks in line with established risk policies
- **Monitoring and Reporting:** Regular monitoring and meaningful reporting on risks and controls to maintain a clear understanding of the risk and control profile, ensuring timely escalation when necessary.
- The Group recognises effective reporting measures and escalation channels to be key components of the control process and the management of risk.

The purpose of the ERMF is also to ensure that there are appropriate processes in place so that risk is assessed, monitored, controlled and appropriately governed based on a common set of components and systems. The key components of the ERMF are detailed below.



Oversight and assurance

Both the second and third line have processes to oversee and provide assurance about activities, processes and projects that support the control, compliance and conduct environment. The second line monitoring and oversight activities tend to focus on compliance and conduct risks as this is a regulatory requirement in the Group's major operating jurisdictions. While the second and third line conduct their review independently, the framing of their plans is coordinated and is presented every six months at the Executive Leadership Team (ELT) and the Group Risk and Audit Committee to provide a view on Culture.

Risk culture is about mindset, behaviours and capabilities. With a strong 'tone from the top', the Group seeks to promote a strong risk management culture throughout all of its businesses, including abrdn Life, and to encourage values and behaviours that guide employees in the conduct of their work and the decisions they make. The Group's risk culture is founded on a clear, consistent risk strategy, and based on the following attributes

- Transparency.
- Timely escalation.
- Learning from mistakes.
- Balance risk vs reward.
- Integrity.
- Avoiding blind spots.
- Avoiding blame culture.
- Clear risk governance that is understood.
- Clear accountability that is well embedded;
 - o Ensuring the right people in the right roles, demonstrating the right behaviours with responsibilities clearly defined.

The Aberdeen Group plc board members and senior management frequently express the importance of a strong risk culture to reinforce these expected values and behaviours and to enhance employee understanding and knowledge of risk.

Appetite

The Aberdeen Group plc Board sets the Group risk appetite to define the nature and level of risk that the Group Chief Executive and delegates are permitted to take to deliver the Group's strategic objectives. It is defined through a combination of risk appetite statements and tolerances. Risk appetite tolerances are measured against risk metrics and are monitored on an ongoing basis so that prompt action may be taken as risks escalate or if the tolerances are likely to be breached. Executive management is responsible for staying within the plc Board's risk appetite and operating an appropriate risk framework to monitor and inform appropriate and timely risk taking.

The most recent Risk Appetite Framework, supported by the Aberdeen Group plc Board, was a material refresh compared to previous versions. This refresh was undertaken following a request from the Aberdeen Group plc Board to implement a clearer risk appetite and monitoring process premised upon a more focussed set of appetite statements and indicators. The Group set risk appetite statements set across the following risk categories:

- Operational.
- Security & Resilience.
- Financial Crime.
- Third Party.
- Conduct.
- Regulatory & Legal.
- Strategic.
- Financial.

Group level risk appetites are framed so as to apply across all the Group's operations while allowing subsidiary boards to set more localised risk appetites that are apposite to the risk appetite of those boards' directors and the needs of the business. The risk appetite framework defines the parameters within which executive decision-making and risk-taking is expected to operate. The Group Chief Risk Officer and the broader second line team play a crucial role in monitoring whether decisions are likely to challenge risk appetites.

Accountability

The UK SMCR provides a clear framework for (i) the identification of roles with particular accountabilities, (ii) the taking of reasonable steps within a hierarchical organisational environment and (iii) the approach to good conduct. Senior managers are accountable for making business decisions in line with both Group level and local risk appetites.

A three lines of defence model helps to ensure effective risk management and control. It delineates responsibilities across three distinct layers, bringing clarity to organisational design, individual accountability and how to take reasonable steps to discharge roles and evidence decision-making.

Risk taxonomy

The Group Risk Taxonomy facilitates a consistent approach for the identification of all risks and enables a common language for risk management across the business. Starting with principal risks (as reported in the Group plc Annual report and accounts), over 50 risk sub-categories are set out. This list is updated as new risks emerge so that it is representative of the risk profile of the Group and its subsidiaries.

Policies

The Group has a risk policy framework which sets out key policy standards for managing specific risks. At present, there are 24 Group-level risk policies with policy owners who keep the policies under review and monitor the operation and application of the policies in the business. The risk policies map back to risk categories set at a Group level as well as Aberdeen Group plc board risk appetites. Regulated entities including abrdn Life have additional local policies to reflect their own needs and regulatory requirements.

Reporting and escalation

Within the Group, the three lines of defence are supplemented by a range of risk related committees at subsidiary/entity, functional and operational business level. This includes a monthly ELT risk meeting, chaired by the Group CRO. The Aberdeen Group plc Board, Executive Directors and senior management have overarching responsibilities to ensure, through the application of good corporate governance, the effective and strategic stewardship and risk management of the Group. The abrdn Life Board is responsible for ensuring the appropriate governance and the effective application of its risk management framework to abrdn Life's business.

Risk and Control Self-Assessment (RCSA) framework

Key Business Outcomes (KBOs) have been developed by Aberdeen Group to allow senior managers to define, understand and implement their accountabilities.

KBOs cover three key areas:

- Outcomes to clients and customers.

- Outcomes to shareholders.
- Outcomes to the market.

KBOs are supported by documented end-to-end business processes that deliver the KBOs with responsibilities linked to the SMCR.

KBOs provide the foundation on which RCSAs are managed. The RCSA process is designed to build a clear picture of the risk and control profile for each defined KBO. Additionally, all risk events, issues and risk actions must be tagged to KBO risks and controls in the risk system. This enables management to have a clear view of the full risk, control, event and issue profile of key business outcomes at any given time.

Each KBO has a named executive owner who has overall accountability for the delivery of that outcome. This includes a requirement for KBO owners to attest to their delivery on their KBOs at least annually.

The Group has published an RCSA standard, procedures and an attestation framework which is applied to abrdn Life. In practice, the KBOs are owned at a level sitting above abrdn Life as they cover multiple regulated entities. However, this framework is supplemented by a process which captures key risks and controls at an entity level and also look at KBOs operated centrally that is relevant for abrdn Life.

Events and issues management

An integrated risk management system, Shield, is used to identify, assess, track and report risk issues and events. All risk events and risk issues are logged and tracked in Shield. When risk events arise, the second line works actively with the business to ensure that root causes are established, remedial actions are owned and progressed to conclusion. The second line also oversees progress to resolve risk issues and/or to track the residual risk where risk issues remain open.

Training and advice

Various training is delivered to the business. Mandatory elearning is administered and monitored via the Thomson Reuters platform and there are processes and sanctions in place to deal with staff who fail to complete mandatory elearning on time.

Metrics and indicators

The ERMF is predicated on the maxim: "what gets measured gets managed". Metrics and indicators are produced to build an empirical view on the risks and the quality of their associated controls. These also feed into the assessment of risks versus risk tolerances laid down through the Group level risk appetites. The second line now has a data analytics team which is supporting the development of better data warehousing, management and visualisation tools.

Financial and operational resilience

Aberdeen Group plc and its subsidiaries have processes for assessing the capital required to protect their customers, clients and other stakeholders from the crystallisation of risks. The Group is an investment firm Group under the FCA's Investment Firms Prudential Regime (IFPR) and conducts an Internal Capital Adequacy and Risk Assessment (ICARA) process on that basis. abrdn Life is not directly in scope of prudential consolidation for the Group (for IFPR purposes it is out of scope as it is a Solvency II firm). abrdn Life operates an ORSA process which is discussed in further detail in B.3.3 below. Both the ICARA and ORSA processes have trigger events that may prompt a rapid reassessment of capital requirements and surplus resources if the risk profile is seen to materially change. The Group has implemented an Operational Resilience framework that identifies 'most important business services' (delivering client and market outcomes) and establishes operational tolerances for disruption of these services (and associated action plans for managing breaches of these tolerances). The abrdn Life Board must approve services and tolerances and regularly review the self-assessment of compliance in accordance with [FCA](#) and [PRA rules](#).

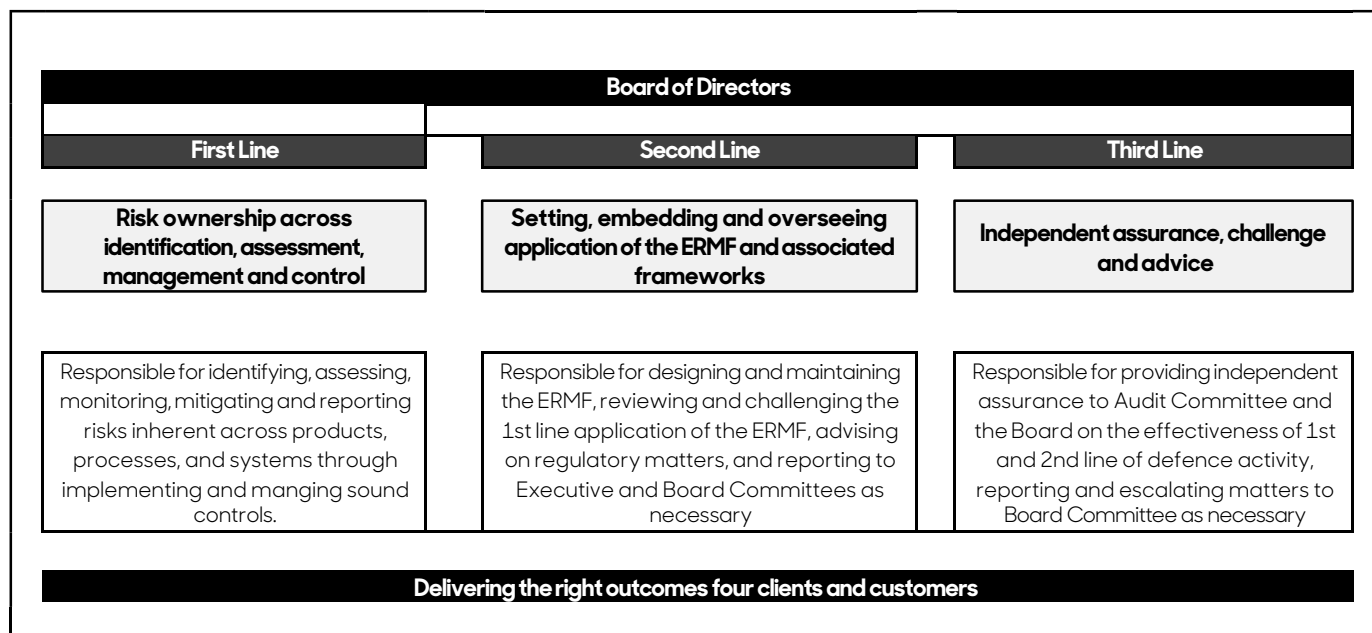
Strategic and emerging risks

Strategic risks are monitored through business planning and business assessment activities drawing on market intelligence and competitor analysis. Emerging risks are monitored through a periodic exercise that draws on insights from internal and external research focussing on deeper trends and factors that could have significant operational and financial consequences for the Group.

The ERMF is applied to abrdn Life and is supplemented by additional arrangements. In particular, a risk register is maintained by abrdn Life and owned by the CRO of abrdn Life. This outlines the most significant risks determined by the abrdn Life CRO and CEO and includes commentary and scoring of risks. The risk register is tabled at the abrdn Life Risk Committee quarterly.

B.3.1.2 Three lines of defence

Aberdeen Group plc operates a 'three lines of defence' model of risk management, with clearly defined roles and responsibilities for individuals and committees:



B.3.2 Additional abrdn Life risk framework

The ERMF described above is the primary means of managing abrdn Life's operational risks. Any material changes to the abrdn Life business model are referred by the Board to the abrdn Life Risk Committee for scrutiny, monitoring and oversight to ensure that the Board's decisions are adequately informed.

abrdn Life controls market risk, underwriting risk, credit risk and, liquidity risk through the design of its contracts, selection of non-linked investments, and selection of reinsurance counterparties. The extent of any such risks are assessed through the ORSA process and any proposed or necessary changes to contract terms, non-linked investments or reinsurance exposures are escalated appropriately and are subject to sign-off by the Board. Other types of risk such as regulatory or legislative change are also assessed as part of the ORSA process. Aggregate risk is monitored through monthly review of key performance indicators including financial metrics and operational effectiveness as well as regulatory breaches and complaints.

The abrdn Life Risk Committee has oversight of the Board's overall risk governance process to give clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure. The Risk Committee advises the Board on risk appetite and tolerance, in setting future strategy, taking into account the Board's overall degree of risk aversion and abrdn Life's current financial situation. Duties of the Risk Committee, as set out in its Terms of Reference, include ensuring that steps are taken to identify and control risks and providing input and challenge to the ORSA process.

B.3.3 ORSA

The ORSA process is intended to identify, assess, monitor, manage and report on both short and long-term risks and to determine the capital required to ensure that abrdn Life can continue to meet its solvency requirements at all times.

The ORSA enhances awareness of the risks faced by abrdn Life and the capital needed given those risk exposures. This awareness is used by abrdn Life as part of its decision making process.

The ORSA process is broken down into a number of stages as follows:

- Review and approval of the ORSA Policy.
- Risk identification, review and assessment.
- Risk modelling methodology and assumption review.
- Determination of the base balance sheet.
- Risk modelling analysis, including assessment of capital requirements and ongoing compliance with solvency requirements.
- ORSA report update.
- ORSA report review, challenge and approval.

A number of stages in the process may be iterative, with feedback loops. For example, the risk modelling methodology and assumption review assessment may lead to changes being required to the ORSA Policy to adequately capture any revised approach.

The CRO is responsible for planning and initiating the annual ORSA cycle, incorporating any requirements resulting from regulatory change during the period and for ensuring that all other relevant parties are aware of their roles and responsibilities and have committed appropriate time to the process. The CEO and the Chief Actuary are involved in most stages of the ORSA process. Other key contributors are:

- Compliance – involved in the risk identification, review and assessment.
- Finance – involved in determination of the base balance sheet.

The Risk Committee is responsible for providing initial challenge to the results of the ORSA process and the content of the ORSA report, and thereafter proposing that the report be submitted for Board approval. Final approval is provided by the abrdn Life CRO, as holder of prescribed responsibility T2 ('Responsibility for the performance of the firm's Own Risk and Solvency Assessment')

The Board takes an active role in setting the ORSA Policy and in accepting the results of the process by providing insight on the risks faced by abrdn Life and actions that might be taken and, where relevant, by providing challenge to the Policy, process, results of the process or presentation of the results.

The ORSA is used as a key input into business planning and forecasting (where scenario analysis is used to indicate forecast capital requirements under expected and potential strategies) and to inform strategic or material business decisions. In particular, the Board considers potential or necessary actions if the ORSA indicates that abrdn Life is failing to meet or may fail to meet its target solvency levels.

In normal circumstances the ORSA process is run on an annual basis. This is considered appropriate given the nature and scale of the business written by abrdn Life.

The ORSA process will also be followed outside of the annual cycle should there be a significant unexpected deterioration in own funds, a significant change in the risk profile of the business or an actual or planned strategic event such as the acquisition of business from another insurance entity. The CEO and the CRO will monitor the financial position of abrdn Life and internal and external events to identify when an ad-hoc ORSA process might be appropriate. The Board or Risk Committee can propose that the ORSA process be run at any time if there is deemed to be sufficient justification. In any event, the need to perform any ORSA outside of the normal annual cycle must be approved by the Board.

For this year, the ORSA process took place later than usual, using end-June rather than end-December data, to take account of the Arbour transfer at an early stage, in line with PRA feedback.

The Company has determined its own solvency needs by using a combination of stress and scenario tests including forward-looking projections that consider the projected solvency position in a central 'best estimate' scenario and a number of adverse scenarios. The Company has determined the capital required for it to withstand adverse experience equivalent to that which might be encountered once every 200 years and holds a buffer above the level so determined.

Given the simplicity of the business and the risks accepted, abrdn Life does not, in general, consider it necessary to set quantifiable risk tolerances and limits across risk areas. However, the Board would consider possible and/or necessary actions if required capital is, or may become, unacceptable taking into account the risk, required capital and the specific circumstances. Such actions could include amendment to the risk management system to better control or mitigate those risks contributing to the capital requirement.

Conversely, any proposed changes to the risk management system are considered to determine the likely impact on the Company's capital position.

B.4 Internal control system

The framework is based around the Solvency II definition of operational risk which is 'the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events'. The Company's management of operational risk is therefore aimed at identifying risks in existing processes and improving existing controls to reduce the likelihood of failure and the impact of losses. A key element of the internal control system is the three lines of defence described in B.3.1.

abrdn Life seeks continuous improvement to internal controls. The effective management of the risk process is overseen by the Group's Risk and Compliance function, facilitated through the Group's risk management system, Shield. This system is the central tool used by the business to manage risks arising through day to day operations. Shield also allows for linkage between risks, controls, events and issues, meaning any gaps or potential deficiencies are clearly highlighted. This assists the Group in improving its understanding, control and oversight of operational risks and in turn facilitates the achievement of its objectives.

The Group's Compliance function sits within the Risk and Compliance function, a permanent and independent risk management function which is hierarchically and functionally independent from the Group's operating units (first line).

The Risk and Compliance function includes dedicated teams in each geographical region to provide advisory services to the business who draw upon the Risk and Compliance shared services team (e.g. regulatory developments, assurance & monitoring) as required, covering:

- Business partner based alignment and relationship management, including specialisms by channel/asset type.
- Risk and Compliance advisory services specific to the business channel/region/country.
- Dedicated individuals responsible for compliance embedded in all regions/countries.

Teams within Risk and Compliance:

- **Regulatory Framework & Services Team** – have a global remit for regulatory and conduct matters and cover regulatory developments, horizon scanning and consultations; regulatory engagement; conduct risk oversight framework including SMCR, compliance monitoring and oversight and board engagement and reporting.
- **Investment Risk Governance** – subject matter expertise in the oversight of investment risk, covering: oversight of product lifecycle process; assurance of investment risk monitoring processes; oversight of operation of investment risk policies.
- **Risk Management Framework & Services** – subject matter expertise in the oversight of corporate & financial risk within the Group and the wider Group risk management framework.
- **Anti-Financial Crime** – deliver the Group's anti-financial crime framework and provide advice to the business and regulated entity Boards on financial crime matters.

B.5 Internal audit function

Internal Audit (IA) provides internal audit services to abrdn Life via the MSA with all. IA operates globally under a single mandate, methodology and standard. It provides independent risk-based assurance, advice and insights on risks, controls and outcomes across the Group including both first and second lines of defence. IA has access to all data, documents, premises and staff. The function reports directly to the Group Audit and Risk Committee, with the Chief Internal Auditor (CIA) having a direct reporting line to the Group Audit and Risk Committee Chair. The CIA also has a secondary, administrative reporting line to the Aberdeen Group plc Chief Executive Officer. IA is governed by a charter that is reviewed annually and available on Aberdeen Group plc's external website.

IA conducts a documented annual planning process with multiple inputs and drivers. These inputs include discussions with the Aberdeen Group plc Board or regulators as well as work informed by risk events, business engagement, corporate strategy and by data driven insight. The plan is reinforced and refreshed throughout the year by ongoing assessments of changes in the business' risk profile. Issues identified are rated as high, medium or low and entered, with a business action plan, onto the Group's risk management system, Shield, to be managed by the responsible business team. Using a risk-based approach, the audit team will validate that management has closed the issues with appropriate supporting evidence.

Individual audit reports are distributed to the accountable executives and relevant team leaders as well as to a number of standing recipients including the Aberdeen Group plc Chief Executive Officer, Chief Risk Officer and business area/Regional Heads.

The Group Audit and Risk Committee receives summary information to allow it to review the effectiveness of the Group's control environment.

The abrdn Life Audit Committee meets quarterly and is updated on all relevant IA reports. The IA function attends these meetings, and also holds regular meetings with the abrdn Life CEO. The abrdn Life Audit Committee may request that IA considers specific relevant topics or business areas for future audit work.

IA is committed to a philosophy of working to the highest ethical and professional standards and operates within the International Professional Practice Framework (IPPF) established by the Chartered Institute of Internal Auditors (CIIA). IA will comply with all relevant CIIA Standards and the Code of Ethics, or disclose non-conformance (subject to appropriate proportionality). Internal Audit also complies with the Chartered Institute of Internal Auditors Internal Audit Code of Practice (effective January 2025).

B.6 Actuarial function

The Actuarial function is outsourced to Barnett Waddingham LLP. The role of Chief Actuary is held by an appropriately qualified and experienced individual who is a Barnett Waddingham LLP employee. The Company's CEO provides oversight and assesses the performance of the arrangement.

B.7 Outsourcing

B.7.1 Outsourced services

abrdn Life relies on the Group to carry out all business functions other than the Actuarial function. This outsourcing is governed by the MSA and IMA between abrdn Life and all. The MSA is such that all is liable for all operational risk losses in respect of the

abrdn Life business, whether these occur as a result of a failure of aLL or as a result of a failure of a third-party provider and where that third party is unable or unwilling to compensate for any loss incurred. aLL may in turn rely on other parts of the Group to carry out the contracted services. The Group operates a Group wide risk and control framework which covers all services provided directly and indirectly to abrdn Life via the MSA and IMA.

Actuarial services are outsourced to Barnett Waddingham LLP, Citibank N.A, London Branch (Citi) provide Fund Accounting and SS&C provide Transfer Agency services. Citibank N.A, London Branch also provide custody services (noting this is not classified as an outsourced activity). The services provided under these arrangements are subject to appropriate contractual clauses that protect abrdn Life from losses incurred as a result of operational risk events.

All outsourced services are directly contracted with UK entities although some individual tasks may be carried out in a range of agreed overseas locations.

Supplier relationships within the Group are governed and overseen, on a risk-based approach, against the standards set within Aberdeen Group plc's Procurement, Outsourcing and Third-Party Management Policy (POTPM Policy).

In addition, oversight of services outsourced to aLL via the MSA and IMA is carried out at the quarterly service review and CFGC meetings and also reviewed at the Risk Committee and Board meetings.

B.7.2 Key points of the POTPM Policy

- aLL uses the Group's Third Party Risk Management and Intragroup Frameworks to ensure outsourcing risks are clearly defined and regularly assessed with ongoing monitoring of underlying controls within both its intragroup and external third party outsourced service providers. Aberdeen Group plc chooses its service providers carefully and regularly monitors and supervises their performance to ensure that functions are being performed satisfactorily, and to ensure that Group companies fulfil their regulatory obligations and contractual obligations to clients.
- Aberdeen Group plc understands that, while a service or function can be outsourced, the underlying risks and controls remain its responsibility. Aberdeen Group plc is fully committed to actively managing these risks within its risk appetite.
- A risk assessment is performed on all outsourcers to assess the levels of risk exposure and to ensure the criticality of Aberdeen Group plc's third-party service providers such as material outsourcers is identified. Initial due diligence is performed on potential third-party service providers based on the risk assessment.
- There are standard governance and oversight activities agreed for all levels of third-party risk to ensure appropriate levels of governance and oversight activities are performed in line with the level of risk exposure.
- Oversight of third-party risks is performed across the Group with risk-based monitoring and testing of control design and performance in third party service providers across the three lines of defence.
- Continuity of service is a key component of the Group Third Party Risk Management Framework and aims to ensure minimal impact to the Group and its clients in the event of a failure within one or more of the Group's key third party service providers such as a material outsourcer.

B.8 Any other information

There is no other material information relating to the system of governance.

C. Risk profile

The Aberdeen Group plc Board sets the Group risk appetite to define the nature and level of risk that the Aberdeen Group plc Chief Executive Officer and delegates are permitted to take to deliver the Group's strategic objectives. It is defined through a combination of risk appetite statements and tolerances.

Risk appetite tolerances are measured against risk metrics and are monitored on an ongoing basis so that prompt action may be taken as risks escalate or if the tolerances are likely to be breached. Executive management is responsible for staying within the Aberdeen Group plc Board's risk appetite and operating an appropriate risk framework to monitor and inform appropriate and timely risk taking.

abrdn Life adopts the high-level risk principles that guide the Aberdeen Group plc Board's risk appetite when delivering its strategy and business plan objectives. These principles are in place to provide guidance to the business and help to drive business strategy in line with the Aberdeen Group plc Board approved risk appetite:

- Risk appetites should be aligned with Group strategic objectives.
- Risk appetites take into account the interests of clients, shareholders and employees.
- Risk appetites should inform entity level Board risk governance and executive risk management.
- Risk appetites should be easy to apply, communicate and interpret.

The Aberdeen Group plc Board has risk appetite statements across the 9 risk categories below. Tolerances are set at the level of the Group and monitored accordingly.

1. Process execution
2. People
3. Technology, security and resilience
4. Third Party
5. Conduct Risk
6. Regulatory & Legal
7. Strategic Risk
8. Sustainability
9. Financial Risk

Any breaches of the Group tolerances or material updates to the risk appetite statements that are relevant to abrdn Life are considered by the abrdn Life CRO and integrated into the quarterly risk reporting provided to the abrdn Life Board.

abrdn Life also considers these risk categories and appetite statements at entity level and identifies further risk categories, together with risk appetite statements, in its Risk Management Policy to reflect the requirements of being a Solvency II insurer including, but not limited to, the risk categories in C.1 to C.6 below.

Given the simplicity of the business and the risks accepted, abrdn Life does not, in general, set quantifiable risk tolerances and limits. abrdn Life's risk appetite is aligned with its capital management policy to maintain solvency cover at or above its target level under stressed conditions as measured under stress and scenario tests (allowing for management actions as appropriate) carried out as part of the company's ORSA. The solvency cover target level is currently the greatest of 196% of the SCR, 150% of the MCR and 150% of the ORSA capital requirement.

Significant changes to the abrdn Life business model, operating model or risk profile may prompt a review of the risk appetite statements. Such circumstances might include:

- Changes in legislation regulation.
- Entering or writing a new class of insurance business.
- Significant changes to business strategy.
- Major industry changes or developments.
- Material or key risk changes.

C.1 Underwriting risk

Underwriting risk means the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

abrdn Life has zero tolerance for insurance risks other than lapse (surrender) and expense risk. Contracts include no guaranteed benefits and contain no economic insurance risk. Although TIP policies include annuity options (on non-guaranteed terms) no annuities are currently written. Therefore, the Company has no direct exposure to mortality or morbidity risks and does not transfer risks to special purpose vehicles.

Lapse risk is measured by the loss of assets under management which reduces future fee income and consequently potentially impacts both current and future years' profits. Expense risk is measured by the impact on current and potentially future years' profit.

abrdn Life has a high tolerance to lapse risk and the consequent variation in fee income earned, as lapse risk is an inevitable part of insurance investment business. abrdn Life has a low tolerance to expense risk.

abrdn Life aims to minimise lapses by providing a dedicated client service team, which has been set up specifically to meet the needs of UK pension schemes and aims to minimise expense risk by close monitoring of expense amounts and their justification.

However, the primary mitigation against the risk of fluctuations in income or increases in expenses is the structure of the expenses payable under the MSA and IMA between the Company and aIL, which are a large proportion of total expenses incurred. The expenses payable under these agreements are defined as a percentage of fee income, and so vary in line with fee income, but they are also subject to a capped amount which is set such that the fee income retained by abrdn Life is the lower of gross fee income received and an amount sufficient to cover:

- Expenses incurred other than those under the MSA and IMA (non-fee related expenses).
- An estimate of any anticipated increase in the operational risk SCR together with abrdn Life's target margin of solvency cover on that increase because of increasing year-on-year expenses (noting that, under the Solvency II standard formula, the operational risk SCR for abrdn Life is a function of expenses incurred in the 12 months to the valuation date).

Therefore, the expenses payable under the agreements between the Company and aIL are such that, while changes in experience will affect profitability, the Company is protected from making an underwriting loss unless there is a material rise in non-fee related expenses and/or a material fall in assets under management such that fee income is insufficient to cover non-fee related expenses.

The sensitivity of abrdn Life's own funds and SCR to significant changes in lapse or expense assumptions are given below. Given the Arbour transfer has necessitated a change in valuation approach, the results are not directly comparable to those included in earlier SFCRs and, therefore, no comparisons to prior periods are given in this interim SFCR.

If the best-estimate lapse rate is doubled, own funds reduce by £0.78m, the SCR reduces by £0.46m and there is a 7% increase in SCR cover. If the best estimate lapse rate halves, own funds increase by £0.22m, the SCR increases by £0.34m, and there is a 9% decrease in SCR cover. The change in SCR cover is the SCR cover under the sensitivity less the SCR cover reported at the valuation date.

If the best-estimate of non-fee related expenses is increased by 25%, own funds increase by £0.03m, the SCR increases by £0.08m and there is a 3% decrease in the SCR cover. Here, the application of the capping mechanism described above leads to additional fee income being retained, perhaps counter-intuitively, leading to an increase in own funds.

The only material risk concentration is that individual policies may account for a significant percentage of assets under management. At 30 June 2025 the largest individual unit-linked policy accounted for 7% of the Company's unit-linked assets (31 December 2024: 36%). The largest SIM policy accounted for 84% of the assets managed under such contracts (31 December 2024: 85%).

The impact of adverse lapse and expense experience is considered in the ORSA under a number of scenarios. These demonstrate that the Company is able to withstand extreme adverse lapse and/or expense experience whilst continuing to meet regulatory capital requirements and without impacting on its ability to meet policyholder obligations in full.

There has been no material change to underwriting risk or how it is measured over the six months to 30 June 2025, other than the increase in the size of the exposure following the Arbour transfer.

C.2 Market risk

Market risk means the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments.

Shareholder assets, linked assets and assets managed under SIM contracts are considered separately.

abrdn Life has a low tolerance to market risk on shareholder assets. The shareholder assets are used to cover the SCR, the MCR and any technical provisions in excess of the linked assets and are invested to preserve capital. Investments are located in the EU and limited to cash, short-term bonds and short-term money market instruments. Investment in short-term bonds and money market instruments is achieved by investing in the abrdn Liquidity Fund (Lux) Sterling Fund (Liquidity Fund), a money market UCITS fund.

abrdn Life has a high tolerance to market risk on linked assets and assets managed under SIM contracts. abrdn Life accepts that because it is conventional practice for investment charges to be expressed as a percentage of assets under management,

its revenue from fund charges will be subject to market movements and the choices made by its customers on the allocation to different internal linked funds or investment strategies. This risk of fluctuations in income is managed, where possible, by making expenses sensitive to the volume of charges received as described in Section C.1.

The linked assets are managed in accordance with the investment mandate for the particular fund taking into account the prudent person principle requirements under the PRA Investments Rulebook and, where appropriate, the permitted links rules included in the FCA Conduct of Business Sourcebook (COBS) 21. In particular, policyholder liabilities are fully matched with units established within the relevant internal linked funds and with assets of the same value.

Assets managed under SIM contracts are invested under client-specific investment mandates taking into account the prudent person principle requirements.

The sensitivity of abrdn Life's own funds and SCR to changes in the market value of assets under management are given below.

If all managed asset values were to increase by 10%, own funds would increase by £0.56m, the SCR increases by £0.27m and there is a 3% fall in the SCR cover. If all managed asset values were to fall by 10%, own funds would reduce by £0.59m, the SCR reduces by £0.23m and there is a 1% increase in SCR cover.

There has been no material change to market risk or how it is measured over the over the six months to 30 June 2025, other than the increase in the size of the exposure following the Arbour transfer.

The Company investigates the potential impact of market risks on its income and solvency position by way of stress and scenario tests that are carried out as part of the ORSA process. These demonstrate that abrdn Life is able to withstand extreme market falls whilst continuing to meet regulatory capital requirements and without impacting on its ability to meet policyholder obligations in full, but recognising that policyholder obligations will reflect the impact of market risks on linked assets.

C.3 Credit risk

Credit risk means the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations. Service provision, shareholder assets, unit-linked assets and SIM business are considered separately. abrdn Life has a low tolerance to credit risk in relation to third party service providers. The risk of a service provider defaulting on its obligations is primarily managed by initial and on-going due diligence of the service provider together with protections included in service contract terms. The terms of the MSA between the Company and all are such that abrdn Life would seek redress from all if a third party service provider was unable or unwilling to meet its financial obligations towards the Company.

abrdn Life has a low tolerance to credit risk in relation to shareholder assets. The risk is managed by limiting direct exposure to cash (bank) counterparties and investing other assets in a diversified portfolio of high quality short-term assets. The bank counterparties must meet the criteria set by the Aberdeen Treasury and Capital Management policy. For abrdn Life, cash balances are, in normal circumstances, limited to £2m to any single counterparty although this limit may be temporarily exceeded for operational reasons (as was the case at 31 December 2024).

Cash balances are monitored daily. Diversification of non-cash assets is achieved by investing in the Liquidity Fund.

The tolerance to credit risk in relation to linked assets depends upon the investment objectives of each fund, but is generally low and is managed according to individual fund mandates. Thresholds are set for each fund to limit cash at the custodian, with a daily sweep into the Liquidity Fund to diversify counterparty exposure and reduce risk.

The tolerance to credit risk in relation to SIM contracts depends upon client-specific investment objectives.

The Arbour transfer has necessitated abrdn Life to accept reinsurer counterparty default risk, where Phoenix Life is the counterparty. The risk accepted by abrdn Life is limited to the Arbour business policyholders that invest in a particular internal linked fund of abrdn Life, which gains exposure to a particular internal linked fund of Phoenix Life. In the event of default by Phoenix Life, abrdn Life would remain liable for payments to relevant policyholders. The risk is managed by performing ongoing due diligence on Phoenix Life and having administrative process in place to limit the size of the exposure, if necessary, within agreed limits.

For business written prior to Project Arbour, abrdn Life has a contractual right to terminate contracts with clients subject to a period of notice of three months. This clause allows abrdn Life to effectively exit the business at short notice if it becomes economically unviable to maintain policies. However, the majority of contracts brought over from Phoenix Life Limited under Arbour do not have such a policy provision. For such contracts, it is considered that the business would be able to undertake a closure by consent over a relatively short period of time should this be deemed in the best interests of policyholders.

The risk to abrdn Life of fluctuations in charge income as a result of asset defaults in the linked funds or under SIM contracts is managed, where possible, by making expenses sensitive to the volume of charges received.

There are no material risk concentrations other than to bank counterparties and the reinsurance with Phoenix Life, with such exposures managed as described above.

abrdn Life's own funds and SCR are typically not very sensitive to the credit quality of its bank counterparties. If all bank counterparties are downgraded by one credit quality step, own funds, SCR and SCR cover are unchanged.

As part of necessary arrangements to deliver Project Arbour, abrdn Life has entered into a reinsurance agreement with Phoenix Life Limited (PLL) to give transferring policyholders continued access to the PLL Pooled Property Pension Fund. abrdn Life is accepting the counterparty default risk on this arrangement in order to ensure that investors can continue to access this fund, but has no intention to offer the investment solutions of any other insurance companies by way of unit-linked investment only reinsurance. abrdn Life's policy in respect of the PLL reinsurance is to monitor exposure to PLL and PLL's credit rating, and take action to limit such exposure if abrdn Life's solvency targets are otherwise likely to be breached, in addition to maintaining a floating deed of charge such that abrdn Life ranks equally with the direct policyholders of PLL, should PLL become insolvent.

abrdn Life's own funds and SCR are sensitive to its exposure to Phoenix Life and the credit quality of Phoenix Life. If the exposure to Phoenix Life increases by £100m, own funds remain the same, the SCR increases by £1.27m and SCR cover falls by 41%. If Phoenix Life is downgraded by one credit quality step, own funds remain the same, the SCR increases by £5.26m and SCR cover falls by 116%. This second sensitivity leads to a solvency coverage ratio of 162%, which means abrdn Life is meeting its regulatory capital requirement, however, the coverage ratio is below abrdn Life's capital management target of 196%. As noted above, abrdn Life is monitoring this risk and exposure and will take action if its solvency targets are likely to be breached.

There has been no material change to credit risk or how it is measured over the reporting period other than the reinsurance exposure to Phoenix Life as discussed above. However, abrdn Life is conscious that the full economic effects of the Covid-19 pandemic and recent geopolitical events may not have materialised to date and that future defaults may be higher than in the recent past. The potential longer term impacts are taken into consideration by all fund managers when making investment decisions on behalf of abrdn Life and its policyholders.

The Company investigates the potential impact of credit risks on its income and solvency position by way of stress and scenario tests that are carried out as part of the ORSA process. These demonstrate that abrdn Life is able to withstand significant credit events whilst expecting to continue to meet regulatory capital requirements and without impacting on its ability to meet policyholder obligations in full, but recognising that policyholder obligations will reflect the impact of credit risks on linked assets.

C.4 Liquidity risk

Liquidity risk means the risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due. Shareholder assets, unit-linked assets and assets managed under SIM contracts are considered separately.

abrdn Life has a low tolerance to liquidity risk in relation to shareholder assets. All shareholder assets are held in cash or in the Liquidity Fund which allows daily dealing. Given the nature and size of the Liquidity Fund, large redemptions can typically be made without impacting on the fund share price.

The linked assets are managed to provide appropriate liquidity, in normal circumstances, to allow policyholder redemptions to be met as they fall due. Fund managers use tools to project forward their cash balances and ensure that they have sufficient cash in the portfolio to meet obligations on a daily basis. In addition, abrdn Life has the contractual ability to suspend transactions for a period of time on the Arbour business and indefinitely on its other business, where this is considered to be in the interests of policyholders.

Liquidity requirements for assets managed under SIM contracts depend upon client-specific requirements, noting that the assets managed under these contracts remain the legal property of the client.

The Investor Protection Committee (IPC) supports the CEO of abrdn Life in considering open-ended fund liquidity matters considering both asset and liability risks of funds. These responsibilities include the monitoring, oversight and technical operation of the firm's product, including liquidity management. For less liquid open-ended funds such as those primarily invested directly in Real Estate, the IPC will set a series of liquidity triggers which are regularly monitored. Where one of these triggers is breached, it will be immediately escalated to IPC members, with an ad-hoc meeting arranged if the breach is deemed to be material.

A report is provided on behalf of the IPC to the quarterly abrdn Life board to summarise the liquidity position of key funds under the IPC's consideration.

Where the IPC deems that suspension of a fund is in the best interests of all investors, it will make a recommendation to a special Suspension Committee consisting of at least two abrdn Life board directors.

There has been no material change to liquidity risk or how it is measured over the reporting period, although, as mentioned above, abrdn Life's ability to suspend policyholder transactions is more limited on the Arbour business compared its other business.

C.5 Operational risk

Operational risk means the risk of loss or adverse consequences for the business resulting from inadequate or failed internal processes, people and systems or from external events.

abrdn Life has a low tolerance to operational risk and considers operational risk in respect of internal processes, personnel or systems as being transferred to all or third party suppliers through outsourced service agreements. Despite this risk transfer, abrdn Life maintains a risk register that captures key potential operational risks and the controls in place, and the risk register is reviewed regularly with any additional controls/risk mitigation considered by the abrdn Life Risk Committee. The Group's Operational Risk Management Policy applies to all services carried out by all for abrdn Life.

Operational risk from external events is primarily managed by ensuring compliance with current regulation and legislation, and by maintaining the ability to react appropriately to external risks and issues. As part of its ORSA process, abrdn Life considers the impact of external influences on its business model and considers the management actions that might be taken to address any issues.

There has been no material change to operational risk or how it is measured over the reporting period.

C.6 Other material risks

Climate change risk

Climate change risk means the risk arising from a fall in the value of investments or an increase in expenses or insurance liabilities caused by climate change. This could include transition risks when moving towards a less polluting, greener economy and physical risks that are a consequence of climate change. The speed of transition to a greener economy could affect certain economic sectors and financial stability. Physical risks from climate change are more frequent or severe weather events like flooding, droughts and storms resulting in damage to real estate assets, operational issues or weather-related insurance claims.

Climate change risk can, therefore, manifest in a number of other risk categories such as underwriting, market, credit and operational risk.

Given the nature of the business written, abrdn Life considers the primary risk to its business from climate change is a potential fall in the value of investments.

All assets managed by or on behalf of abrdn Life are managed in accordance with the Group approach for managing climate change risks. Based on a number of key areas of focus, the Group approach provides high-quality data and insights on climate change trends, risks and opportunities. This is integrated into decision making, driving positive outcomes for our clients and supports the transition to a low-carbon economy. As noted previously, the following site provides information relating to ESG arrangements (including climate change): www.aberdeeninvestments.com/en-gb/institutional/funds/our-life-fund-range

Furthermore, as discussed in Section C.2:

- Shareholder assets are invested in short-term instruments that are unlikely to be materially affected by transition risks.
- The risk of fluctuations in income due to falls in asset values is managed, where possible, by making expenses sensitive to the volume of charges received.

This means that the impact on abrdn Life of any climate change related market risks, if they materialise, would be limited.

abrdn Life is not exposed directly to climate change related insurance risks but has considered the potential impact of climate change on lapses, which may be triggered by higher population mortality, and on expenses, which may arise on transition or in response to physical risks. It has assessed the potential impact of these risks as low given the risk mitigation measures in place as discussed in Section C.1.

Group risk

Group risk is a risk of failure of companies in the Group, including all, or the Group as a whole. abrdn Life has no appetite for Group risk but has a high tolerance to it and, in general, accepts the risk without management, reflecting the rationale for the existence of abrdn Life.

Within Group risk, abrdn Life closely manages all's obligations to compensate abrdn Life for any operational risk losses. In addition to the contractual protections given in the internal and external outsourcing agreements, abrdn Life also considers the capital position and the extent of insurance cover maintained by all in determining the ongoing security of the outsourcing arrangement.

It should be noted that in the event of any significant Group issues, abrdn Life has the ability to terminate most contracts at three months' notice. However, the majority of contracts brought over from Phoenix Life Limited under Arbour do not have such a provision. For such contracts, it is considered that the business would be able to undertake a closure by consent over a relatively short period of time should this be deemed in the best interests of policyholders.

Currency risk

abrdn Life has limited exposure to currency risk from overseas assets held within certain unit-linked funds or managed under certain SIM contracts. Exchange rate fluctuations will result in fluctuations in charges which are based on sterling-equivalent asset values. This risk of fluctuations in income is managed, where possible, by making expenses sensitive to the volume of charges received.

C.7 Any other information

There is no other material information regarding the risk profile of the Company.

D. Valuation for solvency purposes

D.1 Assets

abrdrn Life's assets are primarily those held to back unit-linked liabilities. The Solvency II valuation for each material class of asset is contained in Quantitative Reporting Template (QRT) reference IR.02.01.02 and shown in the box below.

Section 2 of the Valuation part of the PRA Rulebook requires that assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction. This valuation basis is similar to the 'fair value' accounting concept which is defined within IFRS 13 as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

abrdrn Life has prepared its financial statements in accordance with FRS 101 and the Companies Act 2006. This basis requires many assets and liabilities to be recognised at fair value in accordance with IFRS 13 (in which the term 'fair value' is defined). Other assets and liabilities are short-term in nature and there is no material difference between their carrying value and fair value. Abrdrn Life is not required to, and has not, compiled financial statements as at 30 June 2025.

At 30 June 2025, the differences between the value of assets for solvency purposes and the value of assets that would be reported in the financial statements (if financial statements had been prepared) are:

- Goodwill and other intangible assets included in the financial statements (reflecting the acquisition of the Arbour business) are given zero value for solvency purposes.
- An allowance for a best estimate of default is applied to the reinsurance recoverables reported on the Solvency II balance sheet. The reinsurance recoverables are reported in the financial statements as part of the assets held for index-linked and unit-linked contracts, without a default deduction.

At 31 December 2024, there was no difference between the value of assets for solvency purposes and the value of assets reported in the financial statements.

The methodology for valuing and recognising assets are summarised below:

Balance sheet category	Accounting policy	Further detail of balances	Management accounts basis value 30-Jun-25 £m	Solvency II value 30-Jun-25 £m	Solvency II value 31-Dec-24 £m ²	QRT IR.02.01.02 Reference
Goodwill and other intangible assets	Amortised cost	Acquisition of Arbour business	3.83	0	N/A	R0010
Collective Investments Undertakings	Fair value – using quoted market prices in active ¹ markets	Primarily investment in quoted liquidity funds	15.67	15.67	14.24	R0180
Assets held for index-linked and unit-linked contracts	Fair value – using quoted market prices in active ¹ markets or other valuation techniques as disclosed in the financial statements where necessary	Assets held within the linked funds, primarily equities, property and holdings in collective funds.	3,600.87	3280.33	664.69	R0220
Reinsurance recoverable from Life index-linked and unit-linked	The reinsurance recoverable is reported in the financial statements as part of the assets held for index-linked and unit-linked contracts, without a default deduction.	Reinsured unit-linked liabilities	N/A	320.45 ³	N/A	R0340
Insurance and intermediaries receivables	Amortised cost – due to short-term nature of the receivables there is no material difference between the carrying value and fair value	Outstanding sales/ liquidations	1.61	1.61	1.95	R0360
Receivables (trade, not insurance)	Amortised cost – due to short-term nature of the receivables there is no material difference between the carrying value and fair value	Accrued income Prepayments Other debtors	3.13	3.13	0.95	R0380
Cash and cash equivalents	Amortised cost – based on statement values	Cash balances held	3.19	3.19	6.28	R0410

1. Active market as defined in International Financial Reporting Standard 13 – Appendix A.

2. There was no difference between the financial statements and Solvency II value for these assets at 31 December 2024.

3. The value shown includes a deduction to allow for the best estimate of default, which is based on historical default rates for financial firms of equivalent credit rating to the reinsurer.

No other material assumptions or judgements have been used, (or contribute to uncertainty) in the valuation of assets.

D.2 Technical provisions

There are three lines of business, the TIP unit-linked insurance business, unit-linked reinsurance accepted on similar terms and SIM business. All business is pensions business.

The technical provisions at the valuation date are shown in the table below.

	As at 30-Jun-25 (£m)				As at 31-Dec-24 (£m)			
	SIM	TIP	Reinsurance accepted	Total	SIM	TIP	Reinsurance accepted	Total
Unit reserve	-	3,038.58	562.29	3,600.87	-	125.92	538.77	664.69
Value of in-force business	(0.12)	(3.79)	(0.70)	(4.62)	-	-	-	-
Risk margin	0.02	0.92	0.17	1.11	0.00	0.00	0.02	0.02
Total technical provisions	(0.10)	3,035.70	561.76	3,597.37	0.00	125.92	538.79	664.72

Given the similarities between them, the same methods are used to determine the technical provisions for all lines of business written. The assumptions used are also the same other than where highlighted below.

Technical provisions have been determined for unit-linked business as the sum of the unit reserve, value of the in-force business (VIF) and the risk margin. The SIM technical provisions are the sum of the VIF for that business and the risk margin.

The movement in technical provisions is dominated by the increase in the unit reserve of £2,936.18m. This primarily reflects the transfer of the Arbour business.

The VIF reflects the present value of the projected excess of income over expenses over the projection period. The £4.62m increase in the VIF reflects the impacts of the Arbour transfer and is discussed further in sub-section D.2.1 below.

The risk margin, which is a function of the operational risk SCR, life underwriting risk SCR and non-bank counterparty default risk SCR, has increased by £1.09m. This increase reflects the movement in these components of the SCR following the acquisition of the Arbour business (see sub-section E.2).

D.2.1 Unit reserve and VIF

The unit reserve is the value of units allocated to in-force unit-linked contracts at the valuation date, as disclosed in the financial statements (unit liabilities). The unit reserve is included in the best estimate liability reported on form IR.02.01.02 in Appendix 1.

The VIF has been determined, using recognised actuarial methods, as a best estimate calculation of the present value of the excess of policy charges over expenses, where a positive VIF is shown as a negative liability. The VIF is included in the best estimate liability reported on form IR.02.01.02 in Appendix 1.

A deterministic cash-flow projection method is used to calculate the VIF. At 31 December 2024, the VIF projection was limited to three months. This reflected the Company's ability to terminate all contracts in force at that date, subject to a three-month notice period. The use of a short projection period had been discussed with the PRA and was considered by the Board to be a proportionate simplification compared to performing a long-term projection in accordance with section 27 of the PRA's Technical Provision: Further requirements Rulebook. The absence of a similar termination clause on the Arbour business means the three-month projection used historically can no longer be justified and, as at 30 June 2025, a long-term projection has been used. The projection period is set to be equal to the term over which the Company avoids losses plus a further twelve months, using best estimate projection assumptions but no management actions. The projection period is curtailed at this duration on the assumption that actions from the Company's Board-approved management action plan, could be taken to avoid indefinite losses. At 30 June 2025, the VIF is enhanced from the application of the MSA and IMA expense agreement which is described in sub-section C.1. The influx of business from the Arbour transfer leads to an expected increase in expenses and, consequently, an expected increase in the operational risk SCR. Fees payable under the MSA and IMA are restricted to ensure that the Company can cover the anticipated increase in the operational risk SCR, together with abrdn Life's target margin of solvency cover on that increase, from post-tax profits.

The projection involves estimating the policy charges and expenses cash flows that the Company expects to receive and incur respectively in each month of the projection period, based on the business in force at the valuation date and using best estimate projection assumptions. The policy charge cash flows are projected separately for the unit-linked and SIM business. Expense cash flows are projected in aggregate, using the separately projected policy charge cash flows where relevant. The net 'charges less expenses' cash-flow in each month is then discounted to the valuation date to give a present value.

The policy charges cash flows are fund charges (giving rise to fee income) which are either deducted directly from unit-linked funds, or otherwise invoiced directly to policyholders. A proportion of fee income may be reimbursed to policyholders by way of a fee rebate.

The expenses cash flows fall into three categories:

- Expenses that are a percentage of net fee income received as contractually defined in the contractual agreements between the Company and all.
- Administration and custodian services charges as contractually defined in the services agreements between the Company and external third parties.
- Other expenses that are fixed or variable monetary amounts (direct expenses).

The administration and custodian service charges depend to an extent upon transaction volumes and are in part met by policyholders by way of recharges to the unit-linked funds used to determine policyholder benefits. The element of such fees met by policyholders is estimated based on recent experience and modelled at 30 June 2025 as a reduction in the best-estimate unit growth rate. As at 31 December 2024, this element was ignored in the VIF calculation on grounds of materiality. The projected element met by the Company is based on recent experience.

Net fee income is defined as fee income received less any fee rebates reimbursed to policyholders less the share of administration and custodian service charges met by the Company, less fees payable to Phoenix Life by the Company in respect of the liabilities reinsured to Phoenix Life.

The assumption for direct expenses is based on the Company's expectations taking into account experience over the 6 months to the valuation date and any anticipated changes.

Economic assumptions are based on market data at the valuation date. Withdrawal assumptions are based on actual experience of the non-Arbour unit-linked business over a six year period to the 31 December 2024, adjusted as necessary to make appropriate allowance for extraordinary events. There is insufficient experience data to derive credible withdrawal assumptions separately for the SIM business as it was introduced at the end of 2018 and includes a very small number of policyholders. Similarly, Abrdn Life has insufficient data to derive withdrawal assumptions separately for the Arbour business acquired in 2025. It is assumed that the average rate of fund charge on the in-force business at the valuation date is maintained throughout the projection period, with the average rate of fund charge determined separately for the unit-linked and SIM business.

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

D.2.2 Risk margin

The risk margin has been assessed in accordance with the methodology set out in the sections 4, 4A and 4B of the PRA Technical Provisions Rulebook as the cost of holding an adjusted SCR over the projected run-off of the business.

At 30 June 2025, the SCR in future periods is estimated by applying relevant stresses to the projected balance sheet, where the projected balance sheet uses best estimate projection assumptions. The elements of the SCR in future periods are either calculated directly, from the projected balance sheet, or are estimated as being proportional to projected policyholder assets under management. The SCR used in the calculation of the risk margin has the bank counterparty default and market risk modules set equal to zero on the assumption that these risks could be hedged if required.

The risk margin has been apportioned across the three lines of business in proportion to their expense allocation. This is considered a proportionate and appropriate approach as the risk margin is primarily driven by the operational risk SCR which is a function of expenses. The impact of using a different apportionment method would not be material to the overall technical provisions by line of business.

D.2.3 Simplifications

The VIF has been determined using an aggregate approach. Under the aggregate approach, policy charge cashflows are projected in aggregate, split only between unit-linked and SIM business and expense cash flows are projected for the business as a whole, not at an individual policy level. The resulting VIF is then apportioned between unit-linked and SIM business based on their respective anticipated contribution to fee income less expenses. The unit-linked VIF is then apportioned between reinsurance accepted and TIP business based on the size of their respective unit reserve.

This approach involves the following simplifying assumptions:

- A single rate of surrender is used across all funds and all lines of business. In reality, surrender rates are likely to vary by fund and line of business. However, surrender rates for the business written by the Company are very hard to predict as they will depend on a number of factors including relative investment performance, market sentiment over a particular fund, the individual circumstances of the policyholder and the size of the policyholder's investment with the Company. However, given the value of the VIF compared to the total technical provisions, more granular assumptions are unlikely to lead to materially different technical provisions.

- The approach used to apportion the VIF between lines of business implicitly assumes that expenses defined as monetary amounts (as opposed to percentage of policy charges) are apportioned over individual policies on a pro rata basis based on the monetary amount of annual policy charge each policy is expected to generate. A different allocation of the monetary expenses would not change the overall VIF, given the way expenses are determined, but could affect the split of the total between the lines of business. Given that the Company considers monetary expenses at a company level, this implicit apportionment, effectively by ability to pay, is not unreasonable, especially taking into account the low materiality of the VIF compared to the total technical provisions.

D.2.4 Uncertainty associated with the value of technical provisions

The methodology employed is proportionate to the nature, scale and complexity of the risks accepted by the Company.

There are no material deficiencies in the data used for the technical provisions.

All business written is unit-linked pensions business or pensions investment management with no investment guarantees. The unit liabilities are matched by holding the assets upon which the unit liabilities are determined.

The expense agreements in place between the Company and others within the Group are such that the Company typically retains only a modest percentage of net fee income out of which it needs to meet direct expenses. The retained amount is however increased, potentially up to 100%, if it would otherwise be insufficient to cover the direct expenses.

Although the VIF depends upon the projection assumptions, the result is small in comparison to the overall technical provisions, which are dominated by the value of the unit liabilities.

Consequently, if different plausible assumptions or more complex methodology were to be used, the technical provisions would not be materially different.

D.2.5 Reconciliation with financial statements

All unit-linked contracts written by the Company are treated as investment contracts under applicable accounting rules. The accounting treatment for such contracts is to value the contracts at 'fair value', essentially the market value of the assets within the unit-linked funds, and no less than the amount that would be payable on immediate surrender.

The assets managed by the Company under SIM contracts are not shown in the financial statements.

The technical provisions reported in the Company's financial statements, if they had been compiled at 30 June 2025, would be the unit liabilities of £3,600.87. At 30 June 2025 the technical provisions for solvency purposes are £3.51m lower (31 December 2024: £0.02m higher) than the technical provisions reported in the financial statements, reflecting the VIF and the risk margin held for solvency purposes.

D.2.6 Adjustments and transitional arrangements

The Company does not use a matching adjustment, a volatility adjustment, the transitional adjustment in respect to the risk-free interest rate-term structure or the transitional measure on technical provisions.

D.2.7 Reinsurance

At 30 June 2025, the Company had a reinsurance recoverable of £320.54m in respect of the investment only unit-linked reinsurance with Phoenix Life.

The Company has transferred no risks to special purpose vehicles.

D.2.8 Material changes in assumptions

The Company has made no material changes to assumptions since 31 December 2024 other than the change in projection period discussed in sub-section D.2.1.

D.3 Other liabilities

At 30 June 2025, the value of other liabilities for solvency purposes was £6.53m (31 December 2024: £3.21m). This is £0.88m higher than the value that would be reported in the financial statements, if financial statements had been compiled at 30 June 2025. The difference is due to a deferred tax liability calculated on the sum of the VIF and risk margin. The values, basis of valuation and explanation of balances held are shown below. References (in brackets) are also given to where amounts can be found on QRT IR.02.01.02.

D.3.1 Trade and other payables

Balances are initially measured at fair value less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. In practice the carrying values equate to the fair values due to the

short-term nature of the amounts. Insurance & intermediaries payables £1.61m (R0820) (31 December 2024: £1.95m), Trade and other payables £4.05m (R0840) (31 December 2024: £1.27m).

D.3.2 Deferred tax liabilities

Where the technical provisions for solvency purposes are lower than the technical provisions that would be reported in the financial statement, due to the inclusion of the VIF and risk margin for solvency purposes, a deferred tax liability is established on the difference using an undiscounted tax rate of 25%. Deferred tax liabilities £0.88m (R0780) (31 December 2024: £Nil).

D.3.3 Contingent liabilities

The IFRS valuation (prescribed by IAS 37) defines a contingent liability as:

- A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
- A present obligation that arises from past events but is not recognised because; (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability will be disclosed under IFRS but not recognised. Section 7 of the PRA Valuation Rulebook states that contingent liabilities should be recognised if considered 'material'.

As at 30 June 2025 and 31 December 2024, the Company has concluded it holds no contingent liabilities.

D.4 Alternative methods for valuation

As at 30 June 2025, assets held included holdings in collective investment undertakings which require valuation techniques which are classified as alternative valuation methods under Solvency II categorisations.

Investment properties are valued by accredited independent valuers with a recognised and relevant professional qualification, as well as recent experience in the locations and segments of the investment properties being valued.

These valuations are performed in accordance with the Royal Institution of Chartered Surveyors ("RICS") requirements on disclosure for Regulated Purpose Valuations (as set out in the current RICS valuation – UK National Supplement published by the Royal Institution of Chartered Surveyors), which is incorporated in the RICS Valuation – Global Standards (RICS Red Book). The Red Book contains mandatory rules, best practice guidance and related commentary for all members of RICS conducting property valuations.

Aberdeen appoints a suitable valuer to undertake a valuation of all the direct real estate investments on a monthly basis. Aberdeen also meets with the valuer on a monthly basis to ensure that the valuer is aware of all relevant information for the valuation and any change in the investment over the month.

Valuation uncertainty is considered immaterial given daily pricing of collectives held.

D.5 Any other information

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

E. Capital management

E.1 Own funds

The Company seeks to maintain sufficient capital resources of appropriate quality to give policyholders assurance of our financial strength and to satisfy the requirements of the regulators. The capital management policy is designed to ensure that all capital requirements are met out of retained profits without the need to seek other forms of capital.

All of the Company's own funds are classified as Tier 1 basic own funds comprised of equity, retained earnings and the VIF, and are available to provide cover for both the SCR and the MCR without restriction. Own funds are predominately invested to preserve capital values, typically in a diverse portfolio of cash and short-dated instruments.

The Company performs financial projections under central and adverse scenarios to assess the capital required over a three-year business planning period.

E.1.1 Capital Management Policy

The Company may distribute by way of dividend the full amount of distributable profits disclosed in the audited accounts each year, or other amount as agreed provided that, following such payment abrdn Life will continue to hold a level of cover, as deemed appropriate by the Board, above the appropriate regulatory requirement applicable to the Company, or such other amount as may be agreed and having regard to the Company's business plan.

The Company's policy is to hold sufficient capital such that it may be treated under section 3E12 of the PRA Solvency Capital Requirement – Standard Formula Rulebook as being equivalent to an entity with credit quality step 1 or any other maximum requirement applicable to the Company. This target has been set in order that the Company is able to demonstrate adequate financial strength but is not intended to represent any particular risk appetite.

The Board may cancel, amend or withhold dividends at any time prior to payment if such cancellation or amendment is necessary for the Company to meet regulatory requirements or its internal targets.

Prior approval by the PRA is not required by the Board for any dividend payment if the risk appetite of the company is maintained. However, the Company will notify the PRA of any dividend proposals.

There have been no material changes to the capital management policy over the reporting period. Any change in the capital management policy is required to be approved by the Board.

The Company monitors its capital position on an ongoing basis. Own funds at 30 June 2025 are as follows:

	As at 30-Jun-25 £m	As at 31-Dec-24 £m
Tier 1 unrestricted		
Ordinary share capital	6.50	6.50
Reconciliation reserve	13.98	13.68
Total own funds	20.48	20.18
Solvency Capital Requirement (SCR)	7.35	0.74
SCR cover	279%	2,736%
Minimum Capital Requirement (MCR)	3.50	3.50
MCR Cover	585%	577%

The total own funds have increased since 31 December 2024. This primarily reflects the increase in the net of tax contribution to own funds from the excess of the VIF over the risk margin (£3.53m) and profits over the six months to 30 June 2025 (£1.57m), offset by the Arbour transfer acquisition payment of £4.00m (see sub-section A.1). SCR cover has fallen as a result of the increase in the SCR, that is discussed further in Section E.2, offset by the increase in own funds.

The Company's MCR equals the absolute floor of £3.50m as set out in regulation.

The reconciliation reserve comprises retained profits and the difference between the technical provisions and other liabilities for solvency purposes and the technical provisions and other liabilities reported in the financial statements.

At 30 June 2025, the difference between equity that would be shown in the financial statements, if they had been compiled, and the excess of assets over liabilities used for solvency purposes arises from the net of tax combined impact of the VIF and the risk margin that is not recognised in the financial statements but is reflected in the reconciliation reserve.

No basic own funds are subject to the transitional arrangements referred to in section 4 of the PRA Transitional Measures Rulebook. There are no ancillary own funds and no deductions made from the own funds.

There are no deferred tax assets as at 30 June 2025.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The SCR is determined using the standard formula. The SCR and MCR as at 30 June 2025 are shown below.

	As at 30-Jun-25 £m	As at 31-Dec-24 £m
Solvency Capital Requirement		
Operational risk	0.67	0.50
Market risk	2.99	0.35
Life underwriting risk	3.19	0.04
Counterparty default risk	5.27	0.24
Diversification across risk modules	(3.21)	(0.14)
Tax adjustment	(1.57)	(0.25)
Total SCR	7.35	0.74
Minimum Capital Requirement	3.50	3.50

Primarily as a consequence of the acquisition of the Arbour business, the total SCR has increased by £6.61m to £7.35m at 30 June 2025. The main contributions are:

- An increase in the counterparty default risk capital requirement, primarily reflecting the introduction of unit-linked investment only reinsurance ceded to Phoenix Life.
- An increase in the life underwriting risk capital requirement, primarily reflecting the increase in the VIF following the Arbour transfer (see sub-section D.2.1), where the proportion of that increased VIF lost under the lapse stress contributes to the capital requirement.
- An increase in market risk, again primarily reflecting the increase in the VIF following the Arbour transfer and the loss of a proportion of the increased VIF under the market stresses applied to linked assets.

The tax adjustment, also known as the loss absorbing capacity of deferred taxes (LACDT), is £1.57m (21 December 2024: £0.25m) and is calculated in accordance with sections 6.4 and 6.5 of the PRA Solvency Capital Requirement – Standard Formula Rulebook and PRA Statement of Policy – Solvency II: The PRA's approach to Standard Formula adaptations. In particular, the Company considers the use of future profits to justify an element of the LACDT (explained further below) meets the transitional conditions of section 6.5 of the PRA Solvency Capital Requirement – Standard Formula Rulebook. The Company is seeking a rule waiver in accordance with PRA Statement of Policy – Solvency II: The PRA's approach to Standard Formula adaptations, to continue to use future profits in justifying the LACDT after 30 December 2025. The increase in the tax adjustment over the reporting period to 30 June 2025 primarily reflects the increase in the sum of the other elements of the SCR, noting that the benefit of the LACDT is limited to the extent of available offsetting profits.

The LACDT at 30 June 2025 comprises:

- £0.88m from the reversal of the deferred tax liability established for solvency purposes in respect of the VIF and risk margin (see sub-section D.3.2)
- £0.52m from the reversal of anticipated tax payable in respect of profits earned over the six months to 30 June 2025.
- £0.17m from the offset of future profits, where the future profits available are assumed to be equal to the SCR for operational risk on the basis that, if an operational loss equal to the SCR for operational risk was incurred, the Company would receive the same amount as compensation under the MSA with all, as described in Section B.7.1.

The Company has not applied any of the simplifications outlined in section 7 of the PRA Solvency Capital Requirement – Standard Formula Rulebook. At 31 December 2024, the Company took a proportionate and simplified approach to calculating the SCR for market risk in that all unit-linked assets and assets managed under SIM policies were assumed to be invested in 'Type 2' equities as defined in section 3D7 of the PRA Solvency Capital Requirement – Standard Formula Rulebook. This approach was confirmed as acceptable by the PRA subject to ongoing monitoring. At 30 June 2025, following the Arbour transfer, the SCR for market risk on unit-linked assets is calculated by 'looking-through' to the underlying assets and applying the appropriate market stresses to each asset, based on the type of asset. Assets managed in relation to SIM policies continue to be assumed invested in 'Type 2' equities.

No undertaking specific parameters are used to calculate the SCR pursuant to the PRA Solvency Capital Requirement – Undertaking Specific Parameters Rulebook.

The PRA does not require the Company to use any undertaking specific parameters and has not applied a capital add-on to the Company's SCR.

The MCR calculation is set out in the PRA Minimum Capital Requirement Rulebook. Given the nature of the Company's business, the required inputs to the calculation that are not defined under the regulations are limited to:

- The technical provisions excluding the risk margin for unit-linked life insurance and reinsurance obligations of £3,596.38m (31 December 2024: £664.69m).
- The technical provisions excluding the risk margin for other life insurance and reinsurance obligations (SIM business) of – £0.12m (31 December 2024: £nil).
- The amount of capital at risk. Given payments made under the contracts issued by the Company are not directly contingent on death, the capital at risk is taken to be zero.

The MCR for the Company is currently based on the £3.50m monetary minimum set out in regulations.

E.3 Differences between the standard formula and any internal model used

The Company is not using an internal model.

E.4 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

The Company has complied fully with both the MCR and SCR during the reporting period.

E.5 Any other information

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

Statement of Directors' Responsibilities

The Directors acknowledge their responsibility for the preparation of the Solvency and financial condition report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations, which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under Section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based, as detailed in the Prudential Regulation Authority waivers and discretions section of this document.

The Board is satisfied that the best of its knowledge and belief:

- (a) Throughout the financial year to date to 30 June 2025, abrdn Life has complied in all material respects with the requirements of the PRA rules and Solvency II Regulations as applicable to the Company; and
- (b) It is reasonable to believe that in respect of the period from 30 June 2025 to the date of publication of the SFCR the Company has continued so to comply and will continue so to comply for the remainder of the financial year to 31 December 2025.

The SFCR was approved by the Board and signed on its behalf by the following Director.



Aron Mitchell

Director and Chief Executive Officer
abrdn Life and Pensions Limited (abrdn Life)
17 September 2025

Prudential Regulation Authority waivers and discretions

The waivers and discretions in the table below apply to abrdrn Life:

Description	Reference	Date of approval	Applicable from
Reporting 2.2 (1) AR Modification of Solvency II quarterly reporting requirements	00009433	7th January 2025	31st December 2024
Modifies financial conglomerate assessment for Group supervision	0004830	16th May 2022	16 th May 2022

Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategies, targets (including ESG targets), objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts.

Forward-looking statements are prospective in nature and are not based on historical or current facts, but rather on current expectations, assumptions and projections of management of the Group about future events and are therefore subject to known and unknown risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

For example but without limitation, statements containing words such as 'may', 'will', 'should', 'could', 'continues', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'ensure', 'seeks', 'targets' and 'anticipates', and words of similar meaning (including the negative of these terms), may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate.

By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and/or depend on circumstances which may be or are beyond the Group's control, including, among other things: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU, the ongoing conflict between Russia and Ukraine and the ongoing conflicts in the Middle East); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions, disposals or combinations undertaken by the Company or its affiliates and/or within relevant industries; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the value of and earnings from the Group's strategic investments and ongoing commercial relationships; default by counterparties; information technology or data security breaches (including the Group being subject to cyberattacks); operational information technology risks, including the Group's operations being highly dependent on its information technology systems (both internal and outsourced); natural or man-made catastrophic events; the impact of pandemics; climate change and a transition to a low-carbon economy (including the risk that the Group may not achieve its relevant ESG targets); exposure to third-party risks including as a result of outsourcing; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities and the impact of changes in capital, solvency or accounting standards, ESG disclosure and reporting requirements, and tax and other legislation and regulations (including changes to the regulatory capital requirements) that the Group is subject to in the jurisdictions in which the Company and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements.

Neither the Company, nor any of its associates, directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Persons receiving this document should not place reliance on forward-looking statements. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Each forward-looking statement speaks only as at the date of the particular statement. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' future results.

Appendix 1 – Quantitative reporting templates (QRTs)

Contents

The following QRTs are required for the SFCR:

QRT ref	QRT Template name
IR.02.01.02	Balance Sheet
IR.05.02.01	Premiums, claims and expenses by country
IR.05.03.02	Life income and expenditure
IR.12.01.01	Life Technical Provisions
IR.23.01.01	Own Funds
IR.25.04.21	Solvency Capital Requirement
IR.28.01.01	Minimum Capital Requirement – only Life or only non-life activity

All figures are shown in £'000s.

IR.02.01.02 Balance sheet

Assets	CHM	Solvency II value C0010
Goodwill	R0010	-
Deferred acquisition costs	R0020	-
Intangible assets	R0030	-
Deferred tax assets	R0040	-
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	-
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	15,670
Property (other than for own use)	R0080	-
Holdings in related undertakings, including participations	R0090	-
Equities	R0100	-
Equities - listed	R0110	-
Equities - unlisted	R0120	-
Bonds	R0130	-
Government Bonds	R0140	-
Corporate Bonds	R0150	-
Structured notes	R0160	-
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	15,670
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	-
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	3,280,329
Loans and mortgages	R0230	-
Loans on policies	R0240	-
Loans and mortgages to individuals	R0250	-
Other loans and mortgages	R0260	-
Reinsurance recoverables from:	R0270	320,449
Non-life and health similar to non-life	R0280	-
Life and health similar to life, excluding index-linked and unit-linked	R0315	-
Life index-linked and unit-linked	R0340	320,449
Deposits to cedants	R0350	-
Insurance and intermediaries receivables	R0360	1,610
Reinsurance receivables	R0370	-
Receivables (trade, not insurance)	R0380	3,127
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	3,193
Any other assets, not elsewhere shown	R0420	-
Total assets	R0500	3,624,378

Liabilities	CHM	Solvency II value C0010
Technical provisions – total	R0505	3,597,367
Technical provisions – non-life	R0510	-
Technical provisions – life	R0515	3,597,367
Best estimate – total	R0542	3,596,255
Best estimate – non-life	R0544	-
Best estimate – life	R0546	3,596,225
Risk margin – total	R0552	1,112
Risk margin – non-life	R0554	-
Risk margin – life	R0556	1,112
Transitional (TMTP) – life	R0565	-
Other technical provisions	R0730	-
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	-
Pension benefit obligations	R0760	-
Deposits from reinsurers	R0770	-
Deferred tax liabilities	R0780	876
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	1,610
Reinsurance payables	R0830	-
Payables (trade, not insurance)	R0840	4,045
Subordinated liabilities	R0850	-
Subordinated liabilities not in Basic Own Funds	R0860	-
Subordinated liabilities in Basic Own Funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	-
Total liabilities	R0900	3,603,898
Excess of assets over liabilities	R1000	20,479

IR.05.02.01 – Premiums, claims and expenses by country

			Home Country	Top 5 countries (by amount of gross premiums written) - life obligations					Total Top 5 and home country
		CHM	C0150	C0160	C0170	C0180	C0190	C0200	country C0210
		R1400							
			C0220	C0230	C0240	C0250	C0260	C0270	C0280
Premiums written	Gross	R1410	160,335						160,335
	Reinsurers' share	R1420	-						-
	Net	R1500	160,335	-	-	-	-	-	160,335
Premiums earned	Gross	R1510	-						-
	Reinsurers' share	R1520	-						-
	Net	R1600	-	-	-	-	-	-	-
Claims incurred	Gross	R1610	155,638						155,638
	Reinsurers' share	R1620	-						-
	Net	R1700	155,638	-	-	-	-	-	155,638
	Net expenses incurred	R1900	1,316						1,316

IR.05.03.02 Life income and expenditure

			Insurance with profit participation C0010	Index-linked and unit- linked insurance C0020	Life annuities C0030	Non-life annuities C0040	Other life insurance C0050	Health insurance C0060	Total life and health C0070
	Gross direct business	R0010	-	148,444	-	-	-	-	148,444
	Gross reinsurance accepted	R0020	-	11,891	-	-	-	-	11,891
Premiums written	Gross	R0030	-	160,335	-	-	-	-	160,335
	Reinsurers' share	R0040	-	-	-	-	-	-	-
	Net	R0050	-	160,335	-	-	-	-	160,335
	Gross direct business	R0110	-	122,149	-	-	-	-	122,149
	Gross reinsurance accepted	R0120	-	33,488	-	-	-	-	33,488
Claims incurred	Gross	R0130	-	155,638	-	-	-	-	155,638
	Reinsurers' share	R0140	-	-	-	-	-	-	-
	Net	R0150	-	155,638	-	-	-	-	155,638
	Gross direct business	R0160	-	1,022	-	-	-	-	1,022
	Gross reinsurance accepted	R0170	-	294	-	-	-	-	294
Expenses incurred	Gross	R0180	-	1,316	-	-	-	-	1,316
	Reinsurers' share	R0190	-	-	-	-	-	-	-
	Net	R0200	-	1,316	-	-	-	-	1,316
Other expenses		R0300							-
Transfers and dividends	Dividends paid	R0440							-

IR.12.01.01 Life technical provisions

		Insurance with profit	Index-linked and unit-linked					
		participation	insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
Best Estimate		C0010	C0020	C0030	C0040	C0050	C0060	C0070
Gross Best Estimate	R0030	-	3,596,376	-	-	(121)	-	3,596,255
Gross Best Estimate (direct business)	R0025	-	3,034,785	-	-	(121)	-	3,034,664
Gross Best Estimate (reinsurance accepted)	R0026	-	561,591	-	-	-	-	561,591
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	-	320,449	-	-	-	-	320,449
Best estimate minus recoverables from reinsurance/SPV and Finite Re	R0090	-	3,275,926	-	-	(121)	-	3,275,805
Risk Margin	R0100	-	1,089	-	-	23	-	1,112
Amount of the transitional on Technical Provisions								
Transitional Measure on Technical Provisions	R0180	-	-	-	-	-	-	-
TMTP – risk margin	R0140	-	-	-	-	-	-	-
TMTP – best estimate dynamic component	R0150	-	-	-	-	-	-	-
TMTP – best estimate static component	R0160	-	-	-	-	-	-	-
TMTP – amortisation adjustment	R0170	-	-	-	-	-	-	-
Technical provisions – total	R0200	-	3,597,465	-	-	(98)	-	3,597,367

IR.23.01.01 Own funds

	CHM	Total C0010	Tier 1 - unrestricted C0020	Tier 1 - restricted C0030	Tier 2 C0040	Tier 3 C0050
Basic own funds						
Ordinary share capital (gross of own shares)	R0010	6,500	6,500		-	
Share premium account related to ordinary share capital	R0030	-	-		-	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	-	-			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	13,979	13,979			
Subordinated liabilities	R0140	-		-	-	-
An amount equal to the value of net deferred tax assets	R0160	-				
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	-				
Total basic own funds	R0290	20,479	20,479	-	-	-
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-			-	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	-			-	-
Letters of credit and guarantees	R0340	-			-	
Letters of credit and guarantees other	R0350	-			-	
Supplementary members calls	R0360	-			-	
Supplementary members calls - other	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	20,479	20,479	-	-	-
Total available own funds to meet the MCR	R0510	20,479	20,479	-	-	
Total eligible own funds to meet the SCR	R0540	20,479	20,479	-	-	-
Total eligible own funds to meet the MCR	R0550	20,479	20,479	-	-	
SCR	R0580	7,346				
MCR	R0600	3,500				
Ratio of Eligible own funds to SCR	R0620	278.78%				
Ratio of Eligible own funds to MCR	R0640	585.12%				

IR.23.01.01.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	20,479
Own shares (held directly and indirectly)	R0710	-
Foreseeable dividends, distributions and charges	R0720	-
Deductions for participations in financial and credit institutions	R0725	-
Other basic own fund items	R0730	6,500
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-
Reconciliation reserve	R0760	13,979

IR.25.04.21 Solvency Capital Requirement

	CHM	C0010
Net of loss-absorbing capacity of technical provisions		
Market risk	R0140	2,990
Interest rate risk	R0070	66
Equity risk	R0080	2,005
Property risk	R0090	894
Spread risk	R0100	279
Concentration risk	R0110	211
Currency risk	R0120	125
Other market risk	R0125	-
Diversification within market risk	R0130	(589)
Counterparty default risk	R0180	5,270
Type 1 exposures	R0150	5,055
Type 2 exposures	R0160	283
Other counterparty risk	R0165	-
Diversification within counterparty default risk	R0170	(67)
Life underwriting risk	R0270	3,192
Mortality risk	R0190	-
Longevity risk	R0200	-
Disability-Morbidity risk	R0210	-
Life-expense risk	R0220	-
Revision risk	R0230	-
Lapse risk	R0240	3,192
Life catastrophe risk	R0250	-
Other life underwriting risk	R0255	-
Diversification within life underwriting risk	R0260	-
Total health underwriting risk	R0320	-
Health SLT risk	R0280	-
Health non SLT risk	R0290	-
Health catastrophe risk	R0300	-
Other health underwriting risk	R0305	-
Diversification within health underwriting risk	R0310	-
Non-life underwriting risk	R0370	-
Non-life premium and reserve risk (ex catastrophe risk)	R0330	-
Non-life catastrophe risk	R0340	-
Lapse risk	R0350	-
Other non-life underwriting risk	R0355	-
Diversification within non-life underwriting risk	R0360	-
Intangible asset risk	R0400	-
Operational and other risks	R0430	669
Operational risk	R0422	669
Other risks	R0424	-
Total before all diversification	R0432	12,778
Total before diversification between risk modules	R0434	12,121
Diversification between risk modules	R0436	(3,208)
Total after diversification	R0438	8,913
Loss-absorbing capacity of technical provisions	R0440	-
Loss-absorbing capacity of deferred taxes	R0450	(1,567)
Other adjustments	R0455	-
Solvency capital requirement including undisclosed capital add-on	R0460	7,346
Disclosed capital add-on - excluding residual model limitation	R0472	-
Disclosed capital add-on - residual model limitation	R0474	-
Solvency capital requirement including capital add-on	R0480	7,346
Biting interest rate scenario	R0490	Increase
Biting life lapse scenario	R0495	Mass

IR.28.01.01 - Minimum Capital Requirement - Only life or only non-life activity

		Net(of reinsurance/SPV) best estimate and TP calculated as a whole C0040	
MCRL Result	R0200	25,175	
		Net(of reinsurance/SPV) best estimate and TP calculated as a whole C0050	Net(of reinsurance/SPV) total capital at risk C0060
Obligations with profit participation – guaranteed benefits	R0210	–	
Obligations with profit participation – future discretionary benefits	R0220	–	
Index-linked and unit-linked insurance obligations	R0230	3,596,376	
Other life (re)insurance and health (re)insurance obligations	R0240	–	
Total capital at risk for all life (re)insurance obligations	R0250		–
		C0070	
Linear MCR	R0300	25,175	
SCR	R0310	7,346	
MCR cap	R0320	3,306	
MCR floor	R0330	1,836	
Combined MCR	R0340	3,306	
Absolute floor of the MCR	R0350	3,500	
Minimum Capital Requirement	R0400	3,500	

