ANNUAL REPORT &
ACCOUNTS 2023
Chesnara

WELCOME TO THE
CHESNARA ANNUAL REPORT & ACCOUNTS
FOR YEAR ENDED
31 DECEMBER 2023

2023 FINANCIAL HIGHLIGHTS

COMMERCIAL CASH GENERATION†

EXCLUDING THE IMPACT OF ACQUISITIONS

£53.0M

2022: £46.6M

EcV EARNINGS†

EXCLUDING THE IMPACT OF FX MOVEMENTS AND DIVIDEND PAYMENTS

£59.1M

2022: £84.7M LOSS

GROUP SOLVENCY†

205%

2022: 197%

FUNDS UNDER MANAGEMENT†

£11.5BN

2022: £10.6BN

DIVIDEND GROWTH

3%

INCREASE IN PROPOSED FULL YEAR DIVIDEND FOR 19TH CONSECUTIVE YEAR

IFRS PROFIT BEFORE TAXΔ

£1.8M

2022: £62.1M LOSS

M&A DELIVERY

2

ACQUISITIONS IN THE YEAR

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

Δ *This is the first reporting year under IFRS 17 and all prior comparatives have been restated in line with the requirements of the new standard.*

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OVERVIEW

View towards Tower Bridge, London

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Photography, Nirmal Rajendharjumar

AN INTRODUCTION TO CHESNARA

CHESNARA PLC IS **A LIFE ASSURANCE AND PENSIONS CONSOLIDATOR** WITH OPERATIONS IN THE UK, SWEDEN AND THE NETHERLANDS.

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

1. The efficient management of life assurance and pension policies.
2. Creating value through acquiring new companies or books of business.
3. Writing new business where we are confident that conditions will ensure the products are value adding and ultimately support longer-term cash generation.

This focus has enabled us to deliver strong levels of cash generation, a growing dividend and a robust and stable solvency position over the last 19 years. And we look forward with confidence in our ability to continue this delivery in the future.

Who we are and where we came from

Chesnara plc is a responsible and well capitalised European life and pensions consolidator, formed in 2004 and listed on the London Stock Exchange.

The group comprises both open-book and closed-book operations.

The group initially consisted of Countrywide Assured, a closed life and pensions book demerged from Countrywide plc, a large estate agency group.

Since incorporation, the group has grown through:

- the acquisitions of predominantly closed UK businesses (into Countrywide Assured)
- the purchase of an open life and pensions business in Sweden, now known as Movestic; and
- acquisitions of both a closed-book acquisitive group (Waard Group) and an open life and pensions business in the Netherlands (Scildon).

See pages 7 to 9 for further detail on our history and businesses.

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

What we do

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

OUR STRATEGIC OBJECTIVES

MAXIMISE VALUE FROM EXISTING BUSINESS

ACQUIRE LIFE AND PENSIONS BUSINESSES

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

OUR CULTURE & VALUES – RESPONSIBLE RISK BASED MANAGEMENT

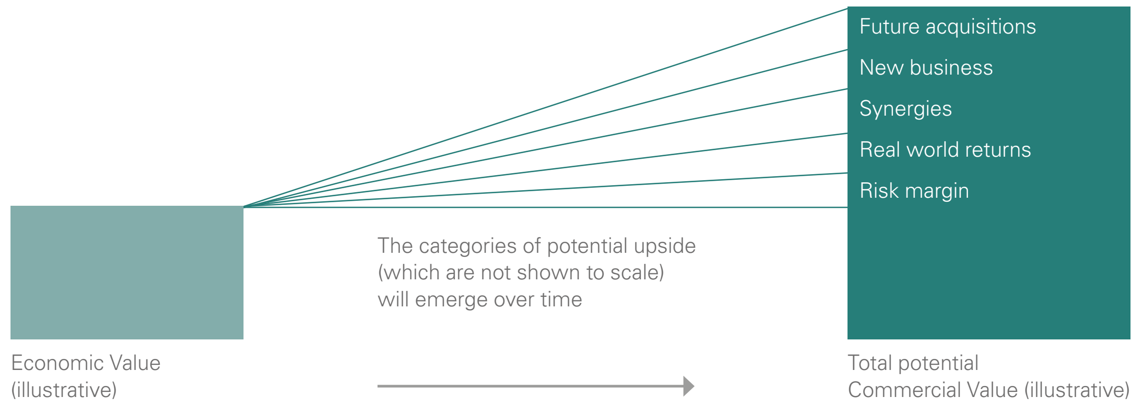
How we create value

Customer

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

Shareholder

- Surpluses emerge from the existing books of business through efficient management of the policy base and good capital management practices. These surpluses enable dividends to be paid from the subsidiaries to Chesnara, which in turn fund the attractive shareholder dividend and support our desire to be a share held for the long term by our shareholders. The diagram below illustrates the primary sources of growth that then ultimately contribute towards surplus emergence.
- Growth from both our proven acquisition model and from writing profitable new business has a positive impact on the Economic Value† of the business and supports longer-term cash generation.
- Customers are charged AMCs (annual management charges) for unit-linked products and pay premiums for insurance policies.



How we operate

- Chesnara has a centrally defined governance and Risk Management Framework operating across the group and all its divisions.
- This framework is designed to deliver long-term peace of mind to our customers, shareholders, employees, regulators, outsourcing partners and local communities.
- Our management teams have clear responsibilities and are accountable for the delivery of set objectives and the identification and management of risks and opportunities, including those arising from climate change.
- We are committed to transitioning to be a sustainable and net zero group and this commitment is a key factor in our corporate decision making.
- Our team has significant experience and a proven track record in governing, acquiring and successfully integrating life and pension businesses.
- Acquisitions form a key part of our strategy and are assessed against stringent financial criteria adopting a robust risk-based due diligence process.
- We maintain robust solvency and liquidity levels as part of our wider Capital Management Framework.
- In the UK, we adopt an outsourced operating model to the fullest extent possible, whereas our overseas divisions use outsourced services on a more limited basis.

UK

FUNDS UNDER MANAGEMENT†
£4.2bn

POLICIES†: c291,000

SWEDEN

FUNDS UNDER MANAGEMENT†
£4.4bn

POLICIES†: c284,000

NETHERLANDS

FUNDS UNDER MANAGEMENT†
£2.8bn

POLICIES†: c395,000

CHESNARA GROUP

FUNDS UNDER MANAGEMENT†
£11.5bn

POLICIES†: c970,000

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

DELIVERING OUR STRATEGY • WHAT WE'VE DONE

13 SUCCESSFUL ACQUISITIONS ACROSS **3** TERRITORIES

Our deals **demonstrate flexibility and creativity** where appropriate:

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

We have a well-established and robust framework against which we assess M&A ensuring that activity:

- Enhances cash generation in the medium term
- Delivers positive impact on the Economic Value per share in the medium term
- Is within Chesnara's risk appetite
- Has been subject to appropriate due diligence
- Delivers positive customer outcomes

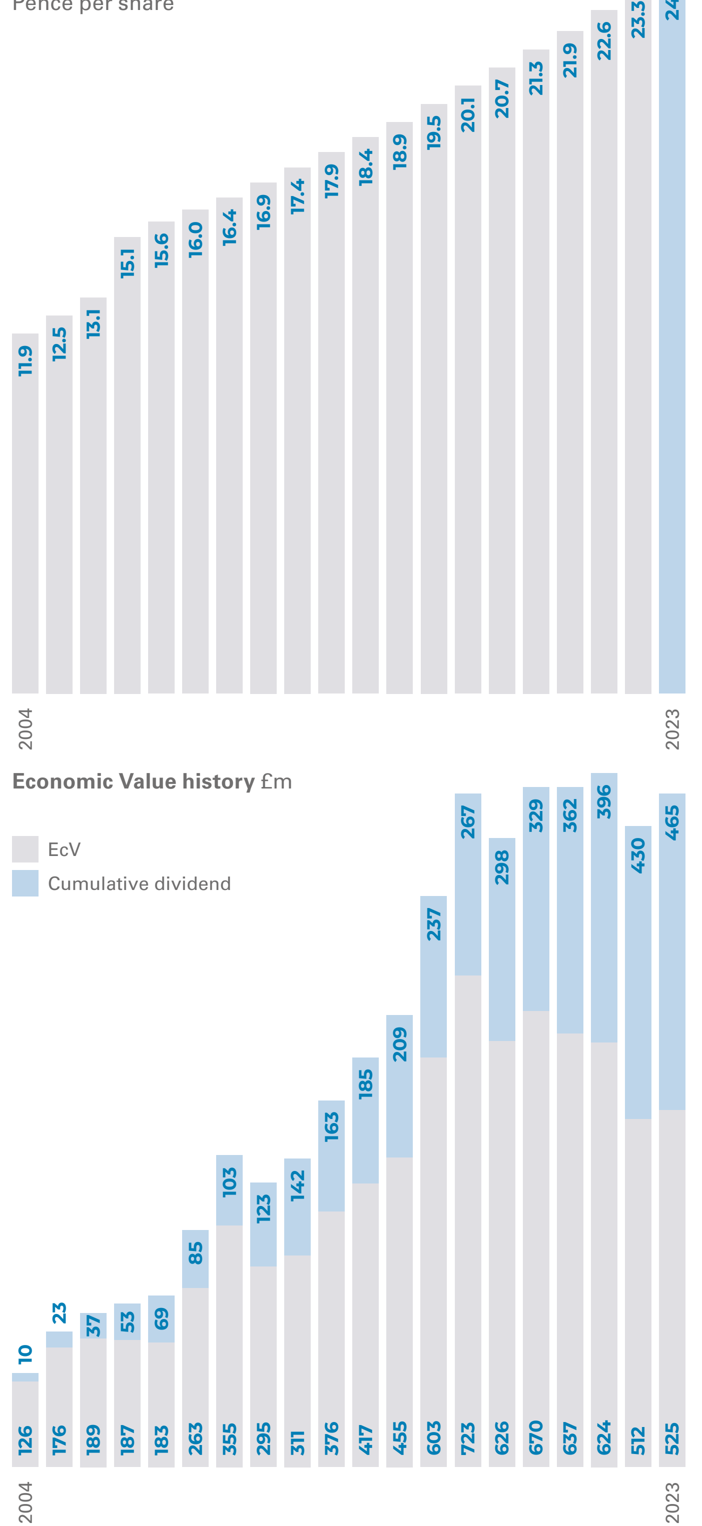
† Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the Additional Information section of this Annual Report and Accounts.

DIVIDEND HISTORY

19 successive years of dividend growth

We recognise the importance of providing stable and attractive dividends to our shareholders. A proposed full year 2023 dividend of 23.97p per share represents an increase of 3% on the prior year. This is our nineteenth successive year of dividend growth; an unbroken track record since entry to the FTSE in May 2004, and we have paid cumulative dividends of £465m.

Dividend per share history
Pence per share



CASH GENERATION†

Cumulative commercial cash generation† of £256m has exceeded dividends paid to shareholders by over 52% over the last five years

The group generates cash to service its dividends and debts, and reinvest in the business including through acquisitions. We define cash generation as the movement in the group's surplus Own Funds above the group's internally required capital. Our commercial cash generation† metric looks through the impact of technical components like the symmetric adjustment* to show the group's view of the surplus being generated. Cumulative commercial cash generation over the last five years represents 152% of the total dividends over the same period.

FOCUSING ON OUR THREE STRATEGIC OBJECTIVES HAS ENABLED US TO DELIVER SUSTAINABLE GROWTH IN CASH GENERATION OVER THE LONG TERM. WE ARE CONFIDENT WE CAN CONTINUE TO DELIVER THIS IN THE FUTURE.

ECONOMIC VALUE† GROWTH

Over 315% of value growth since listing in 2004

Long-term Economic Value (EcV)† growth is achieved through a combination of efficient management of the existing policies, investment returns above risk free rates of return, acquisitions and writing profitable new business. The growth since listing includes £148m of new equity and is **net of cumulative dividend payments**. EcV growth supports longer-term cash generation.

CUSTOMERS

Our primary responsibilities remain to our customers

- We look after c1 million policies for customers that have their pensions, life assurance or other savings and investments with us.
- Customers and their advisors can be confident that they hold policies with a well-capitalised group where financial stability is central to our culture and values.
- Our investment returns remain competitive across the group.
- We also deliver good customer outcomes across our businesses.

** Symmetric adjustment: the Solvency II capital requirement calculation includes an adjusting factor that reduces or increases the level of the equity capital required depending on historical market conditions. Following periods of market growth, the factor tends to increase the level of capital required and conversely, in falling markets the capital requirement becomes less onerous.*

2023 HIGHLIGHTS

CASH GENERATION

£53.0M 2022 £46.6m

COMMERCIAL CASH GENERATION[3]
(excluding the impact of acquisitions)

£32.5M 2022 £82.7m

GROUP CASH GENERATION[1]
(excluding the impact of acquisitions)

The group has again reported strong results across both cash metrics in 2023. Group cash generation includes a material adverse impact from the symmetric adjustment (SA) of £13.1m (2022: +£28.2m). The recovery we have seen across equity markets since 2022, whilst a positive overall for the group, means we are required to hold additional capital which has a short-term impact on cash generation.

Commercial cash generation looks through the SA impact and is deemed to better reflect the underlying business performance. Total divisional commercial cash, excluding FX impacts, was £76.5m which provides over 210% coverage of the 2023 full year dividend. The strong group and divisional commercial cash result shows that Chesnara continues to deliver cash generation through a wide variety of market conditions. ⓘ Financial review p50

SOLVENCY

205% 2022 197%

GROUP SOLVENCY

The group's solvency has increased in the year and is well above our normal operating range of 140-160%. The ratio does not include any temporary impacts from either transitional benefits or a positive closing SA position. The solvency position benefits from the capital efficiencies of the Tier 2 debt raised in 2022 and provides substantial headroom for future acquisitions. ⓘ Capital management p45

FuM

£11.5BN 2022 £10.6bn

FUNDS UNDER MANAGEMENT[4]

FuM have increased by c8.5% since the start of the year. This is due to a combination of investment returns on the existing business and the value added through both new business written and the acquisitions completed in the year. ⓘ Financial statements p143

ECONOMIC VALUE

£524.7M 2022 £511.7m

ECONOMIC VALUE[5]

EcV has increased since the start of the year, as positive earnings (£59.1m) offset the impact of dividend payments (£35.4m) and foreign exchange consolidation impacts (£10.8m).
ⓘ Financial review p53

£59.1M 2022 £(84.7)m

ECONOMIC VALUE EARNINGS[6]

EcV earnings of £59.1m have been delivered (pre-dividend payments and FX impact). Acquisition gains and real world returns have provided the most material contributions, with Part VII synergies and new business further positive contributing factors. ⓘ Financial review p52

£10.1M 2022 £9.5m

COMMERCIAL NEW BUSINESS PROFIT[7]

Commercial new business profits exceed the prior year return with the UK division also contributing new business alongside Movestic in Sweden and Scildon in the Netherlands. ⓘ Business review pages 40 to 43

IFRS

£1.8M 2022 £62.1m loss

IFRS PRE-TAX PROFIT
(2022 restated as a result of IFRS 17 being applied retrospectively)

The IFRS results are being reported for the first time on an IFRS 17 basis in the Annual Report and Accounts, and the comparatives have been adjusted to apply this retrospectively. Profit before tax of £1.8m includes a net insurance service loss of £5.1m and an investment result of £71.7m (2022: £13.3m profit and £39.0m loss respectively).

£10.3M 2022 £26.1m loss

TOTAL COMPREHENSIVE INCOME
(2022 restated as a result of IFRS 17 being applied retrospectively)

Total comprehensive income includes a foreign exchange loss of £7.8m (2022: £6.9m gain). ⓘ Financial review p57

The adoption of IFRS 17 provides some more insight into the future profits that are expected to emerge from the group's life insurance business. However, the accounting standard does not include the group's significant amount of policies that are classified as investment contracts, which also represent a future profit stream for the business. As a result, whilst IFRS 17 does provide some level of alignment with the valuation regime of Solvency II, it does not replace it and therefore the group continues to primarily focus on Solvency II and its derivative KPIs of Economic Value and cash generation in assessing the performance of the business.

PROPOSED DIVIDEND INCREASED BY 3%

FULL YEAR DIVIDEND INCREASED FOR THE 19TH CONSECUTIVE YEAR

Increase in the full year dividend for the year of 3% to 23.97p per share (8.36p interim and 15.61p proposed final), supported by material divisional cash contributions in the year and strong group solvency. Both of the acquisitions that were executed in the year are expected to positively support future cash generation and we continue to have clear line of sight to sources of mid to long-term cash generation.

ECONOMIC BACKDROP

VOLATILE INVESTMENT MARKET CONDITIONS HAVE CONTINUED

Overall, it has been a period of economic growth although volatility has remained across most asset classes. As a result there have been comparatively modest investment returns and mixed economic results in our operating divisions with varied economic factors having impacted each of the businesses and our key financial metrics in different ways. We have seen some equity market growth which has had a positive impact on the UK's and Sweden's EcV growth but has dampened cash generation in these territories, and we have seen the impact of falling yields putting some downward pressure on the EcV of our Dutch businesses, but less so on cash generation. Sterling appreciation against both EUR and SEK has caused adverse foreign exchange impacts on the translation of our overseas divisional results, although this has had some mitigation from our foreign exchange hedge. As we look forward there continues to remain some uncertainty around economics with inflation and interest rates persisting at a higher level than forecast by central banks.

ACQUISITIONS

THE GROUP CONTINUES TO EXPAND THROUGH M&A

2023 was another busy period for Chesnara with two acquisitions in the year, delivering a combined day one EcV gain of £28.4m. Following the announcement late in 2022, we completed the acquisition of the insurance portfolio of Conservatrix in the Netherlands, with an EcV gain of £21.7m and increase in Waard's policies under administration of c70,000. In May, expansion in the UK continued for the second year running, with the acquisition of a protection portfolio from Canada Life. The acquisition has initially been executed through entering into a 100% reinsurance agreement with Canada Life, and these policies will subsequently transfer to the division through a Part VII transfer process. The transaction has delivered an immediate EcV gain of £6.7m and additional policies of c47,000 to the UK division.

Our 2024 acquisition pipeline looks positive and we remain optimistic about the outlook for future deals. We have the operational bandwidth, material solvency headroom, liquid resources and other financing levers to support our ambitions.

OPERATIONAL DELIVERY

NEW OUTSOURCING PARTNERSHIP, BUSINESS INTEGRATIONS, NEW PEOPLE AND IFRS 17 DELIVERY

In the UK, we have entered into a new long-term strategic partnership for the outsourcing of operations for the majority of the division, providing surety over the future operating costs of the business over a minimum 10-year period. The Part VII transfer of the policies of CASLP to Countrywide Assured was also successfully completed at the end of 2023. In the Netherlands the Conservatrix insurance portfolio was successfully integrated into the Waard Group. At a group and divisional level, IFRS 17 has been implemented for this first reporting year, with reporting processes now bedding down into our business as usual operations following several years of planning and implementation. From a people perspective we have seen some key changes over the course of the year, with three new divisional CEOs joining the group, coupled with the announcement of the change in our Group CFO, planned for the first half of 2024.

SUSTAINABILITY

WE ARE COMMITTED TO BECOMING A SUSTAINABLE CHESNARA

The group's sustainability programme has progressed well over the course of the year. We are committed to delivering against our three key targets: to be a net zero emitter; to invest in positive solutions; and to be an inclusive place for all stakeholders. We have successfully baselined our financed and operational emissions and also set our initial interim targets for financed emissions. More detail can be found in our Annual Sustainability Report (**www.chesnara.co.uk/sustainability**).

Notes:
Items 1 to 9 below are Alternative Performance Measures (APMs) used by the group to supplement the required statutory disclosures under IFRS and Solvency II, providing additional information to enhance the understanding of financial performance. Further information on these APMs can be found throughout the Financial Review and in the APM appendix on pages 274 and 275.

1. Group cash generation represents the surplus cash that the group has generated in the period. Cash generation is largely a function of the movement in the solvency position, used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.
2. Divisional cash generation represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.
3. Commercial cash generation is used as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. It excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of the commercial cash generated by the business.
4. Funds Under Management (FuM) represents the sum of all financial assets on the IFRS balance sheet.
5. Economic Value (EcV) is a financial metric derived from Solvency II. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.
6. Economic Value earnings are a measure of the value generated in the period, recognising the longer-term nature of the group's insurance and investment contracts.
7. Commercial new business represents the best estimate of cash flows expected to emerge from new business written in the period. It is deemed to be a more commercially relevant and market consistent measurement of the value generated through the writing of new business, in comparison to the restrictions imposed under the Solvency II regime.
8. Economic profit is a measure of pre-tax profit earned from investment market conditions in the period and any economic assumption changes in the future.
9. Operating profit is a measure of the pre-tax profit earned from a company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future.

MEASURING OUR PERFORMANCE

Throughout our Annual Report and Accounts we use measures to assess and report how well we have performed. The range of measures is broad and includes many measures that are not based on IFRS. The financial analysis of a life and pensions business also needs to recognise the importance of Solvency II figures, the basis of regulatory solvency. In addition, the measures aim to assess performance from the perspective of all stakeholders.

Financial analysis of a life and pension business

The IFRS results form the core of the Annual Report and Accounts and hence retain prominence as a key financial performance metric. However, this Annual Report and Accounts also adopts several Alternative Performance Measures (APMs).

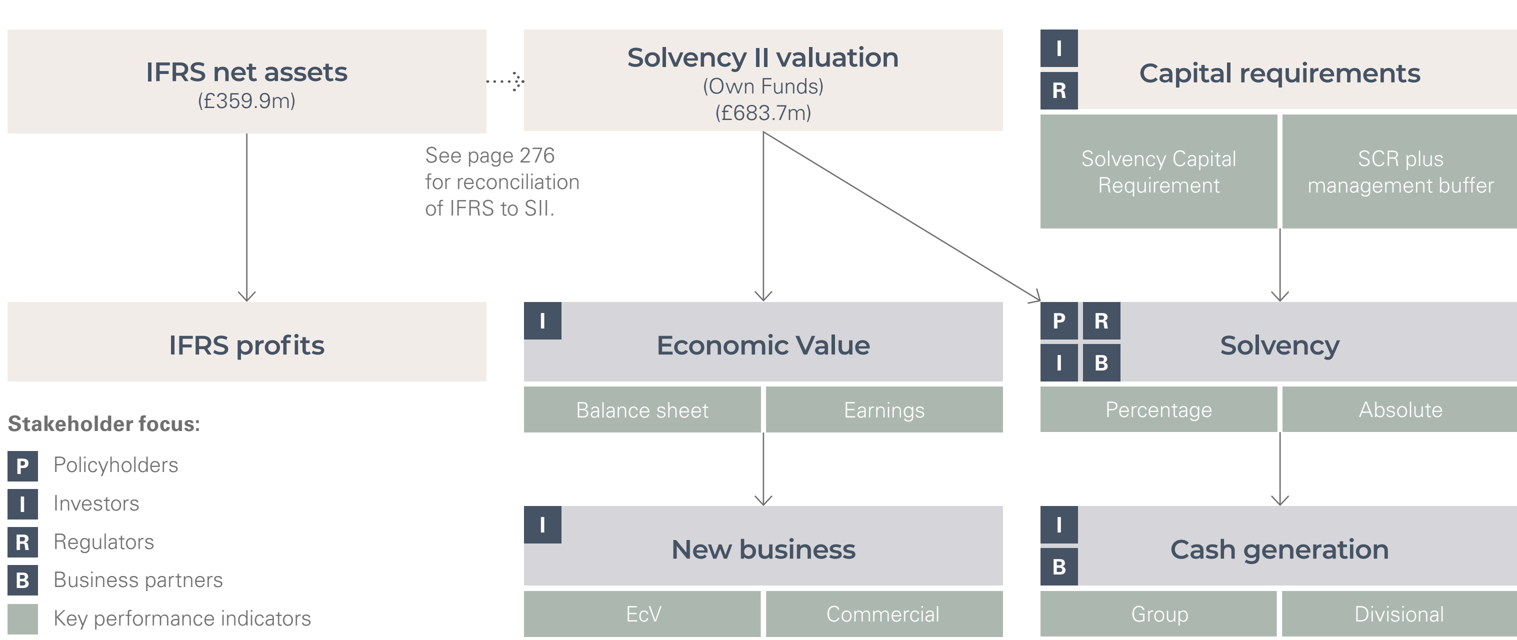
These measures complement the IFRS metrics and present additional insight into the financial position and performance of the business, from the perspective of all stakeholders.

The non-IFRS APMs have at their heart the Solvency II valuation known as Own Funds and, as such, all major financial APMs are derived from a defined rules-based regime. The diagram below shows the core financial metrics that sit alongside the IFRS results, together with their associated KPIs and interested parties.

Further detail on APMs can be found in the appendix on pages 274 and 275.

FINANCIAL STATEMENTS

ADDITIONAL METRICS



SOLVENCY

Solvency is a fundamental financial measure which is of paramount importance to investors and policyholders. It represents the relationship between the value of the business as measured on a Solvency II basis and the capital the business is required to hold – the Solvency Capital Requirement (SCR). Solvency can be reported as an absolute surplus value or as a ratio.

Solvency gives policyholders comfort regarding the security of their provider. This is also the case for investors together with giving them a sense of the level of potential surplus available to invest in the business or distribute as dividends, subject to other considerations and approvals.

Further details on pages 45 to 47 and 274 & 275.

ECONOMIC VALUE

EcV is derived from Solvency II Own Funds (SII). It recognises the impact of certain items that are not recognised in SII Own Funds, and also takes a more commercial view of the risk margin than under Solvency II.

An element of the EcV earnings each period is the Economic Value of new business. By factoring in real world investment returns and removing the impact of risk margins, the group determines the value of new business on a commercial basis.

Further details on pages 52 & 53 and 274 & 275.

CASH GENERATION

Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.

Group cash generation is calculated as the movement in the group's surplus Own Funds above the group's internally required capital, as determined by applying the group's Capital Management Policy, which has Solvency II rules at its heart.

Divisional cash generation represents the movement in surplus Own Funds above local capital management policies within the three operating divisions of Chesnara. Divisional cash generation is used as a measure of how much dividend potential the divisions have generated, subject to ensuring other constraints are managed.

Commercial cash generation excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the group's view of cash generated by the business.

Further details on pages 50 & 51 and 274 & 275.

OPERATIONAL AND OTHER PERFORMANCE MEASURES

In addition to financial performance measures, this Annual Report and Accounts includes measures that consider and assess the performance of all our key stakeholder groups. The diagram below summarises the performance measures adopted throughout the Annual Report and Accounts.

Measure	KEY STAKEHOLDERS: Policyholder	Investor	Regulators	Business partner*	What is it and why is it important?	Page
Customer service levels	Primary	Secondary	Primary	Secondary	How well we service our customers is of paramount importance and so through various means we aim to assess customer service levels. The business reviews within the Annual Report and Accounts refer to a number of indicators of customer service levels.	38-43
Broker satisfaction	Primary	Secondary	Secondary	Primary	Broker satisfaction is important because they sell our new policies, provide ongoing service to their customers and influence book persistency. We include several measures within the Report and Accounts, including direct broker assessment ratings for Movestic and general assessment of how our brands fare in industry performance awards in the Netherlands.	38-43
Policy investment performance	Primary	Secondary	Primary	Secondary	This is a measure of how the assets are performing that underpin policyholder returns. It is important as it indicates to the customer the returns that their contributions are generating, and options available to invest in funds that focus on environmental, social and governance factors.	38-43
Industry performance assessments	Primary	Secondary	Secondary	Secondary	This is a comparative measure of how well our investments are performing against the rest of the industry, which provides valuable context to our performance.	38-43
Emissions and energy usage	Primary	Primary	Primary	Primary	Tracking our scope 1, 2 and 3 emissions is a core part of our transition to be a net zero and sustainable group.	87-89
Funds Under Management†	Secondary	Primary	Secondary	Secondary	This shows the value of the investments that the business manages. This is important because scale influences operational sustainability in run-off books and operational efficiency in growing books. Funds Under Management are also a strong indicator of fee income.	7
Policy count†	Secondary	Primary	Secondary	Primary	Policy count is the number of policies that the group manages on behalf of customers. This is important to show the scale of the business, particularly to provide context to the rate at which the closed-book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.	7
Total Shareholder Returns		Primary	Secondary		This includes dividend growth and yield and shows the return that an investor is generating on the shares that they hold. It is highly important as it shows the success of the business in translating its operations into a return for shareholders.	59
New business profitability		Primary			This shows our ability to write profitable new business which increases the value of the group. This is an important indicator given one of our core objectives is to 'enhance value through profitable new business'.	40-43
New business market share	Secondary	Secondary			This shows our success at writing new business relative to the rest of the market and is important context for considering our success at writing new business against our target market shares.	40-43
Gearing ratio		Primary	Secondary		The gearing is a financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.	56-59
Knowledge, skills and experience of the board of directors	Secondary	Primary	Primary	Secondary	This is a key measure given our view that the quality, balance and effectiveness of the board of directors has a direct bearing on delivering positive outcomes to all stakeholders. This includes holding the management teams accountable for the delivery of set objectives and the proper assessment of known and emerging risks and opportunities, e.g. those arising from climate change.	94-95

KEY Primary interest Secondary interest

** For the purposes of this key performance indicator assessment, business partners refers to major suppliers and outsource partners.*
† Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the Additional Information section of this Annual Report and Accounts.

CHAIR'S STATEMENT

THE GROUP HAS DELIVERED STRONG CASH GENERATION AND ECONOMIC VALUE GROWTH DURING THE PERIOD WHILST CONTINUING TO HAVE A STRONG SOLVENCY POSITION. THIS HAS SUPPORTED AN **INCREASE IN THE FULL YEAR DIVIDEND FOR A 19TH CONSECUTIVE YEAR** AND PROVIDES HEADROOM FOR FUTURE M&A.

LUKE SAVAGE, CHAIR

Strong cash generation and solvency

Chesnara has continued its strong track record of delivering cash generation† across a variety of market conditions in 2023. Total commercial cash generation of £53.0m supports us continuing to extend our dividend growth track record. We are recommending that our shareholders will receive a final dividend of 15.61p per share, an increase of 3% in the full year dividend for the 19th consecutive year.

Having a strong and stable solvency position provides financial security for customers and is also critical to the investment case for both our equity and debt investors. And having material solvency headroom also supports our ability to execute further M&A.

I am pleased to report a continued strong Solvency II ratio of 205%. This remains significantly above our normal operating range of 140-160%, providing us with considerable strategic flexibility. Our solvency position remains underpinned by a well-diversified business model, a focus on responsible risk-based management and resilient and reliable cash flows from our businesses. And our businesses have delivered EcV growth even after the impact of FX and dividends.

Steve talks about these financial dynamics further in his report.

People and operational delivery

Across the group, our people continue to deliver, which includes the execution of another two deals in the period. Firstly, we completed the acquisition of the Conservatrix insurance portfolio in the Netherlands on 1 January. Later in May, we announced the acquisition of Canada Life's protection portfolio in the UK, which has been initially executed through a reinsurance arrangement. The deals have created significant value for investors with £28.4m of day 1 EcV gains and we expect them to be an important source of value in the long term. Our teams in the Netherlands and UK have worked extremely hard to integrate the newly acquired businesses and portfolios, including Sanlam Life and Pensions (CASLP) which we purchased in the previous year. We have completed the Part VII transfer of the CASLP policies into our main UK insurance company, Countrywide Assured, which has also had a positive impact on cash generation and EcV, and the insurance portfolio of Conservatrix is now fully integrated into the Waard Group.

Another major development during the period has been the announcement of a new outsource partner in the UK, SS&C. This positive development creates a sound commercial and operational foundation for long-term customer support and business development.

In Movestic we have continued to work on improving our customer service, launching a new unique digital service in the year that allows customers to customise how they utilise their occupational pension scheme. We have also continued to build our custodian business through new partnerships in the year.

And, in the Netherlands, Scildon has continued with its IT upgrade programme, improving its customer and broker front-end capabilities.

The transition to the new insurance contract accounting regime, IFRS 17, has gone live in 2023 and our full year accounts have fully complied with the statutory requirements of the new standard. This is the culmination of several hard years of planning and execution from teams across the group.

And finally, we have also been working hard to transition a number of leadership roles. During the year, September saw Pauline Derkman become CEO of Scildon and Jackie Ronson become our UK CEO and in December Sara Lindberg become our CEO of Movestic. We wish them the very best in their roles. On behalf of the board, I also wanted to thank Gert-Jan Fritzsche, Linnéa Echorville and Ken Hogg for everything they have done for Scildon, Movestic and CA respectively over the six, six and seven years they were CEOs of their respective businesses.

We also announced that David Rimmington will not be seeking re-election at our Annual General Meeting in May 2024 and that he will be stepping down from the board and leaving his role as Group Finance Director at that meeting. He will be replaced by Tom Howard who will become Group Chief Financial Officer, subject to regulatory approval, and should start with us no later than 1 May 2024. On behalf of the board, I want to thank David for everything he has achieved at Chesnara over the last ten years and he leaves with our best wishes. At the same time, we are delighted to be welcoming Tom to Chesnara plc. He has extensive financial services experience, particularly in life insurance and asset management, as well as expertise in M&A; these skills align strongly with the group's strategic ambition.

It has been a period of significant operational delivery and I would like to take this opportunity to thank staff for their continued commitment and efforts. We remain mindful that significant periods of operational delivery, although rewarding, can be stressful and so we remain committed to investing in staff welfare programmes to support our people.

Purpose

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

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

Delivering cash generation, EcV growth and solvency will always remain of key importance for many reasons. These include our desire to offer competitive returns to shareholders and fund our debt investor coupon payments but also because it creates financial stability for customers. We continue to be very conscious of the need for the business to serve a wider purpose, with an increasing balance of focus across the 3Ps: Profit, People and Planet.

Governance is a core foundation to our business model and we have a well-established Governance Framework. We continue to increase our focus on environmental and social matters and are committed to becoming a sustainable Chesnara. Alongside this document, we have published our 2023 Annual Sustainability Report which details our wider ambitions and progress against our targets and commitments. I encourage you to read the report and please provide any feedback or thoughts to me or a member of the Chesnara team.

3% INCREASE IN TOTAL 2023 DIVIDEND TO 23.97p, OUR 19TH YEAR OF CONSECUTIVE RISES.

The path to sustainability will be long and complicated but we are investing in sustainability-focused resource and infrastructure to support the group on this journey. A very visible and encouraging development was the success of our first group-wide Sustainability Summit held in June. I was hugely encouraged by the level of engagement from all levels across the group and by the clear alignment of ambitions leading to the identification of key workstreams and objectives. The objectives are a mix of items that create solid foundations for longer-term change together with some shorter-term actions that will begin to make a real world positive impact. I am confident that we will deliver against those objectives and I look forward to updating you on our progress.

Outlook

Overall, it has been a good year of delivery and strong cash generation. The start of 2024 has continued to show volatile market conditions with inflation and interest rates persisting at higher levels than we have seen in recent years. That said, we have seen more positive signs from equity markets and stronger signals from central banks that we will return to normality in terms of macro-economic conditions.

Our business model has delivered positively in these volatile environments, and we continue to expect the UK and European M&A markets to be active. Our strong and stable solvency, alongside the parent company cash balance, leaves us well positioned to participate in these markets.

And as we reach our 20th year as a listed company, the board and I look forward to continuing to deliver for our shareholders in the future.

Luke Savage
Chair
27 March 2024

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

CHIEF EXECUTIVE OFFICER'S REPORT

THE GROUP HAS GENERATED MATERIAL EcV EARNINGS AND DELIVERED STRONG CASH GENERATION. OUR PEOPLE HAVE **DELIVERED TWO ACQUISITIONS**, **SECURED A NEW UK STRATEGIC PARTNERSHIP** AND MADE THE **SUCCESSFUL TRANSITION TO IFRS 17**. AND WE ARE CONTINUING TO SEE PLENTY OF M&A OPPORTUNITIES.

STEVE MURRAY, CEO

Introduction & results

The key strategic areas of focus for 2023 have remained the same across Chesnara, namely:

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

The momentum behind our acquisition strategy has continued with a further two deals recognised in the year (five now in the last two years). These two acquisitions have added £28.4m of immediate additional value to the group against consideration paid of £9m and total group capital deployed of £35m. Conservatrix and Robein Leven are now both fully integrated into Waard and the UK completed the Part VII of CASLP policies into CA in December, which has created synergies that have had a positive impact on cash generation and EcV. We also saw an improved contribution from new business for the period at £10m, including nearly £2m from the UK.

We have c1 million customers in Chesnara and we take the responsibility of delivering for them every day very seriously. Our UK team has been working hard to implement the new UK Consumer Duty regulation which will help continue to ensure we focus on good outcomes and value for money for customers.

A major highlight in the year is the signing of a new outsource arrangement in the UK, which we announced in May. Sixty-eight Chesnara colleagues transferred to SS&C in August and we have a major programme of activity underway to migrate our UK policies to our new operating platform, including both CASLP and those policies being acquired from Canada Life UK. SS&C will be a key partner for us, enabling the UK business to continue to deliver high quality and cost effective servicing with the capacity and flexibility to support continued M&A developments in the UK where we see good opportunities.

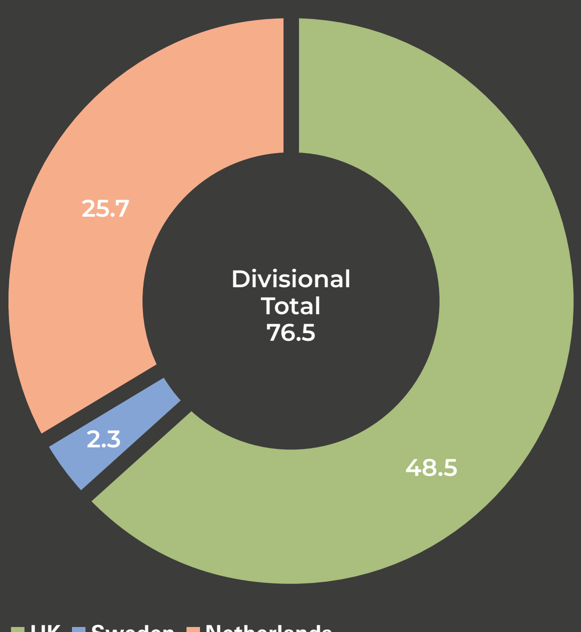
In Scildon, work has continued to improve the efficiency and usability of our Individual Life platform which has seen positive feedback from brokers. And for Sweden, further automation and use of AI, alongside the build of digital tools such as the pension calculator, have also been material developments.

As Luke mentions, there has been an increased focus on defining and delivering the group sustainability vision in line with the commitments we set out in our Annual Sustainability Report (ASR), including our new initial interim targets for financed emissions. We are committed to a 50% reduction by 2030 in our scope 1 and 2 financed emissions investments that are within our control or influence, which represents a material component of our assets under management. We will also be working with partners and customers for those assets where we have less control or influence, for example those where policyholders self-select their own investments. We remain strongly committed to net zero by 2050 for all our financed emissions and so our targets will expand over time to include all asset classes.

THE PART VII TRANSFER OF THE SANLAM BOOK COMPLETED IN DECEMBER AND WORK IS PROGRESSING WELL ON THE MIGRATION OF POLICIES TO OUR NEW PLATFORM.

DIVISIONAL COMMERCIAL CASH GENERATION REPRESENTS **c212% COVERAGE** OF THE 2023 SHAREHOLDER DIVIDEND.[Δ]

Divisional commercial cash generation £m



ECONOMIC VALUE GREW MATERIALLY BY **12%** OR **£59.1M***.

TWO ACQUISITIONS HAVE ADDED **£28.4M** OF ADDITIONAL VALUE TO THE GROUP.

STRONG SOLVENCY AT 205%, WELL ABOVE NORMAL OPERATING RANGE OF **140-160%**.

WE HAVE SET OUR INITIAL INTERIM EMISSIONS REDUCTION TARGETS ON OUR INVESTMENTS.

50% REDUCTION BY 2030 FOR LISTED EQUITY AND CORPORATE FIXED INCOME INVESTMENTS THAT ARE WITHIN OUR CONTROL OR INFLUENCE.

Pre-dividend payment & FX impacts.

[Δ] *Excluding FX consolidation impacts.*

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

CHIEF EXECUTIVE OFFICER'S REPORT

The production of our transition plans will be a key step in identifying the more detailed actions we will take to tackle all our financed emissions and will also factor in how we manage a just transition which considers the needs of all stakeholders, including nature and biodiversity. I am pleased to report that we are taking tangible steps on our journey, including implementing new platforms and tools to enable us to baseline our financed and operational emissions. I share Luke's confidence that we will be able to successfully deliver against our sustainability objectives and look forward to providing updates on our future progress.

After five years of intensive work, there has also been a significant focus on ensuring we could report on the new IFRS 17 basis. I am delighted to report that our 2023 financial statements are compliant.

Process-wise, we are in good shape regarding transitioning from the project to recurring business as usual operations and the financial impact of the transition to the new reporting framework is positive and in line with the guidance we gave investors alongside our full year 2022 results.

Pre the proposed FY dividend and FX impacts, the group Economic Value† grew materially by 12% (up £59.1m) and we saw all components of the 'Chesnara Fan' growth model deliver positively over the year. We invested further in central resources to support major projects such as IFRS 17 and M&A activity as well as continuing to pay the coupon on our £200m Tier 2 debt instrument.

The derivative we put in place towards the end of 2022 to reduce the exposure of our capital surplus to extreme FX movements has been renewed and slightly broadened in 2023. Whilst this mitigates against extreme movements we do remain exposed to the risks and opportunities relating to FX movements within the cap and floor of the derivative. A primary driver of the hedge was to reduce the capital we need to hold against currency risk and to limit more extreme EcV exposure, rather than to fully hedge FX exposures across all metrics. During 2023 sterling has strengthened slightly against the euro and Swedish krona resulting in a negative FX impact on EcV of £10.8m.

The group continued to generate cash with total commercial cash generation of £53.0m. We see this as a stong result given the underlying economic conditions in the year. Our cash generation has benefitted from delivering a mass lapse reinsurance arrangement in the UK towards the end of the year, and has also been positively impacted by the UK's Solvency II reform, which resulted in a reduction in the level of risk margin we are required to hold in our UK business.

In terms of cash resources, we have again seen a significant flow of dividends in the period from our divisions with £71.3m having been remitted to Chesnara during the year. This contributed to a £16m increase in the parent company surplus cash balance (including holding companies) and a closing amount of £124m (which is post payment of the full year 2022 and interim 2023 dividends). Our group solvency ratio has also improved further during the period closing at 205% (31 December 2022: 197%). As Luke highlighted, this is materially above our normal operating range of 140-160% and provides us with substantial headroom to support further strategic activity.

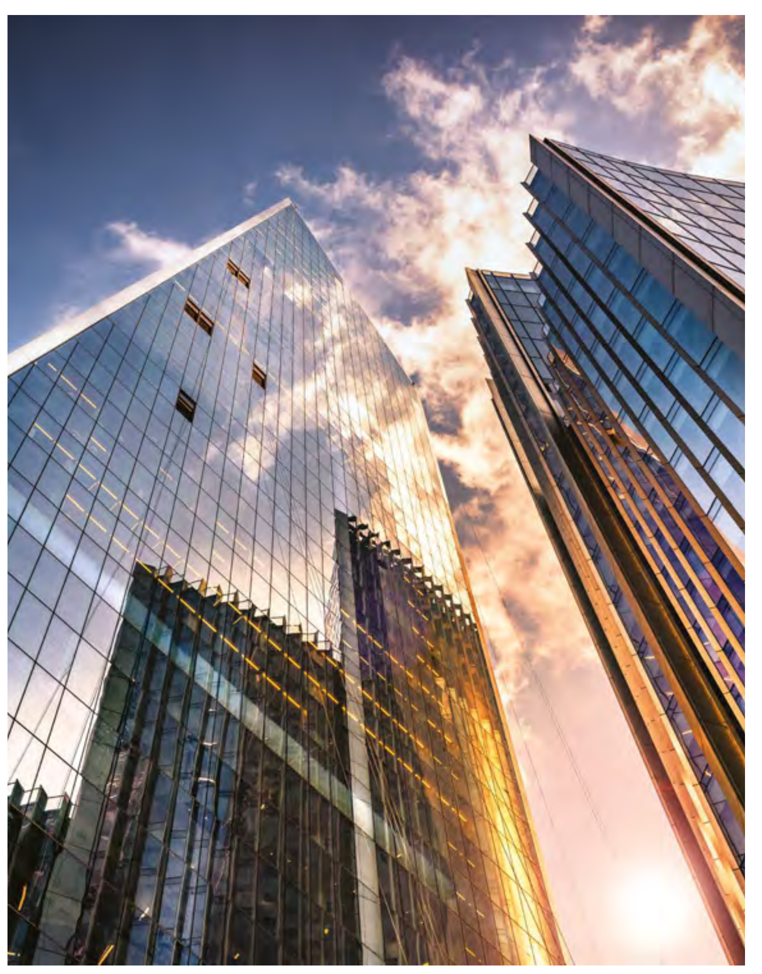
Our inaugural IFRS 17 numbers show a £51.5m increase in net equity as at 31 December 2022. As at 31 December 2023 total net equity is £359.9m with a contractual service margin (CSM) of £166.5m. This results in a leverage ratio of 29.2% (including the CSM net of tax) which is a significant reduction compared to the ratio of 37.6% reported at 31 December 2022 under the previous IFRS reporting regime. Whilst the CSM gives a useful indication of future profits on our insurance business it should be noted that in fact only 42% of our total portfolio is classified as insurance. As such, the CSM by no means represents the full future profit of the group as it excludes investment contracts. Further information regarding IFRS 17 is included on pages 54 to 58 of this report with additional detailed disclosure in the IFRS Financial Statements section.

Whilst the move to IFRS 17 has been a very material programme of work for the group, you will note that my wider review continues to focus on metrics linked to Solvency II. We continue to believe that the Solvency II metrics better support a commercial assessment of the business and remain the metrics upon which we manage the group.

Cash generation, group liquidity and strong solvency

At the heart of the Chesnara financial model and investment case is resilient cash generation and stable solvency, across a wide variety of market conditions.

WE HAVE STRONG LINE OF SIGHT TO SOURCES OF CASH GENERATION AND SUBSTANTIAL RESOURCES TO FUND FUTURE ACQUISITIONS.



Strong cash generation

The total group commercial cash generation† (excluding the impact of acquisitions) during the year was £53.0m (2022: £46.6m). This more than covers the proposed full year 2023 dividend of £36.1m.

Looking at how our businesses have generated cash, the divisional commercial cash generation† for the year, excluding FX translation impacts, was £76.5m (2022: £28.3m). This represents c212% coverage of the total 2023 dividend and shows we continue to have significant future dividend paying capacity. The cash generation results include some positive impacts from management actions taken during the year, including the impact of mass lapse reinsurance in the UK and the benefits from the UK Solvency II reforms.

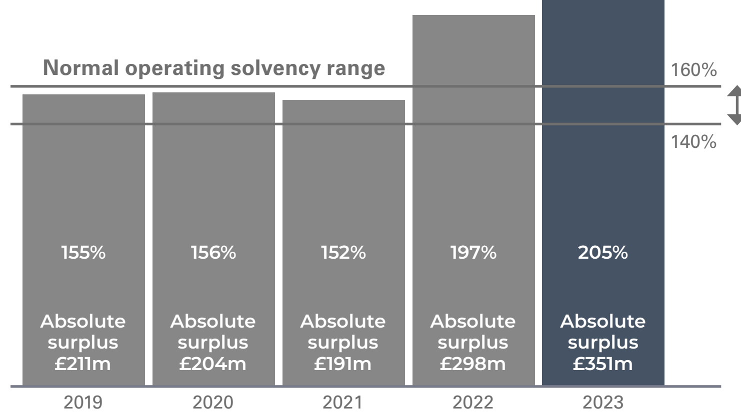
The Chesnara parent company cash (including holding companies) and instant access liquidity fund balance at the year end has increased to £124m (31 December 2022: £108m). Cash reserves have benefitted from the £71m of divisional dividend receipts during the year. This provides substational resources for future acquisitions and further supports the sustainable funding of the group dividend and payment of our Tier 2 debt coupon. The group continues to retain a Revolving Credit Facility with a further £100m of capacity and an additional £50m accordian.

Looking forward, we continue to have a strong line of sight to future cash generation over the medium and longer term from the unwind of risk margin and SCR, investment returns above risk free rates, wider synergies and management actions. And that's before further potential benefits from new business and further acquisitions.

Strong solvency

During the year we have seen a further increase in the group solvency ratio to 205% (2022: 197%).

Solvency ratio



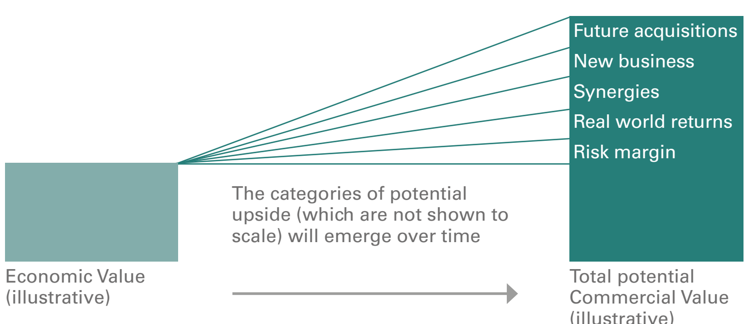
The closing headline solvency ratio of 205% is significantly above our normal operating range of between 140% and 160%. Unlike many of our peers, the solvency ratio does not adopt any of the temporary benefits available from Solvency II transitional arrangements, although we do apply the volatility adjustment in our UK and Dutch divisions. The ratio does include the benefit of the capital efficiencies relating to the Tier 2 debt raised in 2022.

We expect to utilise this additional capital surplus as we undertake acquisitions, which should result in the ratio reverting back to within the robust and stable 140% to 160% historical range.

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

The long-term outlook for growth remains positive, particularly through M&A

The 'Chesnara fan' illustrates the additional areas of growth potential the group may benefit from that aren't fully reflected in our Economic Value† metric.



We have previously highlighted that, over the medium term, we expect all components of the growth model to be positive, although there can be a level of shorter-term volatility in each element. Over the year all components have made positive contributions, although synergy-related gains are offset by the impact of central costs (development costs and Tier 2 interest).

Although there are limitations to tracking the growth metrics over short time periods, it remains useful to assess how the results for the period mapped against the value growth components of the 'Chesnara fan'.

A key element of the growth model is real world investment returns. The reported EcV of the group assumes risk free returns on shareholder and policyholder assets. Given the direct link to external market performance this source of value tends to be the most volatile of the growth sources. During the year, real world returns added c£43m to EcV. This gain partially offsets the significant Economic Value reduction from lower real world investment returns we saw in 2022, whilst demonstrating the value potential from even modestly beneficial economic conditions.

Over time, we expect improvements to operational effectiveness to be a source of value creation, be that through M&A synergies, scale benefits or other positive management actions (such as our recently announced partnership with SS&C). During the year, the deals completed have generated positive synergies. I am also pleased to report £10.1m of value growth resulting from commercial new business profits which have slightly increased versus 2022.

Acquisitions in the period have also added £28.4m of EcV. We see continued momentum behind the M&A strategy which is now materially contributing to the growth of the group. It's worth noting that further value growth expectations from these deals are not recognised in the day 1 gains.

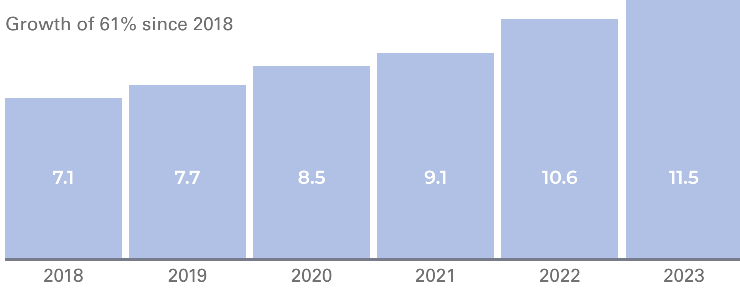
Focused writing of new business

Writing new business is the third area of focus in the Chesnara strategy. Not only is new business value-adding in its own right, importantly it adds scale which in turn enhances operational effectiveness and improves the sustainability of the financial model. During the year, we have seen positive commercial new business† profits of £10.1m (2022: £9.5m). This has included a contribution of almost £2m from the UK.

We have grown our Funds Under Management (FuM)† in 2023, largely through the completion of the acquisition of the insurance portfolio of Conservatrix and we have also reported a growth in underlying asset values.

CHIEF EXECUTIVE OFFICER'S REPORT

Growth in FuM†
Funds Under Management £bn



FOLLOWING THE RECENT ACQUISITIONS, WE NOW LOOK AFTER C1 MILLION POLICIES FOR CUSTOMERS WHO HAVE £11.5BN OF THEIR ASSETS WITH US.

Continued delivery of acquisitive growth

The primary purpose of Chesnara when it was formed back in 2004 was to acquire other closed-book businesses and acquisition activity has been a core component of our historical EcV growth. As well as the immediate benefit from incoming EcV, acquisitions also improve the future growth outlook by enhancing the potential from the other value elements of the 'Chesnara fan'.

Successful acquisitions have been key to Chesnara's development historically and will remain so in the future. During 2023 we delivered two acquisitions. The acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands, was completed on 1 January 2023 having been originally announced in July 2022. The insurance portfolio has increased Waard's number of policies under administration by over 50%, transforming Waard into a second material closed-book consolidation business alongside Chesnara's existing UK platform. The Conservatrix transaction increased the group's EcV by £21.7m and provides further EcV accretion potential, including from future real world investment returns and the run-off of the risk margin. We have already seen significant recycling of some of the capital deployed to support the acquisition.

On 16 May 2023 Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life UK, which was closed to new business in November 2022. As a result of the acquisition, the life insurance and critical illness policies for approximately 47,000 customers will transfer to Chesnara's UK subsidiary, Countrywide Assured plc (CA). In the interim period, Canada Life UK will reinsure the portfolio to CA, effective from 31 December 2022. The initial commission as part of the reinsurance agreement was £9.0m, funded from internal group resources, and the transaction has increased the group's Economic Value by £6.7m.

Positive progress continues on the work to complete the transition of CASLP into our target operating platform and the approval of the Part VII transfer of CASLP into CA in December was a further important milestone here and also had a positive impact on EcV.

Confidence in our ability to execute future M&A

We remain optimistic about the prospect of future acquisitions and believe that we can deliver further value-accretive deals. Even relatively small transactions can have a material positive cumulative impact, as the group delivers synergies from integrating businesses and portfolios into its existing operations.

2023 has continued to see an active M&A market across European insurance for deals of £1bn and below with large international insurance groups continuing to focus their strategies and management teams actively managing business portfolios to release capital and simplify operations. Even with the ongoing market volatility and macroeconomic environment, we expect the positive levels of insurance M&A to continue. An active market provides opportunities for Chesnara as a consolidator and the five deals that we have announced over the past two years are indicative of the momentum that we have in this key strategic objective, providing confidence in our ability to execute future M&A.

We continue to have material financial resources to deploy, with cash balances of £124m at a parent and holding company level. Our Revolving Credit Facility is not currently utilised and creates an additional level of working capital capacity of £150m. For more transformational deals, we retain the ability to raise equity and are mindful of the potential benefits from other funding arrangements, such as joint ventures or vendor part-ownership.

Our assessment of the market potential, our track record of delivery and the actions we have taken to enhance our ability to execute M&A means we are confident that acquisitions will continue to contribute to Chesnara's success in the future.

People changes

There have been a number of changes in key personnel of the group over the course of the year, as summarised below.

- In February 2023, we announced that after six years as our Scildon CEO, Gert-Jan Fritzsche would be leaving the business. Having conducted a full market search, we were delighted to announce in July that Pauline Derkman agreed to take up the position of Scildon CEO on 1 September. She has a huge amount of Dutch market experience, including M&A, from her time at Aegon, ASR and PWC.
- In August 2023 we also announced that after six years as Movestic CEO, Linnéa Ecorcheville would be leaving the business. Sara Lindberg, who is a key member of our Movestic management team, was initially appointed as interim CEO whilst a formal market search was performed. Sara was part of this process and it was clear that Sara was the strongest candidate to fulfil this position, not least given her strong performance in the interim role, and she was consequently appointed as CEO on a permanent basis.
- In September 2023 we announced that after seven years Ken Hogg, our UK CEO, would be leaving the business. We were delighted to announce that Jackie Ronson would be taking up the role of UK CEO and started with Chesnara on 14 September. She brings with her over 25 years of experience across financial services and beyond, working in a range of businesses from start-ups to FTSE 100 organisations.

Regulatory approval was received for all three new appointments and a full transition of responsibilities completed. I want to thank Gert-Jan, Ken and Linnéa for all their efforts at Chesnara and wish them the very best for the future.

- And in December, we announced that David Rimmington, Group Finance Director, would not be seeking re-election at the 2024 AGM and that he would step down as a director at that time. David has seen through the year end 2023 financial reporting process, including the inaugural annual reporting of the group's results under IFRS 17. I would like to thank him for his service to the business over the last 10 years, particularly the support and guidance he has given me over the last two years. We wish him well as he considers the next steps in his career.

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

- Having delivered the year end reporting process and associated releases, David will support the orderly transition of his role to Tom Howard, who will be joining us from Aviva in April. Tom has held a variety of senior roles within Aviva plc, including Director of Mergers & Acquisitions for Aviva Group and CFO for Aviva's Life and General Insurance business in Ireland. Tom brings with him European actuarial and financial reporting capabilities and a strong track record of leadership in finance, M&A, capital management and business transformation. I am looking forward to working closely with Tom as we push forward delivering the group's renewed strategy.

  I am confident that these changes will put us in a strong position to deliver our ambitious plans for the future.

A sustainable Chesnara

We are committed to becoming a sustainable group and our principles are: 'Do no harm. Do good. Act now for later.' As a steward and a safe harbour for our c1 million policyholders and c£11.5bn of policyholder and shareholder assets, we have a real responsibility to help drive the change needed to deliver decarbonisation, protect nature and ensure a sustainable society and economy. The path to sustainability will be long and complicated but we are working to put sustainability at the heart of everything we do and during the year we have taken action to embed sustainability into decision making across the group.

Our work is overseen by the board and our Group Sustainability Committee which is chaired by our Senior Independent Director, Jane Dale. The committee consists of executive management from across the group, with executive sponsorship from myself, and is focused on delivery of real world actions.

Our commitments are detailed within our Annual Sustainability Report and, simply put, we will make decisions based on all of our stakeholders, including the planet and its natural resources. Based on this, we're committed to:

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

As I highlighted earlier, these commitments are shaping what we do and how we do it and we have set our initial interim 2030 targets for financed emissions.

In addition, we will be reporting on our sustainability position and activities in line with the appropriate reporting frameworks. We have reported under TCFD (Task Force on Climate-Related Financial Disclosures) for several years, are reporting under the CFD regulations (Climate-Related Financial Disclosure) for the first time this year as required by an amendment to the Companies Act, and we have commenced our work on CSRD (the EU Corporate Sustainability Reporting Directive) reporting.

Outlook

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

We also remain positive on the outlook for further M&A and are starting 2024 with a positive pipeline of opportunities. The two deals delivered in 2023 providing further evidence of the renewed momentum we have behind our M&A activity.

Finally, the operational delivery we have seen during the year would not have been possible without the fantastic efforts of our teams across the group.

In 2024, Chesnara will be celebrating the 20th anniversary of its listing. It's a privilege to be leading the business in its 20th year and looking ahead I continue to believe there is a lot to look forward to here at Chesnara.

Steve Murray
Chief Executive Officer
27 March 2024

STRATEGIC REPORT

Amsterdam, Netherlands

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OUR STRATEGY, BUSINESS MODEL, AND CULTURE & VALUES

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

OUR STRATEGY

HOW WE ORGANISE OURSELVES

DIVISION	UK	NETHERLANDS		SWEDEN
OPERATING COMPANY	CA	WAARD GROUP	SCILDON	MOVESTIC
	Read more on p38	Read more on p42		Read more on p40
KEY PRODUCTS	Underwriting linked pension business; life insurance, covering both index-linked and unit-linked; endowments; whole of life; annuities and some with-profit business.	Underwriting mainly term life policies, with some unit-linked and non-life policies.	Underwriting of protection, individual savings and group pensions contracts.	Predominantly the underwriting of unit-linked pensions and savings. Also provides life and health product offerings as well as custodian business.
NUMBER OF POLICIES	c291,000	c159,000	c236,000	c284,000
DISTRIBUTION METHOD	Onshore bond sold through investment platforms.	n/a	Sold through a broker network.	Largely through a network of brokers and partners, although some is sold directly to customers.

CHESNARA CULTURE AND VALUES – RESPONSIBLE RISK-BASED MANAGEMENT

Our strategy is delivered through a proven business model underpinned by a robust risk management and governance framework and our established culture and values.

OUR BUSINESS MODEL

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

Chesnara

OUR CULTURE AND VALUES

RESPONSIBLE RISK-BASED MANAGEMENT FOR THE BENEFIT OF ALL OUR STAKEHOLDERS	FAIR TREATMENT OF CUSTOMERS	MAINTAIN ADEQUATE FINANCIAL RESOURCES	PROVIDE A COMPETITIVE RETURN TO OUR INVESTORS	ROBUST REGULATORY COMPLIANCE	A JUST TRANSITION TO A SUSTAINABLE GROUP
STAKEHOLDERS					
– SHAREHOLDERS – DEBTHOLDERS – STAFF – SUPPLIERS AND PARTNERS – NATURAL ENVIRONMENT – CUSTOMERS	– CUSTOMERS	– CUSTOMERS – REGULATORS – STAFF	– SHAREHOLDERS – DEBTHOLDERS	– SHAREHOLDERS – DEBTHOLDERS – CUSTOMERS – REGULATORS – NATURAL ENVIRONMENT	– ALL STAKEHOLDERS INCLUDING THE PLANET

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

OUR STRATEGY

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

STRATEGIC OBJECTIVE	WHY THIS MATTERS	HOW WE DELIVER: OUR BUSINESS MODEL
MAXIMISE VALUE FROM OUR EXISTING BUSINESS	The existing books of policies are the principal source of cash generation† and Economic Value† and are at the heart of the investment case for our shareholders and debtholders. And if we do not do a great job for our customers then we won't have the right to execute against our other two strategic pillars.	A centralised governance oversight and corporate management team ensures robust and consistent governance across the group. Operational execution is devolved to the divisions to ensure we benefit from our strong divisional management teams and reflects the need to ensure processes are fit for purpose locally. The UK business adopts an outsourced business model with the CASLP operating platform including sixty-eight Chesnara colleagues who transferred to SS&C during 2023. Core operations are not outsourced in Sweden or the Netherlands. We create value and generate cash through: – running our in-force books of business efficiently and effectively; – executing management actions that create value and/or generate cash; – optimising the risk/reward balance in how we invest our assets and hence generate future returns; – accessing broader group synergies; and – ensuring our customer processes deliver good outcomes (recognising Consumer Duty requirements for UK customers) and remain robust and in line with customer expectations, which in turn supports stronger persistency.
ACQUIRE LIFE AND PENSION BUSINESSES	Well considered acquisitions maintain the effectiveness of the operating model, create a source of value enhancement and sustain the longer-term cash generation potential of the group.	– Identify potential deals through an effective network of our own relationships, supplemented by advisors and industry associates. – We assess deals by applying well established criteria which consider the impact on cash generation, Economic Value and solvency under best estimate and stressed scenarios. – The financial benefits are viewed in the context of the impact the deal will have on the enlarged group's risk profile. – Transaction risk is minimised through stringent risk-based due diligence procedures and the senior management team's acquisition experience and positive track record. – We fund deals with debt, equity or cash depending on the size and cash flows of each opportunity. – Our acquisition strategy includes both UK and non-UK markets. – We work cooperatively with regulators.
ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS	The Chesnara financial model supports incremental value generation through writing profitable new business. New business profits are a welcome source of regular value growth which supplements the growth delivered from our existing policy base and periodic acquisitions.	– Our two operating subsidiaries that write the majority of the group's new business are Movestic in Sweden and Scildon in the Netherlands. We also write a small amount of new business in the UK post the Sanlam Life & Pensions UK acquisition. – Movestic primarily focuses on unit-linked pensions and savings business, distributed largely through brokers and custodian business distributed by partners, albeit with an ambition to grow its risk business. – Scildon sells protection products, individual savings and group pensions contracts via a broker-led distribution model. – In the UK, new business is primarily sold via advisors who can provide new customers with access to our onshore bond product via a selection of investment platforms that we work with. – When writing new business we retain a keen focus on ensuring the business is profitable.

RISKS: FOR FURTHER INFORMATION ON PRINCIPAL RISKS LISTED PLEASE SEE THE RELEVANT CODES ON PAGES 63-70

HOW WE MEASURE DELIVERY	RISKS: WHAT CAN STOP US MEETING THIS OBJECTIVE	RISKS: WHAT CAN WE DO ABOUT THIS	UPDATE
Cash generation[†] Cash generated by the existing business is an important measure for how the business is performing. It is defined as the movement in the surplus of capital resources over capital requirements set by the board. As such, cash can be generated by either profits arising in the period or a reduction in capital requirements. **EcV growth** Value generation is measured by reference to the movement in Economic Value[†] over the period. **Customer outcomes** This is measured through monitoring: – customer service metrics; – policyholder fund performance against industry and market expectations; – customer complaint levels; and – our compliance with regards to regulatory conduct matters.	– PR1 Adverse investment market conditions can result in lower assets under management and hence lower fee income from unit-linked business. For products with guarantees, this can increase the cost of fulfilling the guarantees. – PR4 Increased lapses on cash generative/value enhancing products. – PR4 PR6 Loss of key brokers, or aggressive competitor pricing, can result in increases in the level of customers moving to competitors. – PR2 Regulatory change can potentially impact the cash flows arising from the existing business. – PR5 Expenditure levels could exceed those assumed. – PR1 Foreign currency fluctuations can impact the sterling value emerging from overseas operations. – PR10 Inaccurate model results may lead to poor decisions regarding strategic, operational or investment matters.	– Where appropriate, active investment management with the aim of delivering competitive investment returns for policyholders. – Outsourcer service levels that ensure strong customer service standards. – Expense assumptions are deemed to be realistic and the cost base is well controlled, predictable and within direct management influence. – Close monitoring of persistency levels and strong customer service standards help manage lapse rates and ensure customers do not unknowingly exit when it is not in their interest to do so. – Utilise reinsurance and hedging strategies, including FX, where appropriate.	**UK** Pages 38-39 **SWEDEN** Pages 40-41 **NETHERLANDS** Pages 42-43
Cash generation Collectively our future acquisitions must be suitably cash generative to support the funding of the Chesnara dividend. **EcV enhancement** Acquisitions are required to have a positive impact on the Economic Value per share in the medium term. **Customer outcomes** Acquisitions must ensure we protect, or ideally enhance, customer interests. **Risk appetite** Acquisitions should normally align with the group's documented risk appetite. If a deal is deemed to sit outside our risk appetite the financial returns must be suitably compelling.	– PR3 A lack of value adding acquisition opportunities come to market, the investment case for Chesnara diminishes over time. – PR3 PR9 There is the risk that we make an inappropriate acquisition that adversely impacts the financial strength of the group. – PR10 Inaccurate model outputs during due diligence stage could potentially lead to overestimating the value of acquisitions resulting in over payment.	– Operating in three territories increases our options thereby reducing the risk that no further value adding deals are done. – A broader target market also increases the potential for deals that meet our strategic objectives. – Each acquisition is supported by a financial deal assessment model which includes high quality financial analysis. This is reviewed and challenged by management and the board, mitigating the risk of a bad deal being pursued.	Page 44
EcV enhancement We measure the amount of Economic Value added through selling new contracts.	– PR8 The attractiveness of products can be influenced by economic conditions, politics and the media. – PR6 PR8 PR9 New business volumes are sensitive to the quality of service to intermediaries and the end customer. – PR8 In Sweden, new business remains relatively concentrated towards several large brokers and private banks. – PR8 A competitive market puts pressure on new sales margins. – PR10 Inaccurate assumptions modelling resulting in writing unprofitable new business.	– In Sweden, we continue to extend the breadth of broker support and develop more direct and automation capabilities. – Ensure high quality of service to existing network of intermediaries. – Focus on other margin drivers beyond product pricing, such as the fund management operation. – In the Netherlands, enhance business processes and product offering to be attractive to brokers and consumers.	**SWEDEN** Pages 40-41 **NETHERLANDS** Pages 42-43

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

OUR CULTURE & VALUES

Our long established and proven culture & values underpin the delivery of our core strategic objectives. Risk management is at the heart of our robust Governance Framework. Our values are strongly influenced by the recognition of our responsibility to a range of key stakeholders including customers, regulators, wider society and our investors.

MAINTAINING ADEQUATE FINANCIAL RESOURCES is at the heart of good business conduct. Effective capital management is a key requirement that underpins our cultural objectives. Further information regarding the group's solvency position is included on pages 45 to 47.

A JUST TRANSITION TO A SUSTAINABLE GROUP is a key basis of our strategy. We are committed to ensuring that our operations and investments are sustainable and that sustainability is at the heart of our decision making across the group. Further information is included on pages 71 to 91 and in our Annual Sustainability Report.

CULTURE & VALUES	WHY IMPORTANT?
FAIR TREATMENT OF CUSTOMERS	The fair treatment of customers across the group is our primary responsibility. It is also important to the Chesnara business strategy as it promotes stronger relationships with our customers, distributors and regulators. When applying the terms of our customer contracts, coupled with guidance and requirements set out by our local regulators (including Consumer Duty in the UK), we place a high priority on ensuring good outcomes for our customers.
RESPONSIBLE RISK-BASED MANAGEMENT FOR THE BENEFIT OF ALL OF OUR STAKEHOLDERS	In managing the business, it is essential that our decision making assesses the risk impact of the decision. We achieve this by understanding the key risk drivers of the business plan and strategy and by making sure we monitor these risks across our whole range of stakeholders.
PROVIDE A COMPETITIVE RETURN TO OUR SHAREHOLDERS	As a public company, it is imperative that we offer an attractive investment proposition for investors. Given the majority of our shareholders hold our shares through 'income funds', it is important that we deliver an attractive and sustainable dividend. Debtholders also want confidence we can pay any interest coupon. We also recognise the benefit of an investment that offers clarity and consistency of performance.
ROBUST REGULATORY COMPLIANCE	Working constructively with our regulators and complying with regulatory requirements and guidance is imperative to the delivery of our objectives. The regulators' desire for robust and responsible governance is very much part of our culture and a principal aim of the Chesnara board.

WHAT WE HAVE DONE

Across the group we have continued to focus on delivering good outcomes to our customers, recognising Consumer Duty requirements for UK customers. Divisional highlights include:

- **Sweden:** Continued with its digitalisation journey, through the development of a unique digital service, where customers can manage their occupational pension, and the launch of new digital medical underwriting and digital investment tools to enhance customer experiences. The division has also focused on other ways it can support its customers. Customers approaching retirement are offered an advisory service by a dedicated team of experts who can support them in their retirement planning process.
- **UK:** Focused on continuing to deliver a good level of service to our customers. The division has continued work on ensuring it continues to meet the high standards expected by its regulators. This has included focusing on delivering its ongoing operational resilience programme, as well as compliance with the new Consumer Duty rules in July 2023 for two products open to new business and actions required to meet this for the remainder of the book by the regulatory deadline of 31 July 2024. The division has also continued with its activity of seeking to stay in contact with customers and to reunite customers with unclaimed assets. The UK's administrative outsource service partners are held to stringent service level requirements.
- **Netherlands:** For Waard's latest acquisition, a key focus has been on ensuring that customers continue to receive a continued high standard of service throughout the change in ownership process and that new staff are successfully onboarded. Scildon has been working on simplifying its product portfolio and further digitalising its customer and advisor portals. It has also focused on continuing to provide flexible solutions to its customers, mindful of the impact of the cost of living crisis.
- Where complaints do arise, we continue to manage them in accordance with the appropriate regulatory practice.
- We closely monitor any regulatory developments to ensure we continue to treat our customers fairly in accordance with any changing regulatory requirements.

THE OUTCOMES

- Generally, a low level of complaints across the group has continued.
- We acquired the Conservatrix insurance portfolio, providing certainty to its policyholders and staff following a prolonged period of disruption. Policyholders had been unable to access their products for a number of years and there was some short-term disruption, as much higher levels of requests for information were made, which subsequently led to some backlogs. These backlogs were managed within the year and complaints have now reverted back to pre-acquisition levels.
- Transparent customer communications, supporting better customer outcomes.
- Good ongoing service levels over the course of the year, with a high level of customer satisfaction.
- More individually adapted communication and services, leading to higher customer engagement.

What we have done

- The ORSA process has been fully utilised in the context of providing risk oversight over the course of the year.
- Delivered our continuous improvement regime regarding how we manage risk across the group, supported by our annual systems of governance review.

The outcomes

- Robust solvency over the course of the year.
- Ongoing constructive dialogue with regulators across the different territories in which the group operates.

What we have done

- Continued our track record of increasing our dividend for the last 19 years, even during turbulent investment market conditions.
- Maintained a robust solvency position in all divisions and at group level which supports the continued dividend growth and provides substantial headroom for future acquisitions.
- Completed two value adding acquisitions over the course of 2023.

The outcomes

- Dividend growth track record continues, with 3% dividend per share growth in 2023.
- Over the past five years, £167m of dividends have been paid.
- Further growth potential in both the UK and Europe as a result of the acquisitions that were completed during the year as well as future M&A opportunities.

What we have done

- Maintenance of robust levels of solvency across the group and all divisions throughout the year.
- Continued to place a high priority on compliance and maintaining an open dialogue with our regulators.
- Progressed our sustainability strategy during the year, including: continuing the work of the Group Sustainability Committee which is responsible for overseeing climate-related risks and opportunities of the group; successfully baselined our financed and operational emissions and set our initial interim targets for financed emissions; established our Positive Solutions Framework and baselined our existing investments; and we took the first steps to embed sustainability into decision making.
- Completed the group's IFRS 17 project, broadly in line with plan.

The outcomes

- Ongoing constructive relationships with UK, Swedish and Dutch regulators.
- Continued adherence to internal governance policies and principles.
- Continued oversight for the group's sustainability agenda and targets, including working to set the initial interim targets which were approved in March 2024.
- IFRS 17 project completed and compliance with reporting requirements achieved in 2023, with this set of financial statements being the first IFRS 17 formally audited report.

SECTION 172 • THE BOARD'S APPROACH

Our Section 172 reporting seeks to communicate the board's approach to decision making, who our key stakeholders are and how they are considered by the board when making decisions.

Section 172 statement

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

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

b) the interests of the company's employees;

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

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

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

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

The following disclosures provide further insight supporting the above statement over the course of 2023. The disclosures have been split into three key sections:

The board's approach	The overall approach taken by the board in ensuring that the requirements of Section 172 are met.
Key stakeholders	This covers the key stakeholders that the board considers are important to the long-term success of the company; how the company depends on these stakeholders; how key stakeholders are impacted by the decisions of the company; and how we engage with those stakeholders.
Significant decisions	This covers the significant decisions made by the board during the year and how the directors have considered key stakeholders in making these decisions.

THE BOARD'S APPROACH

Role of the Chair
As described on page 98 within the Corporate Governance Report, it is the role of the Chair to lead the board in the determination of the group's strategy; to ensure that the board is furnished with sufficient information in order to support its decision making; and to ensure that relevant stakeholders have been taken into account when making decisions.

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

STAGE 1

Strategic planning

The first stage of the business planning process incorporates reviewing and challenging the strategy of the group as a whole. It presents an opportunity to 'stand back' and review the overall strategy of the group. Approving the strategy provides a framework for the group and its business units to prepare more detailed operational plans.

STAGE 2

Review and challenge of divisional and group operational plans

Following completion of the strategic planning, including any associated feedback to the operating business units, operational plans are developed and critically reviewed by the group. The key objectives within the operational plans are explicitly linked to the strategic objectives of the group in order to ensure that the key management actions that have been identified support delivery of the group strategy.

STAGE 3

Detailed business plans supported by financial projections

Following review and feedback from the operational planning stage, final business plans are produced at both a divisional and group level. These include the final operational deliverables for the short to medium term and their associated consequences, alongside the projected financial outcomes of delivering the plans.

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

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

The business planning process for 2023 confirmed that the board wishes to continue to pursue the following strategy:

MAXIMISE THE VALUE FROM EXISTING BUSINESS

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

ACQUIRE LIFE AND PENSIONS BUSINESSES

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

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

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

The strategy of the group is executed whilst ensuring that the group conducts its affairs in line with the following core culture and value principles:

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

These are described in more detail on pages 24 to 29.

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

Further information on how the board considers each key stakeholder group is provided on pages 32 to 34.

As referred to above, business plans are supported by associated financial budgets and projections. This helps to ensure that both the shorter-term and longer-term financial consequences of following the plan are appropriately considered in the context of all our stakeholders, in particular our shareholders. The key financial items/metrics that are projected are shown to the right.

Having a clear view of all of these metrics supports the directors in assessing whether the business plan is expected to meet the expectations of our stakeholders.

Key financial metrics in the business planning process:

- ECONOMIC VALUE†
- CASH GENERATION†
- SOLVENCY
- IFRS PROFITS
- DIVISIONAL AND GROUP DIVIDENDS
- EXPENSES
- NEW BUSINESS PROFIT EXPECTATIONS†

Corporate Governance and Responsibilities Map

Complementing the business planning process for making decisions is the existence of the 'Chesnara Corporate Governance and Responsibilities Map', which operates at group board level and with business unit equivalents in place to reflect territory-specific considerations. The objectives of the maps are to *"…set out the mechanisms of governance for Chesnara and the framework of governance requirements to be observed across the group, including principles, policies, delegations of authority and decision making arrangements"*. Each map contains a framework that supports decision making and includes relevant guidance on what decisions can be made locally and what requires escalation to the Chesnara board. It also provides guidance on what information is required to support board decision making.

Board papers and matters discussed

The board agenda and associated supporting documents are designed to support the board in directing the business, which includes, amongst other things, discharging its responsibilities in relation to Section 172 (1) (a) to (f). For each meeting, a suite of relevant board papers is produced, with one of the key sources of information produced for the board, over and above the group business planning process, being the group's quarterly management information (MI) pack. This is designed to be a 'one stop' holistic view of the group as a whole and covers, amongst other things, the following items of relevance to the requirements of Section 172:

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

SECTION 172 • KEY STAKEHOLDERS

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

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

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

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

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

SECTION 172 • KEY STAKEHOLDERS

	DEPENDENCIES OF BUSINESS ON THE STAKEHOLDER	IMPACT OF BUSINESS ON THE STAKEHOLDER	HOW WE ENGAGE WITH THE STAKEHOLDER	KPIs MONITORED RELATING TO THE STAKEHOLDER
REGULATORS	Compliance with regulatory requirements is fundamental to the success of the group. Without it, we would not be able to maintain our existing status as a life and pensions provider.	The manner in which Chesnara manages itself, both from a prudential and conduct perspective, will dramatically affect how regulators view and interact with Chesnara and its subsidiaries. The higher risk that the group is deemed to be to the regulator, the more focus that Chesnara and its subsidiaries are deemed to require. In addition, through being a member of the ABI, Chesnara also has the potential opportunity to respond to and shape future regulatory change in the UK.	Our engagement with regulators generally takes the following forms: – Regulators across the group typically have regular routines and practices in place to support the delivery of their oversight objectives. This typically takes the form of periodic meetings with management, and also involves the group furnishing regulators with relevant information. Chesnara fully supports this process. – The submission of quarterly and annual financial and risk reporting. – Chesnara management will also typically engage with regulators as and when required should there be a business update that would warrant this; for example at the appropriate point during an acquisition process. – Annual regulatory college meeting where a number of the group's regulators meet with the Group CEO and CRO.	Relationship with supervisory team Formal feedback from regulators
STAFF	Our people are our greatest assets and create and deliver the strategy of the group. We recognise that to be able to meet the expectations that we have set ourselves, we need to ensure that we continue to attract, promote and retain the best candidates. Without high performing and motivated staff Chesnara would not be able to deliver against its strategic aims.	We aim to provide a place of work that supports and develops the group's employees and we recognise that the group's day-to-day culture and its overall remuneration and benefits package also have a significant effect on employees.	Chesnara and its subsidiaries have various mechanisms in place to ensure appropriate levels of engagement exist with employees. This involves: – Completing staff feedback surveys. – Holding regular update briefings covering matters such as business performance, policy updates or any other matters that are relevant to employees. – Holding regular employee forums to discuss any employee-related matters. – Having an appointed non-executive director (NED) who is responsible for employee-related matters. – Ensuring that we have relevant employee policies in place and that these are available to our employees. – Having robust whistleblowing policies in place. Our corporate and social responsibility statement on pages 71 to 91 provides further information.	Staff surveys Feedback from employee forums Feedback from appointed NED Staff turnover Diversity information
THE PLANET AND NATURAL ENVIRONMENT	Our business relies on natural capital and the environment, both for our operations and our investments. Changes in the natural environment and the effect of global warming can potentially affect the way we operate our businesses, and also the returns to our customers and shareholders. We are committed to applying sustainability-based decision making across the group.	Our main impact is from the assets in which we and our policyholders invest and their carbon and wider impact, together with the emissions created from our operations. The impact of our investment decisions and the investment choices made by our customers are wide-ranging and will continue to be a key focus area as we transition to a sustainable group and our net zero targets. The main operating emissions category for us is scope 3 emissions from goods and services purchased from suppliers.	We impact the planet and natural environment through the business decisions that we and our policyholders make. Ensuring that sustainability is at the heart of our decision making is critical to ensuring that we consider the planet and natural environment. For policyholders who choose where they wish to invest, we provide access to a range of sustainability-focused funds and we continue to provide relevant material so that they can make informed decisions. Our corporate and social responsibility statement is set out on pages 71 to 91. In line with our support for the United Nations' Sustainable Development Goals (UNSDGs) and our commitment to invest responsibly, our business units are working closely with their respective fund managers to fully embed sustainability within our own investment decision making criteria. Chesnara's business units are taking practical steps to reduce our carbon footprint and minimise the impact that our operations have on the environment, as described on pages 76 to 91. Climate change risk is monitored as part of our risk identification and assessment processes (see pages 62 to 70 and 76 to 91).	CO_2 financed and operational emissions Energy consumption ESG risk scores to their portfolios Value of assets invested within our definition of positive solutions

SECTION 172 • SIGNIFICANT DECISIONS

The principal process that the board uses to make shorter and longer-term decisions is the group business planning process. Key decisions also arise outside of the business planning process depending on how the business develops during the year and the challenges and opportunities that it faces. The table below lists the key decisions made by the board during 2023 and how the directors have considered the factors required by Section 172 in making these decisions.

SIGNIFICANT DECISION	DESCRIPTION OF DECISION AND IMPACT ON DIFFERENT STAKEHOLDER GROUPS
ESTABLISHING THE GROUP SUSTAINABILITY COMMITTEE AND DEFINING THE GROUP'S SUSTAINABILITY TARGETS	**Overview:** The Group Sustainability Committee was formally approved by the board in early 2023 and the group's sustainability strategy and commitments were published in our inaugural Annual Sustainability Report. Work on the execution of this strategy continued to progress in 2023, including implementing tools to enable us to baseline our financed and operational emissions, as well as developing our Social Value and Positive Solutions Frameworks. This work has enabled us to calculate and report (in the 2023 TCFD on pages 76 to 91) our initial interim financed emissions reduction targets, which the board has approved. **Key considerations and decision:** The group made the decision to implement the MSCI platform to calculate the group's financed emissions and Greenly for operational emissions. 2023 baseline figures for both operational and financed emissions are being calculated, driving the initial interim target for reducing scope 1 and 2 financed emissions for our listed equity and corporate debt investments, which we can control or influence by 50% by 2030. Determining the assets within the scope of our initial interim targets has involved assessing the availability of emissions data and calculation methodologies for different asset classes, together with determining the groups of assets over which we can exert influence or control. We have developed the group's Social Value Framework, which provides the focus and structure for the activities that the group will undertake to actively provide value to our stakeholders, guided by the ten principles of the UN Global Compact. Our framework for positive solutions was developed in 2023 to which we have baselined our existing investments and developed plans to invest more in positive solutions in 2024. **Primary beneficiaries:** All stakeholders are impacted by Chesnara being a sustainable business, including: – *Shareholders:* Being a sustainable group helps to ensure our long-term success and therefore provides more certainty over long-term returns. – *Regulators:* Confirms our commitment to meet our regulatory obligations and comply with disclosure requirements. – *Employees:* Takes due account of the welfare of our colleagues and raises awareness of the relevance of sustainability in our day-to-day operations, providing opportunities to work in an organisation making positive contributions to society and the planet. – *Customers:* Provides customers with the confidence that we continue to do the right thing, alongside developing our sustainable product offerings for policyholders looking for sustainable investment opportunities, and improves the sustainability of investment returns where we are responsible for investment decisions. – *The planet and natural environment:* A just transition to being a net zero organisation, and one which directs capital to positive solutions, delivers positive outcomes for the planet and environment. **Other stakeholder considerations:** – *Suppliers and outsourcers:* Sustainability criteria forms part of our supplier selection process. – *Asset managers:* Our asset managers are fundamental to the transition to net zero for financed emissions. We will have to increase the level of active engagement and direct them to ensure that our targets are met.
STRENGTHENING OF THE EXECUTIVE TEAM AND GOVERNANCE CHANGES	**Overview:** During 2023, three new divisional CEOs were appointed: Pauline Derkman joined as the new Scildon CEO, Jackie Ronson as the new UK CEO and Sara Lindberg as Movestic Livförsäkring AB CEO. All are members of the Group Senior Leadership Team (SLT) and bring great capabilities and experience which add to our confidence in our business units' ability to deliver our strategic ambition. With regards to other changes, our Group Chief Actuary, Graham Head, left the business in September 2023. It was announced in December 2023 that David Rimmington would stand down as Group Finance Director at the 2024 AGM, with Tom Howard joining from Aviva Investors early in Q2 as the new Group CFO. Mindful of non-executive director tenures, a number of other succession decisions were made that will be implemented over the course of 2024: – Eamonn Flanagan will stand down as Movestic Livförsäkring AB Audit & Risk Committee Chair and Movestic Fonder Chair in order to take on the role of Movestic Livförsäkring AB Board Chair, subject to regulatory approval, when David Brand retires from that role. – Marita Odelius, Non-Executive Director of Movestic Livförsäkring AB, to be appointed Movestic Livförsäkring AB Audit & Risk Committee Chair upon Eamonn Flanagan standing down. – Steve Murray to be appointed to Movestic Livförsäkring AB Audit & Risk Committee Chair, subject to regulatory approval. – David Rimmington to stand down as a Movestic Livförsäkring AB board director and member of the Movestic Livförsäkring AB Audit & Risk Committee when he stands down as Chesnara Group Finance Director. – Sara Lindberg to be appointed as a Movestic Livförsäkring AB board director subject to regulatory approval. **Key considerations and decision:** In reaching their decisions, the board considered the business case for each executive appointment or change and was satisfied with appointees' experience and fit and considered that they would help to drive the group's strategy and delivery. In the case of the CEOs, each process was driven by the local boards, with the Chesnara board confirming its support, mindful of diversity matters amongst others. In determining non-executive appointments, the board considered both Chesnara's governance of the group as well as the levels of experience in local markets when making its decisions. **Primary beneficiaries:** The appointment of appropriately skilled and experienced board members and senior leaders is in the interest of all our stakeholders. **Other stakeholder considerations:** – Employees: the impact of changes in the employee structure was considered in the context of the group's existing employees.

SECTION 172 • SIGNIFICANT DECISIONS

SIGNIFICANT DECISION	DESCRIPTION OF DECISION AND IMPACT ON DIFFERENT STAKEHOLDER GROUPS
STAFF AND REMUNERATION DECISIONS	**Overview:** Over the course of the year, there has been a number of significant staff and remuneration related decisions, the most notable of which are: inflationary increases for staff, mindful of the ongoing cost of living crisis; the invitation to UK staff of a 2023 issuance from the approved save as you earn share save scheme; adoption of a new Executive Director Remuneration Policy and updated short and long-term incentive schemes following approval by shareholders at the 2023 AGM; expanded participation in the LTIP to a small number of senior executives and key talent; approval of the terms of key new appointees; and the smooth transition of staff previously employed by Sanlam Life & Pensions UK either to our new strategic outsourcer SS&C or into Chesnara. There were a number of senior appointments made during the year as noted on the previous page. **Key considerations and decision:** Each decision was discussed by the board giving consideration as to the relevant merits of each item and whether the cost was appropriate given the current economic climate. For each of the decisions, the impact, the benefits and the position in the market and relative to competitors were considered (where appropriate). A balanced argument was put forward to the relevant board or committee for approval, which in some cases included opinions from a third-party advisor. **Primary beneficiaries:** – *Employees:* The primary stakeholder affected by this decision is the group workforce as these decisions directly affect their benefits packages. **Other stakeholder considerations** – *Shareholder:* Investment in staff provides a sustainable environment and workforce, which in turn is expected to have a positive impact on the business. Both in advance of the 2023 AGM and following shareholders' votes on the 2022 Directors' Remuneration Report, the Chair of the Remuneration Committee engaged with major shareholders and a number of changes and clarifications were made as a result.
ACQUISITIONS IN THE YEAR	**Overview:** The board is required to approve any acquisitions that the group enters into. In addition to this, the board reviews and approves any material acquisition offers. **Key considerations and decision:** During 2023, we delivered two acquisitions. The acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands, was completed on 1 January 2023 having been originally announced in July 2022. The insurance portfolio has increased Waard's number of policies under administration by over 50%, transforming Waard into a material closed-book consolidation business alongside Chesnara's existing UK platform. On 16 May 2023, Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life which was closed to new business in November 2022. The deal was initially executed by way of a reinsurance arrangement and will ultimately result in the transfer of approximately 47,000 policies to Countrywide Assured plc (CA). **Primary beneficiary:** – *Shareholder:* The Conservatrix transaction resulted in a day 1 EcV† gain of £21.7m and the Canada Life transaction resulted in a day 1 EcV gain of £6.7m. **Other stakeholder considerations:** – *Regulators:* The Conservatrix transaction required approval by the Dutch regulator, De Nederlandsche Bank (DNB), who needed to ensure that the transaction did not cause any prudential or conduct issues. All approvals were obtained during 2022, with completion taking place on 1 January 2023. – *Customers:* The customers of the entities being acquired will be interested in ensuring that their policies continue to be administered in line with expectations, and that they continue to be prudently managed. – *Staff:* The decision is of interest to the staff of our existing group given the integration plans underpinning the announcements, as well as the staff of the acquired companies.
APPOINTMENT OF SS&C TECHNOLOGIES FOR UK OUTSOURCING	**Overview:** The UK division entered into a new long-term strategic partnership in May 2023 with Fin Tech market leader, SS&C Technologies. SS&C will service the front-to-back-office operations for the majority of the UK division. **Key considerations and decision:** There was a lengthy decision making process to find a strategic partner who could provide stability and scalability to promote our growth ambition. We undertook a detailed selection process in order to select the best partner and one which was also able to align with our sustainability commitments. The board approved the plan to proceed with SS&C concluding that the partnership represents a landmark agreement for the division and provides surety over the future operating costs of the business over a minimum 10-year period. **Primary beneficiaries:** – *Staff:* The use of the platform should provide the UK operations team with efficiencies. – *Shareholder:* The partnership should enable the UK business to continue to deliver high quality and cost-effective servicing with the capacity and flexibility to support continued M&A developments in the UK and continue to bring growth to shareholders. **Other stakeholder considerations:** – *Customers:* We performed a detailed analysis of the service offering from SS&C to ensure that customers would not be adversely affected by the change.

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

SIGNIFICANT DECISION	DESCRIPTION OF DECISION AND IMPACT ON DIFFERENT STAKEHOLDER GROUPS
CASLP PART VII TRANSFER	**Overview:** The high court approved the Part VII transfer of the policies of CASLP to Countrywide Assured plc on 21 December 2023, with the transfer being effective from 31 December 2023. **Key considerations and decision:** For the transfer to be approved, the court and regulatory approval process considered the interests of all policyholders, which were assessed and presented by an independent expert to be acceptable. **Primary beneficiary:** – *Shareholders:* The Part VII transfer should deliver operational and capital efficiencies for the division, increasing the Economic Value in the UK and dividend potential. – *Employees:* The operational efficiencies of combining two businesses should benefit and streamline the processes and controls performed by employees. – *Customers:* Customers of CA and CASLP will benefit from having their policies within an enlarged well-governed business that can be more efficiently run than two separate legal entities. Customers will expect that, as a minimum, their existing benefits will remain in place within the enlarged business.
APPLICATION OF CAPITAL MANAGEMENT AND DIVIDEND POLICIES	**Overview:** Every year the board is required to consider what level of dividends are appropriate for shareholders, whilst also ensuring that it continues to adhere to its own Capital Management Policy. Dividend proposals are subject to board approval, with proposed final dividends being included in a resolution voted for at the Annual General Meeting. **Key considerations and decision:** The directors' report on page 128 provides information on the key considerations made by the board when approving dividends. The aim is to satisfy investor expectations by delivering an attractive dividend, with steady growth where possible. That said, this dividend cannot and will not be delivered at the expense of financial security, be it to solvency or liquidity. In the process of approving a dividend, the board is presented with a paper by management which considers the various aspects of the dividend decision, including cash generation, solvency, gearing, the group's acquisition strategy and investor expectations. During 2023 the board approved the year end 2022 final dividend, amounting to 15.16p per share, and the interim 2023 dividend of 8.36p per share. **Primary beneficiary:** Dividend decisions are made primarily for the benefit of our shareholders. **Other stakeholder considerations:** – *Banks:* Our bankers are considered in terms of the impact of distributions on our liquidity and solvency position. – *Regulators and customers:* These stakeholders are considered in the context of ensuring that the solvency position of the group post dividend remains robust.
MANAGEMENT ACTIONS	**Overview:** The board actively manages the business' performance, including seeking management actions in the year that may reduce cash-flow volatility. **Key considerations and decision:** In December 2023, the board renewed and slightly expanded the group FX hedge which was initially implemented in 2022. The board also approved a partial transfer of the risk of more extreme mass lapse events on the UK business through a reinsurance agreement with Swiss Re. **Primary beneficiary:** These management actions reduce the exposure of the group to these particular risks for which there is limited appetite and, as a consequence, allow capital to be released which supports our Dividend Policy for the benefit of our shareholders. **Other stakeholder considerations:** – *Regulators:* Feedback was obtained from the PRA in advance of the decision to take out the mass lapse reinsurance. No objection was made. Both of these actions manage capital to ensure we remain compliant with our capital requirements. – *Customers:* These stakeholders are considered in the context of ensuring that the solvency position of the group post dividend remains robust.

Engagement with the board on the aforementioned S172 considerations is of critical importance. The board receives management information tailored to incorporate the KPIs referred to above where appropriate. They also receive specific papers or reports back from other board committees (e.g. RemCo.) to support their involvement in S172 related decisions.

BUSINESS REVIEW UK

The UK division consists of the operating company Countrywide Assured plc which now includes the insurance business of CASLP following the Part VII transfer on 31 December 2023. The business also reflects the impact of the Canada Life deal that was entered into in May 2023. The division manages c291,000 policies

BACKGROUND INFORMATION

CAPITAL & VALUE MANAGEMENT

As a largely closed book, the division creates value through managing the following key value drivers: expenses; policy attrition; investment returns; and reinsurance strategy.

In general, surplus regulatory capital emerges as the book runs off. The level of required capital is closely linked to the level of risk to which the division is exposed. Management's risk-based decision making process seeks to continually manage and monitor the balance of making value enhancing decisions whilst maintaining a risk profile in line with the board's risk appetite.

At the heart of maintaining value is ensuring that the division is governed well from a regulatory and customer perspective.

INITIATIVES & PROGRESS IN 2023

- In May 2023 the division entered into a new long-term strategic partnership with Fin Tech market leader, SS&C Technologies. SS&C will service the front-to-back-office operations for the majority of the UK division. This represents a landmark agreement for the division, and provides a modern platform that delivers surety of future operating costs over the longer term; will improve the efficiency of the existing business; and establishes a solid platform to scale the business via future acquisitions.
- This has initiated a programme of work to migrate the business operations of CASLP to the SS&C target operating model. The first key milestone of transferring CASLP staff to SS&C was met during the year.
- The planned Part VII insurance business transfer of CASLP into CA completed on 31 December 2023 and has resulted in the realisation of some immediate capital synergies. This also supports the delivery of future operational efficiencies.
- In May 2023 the division agreed to acquire Canada Life's individual protection business of 47,000 policies. This was initially executed via a reinsurance agreement, with the policies expected to transfer to CA through a Part VII insurance business transfer process following court approval.
- CA has continued to optimise the risk/reward balance of its investment portfolio, having executed a change in the assets backing the non-linked, non-volatility adjustment portfolio during the year.
- In Q4, CA entered into a mass lapse reinsurance arrangement. This provides cover against the risk of a large outflow of policies and as a result reduces the amount of capital that is required to be held in a mass lapse scenario.
- As a result of the Solvency II risk margin reforms that came into force on 31 December 2023 the risk margin has reduced by £13.2m.
- The UK business paid total dividends of £56.0m to Chesnara plc in the year and is reporting a year end 2023 dividend of £35.0m to be paid later in 2024, with a closing post dividend solvency ratio of 149%.

CUSTOMER OUTCOMES

Delivering good customer outcomes is one of our primary responsibilities. We strive to do this by providing good customer service, competitive fund performance and offering overall fair value for money. We seek to offer additional support to customers who may need it and provide easy to understand information about our products and the benefits provided. We are committed to meeting our regulatory responsibilities, including remaining operationally resilient and maintaining a strong solvency position.

- An ongoing focus of the division is to ensure that it complies with the requirements of the FCA's 'Consumer Duty'. The business unit met the requirements in relation to its open business by the regulatory deadline of 31 July 2023 and the closed-book operations are on track to comply with the requirements by the later deadline of 31 July 2024.
- Another important multi-year focus is to ensure compliance with the FCA's 'Operational Resilience' regulations by 31 March 2025. This remains on track and has included supporting the PRA in its industry-wide data collection programme.
- The policies of CASLP were transferred to CA on 31 December 2023 following court approval on 21 December 2023. As part of this process an independent expert for the transfer confirmed that all policyholders could expect to receive the same benefits in their existing policies with the same level of security under the transfer.

GOVERNANCE

Maintaining effective governance and a constructive relationship with regulators underpins the successful delivery of the division's strategic plans.

Having robust governance processes provides management with a platform to deliver the other aspects of the business strategy. As a result, a significant proportion of management's time and attention continues to be focused on ensuring that both the existing governance processes, coupled with future developments, are delivered.

- In September Jackie Ronson joined Chesnara, succeeding Ken Hogg as UK CEO. As well as overseeing the day-to-day operations of the division, Jackie will apply her experience in M&A and leading large scale transformation to deliver the UK's business strategy.
- During the course of the year the division successfully delivered the integration of the policies and governance frameworks of CASLP with CA. This was in preparation for the Part VII transfer of CASLP into CA at the end of the year, and puts the CA board in good stead for overseeing the enlarged business through a combined oversight structure going forward.
- After entering into the new strategic partnership with SS&C during the year, coupled with the new arrangement with Canada Life, the division has focused on ensuring that its governance and oversight routines have been adapted to reflect these new arrangements.
- CA has implemented IFRS 17 reporting into its overall Financial Reporting Framework, as required to support Chesnara's year end 2023 IFRS 17 reporting.
- The division has supported the wider group's sustainability programme over the course of the year and will continue to focus on local initiatives for 2024.

covering linked pension business, life insurance, endowments, annuities and some with-profit business. The division is largely closed to new business, but generates future value through a small amount of new business, investment returns on linked policies, increments to existing policies and periodic acquisitions.

KPIs

Economic Value† – UK

Reported value
Cumulative dividends

£m

Year	Reported value	Cumulative dividends	Total
2023	191.4	146.0	337.4
2022	209.3	90.0	299.3
2021	181.9	62.5	244.4
2020	187.4	29.0	216.4
2019	204.6		

Cash generation† – UK

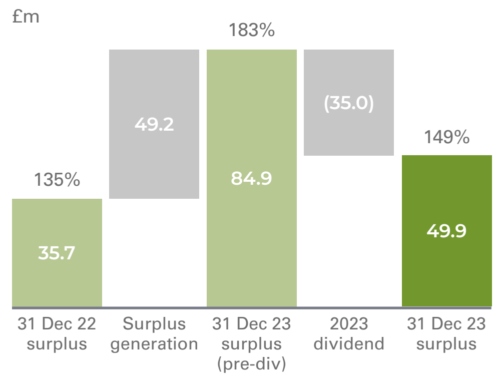
£m

Year	£m
2023	45.0
2022	40.8
2021	27.4
2020	29.5
2019	33.6

Policyholder fund performance – UK

Fund	12 months ended 31 December 2023	12 months ended 31 December 2022
CA managed pension	7.5%	(7.9%)
CWA balanced managed pension	7.5%	(7.9%)
S&P managed pension	7.0%	(8.4%)
Benchmark – ABI mixed inv 40%-85% shares	8.2%	(9.8%)
Benchmark – ABI mixed inv 20%-40%	6.7%	(10.7%)
SLP managed pension	7.1%	(9.7%)

SOLVENCY RATIO CA: 149%



Divisional solvency remains strong and stable with surplus generated in the year increasing the pre-dividend solvency ratio from 135% to 183%.

FUTURE PRIORITIES

- Continued migration of the majority of the existing and the acquired books of business to SS&C as strategic outsource partner.
- Complete the final stages of the integration plans of CASLP into CA, including de-authorising and the subsequent dissolution of CASLP Limited.
- Complete the work necessary to prepare for the transfer of the policies of Canada Life into CA.
- Continue to focus on maintaining an efficient and cost-effective operating model.
- Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.
- Support Chesnara in identifying and delivering UK acquisitions.

Note:
The closing EcV at 31 December 2023 includes a £6.7m gain arising on the Canada Life deal.

- Continued focus on the operational resilience programme to ensure the regulatory deadline of March 2025 is achieved.
- Execute the board agreed plans and progress any actions needed to meet the requirements of the Consumer Duty regulation by July 2024.
- Continued focus on delivering good customer outcomes and maintaining strong service performance from all customer-facing suppliers and providers.

- Continue embedding the new IFRS 17 financial reporting processes into business as usual routines.
- Ensure appropriate governance arrangements are in place as the division transitions the majority of its front-to-back operations to SS&C.
- Continue to horizon scan for future regulatory changes.
- Continue engaging with our asset managers on progress towards net zero and investing in positive solutions.
- Support the wider group-wide sustainability programme to becoming a more sustainable group, including focusing on our operations, social purpose, and ensuring the group's and division's reporting needs are met.

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

BUSINESS REVIEW SWEDEN

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

MAXIMISE VALUE FROM EXISTING BUSINESS

BACKGROUND INFORMATION	INITIATIVES & PROGRESS IN 2023
CAPITAL & VALUE MANAGEMENT Movestic creates value predominantly by generating growth in unit-linked Funds Under Management† (FuM), whilst ensuring a high-quality customer proposition and maintaining an efficient operating model. FuM growth is dependent upon positive client cash flows and positive investment performance. Capital surplus is a factor of both the value and capital requirements and hence surplus can also be optimised by effective management of capital.	– 2023 continued to see geopolitical uncertainty in many parts of the world, which drove rising interest and inflation rates, although the trend turned later in the year. The financial markets have been volatile, but overall positive, due to an upswing in US and wider tech markets; this development was reflected in the favourable returns on policyholders' investment assets. – Movestic continued to improve its offerings within both the unit-linked and custody account segments through a number of activities; for example, continuing to monitor developments and ensuring products remain relevant. In addition, Movestic has continued its retention initiatives during the year, albeit high transfer activity is expected to remain a market feature due to new simplified processes and regulations that have come into force. – Over the year, Movestic has continued to develop its digital offering through extending its digital processing; establishing new partnerships; and continuing efforts to streamline processes and increase the use of automation. New customer demands and a greater digitalisation on the market overall have also caused the division to intensify its efforts to create services that are easier and more efficient for customers and partners to use. The work with automation and digitalisation is also expected to add future synergies as we will be able to scale up the business. – Movestic's solvency ratio remains robust despite the development of the symmetric adjustment following positive investment markets which requires additional capital to be held. The closing FuM balance of £4.4bn represents a full year increase of 18.5% when compared to 2022, driven by overall favourable market conditions.
CUSTOMER OUTCOMES Movestic provides personalised long-term savings, insurance policies and occupational pensions for individuals and business owners. We believe that recurring independent financial advice increases the likelihood of a solid and well-planned financial status, hence we are offering our products and services through advisors and licensed brokers.	– Movestic has developed a new sustainability rating for funds on its platform, with the aim of providing an aggregated valuation of different sustainability ratings that are available on the investment market (more information is available on the Movestic website). – Work to automate processes and make them more efficient has taken place over the year. In addition, a new customer service case management system was implemented over 2023. Both activities will help to ensure smoother administration and improved customer service. – Movestic continued to expand the custodian offering by establishing new partnerships. – To help customers plan their retirement, Movestic has developed a unique digital service where customers can: plan; start withdrawing; and change how they receive their occupational pension. In 2023, seven out of every ten of the company's customers used this service to start withdrawing their pension. – A new digital medical underwriting tool and an improved digital investment tool have been launched, making it easier for customers to choose and exchange the funds in their portfolios. – The long-term trend with more satisfied customers is continuing as the company's Customer Satisfaction Index rose for the third consecutive year.
GOVERNANCE Movestic operates to exacting regulatory standards and adopts a robust approach to risk management. Maintaining strong governance is a critical platform to delivering the various value-enhancing initiatives planned by the division.	– IFRS 17 and IFRS 9 – the division has delivered its first full year end for 2023 under the new group accounting standards. – Sustainability has remained a key focus area with work progressing in a number of areas. A key example is work over the year to develop a solution to digitally provide customers with individual sustainability annual statements which is in accordance with new regulation that came into force on 1 January 2023. Additionally, work has progressed in respect of the Corporate Sustainability Reporting Directive (CSRD) which is an EU adopted new directive on sustainability reporting. Movestic initiated an impact assessment in December 2023 and we are working to understand the likely effective date, given the complexities of the legislation. – Analysis of the Global Minimum Tax (GMT) regulatory framework is also underway, to determine how the new law affects the company's tax situation. – Work has commenced to implement the new regulatory framework, Digital Operational Resilience Act (DORA), which is effective from January 2025. DORA is designed to improve the ability to withstand cyber threats and the risks associated with information security.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

As an 'open' business, Movestic not only adds value from sales but, as it gains scale, it will become increasingly cash generative which will fund further growth or contribute towards the group's attractive dividend. Movestic continues to adopt a profitable pricing strategy.	– Sales volumes for the unit-linked business have developed positively over the year, representing a 15% rise on the prior year. The custodian sales volumes slowed down during the year due to the less favourable financial market conditions, particularly a lack of local IPOs. – The division delivered a commercial new business profit of £2.8m, which is slightly below last year, in part due to salary increases below the inflation rate, which led to lower increment contributions. – Movestic will continue to develop its pension and savings offering to increase competitiveness and build customer loyalty. – For the second year in a row, Movestic has been awarded 'Unit-linked Insurance Company of the Year' for 2023 by Söderberg & Partners.

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

KPIs (ALL COMPARATIVES HAVE BEEN RESTATED USING 2023 EXCHANGE RATES)

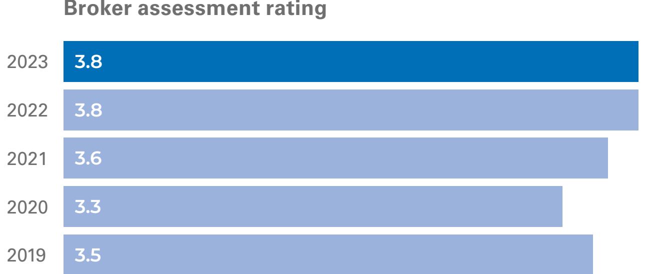
Economic Value†

Reported value
Cumulative dividends

£m

2023 189.6 25.2 214.8
2022 193.8 14.0 207.8
2021 232.8 11.0 243.8
2020 213.9 5.9 219.8
2019 240.9 240.9

Broker assessment rating

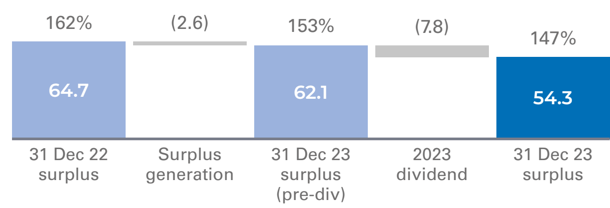


Policyholder average investment return

11.8%

SOLVENCY RATIO: 147%

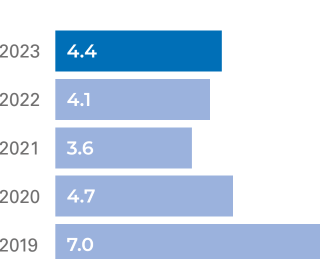
£m



Solvency remains strong post a foreseeable dividend of

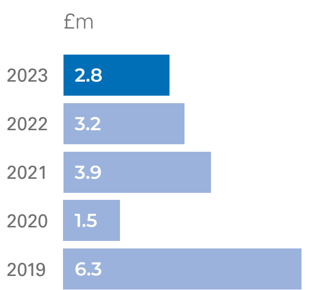
£7.8m

Occupational pension market share %



New business profit

£m



FUTURE PRIORITIES

- The Swedish life insurance industry is going through a major transformation. Recent regulatory and technology developments (e.g. AI) will create opportunities, but also lead to higher customer demand for accessibility, information, and personalised products and services. Movestic will keep working to increase the use of automation; streamline its processes and improve its administrative efficiency and control.
- Continue to build solid and long-term sustainable value creation for customers and owners through a diversified business model with continued profitable growth of volumes and market shares in selected segments.
- Remain focused on customer loyalty and providing attractive offerings to both retain customers and reach more volumes on the transfer market.
- Provide a predictable and sustainable dividend to Chesnara.
- Seek out opportunities to bring in additional scale through M&A, working collaboratively with the group.

- Continued development of new digital self-service solutions and tools to support the brokers' value enhancing customer proposition, and to facilitate smooth administrative processes making Movestic a partner that is easy to do business with.
- Further strengthen the relationship with brokers and partners through increased presence, both physical and digital.
- Continue to capitalise on the new rules that came into effect in July 2022 which enhance the business's ability to transfer policies onto its own platform where it is in the interest of customers to do so.

- Ensure new reporting processes are embedded into BAU operations to support IFRS 17 requirements.
- Continue implementation of sustainability regulations.

- Launch new risk product offerings in the broker channel, including a new technical solution for administration.
- Continue to strengthen distribution capacity within all channels and work to launch new partner collaboration within all lines of business.

BUSINESS REVIEW NETHERLANDS

Our Dutch businesses deliver growth through our acquisitive closed-book business, Waard, which increased in size as a result of the Conservatrix acquisition at the start of the year, and our open-book business, Scildon, which seeks to write profitable term, investments and savings business.

MAXIMISE VALUE FROM EXISTING BUSINESS

CAPITAL & VALUE MANAGEMENT

BACKGROUND INFORMATION

Both Waard and Scildon have a common aim to make capital available to the Chesnara group to fund further acquisitions or to contribute to the dividend and debt funding. Whilst their aims are common, the dynamics by which the businesses add value differ:

- Waard is in run-off and has the benefit that the capital requirements reduce in line with the attrition of the book. Waard periodically grows through delivering acquisitions.
- As an 'open business', Scildon's capital position does not benefit from book run-off. It therefore adds value and creates surplus capital through writing new business and by efficient operational management and capital optimisation.

INITIATIVES & PROGRESS IN 2023

- On 1 January 2023, Waard executed the acquisition of an insurance portfolio from Conservatrix, a specialist provider of life insurance products in the Netherlands that was declared bankrupt on 8 December 2020. The integration of both the portfolio and staff were successfully completed in 2023.
- Scildon's IT system improvement project has progressed well over the year, and cost efficiencies have materialised in line with the business case. The project is expected to conclude in 2024.
- Over the year, Waard combined all holdings (excluding unit-linked) to one custodian. This will both save costs and enable to us to better track our financed emissions and progress towards our net zero target.
- Both Waard and Scildon continue to have strong solvency positions at the end of 2023, inclusive of the use of the volatility adjustment, with Scildon at 184% and Waard at 353%.

CUSTOMER OUTCOMES

Great importance is placed on providing customers with high quality service and positive outcomes.

Whilst the ultimate priority is the end customer, in Scildon we also see the brokers who distribute our products as being customers, and hence developing processes to best support their needs is a key focus.

- Scildon has continued to make improvements to its customer offering through new products and digitalisation options where possible. These improvements will also reduce the level of physical mail, making all communications with IFAs and customers digital.
- Scildon retained a high customer satisfaction rating and Net Promotor Score (NPS) in 2023.
- Through the acquisition of Conservatrix, Waard has safeguarded policyholder interests and provided certainty to staff. Processes were put in place to support the contact issues policyholders faced at the start of the year with many policyholders restarting their premiums in the second half of the year.
- Waard has also progressed work on digitalising its customer portal to both make it easier for customers to access documents but also to reduce the level of printing required, in turn helping the group decarbonise. This is expected to be launched in 2024.

GOVERNANCE

Waard and Scildon operate in a regulated environment and comply with rules and regulations both from a prudential and from a financial conduct point of view.

- Work is progressing to embed IFRS 17 and IFRS 9 processes into normal finance activity, with significant strides being made during the year, with this set of results being the first audited set of numbers under the new accounting standard.
- Both business units have been progressing their sustainability activity with a significant programme of work expected over 2024.
- Work has started on consideration of the Corporate Sustainability Reporting Directive (CSRD) which is an EU adopted new directive on sustainability reporting and we are working to understand the likely effective date, given the complexities of the legislation.

ENHANCE VALUE THROUGH PROFITABLE NEW BUSINESS

Scildon brings a 'new business' dimension to the Dutch division. Scildon sells protection, individual savings, and group pensions contracts via a broker-led distribution model. The aim is to deliver meaningful value growth from a realistic market share. New business also helps the business maintain scale and hence contributes to unit cost management.

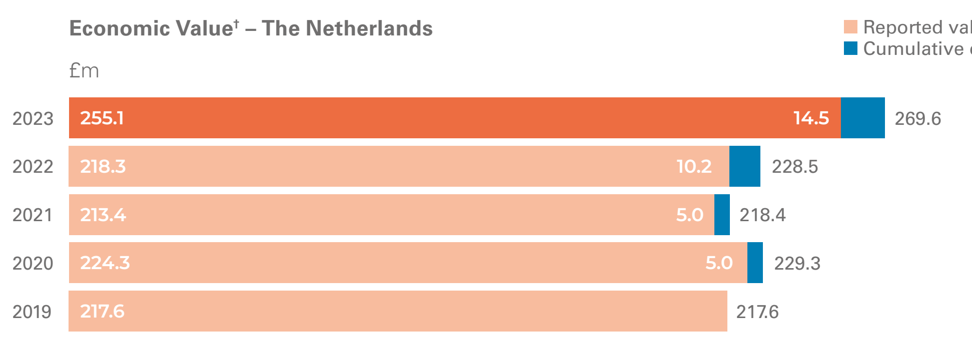
- Scildon continues to generate solid new business profits, with a commercial new business result of £5.4m for 2023 (pre-tax). The market remains tough with pressure on pricing, but we have a solid base to drive further growth.
- Underpinning this, Scildon APE and policy count continue to increase, closing the year with more than 236,000 policies. The market share for the Scildon term product over 2023 was 10.5% (2022: 10.6%).
- Scildon was awarded a 5-star rating for the second year in a row for its lifestyle product by independent trade body, Moneyview.

[1] Annual Premium Equivalent (APE) – see glossary on page 278 for further information.
[†] Alternative Performance Measure (APM) used to enhance understanding of financial performance. Further information on APMs can be found in the Additional Information section of this Annual Report and Accounts.

KPIs (ALL COMPARATIVES HAVE BEEN RESTATED USING 2023 EXCHANGE RATES)

Economic Value† – The Netherlands

£m



FUTURE PRIORITIES

- Effective management of the closed-book run-off in Waard to enable ongoing dividend payments to Chesnara.
- Complete the IT improvement project and ensure the planned efficiencies are delivered.
- Continue to focus on maintaining an efficient and cost-effective operating model. Identify potential capital management actions, focusing on those that generate the appropriate balance of value and cash generation.
- Support Chesnara in identifying and delivering Dutch acquisitions.

Client satisfaction rating

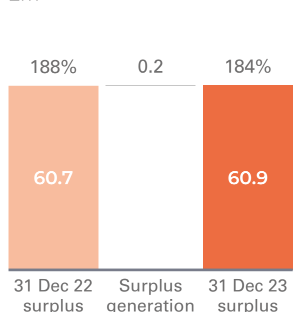
Year	Rating
2023	8.3
2022	8.3
2021	8.1
2020	7.8
2019	7.7

(Source MWM research agency, Netherlands)

- Regular engagement with customers to improve service quality and to enhance and develop existing processes, infrastructure, and customer experiences.
- Launch the new digital portal in Waard.

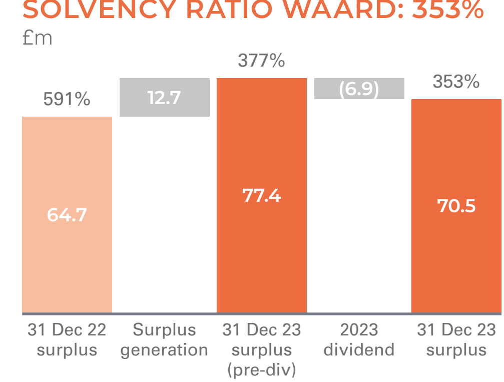
SOLVENCY RATIO SCILDON: 184%

£m



SOLVENCY RATIO WAARD: 353%

£m

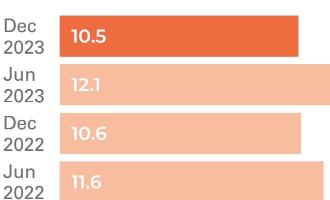


Solvency is robust in both businesses, with post-dividend solvency ratios (inclusive of the volatility adjustment) of 184% and 353% for Scildon and Waard respectively.

- Continue to work to fully embed IFRS 17.
- Progress the implementation of the Corporate Sustainability Reporting Directive (CSRD).

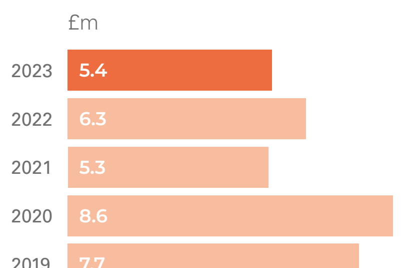
Note:
The 2022 closing solvency ratio for Waard includes additional capital held in respect of the purchase of Conservatrix, with the acquisition and business integration completing in 2023.

Term assurance market share %



Scildon new business profit

£m



- Continue to deliver product innovation and cost management actions.
- Consider alternative routes to market that do not compromise our existing broker relationships, such as further product white labelling.
- Scildon continues to look to offer sustainable solutions for their unit-linked proposition.

BUSINESS REVIEW • ACQUIRE LIFE & PENSIONS BUSINESSES

During 2023 we completed the acquisition of the insurance portfolio of Conservatrix in the Netherlands and entered into a deal in the UK with Canada Life to transfer its onshore protection business to the group.

TRANSACTIONS IN 2023:

CONSERVATRIX

The acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands, was completed on 1 January 2023 having been originally announced in July 2022. The insurance portfolio has increased Waard's number of policies under administration by over 50%, transforming Waard into a second material closed-book consolidation business alongside Chesnara's existing UK platform.

The Conservatrix transaction increased the group's EcV by £21.7m on day 1 and provides further EcV accretion potential from future real world investment returns and the run-off of the risk margin. The Conservatrix portfolio was integrated into the Waard business over the course of the year, including allowing customers the option to restart their premiums on their policies.

Territory	EcV	New policies	Customer outcomes	Risk Appetite
NL	**£21.7m day 1 gain**	**70,000**	**Stable future in a well capitalised business**	**In line with existing group**

CANADA LIFE UK

Chesnara announced the acquisition of the onshore individual protection line of business of Canada Life UK in May 2023. As a result of the acquisition, approximately 47,000 life insurance and critical illness policies will transfer to Chesnara's UK subsidiary, Countrywide Assured plc (CA).

Canada Life UK will reinsure the portfolio to CA, effective from 1 January 2023. The consideration as part of the reinsurance agreement was £9 million, funded from internal group resources, and the transaction resulted in an immediate day 1 EcV gain of £6.7m.

Customers' policies are expected to formally transfer to CA after completion of a court-approved Part VII transfer. This is following the successful completion in 2023 of the Part VII transfer of the CASLP entity to CA.

Territory	EcV	New policies	Customer outcomes	Risk Appetite
UK	**£6.7m day 1 gain**	**47,000**	**Part VII into CA, a well capitalised company**	**In line with existing group**

ACQUISITION OUTLOOK

- We continue to see a healthy flow of acquisition opportunities across the European insurance market.
- Key drivers for owners to divest portfolios continue to remain relevant and create a strong pipeline. These include better uses of capital (e.g. return to investors or supporting other business lines), operational challenges (e.g. end of life systems), management distraction, regulatory challenges and wider business and strategic needs.
- Our expectation is that sales of portfolios will continue and our strong expertise and knowledge, good regulatory relationships and the flexibility of our operating model means that Chesnara is very well placed to manage the additional complexity associated with these portfolio transfers and provide beneficial outcomes for all stakeholders. These transactions may not be suitable for all potential consolidators, in particular those who do not have existing regulatory licences.
- We continue to have immediately available acquisition firepower of over £200m, noting we seek to hold cash reserves to cover costs for 12 months (dividend, coupon and working capital). We will continue to explore how we can increase our funding capability further, including consideration of partnerships as well as equity and debt to ensure we can compete for larger deals.
- Our financing considerations, when looking at new deals, are: that we operate in our normal operating solvency range of 140-160%; we maintain our investment grade rating through managing our leverage ratio; we retain liquid resources to cover the dividend, coupon and working capital for approximately one year; and we continue to have the capacity to finance smaller transactions without extra fundraising.

How we deliver our acquisition strategy

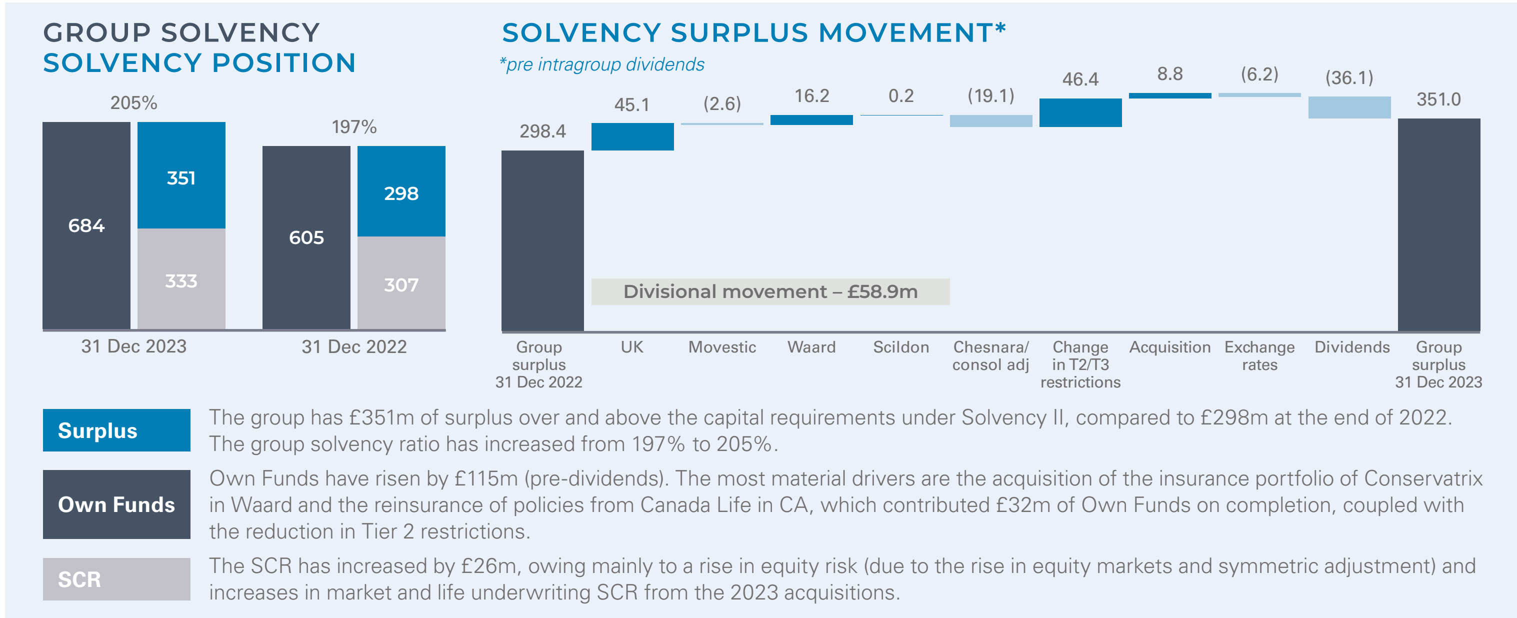
- Identify potential deals through an effective network of own contacts, advisors and industry associates, utilising both group and divisional management expertise as appropriate.
- We primarily focus on acquisitions in our existing territories, although we will consider other territories should the opportunity arise and this is supportive of our strategic objectives.
- We assess deals by applying well established criteria which consider the impact on cash generation and Economic Value under best estimate and stressed scenarios.
- We work cooperatively with regulators.
- The financial benefits are viewed in the context of the impact the deal will have on the enlarged group's risk profile.
- Transaction risk is reduced through stringent risk-based due diligence procedures and the senior management team's acquisition experience and positive track record.
- We fund deals with a combination of own resources, debt or equity depending on the size and cash flows of each opportunity and commercial considerations.

HOW WE ASSESS DEALS

Cash generation†	Collectively our future acquisitions must be suitably cash generative to continue to support Chesnara delivering attractive dividends.
Value enhancement	Acquisitions are required to have a positive impact on the Economic Value† per share in the medium term under best estimate and certain more adverse scenarios.
Customer outcomes	Acquisitions must ensure we protect, or ideally enhance, customer interests.
Risk appetite	Acquisitions should normally align with the group's documented risk appetite. If a deal is deemed to sit outside our risk appetite the financial returns must be suitably compelling.

CAPITAL MANAGEMENT • SOLVENCY II

Subject to ensuring other constraints are managed, surplus capital is a useful proxy measure for liquid resources available to fund items such as dividends, acquisitions or business investment. As such, Chesnara defines cash generation as the movement in surplus, above management buffers, during the period.



Surplus The group has £351m of surplus over and above the capital requirements under Solvency II, compared to £298m at the end of 2022. The group solvency ratio has increased from 197% to 205%.

Own Funds Own Funds have risen by £115m (pre-dividends). The most material drivers are the acquisition of the insurance portfolio of Conservatrix in Waard and the reinsurance of policies from Canada Life in CA, which contributed £32m of Own Funds on completion, coupled with the reduction in Tier 2 restrictions.

SCR The SCR has increased by £26m, owing mainly to a rise in equity risk (due to the rise in equity markets and symmetric adjustment) and increases in market and life underwriting SCR from the 2023 acquisitions.

Solvency II background

- Solvency surplus is a measure of how much the value of the company (Own Funds) exceeds the level of capital it is required to hold.
- The value of the company is referred to as its Own Funds (OF) and this is measured in accordance with the rules of the Solvency II regime.
- The capital requirement is also defined by Solvency II rules and the primary requirement is referred to as the Solvency Capital Requirement (SCR).
- Solvency is expressed as either a ratio: **OF/SCR %**; or as an absolute surplus: **OF LESS SCR**.

WHAT ARE OWN FUNDS?

A valuation which reflects the net assets of the company and includes a value for future profits expected to arise from in-force policies.

The Own Funds valuation: A restriction is applied to reduce the aggregate value of Tier 2 and eligible Tier 3 assets down to 50% of the reported SCR.

Contract boundaries: Solvency II rules do not allow for the recognition of future cash flows on certain policies despite a high probability of receipt.

Risk margin: The Solvency II rules require a 'risk margin' liability which is deemed to be above the realistic cost.

Restricted with-profit surpluses: Surpluses in the group's with-profit funds are not recognised in Solvency II Own Funds despite their commercial value.

We define Economic Value (EcV)† as being the Own Funds adjusted for the items above. As such our Own Funds and EcV have many common characteristics and tend to be impacted by the same factors.

Transitional measures, introduced as part of the long-term guarantee package when Solvency II was introduced, are available to temporarily increase Own Funds. Chesnara does not take advantage of such measures, however we do apply the volatility adjustment within our Dutch and UK divisions.

How do Own Funds change?
Own Funds (and Economic Value) are sensitive to economic conditions. In general, positive equity markets and increasing yields lead to OF growth and vice versa. Other factors that improve OF include writing profitable new business, reducing the expense base and improvements to lapse rates.

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

WHAT IS CAPITAL REQUIREMENT?

The Solvency Capital Requirement can be calculated using a 'standard formula' or 'internal model'. Chesnara adopts the 'standard formula'.

There are three levels of capital requirement:

Minimum dividend paying requirement/risk appetite requirement: The board sets a minimum solvency level above the SCR which means a more prudent level is applied when making dividend decisions.

Solvency Capital Requirement: Amount of capital required to withstand a 1 in 200 event. The SCR acts as an intervention point for supervisory action including cancellation or the deferral of distributions to investors.

Minimum Capital Requirement (MCR): The MCR is between 45% and 25% of the SCR. At this point Chesnara would need to submit a recovery plan which if not effective within three months may result in authorisation being withdrawn.

How does the SCR change?
Given the largest component of Chesnara's SCR is market risk, changes in investment mix or changes in the overall value of our assets have the greatest impact on the SCR. For example, equity assets require more capital than low risk bonds. Also, positive investment growth in general creates an increase in SCR. Book run-off will tend to reduce SCR, but this will be partially offset by an increase as a result of new business.

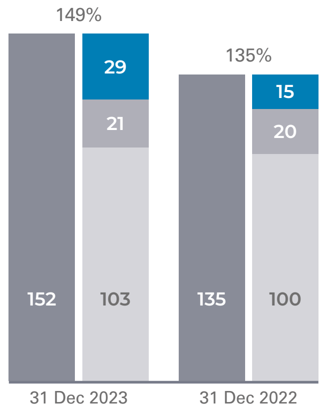
HMT reforms to Solvency II were laid before parliament on 8 December, and came into force on 31 December 2023. The reforms updated the risk margin calculation for CA. We continue to monitor any further proposed changes closely and future financial statements will report on the UK specific application of Solvency II as it diverges from the EU's regime. We see no specific reason to expect the PRA to use their enhanced freedoms to take a route that systemically makes it harder to do business in the UK.

EIOPA has proposed provisional reforms to Solvency II. These reforms need to be presented to member states and the European Parliament for approval.

CAPITAL MANAGEMENT • SOLVENCY II

We are well capitalised at both a group and subsidiary level. We have applied the volatility adjustment in Scildon, Waard Leven and CA, but have not used any other elements of the long-term guarantee package within the group. The volatility adjustment is an optional measure that can be used in solvency calculations to reduce volatility arising from large movements in bond spreads.

UK £m



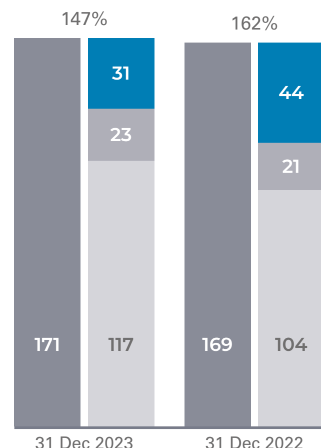
Surplus: £29.4m above board's Capital Management Policy.

Dividends: Solvency position is stated after £35.0m proposed dividend (2022: £56m).

Own Funds: Increased by £51.5m (pre-dividend), including the Canada Life day 1 gain, positive economic experience, Part VII synergies and a decrease in the risk margin due to the SII reforms.

SCR: Increased by £2.3m primarily due a fall in lapse risk due to the mass lapse reinsurance, offset by increases as a result of the Canada Life deal, Part VII synergies and a rise in equity risk capital.

SWEDEN £m



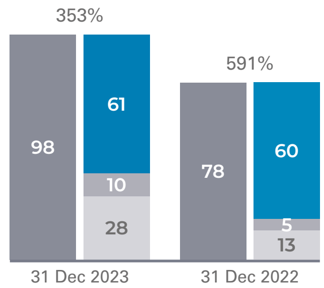
Surplus: £30.9m above board's Capital Management Policy.

Dividends: Solvency position is stated after £7.8m (100 MSEK) proposed dividend (2022: £11.7m – 150 MSEK).

Own Funds: Increased by £10.1m (pre-dividend) largely owing to positive economic movements, partially offset by operating strain, primarily arising from adverse lapse experience.

SCR: Increased by £12.7m due to positive equity growth and moderate rise in currency and lapse risks.

NETHERLANDS – WAARD GROUP £m



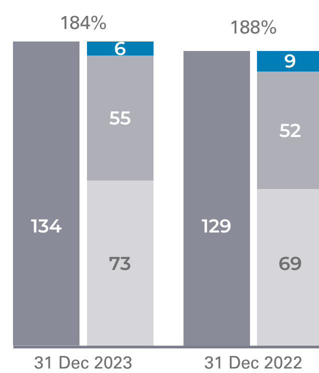
Surplus: £60.7m above board's Capital Management Policy.

Dividends: Solvency position stated after £6.9m proposed dividend (2022: £4.3m).

Own Funds: Increased by £28.3m (pre-dividend) largely due to the Conservatrix deal, coupled with some positive operating items.

SCR: Increased by £14.7m, mainly due to the Conservatrix deal, which has mostly impacted longevity, lapse and concentration risk.

NETHERLANDS – SCILDON £m



Surplus: £6.2m above board's Capital Management Policy.

Dividends: No foreseeable dividend is proposed (2022: £nil).

Own Funds: Increased by £4.3m due to positive operating variances and new business profits.

SCR: Increased by £4.1m, chiefly made up of an increase in mortality and catastrophe risks, offset by an increase in LACDT.

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

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

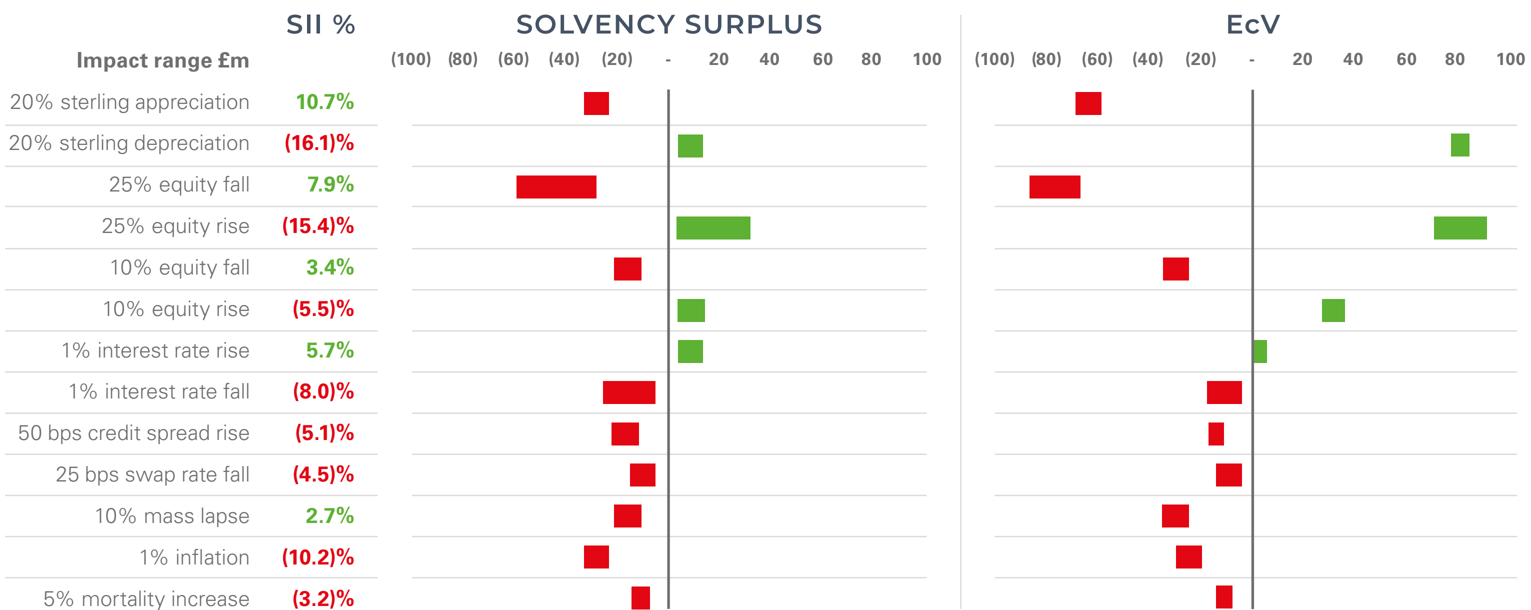
CAPITAL MANAGEMENT • SENSITIVITIES

The group's solvency position can be affected by a number of factors over time. As a consequence, the group's EcV†, and cash generation†, both of which are derived from the group's solvency calculations, are also sensitive to these factors.

The diagram below provides some insight into the immediate impact of certain sensitivities that the group is exposed to, covering solvency surplus and Economic Value. As can be seen, EcV tends to take the 'full force' of adverse conditions immediately (where the impacts are calculated on the cash flows for the life of our portfolios) whereas solvency is often protected in the short term and, to a certain extent, the longer term due to compensating impacts on required capital.

Tier 2 debt has a material impact on the reported sensitivities because, as capital requirements move, the amount of the Tier 2 debt able to be recognised in Own Funds also moves. For example, where FX movements reduce the SCR, we also experience a corresponding reduction in base Own Funds and Own Funds relating to Tier 2 capital. The total surplus is now more exposed to downside risks than before the Tier 2 debt but, importantly, the Tier 2 debt itself has created more than sufficient additional headroom to accommodate this.

Whilst cash generation has not been shown in the diagrams below, the impact of these sensitivities on the group's solvency surplus has a direct read across to the immediate impact on cash generation. Each individual bar in the diagram illustrates the estimated impact range (£m) of the respective sensitivities and whether that impact is positive (green) or negative (red).



INSIGHT*

20% sterling appreciation: A material sterling appreciation reduces the value of surplus in our overseas divisions and any overseas investments in our UK entities, however this is partially mitigated by the group currency hedge so the overall impact on solvency is reduced.

Equity sensitivities: The equity rise sensitivities cause both Own Funds and SCR to rise, as the value of the funds exposed to risk is higher. The increase in SCR can be larger than Own Funds, resulting in an immediate reduction in surplus, depending on the starting point of the symmetric adjustment. The converse applies to an equity fall sensitivity, although the impacts are not fully symmetrical due to management actions and tax. The Tier 2 debt value also changes materially in these sensitivities. The change in symmetric adjustment can have a significant impact (25% equity fall: -£20.1m to the SCR, 25% equity rise: +£30.2m to SCR). The EcV impacts are more intuitive as they are more directly linked to Own Funds impact. CA and Movestic contribute the most due to their large amounts of unit-linked business, much of which is invested in equities.

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

50 bps credit spread rise: A credit spread rise has an adverse impact on surplus and future cash generation, particularly in Scildon due to corporate and non-local government bond holdings that form part of the asset portfolios backing non-linked insurance liabilities. The impact on the other divisions is less severe.

25 bps swap rate fall: This sensitivity measures the impact of a fall in the swap discount curve with no change in the value of assets. The result is that liability values increase in isolation. The most material impacts are on CA and Scildon due to the size of the non-linked book.

10% mass lapse: In this sensitivity Own Funds fall as there are fewer policies on the books, thus less potential for future profits. This is largely offset by a fall in SCR, although the amount of eligible Tier 2 capital also falls. The division most affected is Movestic as it has the largest concentration of unit-linked business.

1% inflation rise: This sensitivity measures a permanent increase in inflation in every future year (above existing valuation assumptions). Such a rise in inflation increases the amount of expected future expenses. This is capitalised into the balance sheet and hits the solvency position immediately.

5% mortality increase: This sensitivity has an adverse impact on surplus and cash generation, particularly for Scildon due to their term products.

*BASIS OF PREPARATION ON REPORTING

Although it is not a precise exercise, the general aim is that the sensitivities modelled are deemed to be broadly similar (with the exception that the 10% equity movements are naturally more likely to arise) in terms of likelihood. Whilst sensitivities provide a useful guide, in practice, how our results react to changing conditions is complex and the exact level of impact can vary due to the interactions of events and starting position.

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

FINANCIAL REVIEW

Our key performance indicators provide a good indication of how the business has performed in delivering its three strategic objectives. These two pages provide some insight into what is driving the results for 2023. Further analysis can be found on pages 50 to 58.

£32.5M 2022 £82.7m

GROUP CASH GENERATION†

excluding the impact of acquisitions

What is it?

Cash generation is calculated as being the movement in Solvency II Own Funds over the internally required capital, excluding the impact of Tier 2 debt. The internally required capital is determined with reference to the group's capital management policies, which have Solvency II rules at their heart. Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed.

Why is it important?

Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'. However, our cash generation is always managed in the context of our stated value of maintaining strong solvency positions within the regulated entities of the group.

Risks

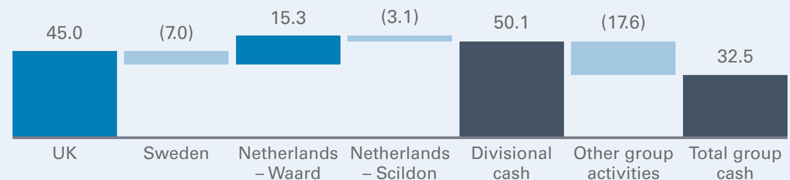
The ability of the underlying regulated subsidiaries within the group to generate cash is affected by a number of our principal risks and uncertainties as set out on pages 63 to 70. Whilst cash generation is a function of the regulatory surplus, as opposed to the IFRS surplus, it is impacted by similar drivers, and therefore factors such as yields on fixed interest securities and equity and property performance contribute significantly to the level of cash generation within the group.

£50.1M 2022 £61.9m

DIVISIONAL CASH GENERATION†

Further detail on p50

Highlights £m



- Group cash generation was £32.5m for the year (2022: £82.7m) and contains a material adverse impact from the symmetric adjustment of £13.1m (2022: +£28.2m), which is a key component of the year-on-year movement.
- The divisional result, despite the negative impact of the symmetric adjustment, was again strong, with £50.1m reported for the year. The UK division again underpinned divisional cash with £45.0m generated, while there was also a very positive contribution from Waard. Economic factors supported the value growth in the UK, while cash generation in the Netherlands was driven by the operating profits, offsetting the loss in Sweden owing to the market driven rise in capital requirements.
- The central group result includes the adverse impact of some non-recurring development items (including M&A), central overheads and Tier 2 coupon payments. The FX hedge had a positive cash impact of £2.5m, offsetting some of the adverse FX movements experienced on consolidation of divisional results.

£1.8M 2022 £62.1m loss

IFRS PRE-TAX PROFIT

What is it?

Presentation of the results in accordance with International Financial Reporting Standards (IFRS) aims to recognise the profit arising from the longer-term insurance and investment contracts over the life of the policy.

Why is it important?

The IFRS results form the core of reporting and hence retain prominence as a key financial performance metric. We believe that, for Chesnara, the IFRS results in isolation do not recognise the wider financial performance of the business, hence the use of supplementary Alternative Performance Measures (pages 274 and 275) to enhance understanding of financial performance.

Risks

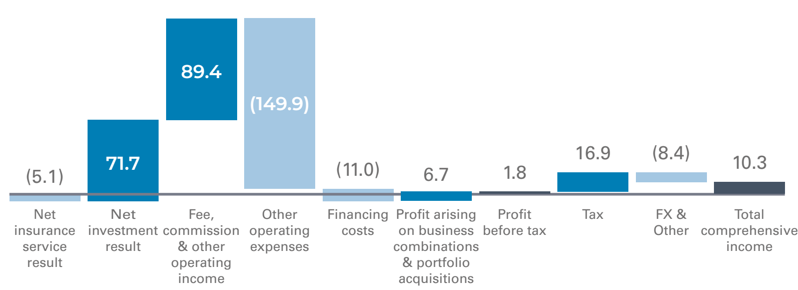
IFRS 17 is effective from 1 January 2023 and has been applied in the financial statements in the Corporate Governance section. As a result, several accounting policies and significant judgements and estimates have changed and these changes are set out from page 54. IFRS 17 introduces a new concept of insurance revenue which aims to reflect the insurance contract services provided in each period in the income statement by establishing an explicit measure of future profit (the Contractual Service Margin (CSM)) and provides a framework as to how the CSM is recognised in a given period. The 'investment result' is presented separately from the 'insurance result' on the face of the income statement. Market volatility impacting the surplus assets will result in volatility in investment result and the IFRS pre-tax profit/(loss). Foreign currency fluctuations will further affect total comprehensive income.

£10.3M 2022 £26.1m loss

TOTAL COMPREHENSIVE INCOME

Further detail on p57

Highlights £m



- Profit before tax for the year of £1.8m includes a net insurance service loss of £5.1m and an investment result of £71.7m (2022: £13.3m profit and £39.0m loss respectively).
- The negative insurance service result has been driven primarily by adverse experience and assumption changes on lines of business, termed 'onerous contracts', for which the CSM has been extinguished, meaning such losses must be taken to the P&L rather than to the CSM. In 2022 this effect was much more benign.
- The positive investment result in the year is reflective of investment market recoveries with improved equity returns and falling yields being the main contributors. The comparative period in 2022 was adversely impacted by falling equity markets and rising yields.

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

£524.7M 2022 £511.7m

ECONOMIC VALUE (EcV)†

Further detail on p53

What is it?

Economic Value (EcV) was introduced following the introduction of Solvency II at the start of 2016, with EcV being derived from Solvency II Own Funds. EcV reflects a market-consistent assessment of the value of the existing insurance business, plus the adjusted net asset value of the non-insurance businesses within the group.

Why is it important?

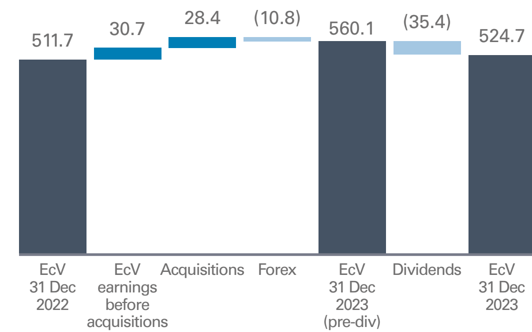
EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's value. A life and pensions group may typically be characterised as trading at a discount or premium to its EcV. Analysis of EcV provides additional insight into the development of the business over time.

The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives, in particular the value created from acquiring life and pensions businesses and enhancing our value through writing profitable new business. It ignores the potential of new business to be written in the future (the franchise value of our Swedish and Dutch businesses) and the value of the company's ability to acquire further businesses.

Risks

The EcV of the group is affected by economic factors such as equity and property markets, yields on fixed interest securities and bond spreads. In addition, the EcV position of the group can be materially affected by exchange rate fluctuations. For example, a 20.0% weakening of the Swedish krona and euro against sterling would reduce the EcV of the group within a range of £59m-£69m, based on the composition of the group's EcV at 31 December 2023.

Highlights £m



- EcV increased 12% in 2023 prior to the impact of dividend payments and FX losses (arising on consolidation).
- Growth has been delivered through a range of areas, with strong new business profits, economic returns and significant gains through the acquisitions delivered in the year. While economic profits form a material part of the result, economic conditions have meant it was still a relatively modest period for economic growth. The result also includes pleasing operating profits in the Dutch divisions, as well as the adverse impact of some exceptional non-recurring central costs. These factors combined give further reassurance of the robustness of the group and provide confidence of future growth under more beneficial economic conditions.

£59.1M 2022 £(84.7)m

EcV EARNINGS†

Further detail on p52

What is it?

In recognition of the longer-term nature of the group's insurance and investment contracts, supplementary information is presented that provides information on the EcV of our business.

The principal underlying components of the EcV earnings are:

- The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force);
- Value added by the writing of new business;
- Variations in actual experience from that assumed in the opening valuation;
- The impact of restating assumptions underlying the determination of expected cash flows; and
- The impact of acquisitions.

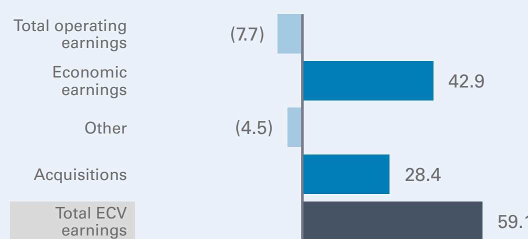
Why is it important?

A different perspective is provided in the performance of the group and on the valuation of the business. EcV earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The EcV earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives. This includes new business profits generated from writing profitable new business, EcV profit emergence from our existing businesses, and the EcV impact of acquisitions.

Risks

The EcV earnings of the group can be affected by a number of factors, including those highlighted within our principal risks and uncertainties and sensitivities analysis as set out on pages 63 to 70. In addition to the factors that affect the IFRS pre-tax profit and cash generation of the group, the EcV earnings can be more sensitive to other factors such as the expense base and persistency assumptions. This is primarily due to the fact that assumption changes in EcV affect our long-term view of the future cash flows arising from our business.

Highlights £m



- Economic earnings were the largest component of the result, with strong contributions from the UK and Swedish divisions, predominantly through the positive impact of equity market growth on expected future fee income in our unit-linked policyholder funds. The Dutch divisions reported smaller economic losses, with different economic factors being less beneficial and offsetting one another to a certain extent.
- The operating loss of £7.7m has been impacted by a number of one-off items, including investing in our M&A activity and future growth of the group (see page 52 for further detail). It is pleasing to report strong operating profits from the Dutch division, reflecting a marked improvement on prior years.
- Acquisitions in the year added £28.4m of growth, with £21.7m on the Conservatrix portfolio in the Netherlands and a further £6.7m on the protection portfolio of Canada Life in the UK.
- The 'Other' category includes risk margin movement, tax impacts and the cost of Tier 2 coupon payments.

FINANCIAL REVIEW • CASH GENERATION

There is no reporting framework defined by the regulators for cash generation and there is therefore inconsistency across the sector. We define cash generation as being the movement in Solvency II Own Funds over and above the group's internally required capital, which is based on Solvency II rules.

£32.5M 2022 £82.7m

GROUP CASH GENERATION
excluding the impact of acquisitions

£50.1M 2022 £61.9m

DIVISIONAL CASH GENERATION

Cash generation in 2023 was impacted, at a divisional level, by adverse movement in the symmetric adjustment (£13.1m – 2022: +£28.2m) following equity market growth, while the group result also contains the impact of exceptional and non-recurring central costs. Cash is generated from increases in the group's solvency surplus, which is represented by the excess of Own Funds held over management's internal capital needs. These are based on regulatory capital requirements, with the inclusion of additional 'management buffers'.

Implications of our cash definition:

Positives

- Creates a strong and transparent alignment to a regulated framework.
- Positive cash results can be approximated to increased dividend potential.
- Cash is a factor of both value and capital and hence management are focused on capital efficiency in addition to value growth and indeed the interplay between the two.

Challenges and limitations

- In certain circumstances the cash reported may not be immediately distributable by a division to group or from group to shareholders.
- Brings the technical complexities of the SII framework into the cash results e.g. symmetric adjustment, with-profit fund restrictions, model changes etc, and hence the headline results do not always reflect the underlying commercial or operational performance.

2023 £m	Movement in Own Funds	Movement in management's capital requirement	Forex impact	Cash generated/ (utilised)	2022 £m Cash generated/ (utilised)
UK	45.6	(0.6)	–	45.0	40.8
Sweden	9.8	(14.9)	(1.9)	(7.0)	16.1
Netherlands – Waard Group	14.4	2.4	(1.5)	15.3	8.4
Netherlands – Scildon	4.3	(7.2)	(0.2)	(3.1)	(3.4)
Divisional cash generation/(utilisation)	**74.1**	**(20.4)**	**(3.7)**	**50.1**	**61.9**
Other group activities	(27.1)	10.1	(0.6)	(17.6)	20.8
Group cash generation/(utilisation)	**47.1**	**(10.3)**	**(4.3)**	**32.5**	**82.7**

GROUP

- Other group activities include consolidation adjustments as well as central costs and central SCR movements.
- Central costs include Tier 2 debt coupon payments (c£10m) and uncovered central costs (c£14m), of which a large proportion relates to exceptional non-recurring development expenditure, such as IFRS 17, M&A activity and strengthening of the group governance resource.

UK

The UK division has continued to be the largest contributor to cash generation, with £45.0m reported in the year, delivered mainly through Own Funds growth. This has included the positive impact of investment market performance; the benefit of a reduction in the risk margin as a result of the first phase of UK SII reforms and some synergies as a result of the Part VII transfer of CASLP into CA on 31 December 2023. The cash result also benefitted from a reduction in capital requirements during the year, which included the positive impact of a new mass lapse reinsurance arrangement and the general run-off of the business, offsetting factors such as the need to hold more capital as a result of equity market growth, including the symmetric adjustment.

SWEDEN

Movestic has reported cash utilisation of £7.0m for 2023, as Own Funds growth was exceeded by a larger increase in capital requirements. On the Own Funds side, growth was delivered primarily through the positive impact of equity market movements, although this was offset by some negative operating items, including the impact of ongoing challenges in outward policy transfers. The equity market-driven growth in Own Funds has resulted in an increase in market-risk related capital requirements, including the impact of the symmetric adjustment, which increased significantly since the start of the year. The divisional result also includes a foreign exchange loss on consolidation, owing to a slight weakening of the krona versus sterling over the year.

NETHERLANDS – WAARD

Waard recorded pleasing cash generation of £15.3m in 2023, delivered largely through value growth. Strong operating profits benefitted from a reduction in future expenses, benefitting from the economies of scale arising from the addition of the Conservatrix portfolio. The result also contains a reduction in capital requirements, supported by interest rate movements and the reduction in future expenses. Additionally, the divisional result bears the impact of sterling appreciation versus the euro during 2023, leading to a small foreign exchange loss on consolidation.

NETHERLANDS – SCILDON

Scildon has posted £3.1m of cash utilisation for the year. Own Funds growth of £4.3m was driven by positive operating profits, offsetting economic losses. Operating profits include the positive impacts of new business profits and cost efficiencies, while the negative effect of falling interest rates was the main component of the economic loss on Own Funds. The negative cash result was underpinned by an increase in capital requirements, outweighing the value growth. Rises in life risk and equity risk capital, driven by equity growth and the consequential rise in the symmetric adjustment, offsetting the positive impact of lower interest rates.

FINANCIAL REVIEW • CASH GENERATION – ENHANCED ANALYSIS

The format of the analysis draws out components of the cash generation results relating to technical complexities, modelling issues or exceptional corporate activity. The results excluding such items are deemed to better reflect the inherent commercial outcome (commercial cash generation).

£53.0M 2022 £46.6m

COMMERCIAL CASH GENERATION

	UK	SWEDEN	NETHERLANDS WAARD	NETHERLANDS SCILDON	DIVISIONAL TOTAL	GROUP ADJ	TOTAL
Base cash generation	**45.0**	**(7.0)**	**15.3**	**(3.1)**	**50.1**	**(17.6)**	**32.5**
Symmetric adjustment	3.0	7.3	0.5	1.3	**12.2**	0.9	**13.1**
WP restriction look through	0.5	–	–	–	**0.5**	–	**0.5**
Temporary tax impacts on the SCR	–	–	–	10.0	**10.0**	(3.2)	**6.8**
Commercial cash generation	**48.5**	**0.3**	**15.8**	**8.2**	**72.8**	**(19.8)**	**53.0**

Commercial cash generation of £53.0m was primarily supported by contributions of £48.5m from the UK business and £24.0 from the Netherlands. All overseas divisions have also generated cash, even though returns have been dampened by the depreciation of the euro and Swedish krona currencies against sterling. The FX hedge that was implemented in 2022, and renewed again in 2023, has offset some of these currency impacts, providing a total cash benefit of £2.5m over the year.

UK

The UK result primarily comes from investment market gains, influenced by equity gains and falling yields, alongside the beneficial impact of the implementation of the mass lapse reinsurance, the SII risk margin reforms and some synergies arising from the Part VII transfer of CASLP into CA on 31 December 2023. This offset some expense strengthening, which largely represents positive investment in the future and supports the growth of the division.

The commercial cash outcome continues to illustrate that the UK remains at the heart of the cash generation model.

SWEDEN

The Swedish result, after removing a loss caused by the increase in the symmetric adjustment, was relatively neutral. The economic result is positive, principally due to equity market gains, offset by the depreciation of Swedish krona against sterling. The economic gains are offset by adverse lapse experience, fee and rebate income pressure and a new business strain.

WAARD

Waard's positive cash result is supported by the positive post-acquisition impact of integrating Conservatrix into the business, coupled with the impact of positive expense assumption changes, slightly offset by an expense operating variance. The result also benefits from economic impacts, albeit to a lesser extent, predominantly owing to falling yields.

The capital that Chesnara plc injected to support Conservatrix liabilities has been recycled back into surplus.

SCILDON

Scildon's commercial cash generation reflects a combination of positive economic impacts, largely owing to falling yields, alongside some negative factors including adverse changes in lapse and mortality assumptions. The commercial cash result, unlike base cash generation, benefits from a positive increase in the amount of risk capital that is shielded by tax.

GROUP

The central group result is driven by uncovered group level expenditure, resulting in a reduction in Own Funds. The central expenses include Tier 2 debt coupon payments and a range of development activity, such as M&A programmes, IFRS 17, as well as investment in the business to support the future growth of the group. These factors outweigh investment returns, owing to falling yields, and an overall £2.5m cash generation benefit from the FX hedge.

FINANCIAL REVIEW • EcV EARNINGS

The EcV earnings of the group reflect the benefits of delivering our acquisition strategy, coupled with positive economic earnings arising in volatile markets.

£59.1M 2022 £(84.7)m

EcV EARNINGS

Analysis of the EcV result by earnings source:

£m	31 Dec 2023	31 Dec 2022
Expected movement in period	14.9	(1.3)
New business	4.4	8.0
Operating experience variances	0.8	(19.0)
Other operating assumption changes	(27.8)	(14.5)
Total EcV operating earnings†	**(7.7)**	**(26.8)**
Total EcV economic earnings†	**42.9**	**(109.1)**
Other non-operating variances	(11.9)	(2.6)
Risk margin movement	1.1	20.4
Tax	6.3	12.0
Acquisitions	**28.4**	**21.4**
EcV earnings	**59.1**	**(84.7)**

Analysis of the EcV result by business segment:

£m	31 Dec 2023	31 Dec 2022
UK	31.4	(24.6)
Sweden	6.8	(37.1)
Netherlands	19.5	(29.4)
Group and group adjustments	(27.0)	(15.0)
Acquisitions	**28.4**	**21.4**
EcV earnings	**59.1**	**(84.7)**

Total economic earnings: The economic result continues to be the largest component of the total EcV earnings, with a profit of £42.9m in the year. The result is in line with our reported sensitivities and is driven by the following key market movements:

Rising equity indices:

- FTSE All Share index increased by 3.7% (year ended 31 December 2022: decreased by 3.2%)
- Swedish OMX all share index increased by 15.6% (year ended 31 December 2022: decreased by 24.6%)
- The Netherlands AEX all share index increased by 13.4% (year ended 31 December 2022: decreased by 15.0%)

Credit spreads – mixed news:

- UK AA corporate bond yields decreased to 0.71% (31 December 2022 1.04%)
- European AA credit spreads increased to 0.63% (31 December 2022: 0.29%)

Decreasing yields:

- 10-year UK gilt yields have decreased to 3.64% (31 December 2022: 3.82%)
- 10-year euro swap yield have decreased to 2.49% (31 December 2022: 3.20%)

The EcV results continue to illustrate how sensitive the results are to economic factors. While investment market growth has been positive compared to the prior year, it was still relatively muted versus previous periods of growth. As outlined in the past, we continue to be of the view that short-term volatility has limited commercial impact on the business and of more importance is the fact that, over the longer term, we expect EcV growth in the form of real world investment returns.

Total operating earnings: The operating loss for the year reflects a significant reduction compared with last year, continuing the encouraging trend of improvement. A number of the negative components that are non-recurring in nature represent positive investment in the future and support the growth of the group. Examples of key items in 2023 include:

- Recurring central development overheads including those associated with the M&A strategy. Whilst the cost of this development investment is recognised, EcV does not recognise the potential returns we expect from it.
- Non-recurring development expenditure such as IFRS 17.
- Tier 2 debt servicing costs – EcV does not recognise the benefit of the capital or the potential for future value adding transactions that it provides.

Acquisitions: M&A activity continued to be a source of growth and resulted in £28.4m of immediate EcV earnings in 2023. The incremental value was delivered by the Conservatrix insurance portfolio acquisition (1 January 2023) and also a UK protection portfolio reinsurance arrangement with Canada Life (16 May 2023), under the Waard Group and CA respectively.

Looking at the results by division:

UK: The UK division reported EcV earnings of £31.4m (excluding acquisitions), with economic growth and the synergies from the Part VII of CASLP into CA offsetting an operating loss. The operating result was largely driven by non-recurring activity, as outlined above, relating to the expansion of the division and investment in the business to facilitate future growth. This outweighed positive results on fee income (due to lower policy attrition) and other decrements. The economic gains of £23.1m arose primarily as a result of the impact of equity market growth in unit-linked funds, which increases our projected future fee income. While the economic profit was relatively subdued, it remains a significant improvement on the prior year.

Sweden: Movestic posted earnings of £6.8m for 2023. The division benefitted from the impact that equity market growth had on its unit-linked funds, underpinning total economic earnings of £18.6m. This more than outweighed an operating loss, due primarily to adverse transfer activity. Lower fee and commission income, owing to pricing pressures, and suppressed fund rebate income also contributed. Modest new business profits (on an EcV basis) were £0.9m (2022: £1.8m), reflective of the continued competitive market conditions and margin pressures.

Netherlands: The Dutch division has reported growth of £19.5m in the year, with positive operating profits exceeding smaller economic losses in both businesses. The operating result in Scildon of £8.7m represents a significant upturn versus the losses reported in the prior year and includes EcV new business profits of £1.7m. Economic losses of £3.3m were primarily the consequence of falling interest rates and flattening yield curves. Waard has reported EcV growth of £16.0m, also driven by operating profits. This included the benefit of some changes in expense assumptions, some positive news in relation to policy lapses and the impact of reigniting premiums on paused policies within the Conservatrix portfolio. Despite positive bond returns exceeding expectations, the economic loss (£1.3m) stemmed from a number of factors, primarily the negative impact of the fall in interest rates and declining yields on the business's future liabilities, with subdued equity performance also contributing.

Group: This component contains a variety of group-related expenses and includes: non-maintenance related costs (such as acquisition activity); the costs of the group's IFRS 17 programme; and Tier 2 debt interest costs, offset by positive investment returns in the period.

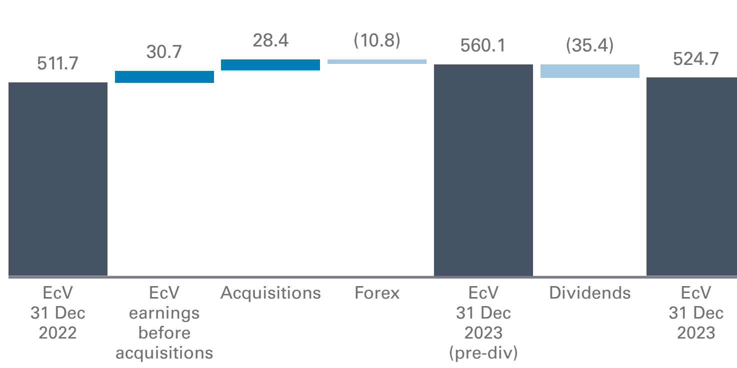
FINANCIAL REVIEW • EcV

The Economic Value of Chesnara represents the present value of future profits of the existing insurance business, plus the adjusted net asset value of the non-insurance businesses within the group. EcV is an important reference point by which to assess Chesnara's intrinsic value.

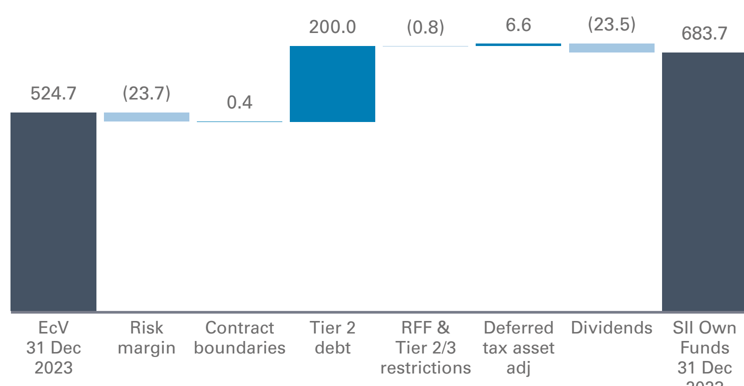
£524.7M 2022 £511.7m

ECONOMIC VALUE (EcV)

Value movement: 1 Jan 2023 to 31 Dec 2023 £m



EcV to Solvency II £m



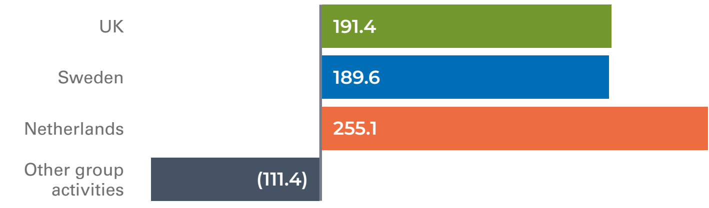
EcV earnings: EcV profits acquisitions of £30.7m have been delivered in 2023, supported by economic profits, with significant growth also delivered through acquisitions. Further detail can be found on page 52.

Acquisitions: The group has delivered two deals during 2023; the Conservatrix portfolio acquisition and the reinsurance arrangement with Canada Life. This has resulted in day 1 EcV gains of £21.7m and £6.7m respectively.

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

Dividends: Under EcV, dividends are recognised in the period in which they are paid. Dividends of £35.4m were paid during the year, representing the final dividend from 2022 and interim dividend for 2023.

EcV by segment at 31 Dec 2023 £m



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

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

Risk margin: Solvency II rules applying to our European businesses require a significant 'risk margin' which is held on the Solvency II balance sheet as a liability, and this is considered to be materially above a realistic cost. We therefore reduce this margin for risk for EcV valuation purposes from being based on a 6% (UK: 4%) cost of capital to a 3.25% cost of capital. On our UK business, the Solvency II reform risk tapering is also reversed.

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

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

Dividends: The proposed final dividend of £23.5m is recognised for SII regulatory reporting purposes. It is not recognised within EcV until it is actually paid.

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

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

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

FINANCIAL REVIEW • IFRS

The group IFRS results are reported under IFRS 17 for the first time in the annual financial statements. The following pages provide an introduction to IFRS 17 and how it impacts Chesnara, together with the IFRS results for the year ended 31 December 2023 and comparative figures for 2022, which have been restated under IFRS 17.

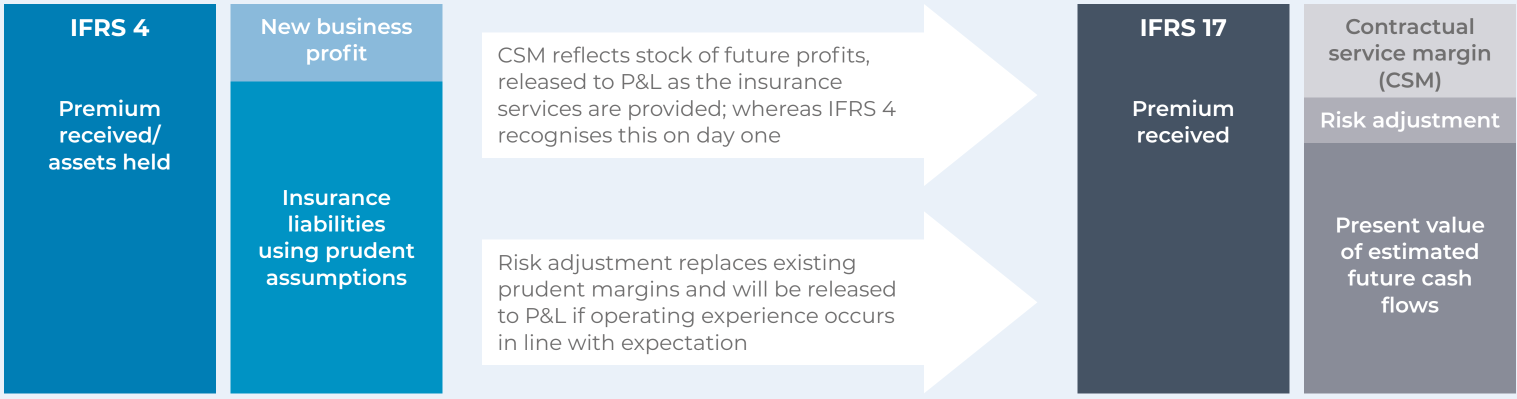
INTRODUCTION TO IFRS 17

What is IFRS 17?

IFRS 17 is the new accounting standard for recognising, measuring and disclosing insurance contracts. This is effective for the first time in these financial statements and replaces the previous standard, IFRS 4. IFRS 17 has been implemented as if it had always been in place and so previous results have been restated.

IFRS 17 has been introduced with the aim of allowing greater comparability of results between insurance companies and the wider market.

How IFRS 17 is different to IFRS 4

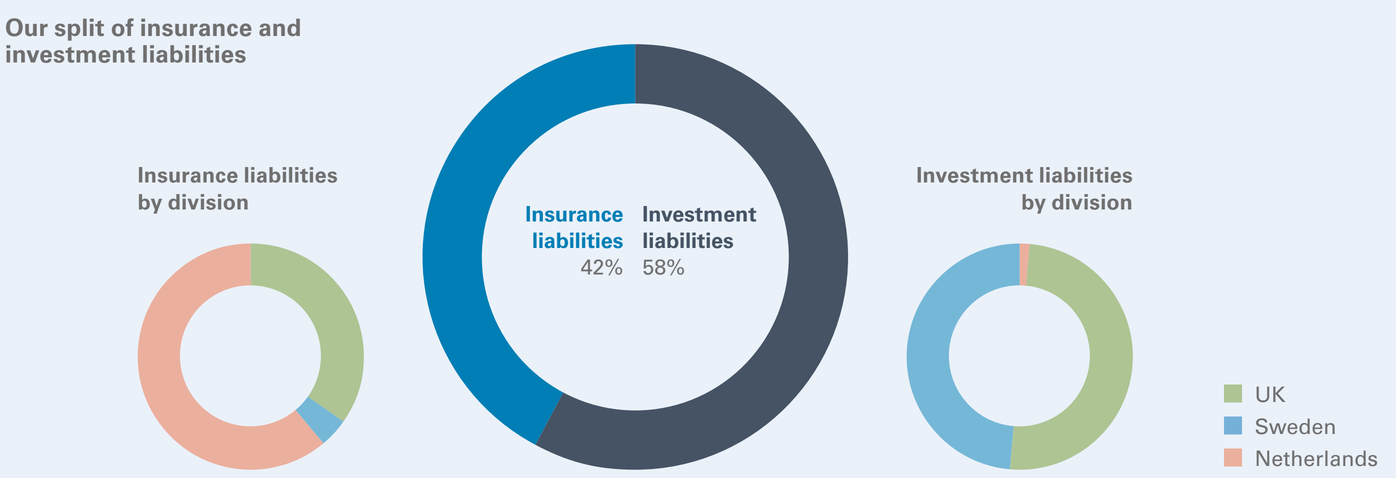


How does IFRS 17 impact Chesnara?

IFRS 17 'insurance contracts' represents an accounting change that does not impact the fundamentals of the business. Specifically, the implementation of IFRS 17 does not impact the growth ambition, value or cash generation of the group. There are no changes to the solvency ratio, cash generation or Economic Value of the group. There are also no changes to the dividend expectations or strategy and capability for future M&A.

IFRS 17 only applies to those policies of the group that are classified as 'insurance contracts', which equates to 42% of the group's total policyholder liabilities at the end of December 2023. The remaining contracts are classified as investment business, which are valued under IFRS 9 'Financial Instruments', which is also effective for the group for this period. Under IFRS 9, there is no impact to the results from how these liabilities have been previously valued under IAS 39. A key difference between the measurement of contracts under IFRS 9 and IFRS 17 is that investment contracts equate to unit value under IFRS 9 and their value therefore does not take into account future profit, whereas insurance contracts include the contractual service margin (CSM) and the risk adjustment that reflects the uncertainty around the amount and timing of the cash flows.

Our split of insurance and investment liabilities



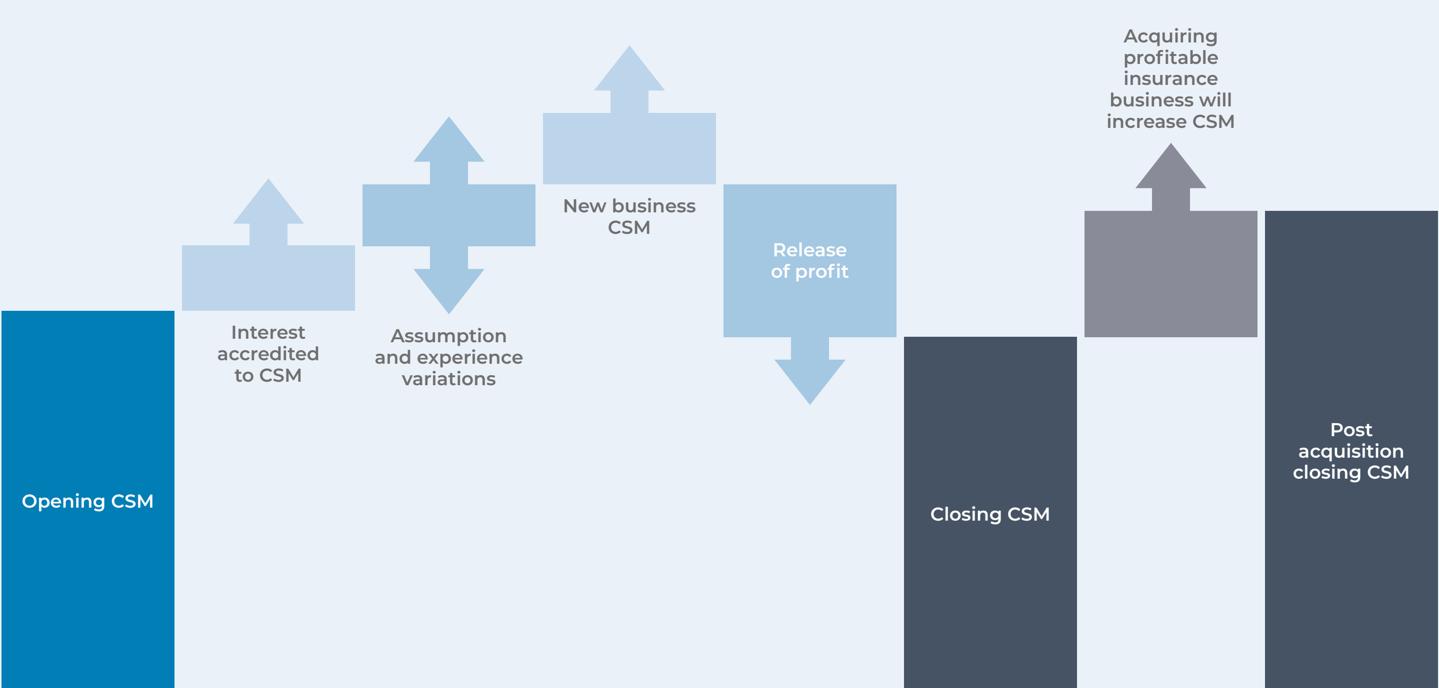
How are profits earned under IFRS 17?

A fundamental concept introduced by IFRS 17 is the contractual service margin (CSM). This represents the unearned profit that an entity expects to earn on its insurance contracts as it provides insurance services.

The CSM embodies two principles:

1. An insurer must spread expected profits for profitable business written over time.
   – This spread profit forms the CSM which can only be recognised in the income statement as and when insurance services are provided. The CSM consequently represents the expected amount of profits that have not yet been earned from the insurance business of the group.
2. An insurer must recognise the expected losses for loss-making business immediately.
   – An insurer cannot establish a 'negative CSM' and defer loss recognition into the future.

How CSM will move over time



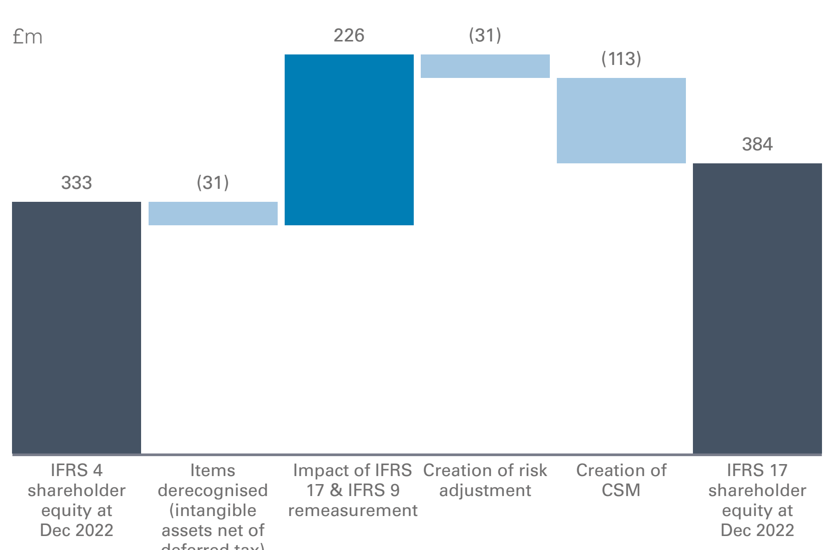
FINANCIAL REVIEW • IFRS BALANCE SHEET

As at 31 December 2022 there is a £51m increase in IFRS net equity under IFRS 17 compared with the previously stated IFRS 4 position. Total net equity as at 31 December 2023 is £360m and we have a CSM, which represents unrecognised future insurance profits, of £167m (net of reinsurance).

The adoption of IFRS 17 has affected our gearing ratio, and, in line with guidance from Fitch, we have added back the net of tax CSM to the equity denominator in the calculation. On this basis the gearing ratio as at 31 December 2023 is 29.2% which is significantly lower than the most recent ratio reported prior to IFRS 17 (31 December 2022: 37.6%).

Some analysis has been provided below on the IFRS balance sheet of the group on an IFRS 17 basis:

HOW IFRS 17 IMPACTS NET EQUITY AT DECEMBER 2022



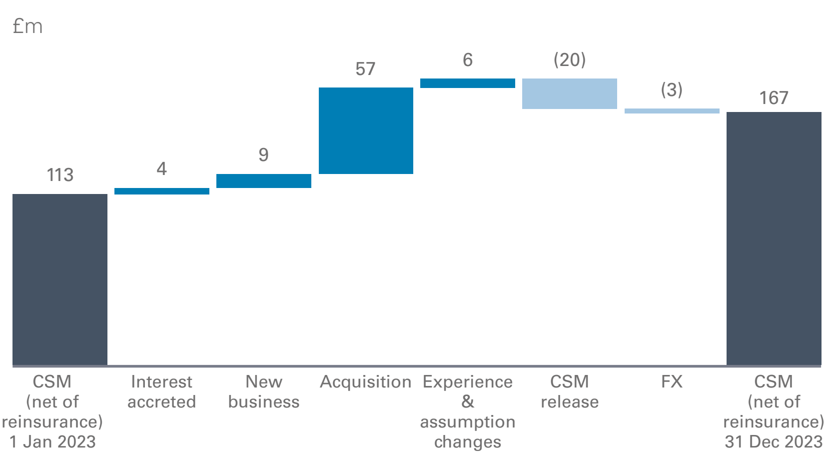
INSIGHT

Under IFRS 17, the restated shareholder net equity at 31 December 2022 has increased by £51m compared with as previously reported under IFRS 4.

The combined impact of remeasuring the future cash flows for insurance and reinsurance contracts under IFRS 17 and revaluing corresponding assets under IFRS 9 at that date has added £226m of growth. Offset against this is the recognition of liabilities for the Risk Adjustment (£31m) and the CSM (£113m), representing a store of future profits that will be released to the income statement as the associated future insurance services are provided.

A consequence of applying IFRS 17 is that the group has also derecognised intangible assets and their associated tax balances in respect of insurance contracts (£31m). These assets previously represented the immediate recognition of future profits on insurance business, but under IFRS 17 profits are now deferred and reflected in the CSM.

HOW THE CSM HAS MOVED IN THE PERIOD



INSIGHT

The group has added £54m of CSM (future profits) in 2023.

The increase is largely driven by the two deals in the period, with the Conservatrix portfolio acquisition adding £46m and the Canada Life arrangement adding £11m.

The movement in the period also includes:

- a £20m reduction which reflects the release to profit in the period as the insurance services are provided and
- £9m of new business CSM, reflecting the future profits arising on profitable new business written in the period.

Other smaller movements including the impact of foreign exchange, changes in assumptions and the 'interest' on unwinding the discounting that is embedded within the opening CSM valuation.

CSM values are shown net of reinsurance but gross of tax. When calculating the IFRS capital base† a net of reinsurance and net of tax figure is used. The equivalent net of reinsurance and tax movement of CSM during 2023 is £42m.

HOW DOES IFRS 17 COMPARE TO SOLVENCY II AND ECV?

A lot of the principles and underlying technical decisions are consistent across EcV and IFRS, as they are based on common foundations; however, there is one fundamental difference in how investment contracts are valued. For investment contracts, expected future profits on existing policies are not recognised in the IFRS balance sheet, with profits being reported as they arise; this is in contrast to EcV, where they are fully recognised on the balance sheet, subject to contract boundaries.

As such, at Chesnara, we believe that due to the hybrid nature of the business, EcV and Solvency II, alongside cash generation, continue to give a more holistic view of the financial dynamics of the group and are therefore the key metrics that management uses to manage the business.

HOW DOES IFRS 17 IMPACT LEVERAGE?

The positive impact of IFRS 17 on net equity has been beneficial to the group's gearing ratio. Rating agencies will be revisiting their definitions of gearing for insurance groups as a result of IFRS 17, and in line with guidance from Fitch, we have added back the net of tax CSM to the equity denominator in the calculation. On this basis, the gearing of the group as at 31 December 2023 was 29.2%.

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

FINANCIAL REVIEW • IFRS INCOME STATEMENT

£1.8M 2022 £62.1m loss

IFRS PRE-TAX PROFIT

£10.3M 2022 £26.1m loss

TOTAL COMPREHENSIVE INCOME

Analysis of IFRS result between insurance service and investment results:

	31 Dec 2023 £m	31 Dec 2022 £m
Net insurance service result	**(5.1)**	**13.3**
Net investment result	**71.7**	**(39.0)**
Fee, commission and other operating income	89.4	59.6
Other operating expenses	(149.9)	(100.8)
Financing costs	(11.0)	(10.5)
Profit arising on business combinations and portfolio acquisitions	6.7	15.4
Profit before income taxes	**1.8**	**(62.1)**
Income tax (charge)/credit	16.9	28.4
Profit for the period after tax	**18.7**	**(33.7)**
Foreign exchange (loss)/gain	(7.8)	6.9
Other comprehensive income	(0.6)	0.7
Total comprehensive income	**10.3**	**(26.1)**

Movement in IFRS capital base†

	31 Dec 2023 £m	31 Dec 2022 £m
Opening IFRS capital base	**469.2**	**533.8**
Movement in CSM (net of reinsurance and tax)	42.4	(5.4)
Total comprehensive income	10.3	(26.1)
Other adjustment made directly to net equity	0.9	1.2
Dividends	(35.4)	(34.3)
Closing IFRS capital base	**487.4**	**469.2**

IFRS REPORTING CATEGORY	INSIGHT
Net insurance service result The net insurance service result comprises the revenue and expenses from providing insurance services to policyholders and ceding insurance business to reinsurers and is in respect of current and past service only. Assumption changes, that relate to future service, are therefore excluded from the insurance result (as they adjust the CSM), unless the CSM for a given portfolio of contracts falls below zero; thereby in a 'loss component' position. Economic impacts are also excluded from the insurance service result.	The net insurance service result of £5.1m loss can be broken down into the following elements: – Gains from the release of risk adjustment and CSM of £23.3m (2022: £19.8m). These gains represent a healthy and consistent source of future profits for the group. – Losses of £28.4m (2022: £6.5m) caused by a combination of experience and loss component impacts, where portfolios of contracts with no CSM have suffered adverse impacts that would otherwise be offset in the balance sheet if the CSM for the portfolio was positive. The key driver behind the experience and loss component impact in the year is adverse non-economic assumption changes (£25.1m loss). This should not be considered in isolation however as there are corresponding offsets in the net investment result due to the effect of locked in discount rates (£11.9m) and also to the CSM in the balance sheet (£9.2m) as for some portfolios the expense assumption changes created a positive impact to the CSM. Under IFRS 17 adverse impacts on portfolios in a loss component position cannot be offset with favourable impacts on other portfolios, thus creating an asymmetric effect where losses on some portfolios are recognised in the income statement but corresponding gains go to the CSM on the balance sheet.
Movement in CSM The movement in CSM is important to consider alongside the income statement. New CSM represents future profits that are expected to be released to the income statement over time and whilst a lot of the costs associated with generating this new CSM are recognised in the year, the expected profit is deferred over the life of the products.	During the period to 31 December 2023, the CSM has increased by £53.8m to £166.5m. The key components of this increase are a £57.2m addition to the CSM from the group's two acquisitions in the period and £9.4m of additional CSM arising from new business. These amounts are offset by £19.8m released to the income statement. This remaining CSM will be earned over the coverage period of the policies to which it relates, and the expected earnings pattern is such that after 10 years more than 40% will remain to be earned.

FINANCIAL REVIEW • IFRS INCOME STATEMENT

IFRS REPORTING CATEGORY	INSIGHT
Net investment result The net investment result contains the investment return earned on all assets together with the financial impacts of movements in insurance and investment contract liabilities.	The positive investment result in the year is reflective of investment market recoveries with improved equity returns and falling yields being the main contributors. The comparative period in 2022 was adversely impacted by falling equity markets and rising yields. The effect of locked in discount rates has contributed £12.9m, largely offset by loss component increases in the insurance service result.
Fee, commission and other operating income The most significant item in this line is the fee income that is charged to policyholders in respect of the asset management services provided for investment contracts. There is no income in respect of insurance contracts in this line, as this is all now reported in the insurance result.	Fee, commission and other operating income shows an improvement on the 2022 comparative, but this is in part as a result of increased fee income in the form of yield tax deducted from policyholders in Movestic (£18m in 2023 compared to £8m prior year) as a result of improving economic factors, with a corresponding offset within other operating expenses. Increased returns from assets under management in respect of investment business in Sweden and the UK further contributed to the increase in fee income as did the fact that the current year includes a full twelve months of fee income generated by CASLP within the UK.
Other operating expenses Other operating expenses consist of costs relating to the management of the group's investment business, non-attributable costs relating to the group's insurance business and other certain one-off costs such as project costs. Other items of note are the amortisation of intangible assets in respect of investment business and the payment of yield tax relating to policyholder investment funds in Movestic, for which there is a corresponding income item within the fee income line.	The expenses incurred in 2023 are higher than in 2022, with the main reasons as follows: – In the UK, the AVIF for CASLP has been impaired by £21.0m due to a combination of adverse persistency over 2023, coupled with a change in management's view of assumed future investment returns. This is largely offset in the net result by a corresponding deferred tax credit of £14.9m. – In Movestic, the expense in respect of the yield tax on policyholder funds has increased by £10.0m with the offset reported in fee, commission and other operating income as stated above. – Operating expenses have increased in the UK and Dutch divisions with the acquisition of CASLP (which only included eight months of post-acquisition results in 2022) and Conservatrix (which completed on 1 January 2023). Furthermore, transition project costs of £4.6m have been recognised in the UK which in due course will lead to lower operating costs in the future. – The parent company has also seen an increase in expenses, due to project related expenditure, investment in business development and strengthening of the central governance oversight team.
Financing costs	This predominantly relates to the cost of servicing our Tier 2 corporate debt notes which were issued in early 2022. Further details can be found in note D5 of the financial statements.
Profit arising on business combinations and portfolio acquisitions	On 1 January 2023, Chesnara successfully completed the acquisition of the insurance portfolio of Conservatrix, a specialist provider of life insurance products in the Netherlands. This gave rise to a day 1 gain of £6.7m. Further details can be found in note I8 of the financial statements.
Foreign exchange	The IFRS result of the group reflects a foreign exchange loss in the period, a consequence of sterling appreciation, particularly against the euro.
Other comprehensive income	This represents the impact of movements in the valuation of land and buildings held in our Dutch division.
Income tax Income tax consists of both current and deferred taxes.	In 2022, the large pre-tax losses generated deferred tax credits, particularly in the UK, in respect of investment and trading losses. The tax charge in the current year to date is similarly impacted by deferred tax movements on investments, more than offset by the impact of the AVIF impairment (£15m). Additionally on 31 December 2023, the insurance business of CASLP Ltd was transferred to Countrywide Assured plc. Consequently, previously unrecognised losses of Countrywide Assured plc have been recognised as deferred tax assets at 31 December 2023. This has resulted in a £13m additional tax asset being recognised at the balance sheet date.

FINANCIAL MANAGEMENT

The group's Financial Management Framework is designed to provide security for all stakeholders, while meeting the expectations of policyholders, shareholders and regulators.

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

OBJECTIVES

The group's Financial Management Framework is designed to provide security for all stakeholders, while meeting the expectations of policyholders, shareholders and regulators. Accordingly we aim to:

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

HOW WE DELIVER TO OUR OBJECTIVES

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

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

OUTCOMES

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

1. Solvency	2. Shareholder returns	3. Capital structure	4. Liquidity and policyholder returns	5. Maintain the group as a going concern
Group solvency ratio: 205% (2022: 197%)	2021-2023 TSR: 14.7% (2020-2022: 9.6%) 2023 dividend yield 8.7% (2022: 8.1%) Based on average 2023 share price and full year 2023 dividend of 23.97p.	Gearing† ratio of 29.2% (2022: 30.3%)	Policyholders' reasonable expectations maintained. Asset Liability Matching Framework operated effectively in the year. Sufficient liquidity in the Chesnara holding company.	Group remains a going concern. (see page 60)

Further detail on capital structure

The group is funded by a combination of share capital, retained earnings and debt finance. The debt gearing was 29.2% at 31 December 2023 (30.3% at 31 December 2022). The level of debt that the board is prepared to take on is driven by the group's Debt and Leverage Policy which incorporates the board's risk appetite in this area. Over time, the level of gearing within the group will change, and is a function of the funding requirements for future acquisitions and the repayment of existing debt. During 2022, the company announced the successful pricing of its inaugural debt capital markets issuance of £200m Tier 2 Subordinated Notes.

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

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

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

FINANCIAL MANAGEMENT

OUTCOMES FROM IMPLEMENTING OUR FINANCIAL MANAGEMENT OBJECTIVES

1. Maintain the group as a going concern

After making appropriate enquiries, including consideration of the economic uncertainty in the wake of a high-inflation environment on the group's operations, financial position and prospects, the directors confirm that they are satisfied that the company and the group have adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

In performing this work, the board has considered the current solvency and cash position of the group and company, coupled with the group's and company's projected solvency and cash position as highlighted in the most recent business plan and Own Risk and Solvency Assessment (ORSA) process. These processes consider the financial projections of the group and its subsidiaries on both a base case and a range of stressed scenarios, covering projected solvency, liquidity, EcV and IFRS positions. In particular these projections assess the cash generation of the life insurance divisions and how these flow up into the Chesnara parent company balance sheet, with these cash flows being used to fund debt repayments, shareholder dividends and the Head Office function of the parent company. Further insight into the immediate and longer-term impact of certain scenarios, covering solvency, cash generation and Economic Value, can be found on page 47 under the section headed 'Capital Management Sensitivities'. The directors believe these scenarios will encompass any potential future impact of the prevailing economic uncertainty on the group, as Chesnara's most material ongoing exposure to both potential threats are any associated future investment market impacts. Underpinning the projections process outlined above are a number of assumptions. The key ones include:

- We do not assume that a future acquisition needs to take place to make this assessment.
- We make long-term investment return assumptions on equities and fixed income securities.
- The base case scenario assumes exchange rates remain stable, and the impact of adverse rate changes are assessed through scenario analysis.
- Levels of new business volumes and margins are assumed.
- The projections apply the most recent actuarial assumptions, such as mortality and morbidity, lapses and expenses.

The group's strong capital position and business model provides a good degree of comfort that although the economic uncertainty in the wake of a high-inflation environment has the potential to cause further significant global economic disruption, the group and the company remain well capitalised and have sufficient liquidity. As such we can continue to remain confident that the group will continue to be in existence in the foreseeable future. The information set out on pages 45 to 47 indicates a strong Solvency II position as at 31 December 2023 as measured at both the individual regulated life company levels and at the group level. As well as being well-capitalised the group also has a healthy level of cash reserves to be able to meet its debt obligations as they fall due and does not rely on the renewal or extension of bank facilities to continue trading. This position was further enhanced in early 2022, when the company announced the successful pricing of its inaugural debt capital markets issuance of £200m Tier 2 Subordinated Notes, the net proceeds of which have been used for corporate purposes, including investments and acquisitions. The group's subsidiaries rely on cash flows from the maturity or sale of fixed interest securities which match certain obligations to policyholders, which brings with it the risk of bond default. In order to manage this risk, we ensure that our bond portfolio is actively monitored and well diversified. Other significant counterparty default risk relates to our principal reinsurers. We monitor their financial position and are satisfied that any associated credit default risk is low.

2. Assessment of viability

The board assesses that being financially viable includes continuing to pay an attractive and sustainable level of dividends to investors and meeting all other financial obligations, including debt repayments over the three-year business planning time horizon. The board's assessment of the viability of the group is performed in conjunction with its going concern assessment and considers both the time horizons required for going concern, and the slightly longer-term timelines for assessing viability. The assessment for viability also considers the same key financial metrics as for assessing going concern, being solvency, cash, EcV and IFRS, both on base case and stressed scenarios.

3. Viability statement

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

4. Assessment of prospects

Our longer-term prospects are primarily considered through the conclusions drawn from our annual business planning process, updated for key events that may occur in-between business plans.

The business plans include underlying operational deliverables, an assessment of the business model and the financial consequences of following those plans. As part of this process, we also consider the principal risks and uncertainties that the group faces (see pages 63 to 70) and how these might affect our prospects.

An assessment of our prospects has been shown below, updated for our consideration of the economic uncertainty in the wake of a high-inflation environment. This has been structured around our three strategic objectives:

Value from in-force book: The group has c970k policies in force at 31 December 2023. These are generally long-term policies, and the associated cash flows can, at an overall portfolio level, be reasonably well predicted on base case and stressed scenarios. The group is well capitalised at both a group and divisional level and we have high quality assets backing our insurance liabilities. During the year we have seen a flattening of yields and rising equity indices, which has generally been positive for the group. However, we are mindful that in uncertain economic times, this situation can reverse, leading to sustained depressed equity market values which adversely impact fee income streams and therefore if markets fall then profitability prospects reduce. Similarly, adverse movements in yields would adversely impact our prospects. Temporary market volatility is however a natural feature of investment markets and our financial model is well positioned to withstand difficult conditions without creating any permanent harm to the longer-term profitability prospects.

Acquisition strategy: The outlook and prospects of continuing to deliver against this strategic objective are covered on page 44. We see no reason to expect that the economic uncertainty in the wake of a high inflation environment will have a long-term impact on the availability of acquisition opportunities. Indeed, during the year we completed two acquisitions, one in the UK and one in the Netherlands. Waard continues to build a useful market position, including as a company who are able and willing to acquire books that are often sub-scale for the vendor's business model. Whilst we maintain our ambition to complete larger deals, the prospects of a steady flow of well-priced smaller acquisitions should not be underestimated. The financial position of the group continues to support financing deals through the use of our own resources, by raising debt or equity funding.

Value from new business: Chesnara is in a fortunate position in that its prospects do not fundamentally rely on the ability to sustain new business volumes. New business levels have contributed an increased, albeit relatively small, amount of extra value during the year despite the prevailing economic uncertainty.

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

RISK MANAGEMENT

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

HOW WE MANAGE RISK

The Risk Management System supports the identification, assessment, and reporting of risks to monitor and control the probability and/or impact of adverse outcomes within the board's risk appetite or to maximise realisation of opportunities.

RISK MANAGEMENT SYSTEM

RISK MANAGEMENT SYSTEM REVIEW AND DEVELOPMENT

CLEAR ACCOUNTABILITIES AND RESPONSIBILITIES

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

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

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

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

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

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

Group and divisional risk management processes are enhanced by stress and scenario testing, which evaluates the impact of certain adverse events occurring separately or in combination. The results, conclusions and any recommended actions are included within divisional and group ORSA reports to the relevant boards. There is a strong correlation between these adverse events and the risks identified in 'Principal risks and uncertainties' (pages 63 to 70). The outcome of this testing provides context against which the group and divisions can assess whether any changes to risk appetite or to management processes are required.

RISK MANAGEMENT · ROLE OF THE BOARD

The Chesnara board is responsible for the adequacy of the design and implementation of the group's risk management and internal control system and its consistent application across divisions. All significant decisions for the development of the group's Risk Management System are the group board's responsibility.

CLIMATE CHANGE RISK WITHIN CHESNARA'S RISK FRAMEWORK

Climate change is not recorded as a standalone principal risk. Instead, the risks arising from climate change are integrated through existing considerations and events within the framework. The information in the following pages has been updated to reflect Chesnara's latest views on the potential implications of climate change risk and wider developments and activity in relation to environmental, social and governance (ESG).

Chesnara has embedded climate change risk within the group's Risk Framework and included a detailed assessment alongside the group's ORSA, concluding that the group's solvency position is not currently materially exposed to climate change risk. However, Chesnara is not complacent about the wider risks arising from climate change and the broader sustainability agenda, including strategic, reputational and operational risks, some of which are material risks for the group.

GEOPOLITICAL RISK

Geopolitical risk remains high, largely driven by the continuing wars in Ukraine and more recently in the Middle East, with consequent impacts for economic and financial stability as well as the potential to increase cyber risk. The risk information on the following pages includes specific commentary where appropriate.

In 2024, more than 40 countries, accounting for over 40 percent of the world, will hold national elections, making it the largest year for global democracy. The UK and European Union are also scheduled to hold elections for their respective parliaments.

MACROECONOMIC VOLATILITY

The global economy remains volatile albeit with inflationary pressures reduced with 2022 and 2023 interest rate rises by central banks seemingly effective at moving inflation back towards their long-term targets. Uncertainty remains regarding the future path of interest rates with many economists forecasting central bank rate cuts to boost economic growth in the short term.

Economic uncertainty remains a prominent emerging risk for the group, with inflation driven expense risk and future investment returns being the affected key areas with greatest potential impact.

Risk strategy and risk appetite
Chesnara group and its divisions have a defined risk strategy and supporting risk appetite framework to embed an effective Risk Management Framework, with culture and processes at its heart, and to create a holistic, transparent and focused approach to risk identification, assessment, management, monitoring and reporting.

On the recommendation of the Audit & Risk Committee the Chesnara board approves a set of risk preferences which articulate, in simple terms, the desire to increase, maintain, or reduce the level of risk taking for each main category of risk. The risk position of the business is monitored against these preferences using risk tolerance limits, where appropriate, and they are taken into account by the management teams across the group when taking strategic or operational decisions.

Risk and Control Policies
Chesnara has a set of Risk and Control Policies that set out the key policies, processes and controls to be applied. Senior management are responsible for the day-to-day implementation of the Risk and Control Board Policies. Subject to the materiality of changes, the Chesnara board approves the review, updates and attestation of these policies at least annually.

Risk identification
The group maintains a register of risks which are specific to its activity and scans the horizon to identify potential risk events (e.g. political; economic; technological; environmental, legislative & social).

On an annual basis the board approves, on the recommendation of the Audit & Risk Committee, the materiality criteria to be applied in the risk scoring and in the determination of what is considered to be a principal risk. At least quarterly the principal and emerging risks are reported to the relevant boards, assessing their proximity, probability and potential impact.

Own Risk and Solvency Assessment (ORSA)
On an annual basis, or more frequently if required, the group produces a Group ORSA Report which aggregates the divisional ORSA findings and supplements these with an assessment specific to group activities. The group and divisional ORSA policies outline the key processes and contents of these reports.

The Chesnara board is responsible for approving the ORSA, including steering in advance how the assessment is performed and challenging the results.

The primary objective of the ORSA is to support the company's strategic decision making, by providing insights into the company's risks profile over the business planning horizon. Effective ORSA reporting supports the board, in its role of protecting the viability and reputation of the company, reviewing and challenging management's strategic decisions and recommendations.

Risk Management System effectiveness
The group and its divisions undertake a formal annual review of and attestation to the effectiveness of the Risk Management System. The assessment considers the extent to which the Risk Management System is embedded.

The Chesnara board is responsible for monitoring the Risk Management System and its effectiveness across the group. The outcome of the annual review is reported to the group board which make decisions regarding its further development.

RISK MANAGEMENT · PRINCIPAL RISKS AND UNCERTAINTIES

The following tables outline the principal risks and uncertainties of the group and the controls in place to mitigate or manage their impact. It has been drawn together following regular assessment, performed by the Audit & Risk Committee, of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. The impacts are not quantified in the tables. However, by virtue of the risks being defined as principal, the impacts are potentially significant. Those risks with potential for a material financial impact are covered within the sensitivities (page 47).

Risk	Ref
INVESTMENT AND LIQUIDITY RISK	PR1
REGULATORY CHANGE RISK	PR2
ACQUISITION RISK	PR3
DEMOGRAPHIC EXPERIENCE RISK	PR4
EXPENSE RISK	PR5
OPERATIONAL RISK	PR6
IT/DATA SECURITY & CYBER RISK	PR7
NEW BUSINESS RISK	PR8
REPUTATIONAL RISK	PR9
MODEL RISK	PR10

INVESTMENT AND LIQUIDITY RISK — PR1

DESCRIPTION

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

RISK APPETITE

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

POTENTIAL IMPACT

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

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

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

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

KEY CONTROLS

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

RECENT CHANGE/OUTLOOK

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

Ongoing global conflict, including more recently in the Middle East brings additional economic uncertainty and volatility to financial markets. This creates additional risk of poor mid-term performance on shareholder and policyholder assets.

RISK MANAGEMENT · PRINCIPAL RISKS AND UNCERTAINTIES

REGULATORY CHANGE RISK

PR2

DESCRIPTION

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

RISK APPETITE

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

POTENTIAL IMPACT

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

Regulatory developments continue to drive a high level of change activity across the group, with items such as operational resilience, climate change, Consumer Duty and IFRS 17 being particularly high profile. Such regulatory initiatives carry the risk of expense overruns should it not be possible to adhere to them in a manner that is proportionate to the nature and scale of Chesnara's businesses. The group is therefore exposed to the risk of:

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

KEY CONTROLS

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

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

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

RECENT CHANGES/OUTLOOK

The UK Treasury and EIOPA have both been undertaking a review of SII rules implementation. In the UK this has resulted in a reduction in the SII risk margin and similar is expected for the overseas entities from the EIOPA review. There is also potential for divergence of regulatory approaches amongst European regulators with potential implications for Chesnara's capital, regulatory supervision and structure.

The group is subject to evolving regimes governing the recovery, resolution or restructuring of insurance companies. As part of the global regulatory response to the risk that systemically important financial institutions could fail, banks, and more recently insurance companies, have been the focus of new recovery and resolution planning requirements developed by regulators and policy makers nationally and internationally. More recently, the PRA has been consulting on new proposed regulation requiring UK insurers to perform Solvent Exit Analysis and maintain this analysis annually. Such analysis aims to provide confidence that firms would identify solvency issues in a timely manner and have credible plans in place to resolve the business, should it get into financial difficulties.

The new accounting standard, IFRS 17, became effective from 1 January 2023. Chesnara has progressed the development of processes and reporting which became operational during 2023 and successfully delivered the half-year and full-year reporting in line with IFRS 17 standards.

In July 2022, the FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 – A New Consumer Duty. The first key regulatory deadline of 31 July 2023 required implementation for new business, whilst all products including closed books must be compliant by 31 July 2024. Our UK business established a Consumer Duty project to deliver all requirements across its businesses. Regulatory requirements for products open to new business were successfully implemented in line with the regulatory deadline of 31 July 2023. The project continues to work on requirements for closed-book products in the lead up to the regulatory implementation deadline of 31 July 2024.

ACQUISITION RISK PR3

DESCRIPTION

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

RISK APPETITE

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

POTENTIAL IMPACT

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

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

KEY CONTROLS

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

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

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

RECENT CHANGES/OUTLOOK

There remains a positive pipeline of activity in relation to acquisitions with the group also looking at whether further M&A is possible in Sweden. Chesnara completed acquisitions in the Netherlands and in the UK during 2023, whilst maintaining the established disciplines within the Acquisition Policy.

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

DEMOGRAPHIC EXPERIENCE RISK PR4

DESCRIPTION

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

RISK APPETITE

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

POTENTIAL IMPACT

In the event that demographic experience (rates of mortality, morbidity, persistency etc.) varies from the assumptions underlying product pricing and subsequent reserving, more or less profit will accrue to the group.

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

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

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

RISK MANAGEMENT · PRINCIPAL RISKS AND UNCERTAINTIES

DEMOGRAPHIC EXPERIENCE RISK (CONTINUED) PR4

KEY CONTROLS

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

Chesnara seeks to limit the impacts of adverse demographic experience by:

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

RECENT CHANGE/OUTLOOK

Cost of living pressures could give rise to higher surrenders and lapses should customers face personal finance pressures and not be able to afford premiums or need to access savings. Currently there has been no evidence of material changes in behaviours. Chesnara continues to monitor closely and respond appropriately.

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

The introduction of new legislation in 2022 made it easier for customers to transfer insurance policies in Sweden, and this resulted in an increase in transfers out. However, during 2023 transfer levels stabilised, albeit at a higher rate than pre COVID-19 levels, this risk continues to be actively monitored.

EXPENSE RISK PR5

DESCRIPTION Risk of expense overruns and unsustainable unit cost growth.

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

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

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

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

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

KEY CONTROLS

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

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

RECENT CHANGE/OUTLOOK

Chesnara has an ongoing expense management programme and various strategic projects aimed at controlling expenses. Acquisitions also present opportunities for unit cost reduction and the UK business announced a long-term strategic partnership with Fin Tech market leader SS&C Technologies (SS&C) in May 2023, to provide policy administration services to Chesnara's UK division.

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

The cost of living and energy crisis has driven increases in material supplier costs. Whilst inflation started to fall towards the end of 2023, wage inflation remains high, directly impacting the group's internal costs. Consideration is being continually given to balance the desire to grow the business and ensuring we have the capabilities and capacity to support that growth whilst continuing to keep tight cost control and also seeking opportunities to exploit efficiencies/synergies.

OPERATIONAL RISK — PR6

DESCRIPTION
Significant operational failure/business continuity event.

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

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

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

KEY CONTROLS

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

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

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

RECENT CHANGE/OUTLOOK

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

The Digital Operational Resilience Act (DORA) entered into force January 2023 and will apply from January 2025. It aims at strengthening the IT security of financial entities such as banks, insurance companies and investment firms and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption. Additionally, in the UK the PRA published a consultation paper on Operational Resilience of Critical Third Parties to the UK financial sector looking to deliver similar outcomes.

IT/DATA SECURITY & CYBER RISK — PR7

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

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

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

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

RISK MANAGEMENT · PRINCIPAL RISKS AND UNCERTAINTIES

IT/DATA SECURITY & CYBER RISK (CONTINUED) PR7

KEY CONTROLS

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

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

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

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

RECENT CHANGE/OUTLOOK

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

No reports of material data breaches.

Geopolitical unrest heightens the risk of cyber-crime campaigns particularly originating from state sponsored attacks.

During 2023 the group has continued to test and seek assurance of the resilience to cyber risks, this has included:

- Completion of a 'desktop' ransomware scenario test;
- Regular phishing testing and training campaigns;
- Board training and awareness;
- Group-wide cyber risk reviews; and
- Ongoing penetration testing and vulnerability management.

Chesnara has implemented a new group-wide Cyber Response Framework to guide Chesnara and its business units in preparing and responding effectively to a cyber-attack on any of the IT systems, infrastructure or data within the group. The framework provides high-level guidance and decision making considerations at all stages of the cyber response process. It also sets out the minimum expected cyber response standards for every step of the incident response process and provides clear communication, escalation and delegations for all incident materiality levels.

WE HAVE MOBILISED A GROUP-WIDE SUSTAINABILITY PROJECT PROGRAMME IN RELATION TO THE BROADER SUSTAINABILITY AGENDA MAKING COMMITMENTS TO:

- BECOME A NET ZERO EMITTER
- INVEST IN POSITIVE SOLUTIONS
- PROVIDE INCLUSIVITY FOR ALL STAKEHOLDERS

NEW BUSINESS RISK PR8

DESCRIPTION	Adverse new business performance compared with projected value.
RISK APPETITE	Chesnara does not wish to write new business that does not generate positive new business value (on a commercial basis) over the business planning horizon.
POTENTIAL IMPACT	If new business performance is significantly lower than the projected value, this will typically lead to reduced value growth in the medium to long term. A sustained low level performance may lead to insufficient new business profits to justify remaining open to new business.

NEW BUSINESS RISK PR8

KEY CONTROLS

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

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

RECENT CHANGE/OUTLOOK

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

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

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

And for the first time there is a contribution from the UK, primarily through the onshore bond wrapper acquired as part of the Sanlam Life & Pensions UK deal which remains open to new business.

REPUTATIONAL RISK PR9

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

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

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

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

KEY CONTROLS

Chesnara seeks to limit any potential reputational damage by:

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

RECENT CHANGE/OUTLOOK

Given the global focus on climate change as well as the significant momentum in the finance industry, the group is exposed to strategic and reputational risks arising from its action or inaction in response to climate change as well the regulatory and reputational risks arising from its public disclosures on the matter. Chesnara supports the UN Sustainable Development Goals (SDGs), including Climate Action. We have set our long-term net zero targets, initial interim targets for 2030 and short-term actions including baselining our financial emissions and beginning work to create our transition plan to be a net zero group.

Chesnara has mobilised a group-wide sustainability project programme in relation to the broader sustainability agenda making commitments to:

- Become a net zero emitter
- Invest in positive solutions
- Provide inclusivity for all stakeholders.

The FCA published final rules for a new Consumer Duty and response to feedback to CP21/36 – A New Consumer Duty in July 2022. The Consumer Duty regulations set higher and clearer standards of consumer protection across financial services and require firms to act to deliver good outcomes for customers. The first key regulatory deadline of 31 July 2023 required implementation for new business, whilst all products including closed books must be compliant by 31 July 2024. The UK established a Consumer Duty project to deliver all requirements across its businesses. Regulatory requirements for products open to new business were successfully implemented in line with the regulatory deadline of 31 July 2023. The project will continue to work on requirements for closed-book products in the lead up to the regulatory deadline of 31 July 2024.

RISK MANAGEMENT · PRINCIPAL RISKS AND UNCERTAINTIES

MODEL RISK PR10

DESCRIPTION

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

RISK APPETITE

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

POTENTIAL IMPACT

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

Potential risk impacts of inaccurate model results include:

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

KEY CONTROLS

- Robust model Governance Framework and independent standards of 'do-check-review';
- Independent model validation and Internal audit review;
- Monitoring and reporting of Risk Appetite Limits;
- Documented processes and policies;
- Model version control and user access restrictions;
- External audit;
- Robust due diligence processes on acquisitions including external support on model development/review; and
- Intra-group financial reporting planning, monitoring and delivery management.

RECENT CHANGE/OUTLOOK

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

IFRS 17 remains in the early stages of being in-force and, therefore, further embedding and continued focus on validation of the more recently developed models is needed.

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

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

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

CORPORATE AND SOCIAL RESPONSIBILITY

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

TRANSITIONING TO A SUSTAINABLE GROUP

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

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

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

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

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

Find out more at **globalgoals.org**

CORPORATE AND SOCIAL RESPONSIBILITY

EMBEDDING SUSTAINABILITY

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

As described on pages 62 and 96 to 102, a key part of this work includes the annual review of the effectiveness of our Risk Management System and the system of governance so as to ensure that we can achieve our business objectives and safeguard the interests of our stakeholders. The overall conclusion from the review conducted in 2022 was that Chesnara has a stable and well understood risk profile, controlled by an effective and embedded system of governance.

We believe that sustainability is not solely for our board and leadership teams, and we have taken and will continue to take steps to educate, involve and support our workforce and other stakeholders, including our suppliers, in the delivery of our sustainability strategy. Each of our businesses have also incorporated sustainability into their Investment Policy, Investment Committee Terms of Reference and investment decision making. We are expanding this to capture all policies across the business to ensure that sustainability is a key consideration.

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

Our TCFD report on pages 76 to 91 describes our assessment of climate change risks and opportunities under four pillars – Governance; Strategy; Risk Management; and Metric and Targets. Further regulatory and disclosure requirements around sustainability are forthcoming and we will take measures to ensure that we give full and appropriate disclosure of our progress as these standards are issued.

OUR CUSTOMERS

Customer care
Customer care is core to our business. All of our divisions are committed to good customer treatment and outcomes and to helping provide our customers with financial security on their individual journeys. We are taking action across the group to continue to identify any enhancements which will improve our customers' experience. A key part of this is ensuring that we offer products that are suitable for our customers' needs.

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

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

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

Regulatory compliance
We maintain an open and constructive relationship with the regulators in the jurisdictions we operate in. Understanding and implementing regulatory requirements is a key part of management responsibility, including the timely and accurate submission of information requested by the regulator. None of the business entities were subject to any regulatory intervention during 2023 and no penalties were imposed.

OUR COLLEAGUES

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

In the UK, we continue to partner with the Business Health Group to provide lifestyle coaching for employees to discuss challenges that they face. Proactively discussing these challenges and providing potential tools to address them helps to support our people. The management teams and employees in our overseas divisions also continue to take steps to guide and support colleagues.

Each of our business units ensures that the health and welfare of our staff is supported by employment contract provisions, including access to health insurance for all employees and encouragement and support for flexible working, amongst other benefits such as life cover, occupational pension and parental leave. All staff are made aware of these benefits through contracts of employment, policies and staff briefings. They are also reminded of their duty to act responsibly and do everything possible to prevent injury to themselves and others. Management teams across the group monitor the level of sick leave and absence and, where necessary, they take appropriate action to address any issues identified.

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

Equal opportunities and diversity
Chesnara always aims to attract, promote and retain the best candidates suitable for the roles within all its operations. Our approach is to be open, entrepreneurial, transparent and inclusive in how we select and manage our employees.

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

	2023		2022[1]	
Year end headcount	**Male**	**Female**	**Male**	**Female**
Directors of the group	5	3	5	3
Group senior leaders	4	4	8	2
Executive management total	**9**	**7**	**13**	**5**
Executive management gender split %	**56.3**	**43.8**	**72.2**	**27.8**
Employees of the group	175	175	196	205
Total[2]	**184**	**182**	**209**	**210**
Total gender split %	**50.3**	**49.7**	**49.9**	**50.1**

Notes:
1. We have reviewed the classification of gender hierarchy levels in 2023 to define executive management and add further structure. The 2022 data has therefore been restated to be consistent with 2023.
2. The number of staff reported in the table above is based on the number of employees employed at the year end. This differs to the employee note, which is calculated based on average FTEs during the course of the year.

Gender diversity forms an important part of Chesnara's selection and appointment process at group level.

In 2023, we have enhanced our gender disclosure workings to include both additional job hierarchy levels and to ensure our categories of gender were fully inclusive for all staff. This included 'non-binary', 'other' and 'prefer not to say' as further categories of gender.

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

The executive management data presented in the table is based on collected data. Other employees of the group are based on observational data, which we are aware is not the optimal scenario. We are working on collecting this data more formally from our group where possible and enhancing the granularity of our data, noting there are limitations on what we can reasonably collect from our staff, and in particular in differing jurisdictions. The Corporate Governance Report contains further analysis of diversity on our board and wider executive management.

CORPORATE AND SOCIAL RESPONSIBILITY

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

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

Fair pay
We believe that all our employees deserve fair and just remuneration appropriate for the roles they hold and the work they perform. In our UK division, our employees and service contractors meet the Real Living Wage pay level set by the Living Wage Foundation and based on a calculation of the cost of living and what employees and their families need to live.

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

At the end of 2022, the Remuneration Committee consulted with employees on the alignment of directors' pay with UK employees ahead of the 2023 year. The same engagement has since taken place in late 2023 for the 2024 calendar year. Details of our staff pay and benefits, and in relation to executive pay, are set out in the Corporate Governance section as part of our Remuneration Report.

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

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

This forum comprises staff members who represent each functional area, rotated from time to time, for the purposes of discussing any matters of concern or areas of interest for the staff and management.

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

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

Whistleblowing
We are committed to having a culture where all individuals are encouraged to speak up about any concerns they may have within our business. Each of the Chesnara business units has a Whistleblowing Policy which complies with local regulatory requirements and is reviewed on an annual basis. We have stringent internal procedures for reporting misconduct and have explicit requirements against retaliation and safeguarding of reporter identities.

In the UK, the Audit & Risk Committee Chair is appointed as a Whistleblowing Champion, whose responsibilities are aligned to the prescribed requirements set out in the PRA's Senior Managers Certification Regime. The policy is shared with all new joiners and whenever it is updated it is provided to all existing employees. Similar arrangements are in place within our overseas divisions with the policies being available in employees' local languages.

Confirmation was also received that each outsource service provider (OSP) has a Whistleblowing Policy in place which is provided to all employees.

OUR SUPPLIERS AND BUSINESS PARTNERS

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

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

Over 2024, we plan to further engage with our suppliers and business partners to understand their carbon footprint and sustainability commitments. This will enable us to evaluate our supply chain emissions and work with them to help decarbonise their operations.

ACROSS OUR BUSINESSES, WE PROVIDE HIGH QUALITY JOBS WITH COMPETITIVE REMUNERATION ALONG WITH REQUISITE TRAINING AND GOOD WORKING CONDITIONS.

HUMAN RIGHTS

Human Rights and the Modern Slavery Act 2015
Human rights belong to all human beings regardless of nationality, gender, race, age, religion, language, physical or mental ability or any other political, economic or social status. Such rights are protected by the rule of law through legal mechanisms designed to prevent abuse by those in positions of power. Modern slavery is just one such form of human rights abuse. In addition to the freedom of expression, human rights includes:

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

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

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

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

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

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

ANTI-BRIBERY AND CORRUPTION

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

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

TAXATION

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

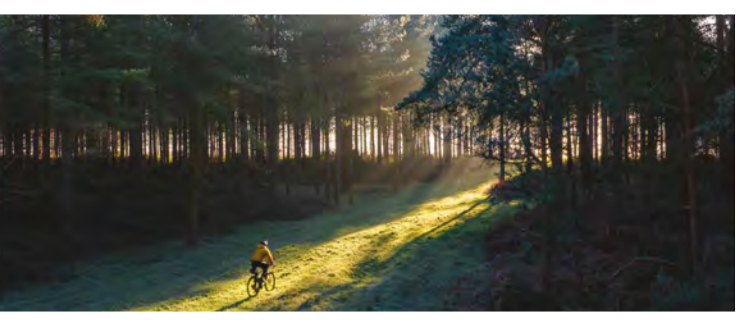
OUR COMMUNITIES

Chesnara's management and staff support local community initiatives to the extent deemed appropriate given our financial responsibilities as a public limited company. During 2023, across the group, we donated £36k to various charitable causes (2022: £65k).

We have continued to support our long-term local charitable partnerships including: the Living Wage Foundation who are supporting initiatives to increase the number of employers that are paying the Real Living Wage in the UK; Safenet in the UK, which provides domestic abuse services and refuge to those that need it and Sherpa in the Netherlands, which helps people with physical and learning disabilities to function as independently as possible. We operate policies across the group to enable employees to take two days' paid leave each year to volunteer for charitable organisations.

THE PLANET

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



WE ARE WORKING TO EMBED SUSTAINABILITY INTO OUR BUSINESS, GUIDED BY OUR PRINCIPLES OF:

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

CORPORATE AND SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

CONTEXT

Disclosure requirements on the impact of climate change were introduced by the Financial Conduct Authority (FCA) for premium listed companies with effect from 1 January 2021. This is our third report in support of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD). With effect from 1 January 2023, the group is also required to comply with the new mandatory Climate-Related Financial Disclosure (CFD) requirements set out by the Department for Business, Energy & Industrial Strategy, with this being the first year we are reporting on the additional requirements.

COMPLIANCE STATEMENT

All disclosures in respect of the 'TCFD Recommendations and Recommended disclosures' and CFD requirements are on pages 76 to 91 with additional information such as illustrations and case studies included in the Annual Sustainability Report which is cross referenced where applicable throughout this section.

Chesnara plc has complied with the CFD by including climate-related financial disclosures consistent with the requirements under sections 414CA and 414CB of the Companies Act 2006. Chesnara has also complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with 10/11 of the TCFD recommended disclosures except for the following matter:

AREA	REQUIREMENT	EXPLANATION
Strategy (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Organisations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy.	Having set our long-term net zero targets at the start of 2023, we have now baselined our position to enable us to commence work on our transition plans. During 2023, guidance on the format and content of transition plans was issued by the Transition Plan Taskforce and we will work to incorporate that guidance into our own plans as they are developed during 2024 and 2025. A key part of our plan will be engaging with our asset managers to work towards our decarbonisation target for financed emissions as well as our wider supply chain to understand their own decarbonisation plans in respect of operational emissions.

GROUP SUSTAINABILITY REPORT

Alongside the financial statements, the group has published its 2023 Annual Sustainability Report (www.chesnara.co.uk/sustainability) and provides further detail on a number of items noted in this report which are referenced as appropriate.

WHAT HAS HAPPENED DURING 2023?

- Appointed Greenly to assist us with the enhancement of our operational emissions calculations and net zero plans.
- Held our Group Sustainability Summit to bring leaders across the business together to understand the importance of sustainability for the future of the group.
- Appointed MSCI to assist us with the baseline and future calculations of our financed emissions.
- Baselined our operational and financed emissions.
- Commenced the process of integrating sustainability considerations into our suite of policies.
- Held group-wide director training to continue the process to embed sustainability into decision making.
- Ongoing engagement with landlord to implement carbon reduction opportunities available including waste management and LED lighting upgrades to the UK office.
- Increasing engagement with asset managers and our value chain to understand their own decarbonisation plans.

GOVERNANCE

The Chesnara board sets the values and culture of how the business divisions operate and the group invests time and resources to ensure that the governance structures in place remain appropriate for the evolving business and regulatory landscape. Further information on the group's governance is provided in the Corporate Governance section.

a) Board oversight of climate-related risks and opportunities

The chart below sets out the group reporting structure and sets out how the board has oversight of climate-related matters.

CHESNARA GROUP BOARD

Meets at least quarterly

The board defines the group's strategic aims, ensures that the necessary resources are in place and sets the targets to review management performance. Chesnara has sustainability, covering environmental, social and governance, as a regular agenda item across the group.

GROUP AUDIT & RISK COMMITTEE (GA&RC)

Meets at least quarterly

The GA&RC focuses on corporate governance requirements and developments related to environmental and social obligations, including the monitoring of climate-related risk exposures across the group and how such risks are treated. The GA&RC advise the board as appropriate.

NOMINATION & GOVERNANCE COMMITTEE

Meets quarterly

The Nominations & Governance Committee plays a key role in ensuring that the board's composition and balance are appropriate and that members have the necessary skills, knowledge and experience to discharge their duties effectively with regards to climate change.

GROUP REMUNERATION COMMITTEE

Meets quarterly

The role of the Remuneration Committee is to ensure that the Remuneration Policy promotes, encourages and drives long-term growth of shareholder value of which climate change plays a key role. In 2023, a 15/25% weighting of the group CEO and CFO annual bonuses were linked to sustainability actions.

GROUP SUSTAINABILITY COMMITTEE (GSC)[1]

Meets at least quarterly

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

GROUP CEO

SENIOR LEADERSHIP TEAM (SLT)

Meets monthly

The SLT is in place to challenge and support the Group CEO and the leadership team. It is accountable for the review and sign-off of the quarterly risk report, including any material variations in the impact of climate change upon the group, as well as monitoring risk appetite compliance. It is also responsible for oversight of the sustainability programme.

GROUP INVESTMENT COMMITTEE (GIC)

Meets twice a quarter

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

[1] The GSC is not a board committee but operates across the group, interfacing with the board and works with its board committees and group executive committees.

The business units, with their own local governance structures and boards, feed into the group governance structure via quarterly divisional MI packs, quarterly business reviews and risk reporting, and annual local business plans (note this list is not exhaustive).

Board | Board committee | Group Sustainability Committee | Group executive committee

CORPORATE AND SOCIAL RESPONSIBILITY · CLIMATE-RELATED FINANCIAL DISCLOSURES

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

How climate-related risks and opportunities are identified and considered
The divisions are responsible for identifying climate-related risks and opportunities which are then consolidated at a group level by the Group Head of Sustainability and the Group Chief Risk Officer & Chief Actuary. The risks and opportunities are reassessed regularly so that if a material risk was to arise, we would add it in to ensure that it is evaluated according to the framework and evolving climate-related matters.

Who is assigned responsibility?
Management responsibility for matters related to climate change are assigned to the Group Chief Executive Officer (Group CEO) at group level and the respective CEOs at business unit level. All divisions and business units are responsible to the relevant divisional Chief Executive who has dual reporting lines to the divisional board and the Group CEO. Sustainability forms part of the executive management short-term incentive bonus scheme, and the ratio allocated to sustainability will continue to be assessed on an ongoing basis.

How management and board members are informed of and monitor climate-related issues

- **Group board:** has sustainability, including climate change, as a regular agenda topic for discussion. During 2023, this specifically considered the group climate change risk assessment (through the GA&RC), and the overall vision and approach of the group in regards to sustainability and group-wide climate change-related scenario analysis in the ORSA. Sustainability training was delivered to executive and non-executive directors across the group during the year.
- **Group Sustainability Committee:** chaired by Jane Dale, the group's Senior Independent Non-Executive Director, its membership consists of the executive management across the group and its divisions. This committee is the key focal point for the review of climate-related risks and opportunities and links in with the other group governance committees. The GSC annual agenda planner determines which topics are covered at each meeting and those meetings, together with the GIC and SLT, will determine the items to be escalated to the board. The interactions of the GSC with the different committees and the board are detailed on the previous page.
- **Senior Leadership Team:** regularly discuss climate-related issues and how they factor into business planning, strategy and risk management.
- **Group Investment Committee:** working with the GSC, the GIC will focus on the just transition of the group's asset portfolio in line with its net zero targets. The GIC and GSC will also work together to identify potential areas of impact investing.
- **Sustainability workstream working groups:** established alongside the GSC, these groups consist of the key sustainability leaders across all divisions in the business, for investments, operations and reporting and progress is reported directly into the GSC.
- **Acquisitions:** as part of the due diligence process for potential acquisitions, we assess the target company's approach to climate-related risks and consider the emissions of their operations and underlying assets.

Group Sustainability Summit

In June 2023, we gathered leaders and key personnel from across the group at London Zoo for a two-day summit focused on sustainability. We had sessions from teams across the group focusing on our sustainability progress to date and vision and commitments for the future. We also had external talks and training sessions from Accenture, A Future Worth Living In, Schroders and KPMG, as well as London Zoo themselves. These sessions were on a range of topics, including financed emissions, the importance of data and the reporting horizon, and were designed to educate and inform our leaders on the importance of sustainability for Chesnara as a business and society as a whole. Training is a key responsibility of the GSC and needs across the business will be assessed throughout the year, including the development of a training and engagement programme to be delivered to all employees.

WE ARE **READY TO PLAY OUR PART** TO ENSURE WHAT WE DO AND HOW WE DO IT IS SUSTAINABLE.
STEVE MURRAY, GROUP CEO, CHESNARA

STRATEGY

Sustainability, including the group's approach to climate risk and decarbonisation, is a fundamental part of our strategy. Changes in the environment and the effects of global warming could potentially affect how we achieve our strategic objectives either through the way we operate our businesses or through the returns to our customers and shareholders. We are committed to applying sustainability-informed investment and operational decision making across the group.

We continue to frame our strategy and objectives in line with the UN SDGs, including 13. Climate Action. Having set our long-term net zero targets at the start of 2023, we have now baselined our position to enable us to commence work on our transition plans. During 2023, guidance on the format and content of transition plans was issued by the Transition Plan Taskforce and we expect to finalise our initial transition plans as part of our interim reporting in 2025. As part of our work during 2023, we have determined our initial interim targets.

- For our operational emissions, we are committed to decarbonising emissions within our control by 2028. We have also identified the higher value categories of emissions which are not directly within our control, such as those arising from our supply chain, and we will work with our partners to encourage them to decarbonise their own operations.
- For our financed emissions, we have followed the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework (NZIF) and considered the Intergovernmental Panel on Climate Change (IPCC) Special Report on Global Warming of 1.5°C (SR1.5), which states that in mitigation pathways with no or limited overshoot of 1.5°C, global net carbon emissions need to decline by between 41% and 58% from 2010 levels by 2030, reaching net zero around 2050. To set our targets, we've used the IPCC scenario with no or limited overshoot for target setting. This is what the Paris Aligned Investment Initiative recommends and it's the scenario that Paris Aligned Asset Owner initiative members and asset managers most commonly use. Based on this, we have set an interim emissions reduction target of 50% by 2030.
- Our 50% reduction target is for the scope 1 and 2 emissions of our listed equity and corporate fixed income assets which we are able to influence or control. We will also be working with partners and customers for those assets where we have less control or influence, for example those where policyholders self-select their own investments. We remain strongly committed to net zero by 2050 for all our financed emissions and so our targets will expand over time to include all asset classes.

  We know that there are a number of headwinds largely out of our control which will affect our ability to meet this interim target, such as policyholder choices and asset manager progress and so as our transition plans are developed and refined and baseline data is further understood, we may naturally look to refine our targets at a later date to better reflect the position of the group.

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

What are the building blocks that underpin our climate-related risks and opportunities, covering materiality, time horizon and type of risk:

TIME HORIZON

- **Short term:** up to 12 months – in line with budget setting process
- **Medium term:** 2 to 5 years – in line with our business planning and ORSA projection period
- **Longer term:** 6+ years – post business plan horizon

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

MATERIALITY

Our definition of 'high' materiality is as follows:

- **EcV:** >£20m
- **Cash generation:** >£3.5m
- **Reputational:** national publicised reputational event and stakeholders withdrawing services
- **Regulatory:** action involving penalty imposition and/or requirement for remediation leading to a restriction of activity
- **Other:** high safety issue

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

TYPES OF RISK

- **Physical risks:** Arise due to the direct impact of events such as heatwaves, flood, wildfire, storms, increased weather variability, and rising mean temperatures and sea levels.
- **Transition risks:** Emerge from the process of change towards a low carbon economy such as: climate-related developments in policy and regulation; technological change (e.g. electric vehicles); a shift in consumer sentiment and social attitudes; and climate-related litigation against firms that fail to mitigate, adapt or disclose climate-related financial risks.

CORPORATE AND SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

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

In total, we have identified a number of climate-related risks, and of those, six fall into the 'high' or 'very high' materiality category. For the material risks, more detail is provided below considering the likely time horizon in which we expect the risk to manifest and how the risk feeds into the financial planning process and strategy decisions of the group. Where possible we have also quantified the possible financial impact of the risk.

As part of our ongoing assessment of the group's climate-related risks and the continuing evolution of the global climate impact, we have determined that some of the risks now have a higher likelihood when compared to last year's assessment. This is largely a reflection of the evidence of climate change seen during 2023. We now have six material risks, being the two reported as material in 2022 and four further risks around data limitations, suppliers, reputation and litigation which are described in detail below. It is a critical part of our process to reassess the impact of potential risks annually so we can manage and mitigate the risks appropriately.

RISK

1 Inflationary impacts from global climate policy failure, including on energy prices.

This is a principal risk captured under expense risk

Time horizon: longer term 6+ years

Potential impact (linking to financial statements)
Primarily financial impacts of inflation on the expense base but also potentially operational risks arising from a high inflationary environment, impacts on the resilience of the supply chain, or from energy shortages in transition.

A 1% increase (based on HY 2023 results) in inflation is estimated to reduce SII absolute surplus by £24m and EcV by £20m. On an IFRS basis, we would expect this scenario to increase administrative expenses and insurance reserves.

How is the risk being managed, mitigated and addressed?
Active consideration of inflation sensitivities and hedging options. Working to mitigate the impacts of climate change and transition to a low or zero carbon economy, including through our supply chain, will help to ensure there is less volatility and inflationary pressures on such things as energy prices.

How does the risk impact strategy?
Affects all pillars of the strategy, i.e. impact on existing business value but also on pricing capability on new business and acquisitions.

How does the risk input into financial planning?
Best estimate of short and long-term inflation assumptions included in the financial projections, with suitable sensitivities considered.

Strategically, inflationary impacts are considered as part of deal assessments and project business cases.

Targets and associated KPIs to manage the risk
Our net zero operational and financed emissions targets and their associated KPIs listed on page 86 will be those that we use to report and monitor progress against in order to manage this risk.

2 Data limitations, including insufficient resource or ability to understand the data, hinder the ability to properly understand asset exposures or transition risks.

This is a principal risk captured under investment and liquidity risk

Time horizon: medium term 2-5 years

Potential impact (linking to financial statements)
Inability to execute the board's chosen strategy for climate change effectively or surprise transitional risks occurring where exposures were not understood. This could also lead to financial losses on our assets, potentially reducing EcV and solvency disclosed in the financial statements.

How is the risk being managed, mitigated and addressed?
Chesnara has engaged MSCI to provide group-wide ESG data analysis on our asset portfolio. We are working with our asset managers to understand their own plans and pathways.

How does the risk impact strategy?
This could have a wide range of implications. For example: it could lead to reputational damage; poor decision making; accidental transition risk; accidental greenwashing risk; stranded assets; and regulatory risk.

How does the risk input into financial planning?
Sensitivities are performed on results in order to assess the impact of negative exposures and factor this into decision making and strategic plans.

Targets and associated KPIs to manage the risk
The % coverage of our asset pool look through data which is shown in our financed emissions data.

We will work towards what our target is once we get more performance data in 2024.

[1] Chesnara is an acquisitive group, with M&A being one of its three strategic pillars, and therefore continually considers opportunities as they become available. Deal financing would be completely dependent on the size and nature of the transaction but may include the necessity to raise additional external financing either through debt or equity. A failure to appropriately address climate change risks may impact on our ability to raise this finance and in turn adversely affect the growth of the group.

RISK

3 Risk that a major supplier or partner doesn't align with our climate commitments and so we have to potentially choose to move away from them (operational impact) or risk our commitments not being achieved (reputation).

This is a principal risk captured under operational and reputational risk

Time horizon: medium term 2-5 years

Potential impact (linking to financial statements)
Decision to make between significant operational change from having to move away from a key partner or put our climate commitments at risk.

Supply chain disruption could lead to an increase in operational costs through the use of more expensive suppliers as well as an impact on customers resistant to change, negatively impacting expenses and the value of the business.

How is the risk being managed, mitigated and addressed?
Early engagement with key suppliers and partners to ensure that they have climate commitments and working to align them with our own, including through the Greenly portal.

Factoring an assessment of climate commitments into the selection of prospective partners.

How does the risk impact strategy?
Climate considerations and alignment of strategies have to be factored into partner selection and engagement processes.

How does the risk input into financial planning?
Risk is monitored, managed and will be addressed as it arises. Financial plans will be amended as appropriate depending on where we believe the key risk areas are.

Targets and associated KPIs to manage the risk
In 2024, we will work towards the development of a target for the % of suppliers engaged with the Greenly supplier platform.

4 Reputation risk associated with not achieving our targets/commitments.

This is a principal risk captured under reputational risk

Time horizon: medium term 2-5 years in respect of our 2028 operational target of net zero and longer-term 6+ years in respect of our financed emissions net zero target

Potential impact (linking to financial statements)
Failure to meet our commitments and targets or provide inadequate disclosure around progress against them could lead to a reduced investment universe for the group. This may reduce the liquidity of our shares and impact the market capitalisation of the group.

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

Committing time and resources to complete transition plans during 2024 and 2025.

How does the risk impact strategy?
Sustainability is a fundamental building block of our strategy and therefore factoring in our targets and commitments is part of our business planning process.

We do also address the fact that our commitments on climate and sustainability have to be proportionate for the Chesnara business.

How does the risk input into financial planning?
Working towards our commitments and targets is a requirement of our business planning process at group and divisional level.

Targets and associated KPIs to manage the risk
Our net zero operational and financed emissions targets and their associated KPIs listed on page 86 will be those that we use to report and monitor progress against in order to manage this risk.

5 Reputation risk through inability to raise finance to support acquisition strategy.[1]

This is a principal risk captured under reputational risk

Time horizon: medium term 2-5 years

Potential impact (linking to financial statements)
Potentially a fundamental hit to the business model plus reputational impacts.

Also, potential solvency or share price risk if parties remove existing funding.

A loss of customers and funding through damaged reputation would negatively impact EcV included in the financial statements.

How is the risk being managed, mitigated and addressed?
Proactive consideration of sustainability disclosures, engagement with ratings agencies to ensure scoring is reflective of what we are doing and being very open and transparent with key investors.

How does the risk impact strategy?
Direct consequences for execution of the acquisition strategy.

How does the risk input into financial planning?
Risk is monitored, managed and will be addressed as required. For any acquisitions, financing solutions are considered and the risks of those are factored into the relevant decisions.

Targets and associated KPIs to manage the risk
Our external ESG rating scores which are publicly available on various rating agency's websites.

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RISK

6 Litigation risk through either not publishing enough information or including too much and making unsubstantiated claims leading to 'greenwashing'

This is a principal risk captured under reputational risk

Time horizon: medium term 2-5 years

Potential impact (linking to financial statements)
Litigation may lead to potential fines and payouts needing to be recognised as liabilities on the balance sheet.

Also, likely to have a negative impact on cash generation and cause reputational damage to the business.

How is the risk being managed, mitigated and addressed?
Providing clear and honest disclosure on our work and areas of challenge and uncertainty. Proactive consideration of what we are reporting in our sustainability disclosures and remaining sceptical as to whether our disclosures represent a form of greenwashing.

Detailed consideration will also be factored into upcoming regulatory requirements which require an impact materiality to our stakeholders.

How does the risk impact strategy?
Likely negative impact on the value of the existing business and acquiring new business.

How does the risk input into financial planning?
Risk is monitored, managed and will be addressed as required.

Targets and associated KPIs to manage the risk
Number of complaints and threatened litigation regarding sustainability matters.

We assess climate risk as part of our annual ORSA process. There are a number of risks that are not featured in the previous tables that one may consider to be identified as material for an insurer. Climate scenario stress testing performed for the group (detailed in the Resilience section) concluded that climate effects on morbidity or mortality do not give rise to a 'high' material impact. We will continue to assess our approach to climate risk modelling as part of our annual ORSA process.

Finally, we have concluded that financial losses from asset shareholdings is also not a 'high' material risk given this is also likely to present an offsetting reduction in financial liabilities. We have also considered climate-related physical climate risks; however, as we lease the majority of our office buildings and most of our staff would be able to work from home if workplaces were affected, we do not believe physical risks present a material impact to the operations of the group. We will continue to assess our understanding and application of climate-risk modelling through qualitative and quantitative assessments.

OPPORTUNITIES

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

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

In 2023, we performed further analysis on the climate-related opportunities relevant to the group and concluded on a more in-depth list compared to 2022 which focused on limited division-specific opportunities. This has led to the opportunities disclosed in the 2022 accounts (offering alternative fund choices to customers in Sweden and 'Easy B' investment choices which offer a sustainable return in the Netherlands) no longer deemed to be material opportunities for the group.

OPPORTUNITY

1 Investments: earn enhanced returns on aligned and climate resilient assets

Time horizon: longer term 6+ years

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

How is the opportunity being managed and implemented?
We are working with our asset managers to understand their transition to net zero. We have also developed a Positive Solutions Impact Investment Framework, including investing in climate solutions.

How does the opportunity impact strategy?
Helps to enhance value through increased investment returns to support the growth of the group. Also, it encourages management to consider asset allocation and use of resources for different asset types.

How does the opportunity input into financial planning?
Factored into financial planning and strategy by assessment of the potential market for the product and the associated costs.

Targets/KPIs to manage the opportunity
In 2024, we will work to have a KPI for the value of assets invested within our definition of positive solutions.

OPPORTUNITY

2 Financing: attract a wider pool of debt and equity investors	**Time horizon:** medium term 2-5 years
Potential impact (linking to financial statements) Positive share price movements through access to increased options and potential lower borrowing costs.	**How is the opportunity being managed and implemented?** We are ensuring sustainability is a high priority by making a number of operational changes and reporting enhancements. We are publicly disclosing our targets, commitments and progress against the plans and are engaging with external stakeholders to provide details.
How does the opportunity impact strategy? Aligns with existing strategy in order to support the growth of the business.	**How does the opportunity input into financial planning?** Incorporated into financial planning by considering the financial impact of varying borrowing costs on the results.
Targets/KPIs to manage the opportunity Our net zero operational and financed emissions targets and their associated KPIs listed on page 86 will be those that we use to report and monitor progress against to manage this opportunity. Our external ESG rating scores which are publicly available on various rating agency's websites.	

3 Financing: reduced capital costs	**Time horizon:** medium term 2-5 years
Potential impact (linking to financial statements) Lower borrowing costs.	**How is the opportunity being managed and implemented?** As above.
How does the opportunity impact strategy? Helps to maximise the value of the business by minimising liabilities and capital costs.	**How does the opportunity input into financial planning?** Incorporated into financial planning by considering the financial impact of varying costs of capital on the results.
Targets/KPIs to manage the opportunity As above.	

Further information on these is detailed in the Annual Sustainability Report (**www.chesnara.co.uk/sustainability**).

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

As part of our 2023 ORSA process, we have considered and modelled three scenarios in respect of climate change risk, covering a 2° and 4° stress. This considered three scenarios: a) sudden transition, b) long-term orderly transition and c) policy failure. The first two achieve a temperature rise below 2° and the latter a rise in excess of 4° by 2100. To model the impact, we have taken each of the asset classes and applied suitable stresses to the equity values dependent on how the change in temperature is expected to affect the portfolio. Please refer to the earlier table with regards to how material climate-related risks affect strategy and business planning.

Chesnara's 2023 ORSA scenarios are based on the PRA's 2019 UK Insurance stress test scenarios. We acknowledge that these scenarios have their limitations and focus solely on the impact of climate change on the solvency of the business and so we are continuing to assess how we can develop our testing of climate change risk, including supplementing any testing with qualitative assessments, to ensure that we are considering and communicating the wider potential impacts of climate change. Whilst the PRA's 2019 scenarios do contain a number of approximations and limitations, as all climate scenario modelling does due to the inherent uncertainty, they are prescriptive in nature and easier to apply than some of the more complex climate change risk models, and they also benefit from being more transparent and easier to understand. Full details of the derivation of those scenarios, and their limitations, is set out in the PRA's specification guide available publicly on the Bank of England's website (Life Insurance Stress Test 2019 – Scenario Specification, Guidelines and Instructions (**www.bankofengland.co.uk**)). The shocks are calibrated by the PRA to represent the 1-in-100 Value-at-Risk under the three climatic scenarios and are expressed as instantaneous impacts on the portfolios. Further detail of the scenarios is included in the table below:

Ref	Scenario	Key assumptions
a	2°, sudden transition	The impact materialises over the medium-term business planning horizon that results in achieving a maximum temperature increase of 2°C (relative to pre-industrial levels) by 2100 but only following a disorderly transition. In this scenario, transition risk is maximised.
b	2°, long orderly transition	The scenario is broadly in line with the Paris Agreement. This involves a maximum temperature increase of 2°C by 2100 (relative to pre-industrial levels) with the economy transitioning to be greenhouse gas-neutral in the next three decades by 2050.
c	4°, policy failure	A scenario with failed future improvements in climate policy, reaching a temperature increase in excess of 4°C (relative to pre-industrial levels) by 2100 assuming no transition and a continuation of current policy trends. Physical climate change is high under this scenario, with climate impacts for these emissions reflecting the riskier (high) end of current estimates.

The scenarios outlined above were derived from IPCC reports, which are commonly used when assessing climate change.

Time horizon: While the tests are calibrated to longer horizon climate scenarios, we have applied all of the tests as though the transition effects are immediate, with instantaneous stress test impacts and also projected over 5 years. We expect the longer term (post 5 years) effects to be immaterial.

Results: Based on our climate modelling as detailed above, the climate change test results show a low impact on the solvency of all business units and at group level, with the group solvency ratio impacted by no more than 5% at any point over the short to medium term. A key factor leading to this result is a relatively low

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exposure to carbon intensive industries. While the results of this assessment of the financial risks arising from climate change are clearly comforting, Chesnara is not complacent about the wider risks arising from climate change and the broader sustainability agenda, including strategic, reputational and operational risks. It is for this reason Chesnara has a group-wide sustainability programme with board level representation on the Group Sustainability Committee. The programme has a detailed risk assessment of the broader risks arising from climate change and will continue to update this and educate internal and external stakeholders as the programme progresses.

From a strategy and financial planning perspective, whilst the solvency risk has been concluded to be not material, it is still considered to be a material financial risk factor to be considered as part of key decision making processes and we, as a group, have made commitments to transition to net zero to influence and affect the factors that we can change and are taking responsibility for this. These commitments feed into the financial plans largely through the associated costs, and strategic decisions are made considering these commitments also.

At a group level the 2023 assessment results support the following conclusions:

a) Chesnara has a stable and well understood risk profile, controlled by an effective system of governance that is well embedded across the business units.
b) Chesnara is a resilient group in terms of its current solvency level and can comfortably withstand all the stress and scenario tests that were applied in 2023.
c) The three-year group projections evidence long-term viability, a well-diversified business, stable solvency ratios, and a steady source of emerging surplus.

RISK MANAGEMENT

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

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

PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS

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

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

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

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

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

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

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

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

Given that we consider climate change to be a cross-cutting risk, that manifests through other existing risk types, climate-related risks and opportunities are identified, assessed and managed in a similar manner to other known and emerging risks. Primarily for Chesnara, climate change risk will arise through other financial risks e.g. equity risk, credit risk etc (PR1 – Investment and Liquidity risk) and also regulatory risk given the level of ongoing change. With regards to the sector specific guidance, we believe the impact of: physical risks from changing frequencies and intensities of weather-related perils; transition risks resulting from a reduction in insurable interest due to a decline in value and transition risks of changing energy costs would not be material and therefore not disclosed within the TCFD report as material risks. Chesnara has developed an Environmental, Social and Governance (ESG) Policy Statement for the group, in which it recognises the importance of understanding climate change risk in its operations and its investments and continued monitoring of associated risks.

Chesnara believes its businesses that hold investments (insurance companies and investment companies) should consider sustainability and implications for climate change in their investment policies. It expects each company to consider the implications of these for its business and investments and document its position. Chesnara's businesses have adopted, either directly or via their respective fund managers, the six UN Principles of Responsible Investment with the aim to continue to invest responsibly with sustainability considerations in mind and to provide a choice of sustainable funds to customers, e.g. green investments which aim to solve climate issues, or which primarily focus on companies that invest in improving health. The group is also exposed to strategic and reputational risks (PR9 – Reputational risk) arising from its action or inaction in response to climate change.

The 2023 Group ORSA process (and previous ORSAs) assessed, on both a qualitative and quantitative basis, climate change risks. This included a group-wide consistent climate change scenario that assessed the impact of the 2019 PRA climate change stress test. This test includes three scenarios: sudden transition, long-term orderly transition and climate policy failure, and considers both the transitional and physical risks within these. The results and insights from the ORSA are taken account of by the board for the purpose of capital management and business planning, noting that, as a life insurance company, Chesnara's operations are not generally exposed to physical risks, so proportionality has been applied. Physical and transition risks for our assets under management continue to be assessed by our asset managers and their assessment of climate value-at-risk.

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

INTEGRATION OF PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS

An integral part of Chesnara's governance and Risk Management Framework is compliance with the Prudential Solvency II Regulations to perform the ORSA on an annual basis. The Chesnara board is responsible for the overall design of the ORSA process including its annual review. Climate-related risks are considered within the ORSA process and the impact of material risks upon the solvency and resilience of the business is documented. The views of the Actuarial Function Holder and any recommendations or prior feedback from the regulator are considered when conducting the assessment at business unit level. Conclusions drawn from the risk and solvency assessment are reported to the respective regulators by each of our businesses every year.

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

Chesnara's approach to assessing financial risk is to identify and assess factors that could potentially threaten the continued successful delivery of the anticipated stakeholder outcomes over a three-year time horizon, including risks to the business model and strategy. The Chesnara board requires the management teams to ensure a good understanding of the solvency position at any point in time. In Q2 2023 a series of stress and scenario tests were selected for the ORSA with the requirement to follow the testing principles set out in the Group Risk Management System Policy. As well as current known risks, the stresses and scenarios took account of forward looking and emerging risks.

These selected stresses and scenarios along with the rationale were reviewed and approved by the Chesnara board. The tests conducted covered changes in equity asset values, yields and credit spreads, fluctuations in currency rates, expense inflation, any material impact of physical and transition risk due to climate change, and operational resilience. Performance against the business plans as well as known and emerging risks and opportunities are discussed at quarterly business review meetings at entity and group level. Climate-related risk impacts and opportunities are considered at these meetings.

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

CHESNARA BELIEVES ITS BUSINESSES THAT HOLD INVESTMENTS (INSURANCE COMPANIES AND INVESTMENT COMPANIES) SHOULD CONSIDER SUSTAINABILITY AND IMPLICATIONS FOR CLIMATE CHANGE IN THEIR INVESTMENT POLICIES.

METRICS AND TARGETS

The Metrics and Targets section also addresses the requirements within the Streamlined Energy & Carbon Reporting (SECR) framework including reporting on energy usage, GHG emissions, methodology used to make the calculations, intensity ratios and a description of the efforts taken to improve the company's energy efficiency during the financial year.

c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

To support the understanding of the above, net zero is defined to be when a company first reduces all its GHG emissions as much as possible, and only then offsets the remaining residual emissions.

In 2023 our board signed off the group's long-term sustainability targets and these have been supplemented with relevant initial interim targets, including:

1. Net zero financed scope 3 emissions by 2050, with an initial interim target of a 50% reduction by 2030 for in-scope assets determined in line with the IIGCC's Net Zero Investment Framework (Financed emissions). Details of the challenges around this target are provided in our Annual Sustainability Report.
2. Net zero scope 1, 2 and 3 (other/non financed) by 2028 (Operational emissions) for those emissions of which we are in control through the deployment of reasonable resources. On the following page, is a table to show the level of control we consider we have for the different GHG categories noting we do not have full control of all emissions in any of the scope categories, for example, we consider that emissions relating to commuting and homeworking are not within our control as these are decided by the employees and, therefore, we can look to provide initiatives to encourage reduced emissions, such as our electric vehicle car scheme in the UK, but cannot mandate change.

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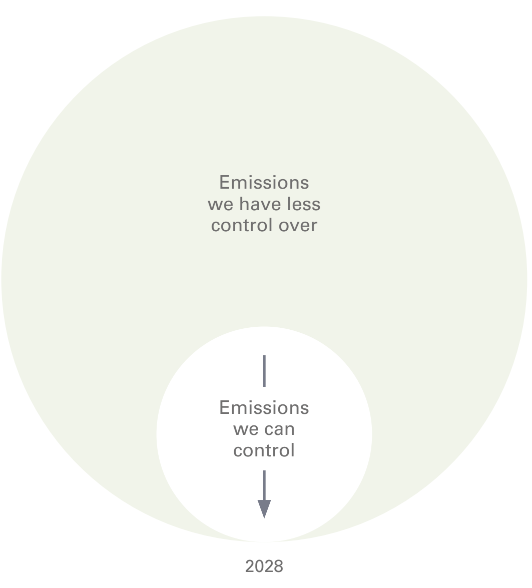
LOW LEVEL OF CONTROL	MEDIUM LEVEL OF CONTROL
3.1 Purchased goods and services	**1** Direct emissions from onsite fuel combustion
3.3 Fuel and energy related activities	**2** Direct emissions from the company's vehicles and purchased electricity for own use
3.7 Employee commuting and homeworking	**3.2** Capital goods
3.8 Upstream leased assets	**3.4** Upstream transport and distribution
	3.5 Waste generated in operations
	3.6 Business travel

We remain committed to being net zero for all of our operational emissions in the longer term and, alongside those that we deem to have control of, we will target higher value items, where in some instances we have low levels of control such as the emissions generated by our suppliers from purchased goods and services. Our 2028 target is therefore primarily scope 3 emissions arising from the operations of our offices.

We have agreed our baseline figures for both financed and operational emissions and defined our initial interim targets for financed emissions to support these long-term targets. We have selected 2023 as the baseline year for our emissions targets. We note that 2019 has been commonly used amongst our peers; however, we did not readily have the data available for 2019. The challenge of using 2023 as a baseline rather than 2019 is that any actions that we and organisations in our investment universe or supply chain have taken in that period will be reflected in the starting position. This therefore makes reduction targets more challenging in the short term. High level analysis of the national GHG emissions reductions for our locations over the period from 2019 to 2023 show there was an average fall of approximately 10%. As our work progresses, we will assess the impact of this on our targets. We do have 2022 data also available but due to the emissions largely being based on the previous year's reporting, we felt that due to the ongoing impact of the COVID-19 pandemic and the national lockdowns during 2021, the use of 2022 as a baseline would be less relevant. We will continue to assess our baselines and our targets throughout 2024 as we commence our work on our group transition plans.



Not drawn to scale – for illustrative purposes only.

	COMMITMENT	BASELINE	KPIs
1	**Long-term target** Net zero scope 3 financed emissions (absolute value) by 2050. **Interim target (2030)** 50% reduction by 2030 from our 2023 baseline figures in the scope 1 and 2 emissions for our listed equity and corporate fixed income investments which we are able to influence or control.	Our 2023 scope 1 and scope 2 financed emissions baseline is 533,073tCO_2e. Scope 3 total financed emissions is 4,345,991tCO_2e. More detail on our financed emission metrics is on page 88.	Total carbon financed emissions (absolute emissions) Carbon financed emissions (absolute emissions normalised by $M invested) Weighted Average Carbon Intensity (WACI)
2	**Interim target (2028)** Net zero (absolute value) operational emissions by 2028 for those where we are in control of the emissions using reasonable resources. For those that are not deemed to fall into this definition, we still commit to achieving net zero on an absolute value, but these are more dependent on systematic, societal and infrastructure changes and therefore the timescales are yet to be determined.	Our 2023 operational baseline is 4,961tCO_2e with detailed split on each GHG emission category found on page 89.	Operational emissions, more specifically: **1.** Total (absolute); **2.** Intensity measure by FTE; and **3.** Those in our control (absolute).

Now that we have baselined our operational and financed emissions for 2023, detailed performance data against the targets and KPIs to be provided for 2024 reporting.

Performance against these targets will be reported throughout the year to the GSC and the board and externally each year in our Annual Sustainability Report. The control framework for the preparation of these results is still being developed but, over the course of 2023, we engaged with two external providers to facilitate the calculation of both our operational emissions and our financed emissions (Greenly and MSCI respectively). In addition to this, there are a number of layers of internal review. The targets will be periodically refreshed and updated each year to reflect any material changes and ensure continued relevance. Any subsequent changes made to the baseline or scope of our targets themselves will be clearly explained in our annual reporting.

As well as the above targets and commitments, we will continue to commit to assessing and investing in positive solutions, by intentionally directing capital into activities that deliver or enable the achievement of the UN SDGs.

We will report annually on our progress against this commitment, detailing the level of investments, the source and the division responsible. These activities will be monitored by the GSC and reported annually to the board.

Carbon offsetting
Whilst our primary focus remains on reducing the carbon emissions associated with our operations and investments, we recognise the important, yet complex role offsetting will play in the global transition to net zero. Therefore, in the interim, we continue to support high-quality carbon offsetting projects. In 2023, we have decided to offset 100% of the operational emissions, excluding scope 3.1 purchased goods and services, of 926 tonnes by supporting several verified projects in alternative energy and increasing water safety, as well as planting 926 trees in the UK. These are high quality carbon reduction projects that comply with international verification standards and are amongst the Carbon Footprint Limited's offset projections portfolio, details of which can be found at **www.carbonfootprint.com**

a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

Within the material climate-related risks and opportunities tables detailed in the Strategy section of the report, for each risk and opportunity we have disclosed the relevant KPI/metric(s) to which they relate. We have not yet defined all of our metrics to manage the material climate-related risks and opportunities and the development of these will feature as part of the work in 2024 on the group's transition plans. The full list of metrics we have developed so far are:

OPPORTUNITIES	RISKS
Our net zero targets and their associated KPIs detailed in the table on the previous page.	Our net zero targets and their associated KPIs detailed in the table on the previous page.
Our external ESG rating scores and feedback which are publicly available on various rating agency's websites.	Our external ESG rating scores and feedback which are publicly available on various rating agency's websites.
The value of assets invested within our definition of positive solutions (in 2024).	% of suppliers engaged on the Greenly supplier platform (in 2024).

We will monitor these metrics as part of our performance data to ensure both risks and opportunities are being effectively managed and implemented retrospectively.

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

	UK & Offshore	Global (exc UK & Offshore)	Total
2023: Energy consumption (KwH '000)	382	1,301	**1,684**
2022: Energy consumption (KwH '000)[1]	430	909	**1,338**

Note:
1. 2022 energy consumption has been restated in line with the enhanced data collected through a group-wide employee questionnaire on commuting and homeworking.

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

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

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b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks

All our employees mainly operate from offices or from home under a hybrid working model, which came into the place following the offices being closed during the height of the COVID-19 pandemic. To increase energy efficiency, management in each of our business units takes practical steps to minimise the effect of our operations on the environment and our workforce is encouraged to conserve energy, avoid unnecessary travel, use video conferencing, and minimise waste. Furthermore, we use environmentally friendly certified paper, unwanted equipment is recycled or donated, and staff refreshments are purchased from sustainable sources. The majority of company cars are now also electric/hybrid. Whilst a number of these actions are a continuation from the previous year, there have also been steps taken in 2023 such as lighting upgrades and improved waste management in the UK.

There are five (2022: six) company-leased vehicles in total across the group which are used primarily for commuting and not business-related activities; this is in addition to nine company-owned vehicles. Of the total fourteen, one has a diesel engine, seven are hybrid and six are fully electric vehicles.

The data shown in the subsequent tables for financed (scope 3.15) and operational emissions covers all group owned entities. We note that under the SECR framework, disclosure of scope 3 emissions is voluntary; however, we have chosen to account for these additional emissions generated from the group's value chain and product portfolios to advance the group's decarbonisation and reduction strategies as well as further manage the GHG-related risks and opportunities.

FINANCED EMISSIONS (Tonnes of CO_2)

2023 baseline

	Scope 1 and 2	Scope 3
Total financed carbon emissions (absolute emissions)	533,073	4,345,991
Financed carbon emissions (normalised by $m invested)	38.7	315.4
% coverage	58%	56%

2023 Weighted Average Carbon Intensity (WACI)

	Corporate constituents **(tonnes CO_2e/USD M sales)**		Sovereign constituents **(tonnes CO_2e/USD M GBP nominal)**
	Scope 1 and 2	**Scope 3**	**GHG Intensity**
Chesnara group	71.8	653.7	206.5
% coverage	**62.1%**	**59.2%**	**10.7%**

Total financed emissions and financed emissions are calculated based on corporate bonds and listed equity for which we have the required data. The results are extrapolated to estimate the emissions for the portfolio (including sovereign debt and assets for which we do not have the required data). This assumes that the sovereign assets and the investments for which data isn't currently available have the same emissions profiles as those included in the data coverage percentage. As data availability increases for those investments not currently included, any variances in their emissions profiles will result in a difference to the total financed emissions and financed emissions totals. Currently not included within the calculations for the portfolio are structured notes, collateralised securities, cash and deposits, mortgages and loans, and property.

WHILST OUR PRIMARY FOCUS REMAINS ON REDUCING THE CARBON EMISSIONS ASSOCIATED WITH OUR OPERATIONS AND INVESTMENTS, WE RECOGNISE THE IMPORTANT, YET COMPLEX ROLE OFFSETTING WILL PLAY IN THE GLOBAL TRANSITION TO NET ZERO. THEREFORE, IN THE INTERIM, WE CONTINUE TO SUPPORT HIGH-QUALITY CARBON OFFSETTING PROJECTS.

		OPERATIONAL EMISSIONS (Tonnes of CO_2)					
		2023 baseline			2022 (restated[1])		
		UK & Offshore	Global (excl UK & Offshore)	Total	UK & Offshore	Global (excl UK & Offshore)	Total
Scope 1	Combustion of fuel and operation of facilities	18	65	**83**	15	59	**74**
Scope 2	Electricity, heat, steam and cooling purchased for own use (location based)	10	87	**97**	15	64	**79**
	Scopes 1 and 2 (internal emissions)	28	152	**180**	30	123	**153**
Scope 3	Purchased goods and services	1,906	2,129	**4,035**	1,080	1,524	**2,604**
	Capital goods	28	69	**97**	21	91	**112**
	Fuel- and energy-related activities not included in scope 1 or scope 2	9	45	**54**	10	34	**44**
	Upstream transportation and distribution	9	215	**224**	3	195	**198**
	Waste generated in operations	24	8	**32**	12	22	**34**
	Emissions from business travel	52	131	**183**	35	70	**105**
	Emissions from commuting	26	83	**109**	27	67	**94**
	Upstream leased assets	8	40	**48**	0	52	**52**
	Total scope 1, 2 and 3 emissions	2,090	2,871	**4,961**	1,216	2,178	**3,394**
	Carbon offset	(184)	(742)	**(926)**	(550)	(550)	**(1,150)**
	Total net emissions	1,906	2,129	**4,035**	666	1,628	**2,244**
	Company's chosen intensity measurement:						
	Tonnes of CO_2e per FTE	*19.2982*	*10.3692*	***12.8660***	*8.8116*	*7.8628*	***8.1981***
	Tonnes of CO_2 per FTE[2] (less scope 3.1 emissions)	*1.6990*	*2.6595*	***2.3909***	*0.9855*	*2.3610*	***1.9082***

Notes:
1. During the year, we refined our calculations and used new methodology to include further scope 3 emission categories and therefore have restated the 2022 numbers.
2. The group FTE number used in this measurement is disclosed in note I1 of the Annual Report and Accounts.

The increase in the FTE intensity measurement in 2023 is primarily due to the increase of emissions from purchased goods and services driven from two acquisitions and increased project spend in the year. The UK and Offshore ratio has increased significantly as UK FTE employees reduced mid-way through 2023 when the majority of CASLP employees transferred to SS&C. The head office is also located in the UK where related emissions are mostly group related rather than being UK specific, distorting the ratio.

A separate Climate-Related Financial Disclosure report which includes the basis of preparation of each scope and the method of calculation has been published separately at **www.chesnara.co.uk/sustainability**

MSCI disclaimer:
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CORPORATE AND SOCIAL RESPONSIBILITY • CLIMATE-RELATED FINANCIAL DISCLOSURES

OUR ACTIVITY OVER 2023

We have now finalised our baseline for both operational and financed emissions. For operational emissions, this meant enhancing the data we have previously used and for financed emissions, this meant calculating our emissions for the first time.

Operational emissions

During 2023, we engaged Greenly to use their platform to baseline our operational emissions which has enhanced our data collection and coverage of our operational impact. Using Greenly has granted us access to a wide range of climate and carbon accounting expertise and underlying processes to support our calculations. These data enhancements, together with including purchased goods and services in our calculations, have resulted in a significant increase in our reported operational emissions compared to those disclosed in the 2022 financial statements.

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

Below is the summary of the key drivers for the changes to the 2022 reported operational emissions, as a result of the enhanced data and calculations:

Buildings

Additional considerations for the group's offices such as whether they have car parks and air-conditioning.

Scope 3.1 purchased goods and services

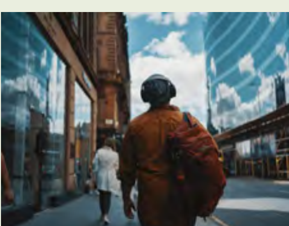
This new category reflects the group's share of emissions generated by our suppliers which has been calculated based on our expenditure with them in the year.

Additional scope 3 categories

New scope 3 categories disclosed including emissions generated from waste, IT equipment, postage and fuel and energy related upstream emissions not in scope 1 & 2.

Business travel

Analysis of accounting data identified further business travel expenditure for areas such as hotels, parking and conferences/workshops not previously considered.



Commuting

To make the restated emissions more accurate, we distributed an employee questionnaire across the group in order to obtain accurate data on commuting and homeworking habits.

Financed emissions

At the end of September 2023, we appointed MSCI as our ESG and climate data provider. This appointment has been essential in the facilitation of the calculation of our financed emissions (scope 3.15) 2023 baseline. We also held MSCI training sessions with group-wide user representation, to improve knowledge on the emissions and the platform itself. For more information on the MSCI methodology, please visit: **www.msci.com**

As expected, financed emissions, which are detailed on page 88, are the biggest contributor to the group's emissions. The 2023 baseline gives us a starting position for our decarbonisation journey and enables us to measure progress and we look forward to reporting on this. We will use three metrics to do this:

1

Total financed carbon emissions (absolute emissions) tCO_2e

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

2

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

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

3

Weighted Average Carbon Intensity (WACI) tCO_2e/$M revenue

This enables us to understand our exposure to carbon intensive companies within our portfolio.

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

Data and assumptions

Inherent within the calculations are a number of assumptions, such as using a blended average of energy usage for office emissions when we actually have 100% renewable energy sources in some of the group's offices. We note that quantifying scope 3 emissions is challenging given data and methodology limitations. Much of the information needed to calculate carbon emission factors is dependent on supplier data which is not always readily available and therefore means carbon conversion factors are based on other similar companies.

2022 to 2023 baseline operational emissions

Overall, 2023 operational emissions have increased compared to 2022 by 1,566tCO_2e, with 91% (1,431tCO_2e) of the increase attributed to purchased goods and services emissions (scope 3.1). The emissions have moved broadly in line with our spend in the year following increased project spend and the inclusion of expenditure from two new acquisitions. During 2024, we plan to further engage with our suppliers in order to improve the accuracy of this emission factor by calculating emissions using supplier specific emission factors to help to mitigate the limitations of the current supplier spend methodology.

An explanation of movement categories has been provided below:

- **Scope 1 emissions (+8.9tCO_2e)** – There has been an increase in office heating emissions in 2023, primarily from the Hilversum office (Scildon) which has had significantly more users of the building in 2023.
- **Scope 2 emissions (+18.7tCO_2e)** – Electricity emissions have increased in the year from more usage in the Stockholm and Hilversum offices, offset by a reduction in usage for the UK offices.
- **Purchased goods and services (+1,453tCO_2e)** – Purchased goods and services have increased by 1,453tCO_2e in the year due to increased supplier spend, largely as a result of acquisitions. During 2024, we will continue to work with our suppliers to further understand their emissions and sustainability commitments so we can evaluate our supply chain emissions and improve the accuracy of this category.
- **Business travel (+78.9tCO_2e)** – Travel activity increased in 2023 in order to meet business needs for the enlarged group. We will consider our approach to sustainable travel in 2024.
- **Employee commuting (+14.1tCO_2e)** – Employee commuting has increased in 2023, as although the FTE staff number has fallen overall, employee numbers in certain business units have increased which have higher than average emissions per employee.
- **Other (+15.2tCO_2e)** – Other scope 3 emission categories have increased overall, primarily from an increase in postage emissions offset by a reduction in purchases of capital goods, waste and leased assets.

Intensity measurements

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

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

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

We have also determined appropriate intensity measures for financed emissions (scope 3.15), as explained in detail on page 88, being:

- Carbon financed emissions = absolute scope 1 & 2 financed emissions tCO_2e (and scope 3 separately)/$M invested;
- Total financed carbon emissions = absolute scope 1 & 2 (and scope 3 separately) financed tCO_2e emissions; and
- Weighted Average Carbon Intensity (WACI): = absolute scope 1, 2 and 3 financed emissions/$M revenue.

Non-Financial and Sustainability Information Statement

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

Reporting requirement	Section(s) and page(s)
Anti-corruption and anti-bribery	Corporate and social responsibility (p75)
Business model	Our strategy, business and culture & values (p24-25)
Employees	Corporate and social responsibility (p73-74), S172 (p34)
Environmental matters	Corporate and social responsibility (p71-91), S172 statement (p34)
Non-financial key performance indicators	S172 key stakeholders (p32-34), business reviews (p38-43)
Principal risks	Risk management – principal risks and uncertainties (p64-70)
Respect for human rights	Corporate and social responsibility (p75)
Social matters	Corporate and social responsibility (p73-75)
Climate-Related Financial Disclosures (CFD)	Corporate and social responsibility (p76-91)

The Strategic Report was approved by the board on 27 March 2024 and signed on its behalf by:

Luke Savage
Chair

Steve Murray
Chief Executive Officer

CORPORATE GOVERNANCE

Malmo, Scania, Sweden

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131 Directors' Responsibilities Statement

BOARD PROFILE AND BOARD OF DIRECTORS

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

The diversity of skills, knowledge and experience of our board members ensures that we continue to deliver against our strategic objectives. The board knowledge, skills and experience summary on page 95 indicates the core competencies that have been identified as being key to the board discharging its responsibilities and shows the collective score of the current board.

The biographies below show the specific areas of specialism each board member provides, with each letter correlating to the competency matrix detailed as part of the knowledge, skills and experience summary on page 95. Where a board member has a competency in blue, this indicates a primary specialism. A light grey colour indicates that this competency is a secondary specialism for that board member.

THE BOARD

LUKE SAVAGE
CHAIR

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

Appointment to the board: Appointed to Chesnara plc board and as Chair in February 2020.

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

Current directorships/business interests:
- Numis Corporation plc, Chair

Skills and experience: A B C D E F G H I J L M

STEVE MURRAY
GROUP CHIEF EXECUTIVE OFFICER

Appointment to the board: Appointed as a director of Chesnara on 2 August 2021 and as Group CEO on 19 October 2021.

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

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

Skills and experience: A B C D E F G H I J K L M

DAVID RIMMINGTON
GROUP FINANCE DIRECTOR

Appointment to the board: Appointed as Group Finance Director with effect from May 2013.

Career, skills and experience: David trained as a chartered accountant with KPMG, has over 20 years' experience in financial management within the life assurance and banking sectors and has delivered a number of major acquisitions and business integrations. Prior to joining Chesnara plc in 2011 as Associate Finance Director, David held a number of financial management positions within the Royal London Group including six years as Head of Group Management Reporting.

Current directorships/business interests:
- Countrywide Assured Services Ltd
- Movestic Livförsäkring AB

Skills and experience: A B C D E F G H I J L M

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

Appointment to the board: Appointed to the Chesnara plc board in May 2016 and as Chair of the Audit & Risk Committee in December 2016. Appointed as the board's Senior Independent Non-Executive Director in October 2018.

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

Current directorships/business interests:
- Countrywide Assured plc, Chair of the Audit & Risk Committee
- CASLP Ltd, Chair of the Audit & Risk Committee
- Covea Insurance plc and Covea Life Limited, NED and Chair of the Audit Committee
- Novia Financial plc, NED and Chair of the Audit Committee; and Novia Financial Holdings Limited, NED
- Brown & Brown (Europe) Holdco Limited, and Brown & Brown (Europe) Limited, NED and Chair of the Risk & Compliance Committee and Chair of the Remuneration Committee.

Skills and experience: A B C D E F G H I J K M

BOARD KNOWLEDGE, SKILLS AND EXPERIENCE SUMMARY

KEY	KNOWLEDGE/SKILL/EXPERIENCE	SUMMARY
A	Chesnara company knowledge	
B	Industry knowledge – UK	
C	Industry knowledge – Sweden/Netherlands	
D	Governance – actuarial	
E	Governance – financial	
F	Audit and risk management	
G	Investment management	
H	M&A and business development	
I	Commercial management	
J	Operational change management	
K	Customer operational/management	
L	Information technology	
M	Environmental, social and governance (ESG)	

Annual assessment confirms that our board continues to hold significant experience in the insurance sector and also have a range of specialisms which ensure all aspects of our competency profile are well covered.

KARIN BERGSTEIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the board: Appointed to the Chesnara plc board on 14 February 2022.

Committee membership: Nomination & Governance and Audit & Risk.

Current directorships/business interests:
- Movestic Livförsäkring AB, NED
- Van Lanschot Kempen N.V., NED
- Bank Nederlandse Gemeenten N.V., NED
- University Medical Center Groningen, NED
- Bergstein Advies B.V., General Manager
- Foundation for Continuity of NN Group, NED
- Foundation for Preference Shares Wereldhaven, NED

Skills and experience: A C D E F H I J K L M

EAMONN FLANAGAN
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE REMUNERATION COMMITTEE

Appointment to the board: Appointed to the Chesnara plc board in July 2020 and as Chair of the Remuneration Committee in January 2022.

Committee membership: Audit & Risk and Remuneration (Chair).

Current directorships/business interests:
- Movestic Livförsäkring AB, NED and Chair of the Audit & Risk Committee
- Movestic Fonder AB, Chair
- AJ Bell, NED
- Randall & Quilter Investment Holdings Ltd (Bermuda), NED

Skills and experience: A B C D E F G H I J K L M

CAROL HAGH
INDEPENDENT NON-EXECUTIVE DIRECTOR AND DESIGNATED WORKFORCE NED

Appointment to the board: Appointed to the Chesnara plc board on 14 February 2022.

Committee membership: Nomination & Governance and Remuneration.

Current directorships/business interests:
- Countrywide Assured plc, NED
- CASLP Ltd, NED
- Old Game New Rules Ltd, Director and Founder
- Direct Line Insurance Group plc, NED (with effect from 1 April 2024)

Skills and experience: A B C D E F H I J K L M

MARK HESKETH
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE NOMINATION & GOVERNANCE COMMITTEE

Appointment to the board: Appointed to the Chesnara plc board in December 2018 and as Chair of the Nomination & Governance Committee in January 2022.

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

Current directorships/business interests:
- Countrywide Assured plc, NED
- CASLP Ltd, NED
- Bethany Christian Trust, Treasurer and NED
- Bethany Enterprises Ltd, NED

Skills and experience: A B C D E F G H I J K

GOVERNANCE OVERVIEW BY THE CHAIR

OUR ROBUST GOVERNANCE FRAMEWORK ENABLES US TO EFFECTIVELY **MANAGE RISKS AND OPPORTUNITIES**, AS WELL AS TAKE APPROPRIATE STEPS TO ADDRESS RELEVANT ENVIRONMENTAL AND SOCIAL ISSUES IN A PROPORTIONATE MANNER. **LUKE SAVAGE, CHAIR**

WE ASSIGN CLEAR ROLES AND RESPONSIBILITIES AND SET HIGH EXPECTATIONS OF BUSINESS PERFORMANCE AND ETHICAL CONDUCT.

Dear Shareholder

On behalf of the Chesnara board, I am pleased to present our Corporate Governance Report for the year ended 31 December 2023.

Chesnara's Corporate Governance Framework underpins the delivery of sustainable value to our customers and shareholders through effective deployment of our staff and technology, and constructive engagement with our suppliers, partners and regulators. The board drives the group's culture and values by assigning clear roles and responsibilities and setting high expectations of business performance and ethical conduct.

Our robust Governance Framework enables us to effectively manage risks and opportunities, as well as to take appropriate steps to deliver our sustainability agenda.

This section of the Annual Report and Accounts sets out our governance policies and practices and includes details of how the company has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the 'Code') during 2023.

The board recognises that sustainability and stewardship is central to a company's ability to operate responsibly. The board is also mindful of the critical importance of the interests of its employees, customers and suppliers for the purposes of delivering sustainable performance, whilst engaging constructively with regulators and shareholders to understand and meet their expectations. Details of how we have engaged with key stakeholders and performed our duties under s172 of the Companies Act 2023 are set out on pages 30 to 37 within the Strategic Report.

The board agenda appropriately balances governance, strategy, financial performance and emerging matters in order to promote the success of the company. Each member significantly contributes to board discussions and devotes sufficient time to the board and the effective operation of its committees. There were a number of additional meetings required over the course of 2023 and I am grateful to my fellow board members for making themselves available as and when required.

As announced in December, David Rimmington will not seek re-election at the company's Annual General Meeting (AGM) in May 2024 and will step down as Group Finance Director and as a director of the company at the conclusion of that meeting. I would like to thank David for everything he has achieved over the years as Group Finance Director. During his tenure, the group has consistently increased dividends paid to shareholders whilst maintaining the strength of the balance sheet. David leaves with our best wishes and I now look forward to welcoming Tom Howard as Chief Financial Officer and Executive Director of the company (subject to regulatory approval and appointment at our AGM). Tom is a highly experienced CFO with over 25 years of industry experience and brings with him European actuarial and financial reporting capabilities and a strong track record of leadership in finance, M&A, capital management and business transformation, which I am confident will help to deliver the company's strategy.

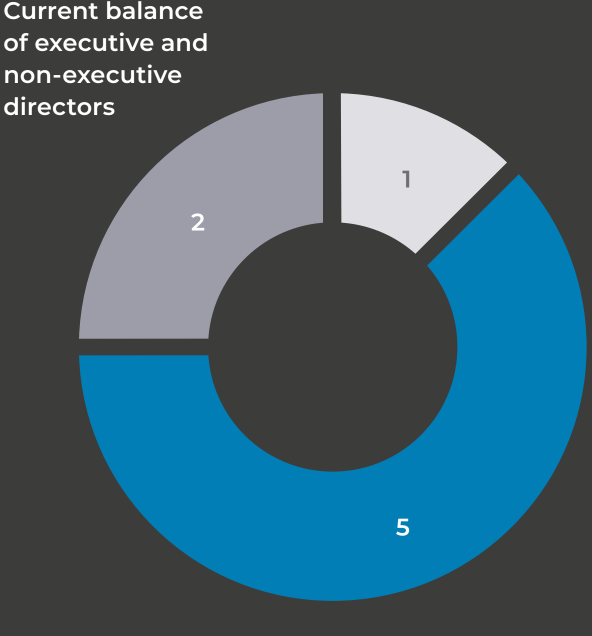
No NED chairs the board as well as a board committee nor does any NED chair more than one Chesnara plc board committee. The principles and policies that support the Governance Framework outlined in the group Corporate Governance & Responsibilities Map are designed to encourage high standards of ethical and business conduct and consideration of matters such as diversity. Each of the businesses within the group has continued to make further progress in ensuring that the governance arrangements remain effective, whilst also integrating environmental and social factors within their risk assessment system.

This report summarises the steps the board and its committees have taken to fulfil their governance responsibilities.

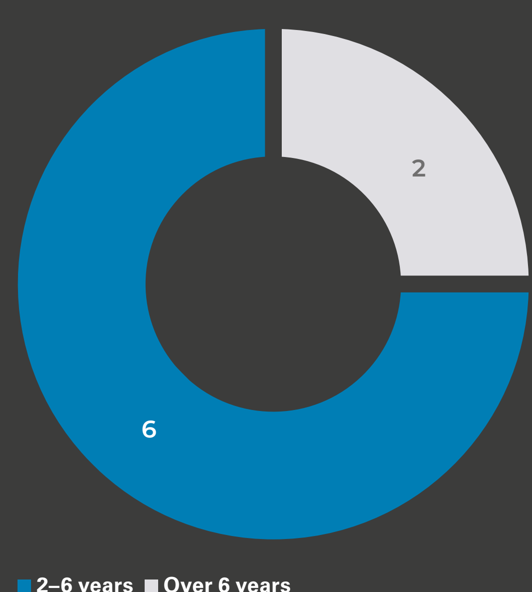
Luke Savage
Chair
27 March 2024

CHESNARA BOARD COMPOSITION

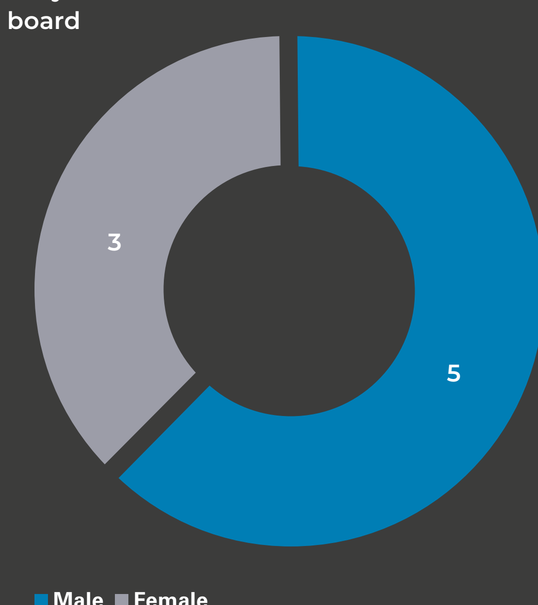
Current balance of executive and non-executive directors



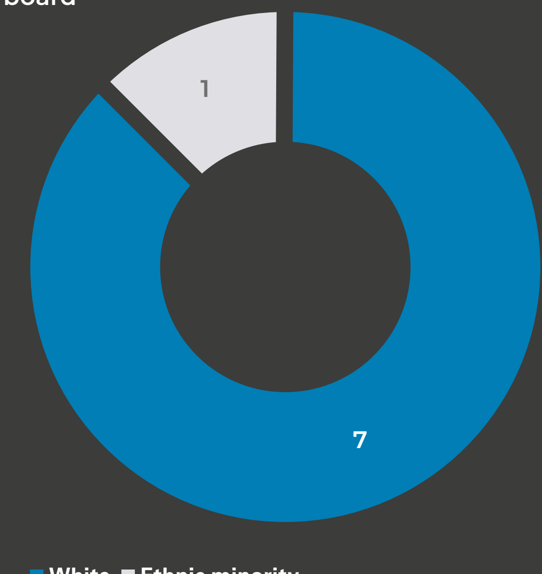
Board tenure



Current gender diversity of the board



Current ethnic diversity of the board



CORPORATE GOVERNANCE REPORT

The group's Governance Framework has continued to operate effectively in 2023, allowing the company to respond to the needs of its stakeholders and the evolving market conditions in which it operates.

Compliance with the Code
The company has complied throughout the year with all of the relevant provisions of the Code. The UK Corporate Governance Code is available at **www.frc.org.uk**. The table below provides an overview of the company's compliance with each of the five sections of the Code.

Code section	Question
Board leadership & company purpose	Details of how the opportunities and risks to the future success of the business have been considered and addressed and the sustainability of the company's business model are set out in the Strategic Report (pages 24 to 91). Details of stakeholder engagement (including engagement with major shareholders) and details of how stakeholders' interests are considered in board discussions and decision making are set out on pages 32 to 37 of the Strategic Report. Details of how our board monitors culture through our Workforce Engagement NED and details of our Whistleblowing Policy are set out on page 74 of the Strategic Report. Details of how potential conflicts of interest are managed are included on page 100 of this Corporate Governance Report.
Division of responsibilities	The division of responsibilities on the board and details of directors' independence is set out on page 99 of this Corporate Governance Report. Time commitments of the board and 2023 board and committee meeting attendance is set out on page 101 of this Corporate Governance Report.
Composition, succession and evaluation	The composition and skills, experience and knowledge of the board is detailed on page 95 of this Corporate Governance Report. Details of the annual evaluation of the performance of the board, its committees, the chair and individual directors are set out on page 100 of this Corporate Governance Report. The composition, roles and responsibilities and activities of the Nomination & Governance Committee are set out on pages 103 and 104 of the Nomination & Governance Committee Report.
Audit, risk & internal control	The composition, roles and responsibilities and activities of the Audit & Risk Committee are set out on pages 120 to 127 of the Audit & Risk Committee Report. Details of the board's assessment of the company's principal risks are set out on pages 63 to 70 of the Strategic Report and details of the board's assessment of the company's risk management and internal control system are set out on page 102 of this Corporate Governance Report. Please also see the Directors' Report (including the Going Concern Statement) (pages 128 to 130) and the Viability Statement (page 60) for details of the board's assessment of the company's position, business model, strategy, and prospects.
Remuneration	The composition, roles and responsibilities and activities of the Remuneration Committee are set out on page 108 of the Directors' Remuneration Report. Pages 105 to 119 of the Directors' Remuneration Report sets out details of remuneration policies and practices and how these have been applied in determining director and senior management remuneration.

The board
At 31 December 2023, the board comprised of a non-executive Chair, five other non-executive directors and two executive directors.

Biographical details of current directors are given on pages 94 and 95 and a board profile, which assesses the core competencies required to meet the group's strategic objectives, is provided on page 95. The board, which plans to meet at least seven times over the course of 2024, has a schedule of matters reserved for its consideration and approval. These matters include:

- corporate strategy and business plan;
- major acquisitions, investments and capital expenditure;
- financial reporting and controls;
- Dividend Policy;
- capital structure;
- board and board committee composition and appointments;
- appointments to the board and board committee membership;
- appointment or removal of the Company Secretary; and
- of the Remuneration Policy for board directors and senior executives.

To support effective escalation from the company's major regulated subsidiary boards, members of the company's board also serve on key subsidiary boards and committees across Chesnara's business divisions. Specifically:

(i) three directors of the company were also directors of Countrywide Assured plc and of CASLP Ltd during the year, those being Jane Dale, Mark Hesketh and Carol Hagh;

(ii) four directors of the company, being Karin Bergstein, Luke Savage, Mark Hesketh and Steve Murray, were also directors of Chesnara Holdings BV, which is in liquidation as of 15 January 2024;

(iii) four directors of the company, being Karin Bergstein, Eamonn Flanagan, Steve Murray and David Rimmington, were also directors of Movestic Livförsäkring AB throughout 2023; and

(iv) Steve Murray was also a director of the Scildon and Waard supervisory boards throughout the year.

Under local legislation or regulation for all divisions of the group, the directors have responsibility for maintenance and projections of solvency and for assessment of capital requirements, based on risk assessments, and for establishing the level of long-term business provisions, including the adoption of appropriate assumptions. The Prudential Regulation Authority is the group supervisor and maintains oversight of all divisions of the group through the college of supervisors.

The responsibilities that the board has delegated to the respective executive management teams of the UK, Dutch and Swedish businesses include: the implementation of the strategies and policies of the group as determined by the board; monitoring of operational and financial results against plans and budget; prioritising the allocation of capital, technical and human resources and developing and managing Risk Management Systems.

The roles of the Chair and Group Chief Executive
The division of responsibilities between the Chair of the board and the Group Chief Executive is clearly defined and has been approved by the board. The Chair leads the board in the determination of its strategy and in the achievement of its objectives and is responsible for organising the business of the board and availability of timely information, ensuring its effectiveness, encouraging challenge from non-executive directors and setting its agenda. The Chair has no day-to-day involvement in the management of the group. The Group Chief Executive has direct charge of the group on a day-to-day basis and is accountable to the board for the strategic, financial and operational performance of the group.

Senior Independent Director
Jane Dale, who has been a non-executive board member since May 2016, was appointed as the Senior Independent Director in October 2018. The senior independent director supports the Chair in both the delivery of the board's objectives and in ensuring that the view of all shareholders and stakeholders are conveyed to the board. Jane is available to meet shareholders on request and to ensure that the board is aware of shareholder concerns not resolved through the existing mechanisms for shareholder communication. The senior independent director also meets with the non-executive directors, without the Chair present, at least annually, and conducts the annual appraisal of the Chair's performance and provides feedback to the Chair and the board on the outputs of that appraisal.

The following statement, together with the Directors' Remuneration Report on pages 105 to 119, the Nomination & Governance Committee Report on pages 103 and 104, and the Audit & Risk Committee Report on pages 120 to 127, describes how the principles set out in the UK Corporate Governance Code 2018 (the 'Code') have been applied by the company and details the company's compliance with the Code's provisions for the year ended 31 December 2023.

Directors and directors' independence

During 2023 a review was conducted to assess the independence of the board as a whole when set against a matrix of key measures set out in the Code. The table below shows the results of that review under the Code Provisions 11, 12 and 17 and Principle G.

Code consideration Provision 11 & 12	Principle G	Provision 17
1. Are at least half the board, excluding the chair, NEDs whom the board considers to be independent? **YES** **2.** Has the board appointed one of the independent NEDs to be the senior independent director (SID) to provide a sounding board for the chair and serve as an intermediary for the other directors and shareholders? **YES**	**3.** Does the board include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making? **YES** **4.** Is there a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business? **YES**	**5.** Has the board established a Nomination Committee to lead the process for appointments, ensure plans are in place for orderly succession to both the board and senior management positions, and oversee the development of a diverse pipeline for succession? **YES** **6.** Are a majority of members of the Nomination Committee independent NEDs? **YES** **7.** Is the Nomination Committee chaired by an individual other than the chair of the board when it is dealing with the appointment of their successor? **YES**

The review went further and, based on Code Provision 10, assessed each NED against a list of ten Yes/No questions, where, for each, a 'No' is determined to be a positive assessment of independence. The table below shows the results of that review:

	Questions: Has the non-executive director?	LS	JD	EF	MH	CH	KB
1.	Been an employee of the company or group within the last five years?	No	No	No	No	No	No
2a.	Had within the last three years, a material business relationship with the company: Directly?	No	No	No	No	No	No
2b.	Had within the last three years, a material business relationship with the company: As a partner, shareholder, director or senior employee of a body that has such a relationship with the company?	No	No	No	No	No	No
3.	Received additional remuneration from the company apart from a director's fee?	No	No	No	No	No	No
4.	Participated in the company's share option or performance-related pay scheme?	No	No	No	No	No	No
5.	A member of the company's pension scheme?	No	No	No	No	No	No
6.	Got close family ties with any of the company's advisors, directors or senior employees?	No	No	No	No	No	No
7.	Held cross-directorships or had significant links with other directors through involvement in other companies or bodies?	No	No	No	No	No	No
8.	Represented a significant shareholder?	No	No	No	No	No	No
9.	Served on the board for more than nine years from the date of their first appointment?	No	No	No	No	No	No

As a result of this review the board considers that all non-executive directors were independent during the year under review.

The board has no familial relationship with any other member of the board or senior management team.

Other than their fees, and reimbursement of taxable expenses, which are disclosed on page 109, the non-executive directors received no remuneration from the company during the year. The directors are given access to independent professional advice, at the company's expense, when the directors deem it necessary in order for them to carry out their responsibilities. Independent professional advice of this nature was drawn upon with regard remuneration matters. This has been disclosed on page 108 in the Remuneration Report.

The board is satisfied that its overall balance continues to provide significant independence of mind and judgement and further considers that, taking the board as a whole, the independent directors are of sufficient calibre, knowledge and number that they are able to challenge the executive directors, their views carry significant weight in the company's decision making and bring diverse cultural and territory insight and skills.

CORPORATE GOVERNANCE REPORT

Professional development
The directors were advised, on their appointment, of their legal and other duties and obligations as directors of a listed company. This has been supplemented by the circulation to each director of their responsibilities and duties as contained within the group's Corporate Governance & Responsibilities Map. Throughout their period in office, the directors have, through the conduct of business at scheduled board meetings and training, been updated on the group's business and on the competitive and regulatory environments in which it operates. The directors are committed to their own ongoing professional development and the Chair discusses training with each non-executive director at least annually. All directors are encouraged to suggest training topics of interest. In 2023, specific board awareness and deep-dive sessions took place on corporate reporting under IFRS 17 Sustainability and key jurisdictional market trends. Each member of the board served on one or more subsidiary board during the period under review, through which they have considerable knowledge and experience of the divisional businesses across the group.

Information
Regular reports and information are circulated to the directors in a timely manner in preparation for board and committee meetings.

As stated above, the company's directors are also members of various boards of key subsidiaries within the UK, Dutch and Swedish divisions. These boards hold scheduled meetings, at least quarterly, which are serviced by regular reports and information, covering all of the key areas relevant to the direction and operation of those subsidiary entities, including business development, key projects, financial performance and position, actuarial assumptions setting and results analysis, compliance, investments, information technology and security, operations, customer care and communication, internal audit, all aspects of the Risk function and own risk and solvency assessment.

Key divisional subsidiaries monitor risk management procedures, including the identification, measurement and control of risks through the auspices of a risk committee. These committees are accountable to and report to their boards on a quarterly basis.

Annual reports are produced which cover an assessment of the capital requirements of the life assurance subsidiaries, their financial condition and a review of risk management and internal control systems.

Also, the divisions are required to submit a quarterly risk report and an annual report on risk management and internal control systems. In addition to these structured processes, the papers are supplemented by information which the directors require from time to time in connection with major events and developments, where critical views and judgements are required of board members outside the normal reporting cycle.

THE BOARD OF DIRECTORS RECEIVE REGULAR UPDATES AS WELL AS SPECIFIC SPECIALIST AND REGULATORY TRAINING.

Board effectiveness and performance evaluation
As part of the annual performance, an internal effectiveness evaluation of the board and each of its committees was undertaken in the latter part of 2023.

This was through directors completing an anonymous questionnaire followed by individual meetings between the Chair and each director to obtain their views on what was working well and what could be improved. Individual director performance and time commitment to the board was considered as part of these meetings.

The questionnaire covered wide-ranging matters, including how well the board operates, the process of decision making, the balance between the focus on risk, good customer outcomes and running the business, the culture and dynamics of the board ensuring its composition and that of its committees are aligned. In addition, using similar methods to those described above, the non-executive directors, led by Jane Dale as Senior Independent Director under a separate process, contributed to a formal performance evaluation of the Chair.

The outcome of the reviews of the board and its committees indicated that they continue to be effective. The evaluation of directors' performance concluded that each of the directors demonstrates commitment to their role and dedicates sufficient time to effectively discharge their responsibilities to the company.

The review indicated that information provided to the board is clear and focused and that the board operates in an open and constructive manner. Continuous progress on the company's long-term strategy and ensuring appropriate time is allocated to this continues to be a focus for the board in 2024. Similarly, having overseen a number of changes to the executive team in 2023 (detailed on page 103 of the Nomination and Governance Report), talent and succession planning remains a focus for 2024 in order to ensure the group is well placed to meet its strategic ambitions.

The evaluation findings were presented back to each committee and formally approved on that basis before each committee then confirmed to the board that it continued to operate effectively.

Directors' conflicts of interest
The board has a policy and effective procedures in place for managing and, where appropriate, approving conflicts or potential conflicts of interest. This is a recurring agenda item at all board meetings, giving directors the opportunity to raise any conflicts of interest they may have or to update the board on any changes to previously lodged interests. A director may be required to leave a board meeting whilst such matters are discussed.

The Company Secretary holds a register of interest, and a log of all potential conflicts raised is maintained and updated. The board is empowered to authorise potential conflicts and agree what measures, if any, are required to mitigate or manage them. No material conflicts of interest were noted in 2023.

Whenever a director takes on additional external responsibilities, the Chair considers any potential conflicts that may arise and whether or not the director continues to have sufficient time to fulfil their duties. There were considered to be no such concerns in 2023.

Customer/third-party conflicts of interest
The board has a policy in place to manage customer and third-party conflicts of interest. This policy sets out how the company and its regulated subsidiaries manage conflicts of interest fairly, both between the relevant company and its customers, between groups of customers and between customers, suppliers and shareholders.

No material conflicts of interest were noted in 2023.

Employee engagement
Hybrid working arrangements are in place across the group to the extent appropriate to each territory and business unit. This hybrid flexibility has enabled the group to attract candidates to new roles that otherwise might not have considered its main office locations.

The board has a standard agenda item at each of its meetings to cover culture and stakeholder engagement, including workforce engagement. This has helped highlight workforce and other stakeholder matters as part of board discussion and decision making.

A full description of our employee engagement and well-being is provided in our Corporate and Social Responsibility section on pages 71 to 91.

Customer/supplier engagement
The board remains vigilant to ensure the importance of customer – and supplier – engagement remains high on the group's agendas.

Relations with shareholders
The Group Chief Executive and the Group Finance Director meet with institutional shareholders and are available for additional meetings when required. Should they consider it appropriate, institutional shareholders are able to meet with the Chair, the senior independent director and any other director. The Chair is responsible for ensuring that appropriate channels of communication are established with shareholders through the Group Chief Executive and the Group Finance Director and, with support from the senior independent director as appropriate, is responsible for ensuring that the views of shareholders are known to the board. This includes twice yearly feedback prepared by the company's brokers on meetings that the executive directors have held with institutional shareholders. The company has a programme of meetings with its larger shareholders as managed by the Head of Strategic Development and Investor Relations, which provides an opportunity to discuss the progress of the business on the basis of publicly available information. This programme continued during 2023 with enhanced use made of audio and video facilities and benefitted this year from commencement of our partnership with RBC as joint broker alongside long-established Panmure Gordon. Following the issuance of a Tier 2 bond in 2022, the company also meets with existing and prospective debt investors. These include specific meetings for the debt investor community as well as ad hoc meetings arranged either directly or through investor conferences. A significant proportion of the company's shareholders are retail investors and, in order to ensure that they have access to relevant information, the company maintains a detailed website for investors which includes access to equity research. Management also undertake webinars on the company's prospects that are publicly available to private investors.

Annual and interim reports are published and those reports, together with a wide range of information of interest to existing and potential shareholders, are made available on the company's website, **www.chesnara.co.uk**

All shareholders are encouraged to attend the Annual General Meeting (AGM) at which the results are explained and an opportunity is provided to ask questions on each proposed resolution.

At our AGM on 16 May 2023 all resolutions were passed, with votes for ranging from 72.64% to 99.98% (votes against ranging from 0.01% to 27.35%). The lowest support was for Resolution 2 on the Directors' Remuneration Report (DRR), the next least supported resolution passed with 95.46%. Since the AGM, the Remuneration Committee has engaged with the company's major shareholders and proxy agencies to help understand the reasons for votes cast against Resolution 2.

Three areas were identified to which our proposed response will be to i) introduce Core Surplus Emergence as a target for the Long-Term Incentive Plan for senior management; ii) to disclose prospectively all LTIP performance targets; and iii) to replace the Strategic Scorecard (30% weighting) with an ESG metric (5% weighting) and a Strategic Activity Scorecard (25% weighting) which focuses on the assessment of value-enhancing strategic activities. These are touched on further in this year's DRR.

Our next AGM is to be held on 14 May 2024 and details of the resolutions to be proposed can be found in the Notice of the Meeting on pages 265 and 266. It is intended that the meeting be held in person, with the chairs of the board and its committees available to answer such questions as appropriate. Shareholders are nonetheless encouraged to submit in advance any questions that they may have in order that the chairs of the board committees can answer them on the day.

TCFD and CFD
In accordance with Listing Rules, we have compiled our third report covering the broad range of climate-related information to be disclosed under the four overarching pillars (Governance, Strategy, Risk Management and Metrics & Targets) of the TCFD, of which the full report is contained on pages 71 to 91. In addition, Chesnara plc has complied with the new CFD requirements by including climate-related financial disclosures consistent with the requirements under sections 414CA and 414CB of the Companies Act 2006.

Company Secretary
Amanda Wright is Chesnara's Group General Counsel & Company Secretary and is responsible for advising the board, through the Chair, on all governance matters. The directors had access to the advice and services of the Company Secretary throughout the year.

Remuneration Committee
Full details of the composition and work of the Remuneration Committee are provided on page 108.

Audit & Risk Committee
Full details of the composition and work of the Audit & Risk Committee are provided on pages 120 to 127.

Nomination & Governance Committee
Full details of the composition and work of the Nomination & Governance Committee are provided on pages 103 and 104.

The attendance record of each of the directors at scheduled board and committee meetings for the period under review is:

	Scheduled board[1]	Nomination & Governance Committee	Remuneration Committee	Audit & Risk Committee
Luke Savage – Non-Executive Chair	11 (11)	4 (4)	10 (10)	n/a
Steve Murray – Executive Director	11 (11)	n/a	n/a	n/a
David Rimmington – Executive Director	11 (11)	n/a	n/a	n/a
Jane Dale – Non-Executive Director	11 (11)	4 (4)	n/a	6 (6)
Mark Hesketh – Non-Executive Director	11 (11)	4 (4)	n/a	6 (6)
Eamonn Flanagan – Non-Executive Director	11 (11)	n/a	10 (10)	6 (6)
Karin Bergstein – Non-Executive Director	11 (11)	4 (4)	n/a	6 (6)
Carol Hagh – Non-Executive Director	11 (11)	4 (4)	10 (10)	n/a

The figures in brackets indicate the maximum number of scheduled meetings in the period during which the individual was a board or committee member.

Notes.
1. The number of scheduled board meetings includes 3 meetings that were called at short notice to discuss ad hoc/subject specific matters.

CORPORATE GOVERNANCE REPORT

THE BOARD IS RESPONSIBLE FOR THE GROUP'S SYSTEM OF INTERNAL CONTROL AND REVIEWING ITS EFFECTIVENESS.

Internal control
The board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness. In establishing the system of internal control, the directors have regard to the significance of relevant risks, the likelihood of risks occurring and the methods and costs of mitigating risks. It is, therefore, designed to manage rather than eliminate the risks, which might prevent the company meeting its objectives and, accordingly, only provides reasonable, but not absolute, assurance against the risk of material misstatement or loss.

In accordance with the FRC's guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group. This process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the board and accords with the guidance.

In accordance with the regulatory requirements of the PRA, local regulators and SII, the relevant business divisions have maintained and enhanced their risk and responsibility regime. This ensures that the identification, assessment and control of risk are firmly embedded within the organisation and that there are procedures for monitoring and update of the same. The Audit & Risk Committee regularly reviews and reports quarterly on risks to the board.

The group also maintains a principal risk register, which ensures identification, assessment and control of the significant risks subsisting within the company and its business units CA, Waard Group, Movestic and Scildon. The principal risks and uncertainties of the group can be found on pages 63 to 70.

The maintenance of the principal risk registers is the responsibility of senior management, who report on them quarterly to the respective divisional Audit & Risk Committees and to each Chesnara Audit & Risk Committee meeting. The divisions maintain a risk and responsibility regime, which ensures that:

- the boards and Group Chief Executive have responsibility for ensuring that the organisation and management of the operation are characterised by sound internal control, which is responsive to internal and external risks and to changes in them;
- the boards have responsibility for the satisfactory management and control of risks through the specification of internal procedures;
- there is an explicit risk function, which is supported by compliance; and
- the Internal Audit functions provide independent assurance that the risk management, governance and internal control processes are operating effectively.

As an integral part of this regime, detailed risk registers are maintained to identify, monitor and assess risk under appropriate classifications. It includes climate change risk.

With regards to Countrywide Assured plc, Waard Group, Scildon and Movestic, the group ensures that effective oversight is maintained, by way of the membership of Chesnara directors on their local boards and quarterly reporting to the Chesnara plc Audit & Risk Committee.

In addition, the Chesnara board confirms that it has undertaken a formal annual review of the effectiveness of the system of internal control for the year ended 31 December 2023, and that it has considered material developments between that date and the date of approval of the Annual Report and Accounts. The board confirms that these reviews took account of the findings by the Internal Audit and Compliance functions on the operation of controls, internal financial controls, as well as management assurance on the maintenance of controls, and reports from the external auditor on matters identified in the course of statutory audit work.

Conclusions of the Audit & Risk Committee's annual review of effectiveness of the group's risk management and internal control systems is reported in more detail in the Audit & Risk Committee Report as set out on pages 120 to 127. The board is not aware of any significant deficiencies in the effectiveness of the group's systems of internal control and risk management for the year under review. That said it acknowledges that there are a number of live IT change programmes that exist across the group. These include the planned migrations for the majority of the UK's outsourced operations to SS&C, Scildon's IT improvement project, the integration of Conservatrix into the Waard group and the finalisation of the implementation of the group's financial reporting consolidation tool. These are expected to enhance the IT control environment across the group. There has been no change of status to this up to the date of approval of this report.

Financial reporting
Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The group has comprehensive planning, budgeting, forecasting and reporting processes in place. A summary of the group's financial results supported by commentary and performance measures are provided to the board on a quarterly basis.

In relation to the preparation of the group financial statements, the controls in place include the finance governance team:

- reviewing new developments in reporting requirements and standards to ensure that these are reflected in group accounting policies; and
- developing the group's financial control processes and procedures which are implemented across the group.

The group financial statements are presented for the first time at a year end following the introduction of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments. The multi-year implementation project regarding these standards is now complete, with all reporting processes and controls now substantially embedded across the group.

The reporting process is supported by transactional and consolidation finance software. Reviews of the application of controls for external reporting purposes are carried out by senior finance management. The results of these reviews are considered by the board as part of its monitoring of the performance of controls around financial reporting. The Audit & Risk Committee reviews the application of financial reporting standards and any significant accounting judgements made by management.

Going Concern and Viability Statement
The Statement on Going Concern is included in the Directors' Report on page 130 and the Long-Term Viability Statement is set out on page 60.

Financial crime and whistleblowing
Amongst others, the company operates policies for Anti-Bribery & Corruption as well as Anti-Fraud in order to manage risks such as financial crime, money laundering, fraud, corruption and terrorist financing. Related to this, a Whistleblowing Policy is also operated to facilitate the communication of wrongdoing or suspected wrongdoing with clear communication lines highlighted to enable individuals to advise of their concerns in a safe and confidential manner. No instances of whistleblowing or financial crime were noted during the year. These policies are all reviewed annually and staff are asked to attest to their embedding and understanding. A Gifts & Hospitality Register is maintained and no breaches were recorded during the year.

NOMINATION & GOVERNANCE COMMITTEE REPORT

THE MAIN FOCUS OF THE NOMINATION & GOVERNANCE COMMITTEE CONSIDERS THE **MIX OF SKILLS AND EXPERIENCE** THAT THE BOARD REQUIRES TO BE EFFECTIVE AND WITH FOCUS ON TALENT DEVELOPMENT AND SUCCESSION PLANNING ACROSS THE GROUP.

MARK HESKETH, CHAIR

Nomination & Governance Committee

During the period under review, the committee comprised Mark Hesketh, who also served as Chair of the committee, Jane Dale, Luke Savage, Karin Bergstein and Carol Hagh. No individual participated in discussion or decision making when the matter under consideration related to themselves.

The committee Chair reports material findings and recommendations from each meeting at the next board meeting.

The Terms of Reference for the committee can be found on the company website, **www.chesnara.co.uk**

The role of the Nomination & Governance Committee is to:

- keep under review the balance, structure, size, diversity and composition of the board and its committees, ensuring that they remain appropriate;
- assess the independence of each NED and any circumstances that are likely to impair, or could impair, their independence;
- be responsible for overseeing the board's succession planning requirements including the identification and assessment of potential board candidates and making recommendations to the board for its approval;
- scrutinise and hold to account the performance of the executive directors against agreed performance objectives and advise the Remuneration Committee of their assessments;
- keep under review the leadership needs of, and succession planning for, the group in relation to both its executive directors and other senior management;
- identify and nominate, for the approval of the board, candidates to fill board vacancies as and when they arise;
- manage the search process for new directors, recommending appointments to the board; and
- evaluate the balance of skills, knowledge, experience and diversity of the board.

This includes consideration of recommendations made by the Group Chief Executive for changes to the executive membership of the board.

During the period, the committee met four times and attendance at those meetings is shown on page 101. By invitation, the Group CEO and Group Chief of Staff attend the Nomination & Governance Committee, as under their role does the Group General Counsel & Company Secretary but none were present when matters relating to their own performance were discussed.

The composition of the board
The committee has continued to focus on succession planning, with a view to maintaining an appropriate composition for the board and its committees to support the continued development of the group. The review also identified areas where the board should evolve to meet any expected future business and strategic direction of the group.

During 2023 the committee managed the process that led to the announcement that Tom Howard would succeed David Rimmington as the Group's future Chief Financial Officer.

Of particular note is:

- Pauline Derkman being appointed Scildon CEO; Jackie Ronson being appointed Chesnara UK CEO; and Sara Lindberg being appointed Movestic Livförsäkring CEO.

The development of talent below board level is vital and an area of focus for the board. The company continues to both build an internal leadership pipeline for senior roles and ensure that the necessary skills and experience exist within the business to deal with challenges and to achieve set objectives. The appointment of Sara and of Chief Risk Officer Gavin Hughes taking the responsibility of Group Chief Actuary are examples of this.

NOMINATION & GOVERNANCE COMMITTEE REPORT

Board appointment process
The committee adopts a formal and transparent procedure for the appointment of new directors to the board.

The board's typical process may include the use of independent external recruitment consultants for appointing directors. The company will provide a brief of the candidate desired, along with a role profile, to the recruitment consultant. As part of the appointment process, these external recruitment consultants would be asked to provide candidates from a diverse range of backgrounds. Details of candidates who are deemed suitable, based on merit and against objective criteria, are submitted to the committee and the committee will review a short list of suitable candidates and put forward for interview by the board and the executive management team those most suitably qualified. Any candidate deemed suitable for appointment will, if necessary, first have to go through the fit and proper assessment process as outlined in the FCA Senior Managers & Certification Regime (SMCR).

The board engaged the services of Teneo as independent external recruitment consultants in its search for Chesnara's prospective Chief Financial Officer. With their support in that capacity, Tom Howard was, on 7 December 2023, announced to be joining no later than the beginning of May and we can confirm that Tom's appointment as a director and Group CFO designate is now expected to be on 15 April 2024. Current Group Finance Director David Rimmington will step down as a director of Chesnara at the conclusion of the 2024 AGM, but has overseen the group's year end reporting process and will continue to support an orderly transition until that date. On that date, Tom will be appointed Group CFO, subject to regulatory approvals.

Diversity
The committee is mindful of the corporate governance developments in the areas of diversity and gender balance, including the requirements under the Disclosure and Transparency Rules.

The board recognises the benefits of having diversity across all areas of the group – please see the Equal Opportunities section on page 73 for further detail. When considering the make-up of the board, the benefits of diversity are reviewed and balanced where possible and appropriate, along with the breadth of skills, sector experience, gender, race, disability, age, nationality and other contributions that individuals may make. In identifying suitable candidates, the committee seeks candidates from a range of backgrounds, with the final decision being based on merit against the role criteria set. Through its Board Diversity Policy, the board maintains its practice of embracing diversity and operates a measurable gender-based target of having at least 40% representation of both male and female membership on the board by 31 December 2025 in recognition of the recommendations of the FTSE Women Leaders Review. We acknowledge that we do not meet Listing Rule 9.8.6R of having at least 40% female directors but remain committed to achieving our 31 December 2025 target which will be achieved whilst taking account of the board's succession plans. Throughout 2023, the board comprised 37.5% female: 62.5% males in line with the Hampton-Alexander Review target of 33% for FTSE100 companies though a voluntary target for FTSE350 organisations. In addition, the company will target having a female appointee to at least one of the key senior roles of Chair; Senior Independent Non-executive Director; Group CEO or Group CFO by 31 December 2025 but has met this target for a number of years. Actual levels of gender diversity will be monitored and be reported upon in the Annual Report and Accounts. The board currently comprises five men and three women (37.5%) with the role of Senior Independent Non-Executive Director held by Jane Dale. Further details of our board's diversity, including our approach to collecting data, can be found at page 73 of the Strategic Report.

Further, Chesnara has determined that it will ensure that it continues to meet the measurable target of having at least one director from an ethnic minority on the board in line with the Parker guidance. In consideration of the longer term, the board has discussed increasing its range of knowledge and experience from outside financial services and also a broader geographical experience base but is satisfied with its current composition. The business operates to principles for other roles and is mindful that it has a small workforce and therefore considers that it needs to take associated staff turnover expectations into account. The diversity of the Senior Leadership Team is reported on page 104.

Review of effectiveness
The board and its committees undertook annual effectiveness reviews and the respective chairs discussed the findings in each forum. Other standard processes were also undertaken, including Fit & Proper assessments, Board Diversity Policy review, NED succession planning and the review of the effectiveness of the Chair. The evaluations did not identify any additional changes needed to board composition over and above those that had been initiated.

Any areas where increased focus and/or action was considered to be of potential value has either been addressed in 2023 or will be taken into account as appropriate during 2024. The 2023 board effectiveness reviews were internally facilitated in 2023 having been last led by an external third party (Nasdaq Governance Solutions) in 2022.

Succession planning
Succession planning is an important element of good governance, ensuring that Chesnara is fully prepared for planned or sudden departures from key positions throughout the group. The committee, in the year, has reviewed the succession plans for the board and senior executives across the group.

Mindful of the need for effectiveness and engagement, the committee through its ongoing review of board and committee memberships determined that a number of changes were appropriate as noted above. And the committee will continue to also have efficiency and value in mind when determining board membership and giving optionality for its longer-term composition as the group continues to change and succession plans are effected.

Non-executive director engagement
It is important to the board that non-executive directors are provided with training and development both within the business and at a group level. The board believes that ongoing training is essential to maintaining an effective and knowledgeable board. The Company Secretary supports the Chair in ensuring that all new directors receive a tailored and comprehensive induction programme on joining the board. Continuing education and development opportunities are made available to all board members throughout the year. In 2023, a number of development initiatives have continued, these included one-to-one sessions with key members of the senior management team and training sessions given by external providers as well as our own internal IFRS 17 and Sustainability project teams.

Directors standing for re-election
David Rimmington will stand down as a director at the company's AGM on 14 May 2023 at which time Tom Howard will be put forward for election. In accordance with the Code, all other directors will offer themselves for re-election at that time. Following the annual board effectiveness reviews of individual directors, as applicable and subject to re-election/election, the Chair considers that each director:

- continues to operate as an effective member of the board;
- has the necessary skills, knowledge and experience to enable them to discharge their duties and contribute to the continued effectiveness of the board; and
- has sufficient time available to fulfil their duties.

The board, on the advice of the Nomination & Governance Committee, recommends the election or re-election of each director so proposed at the 2024 AGM. The full 2024 AGM Notice can be found on page 265.

Mark Hesketh
Chair of the Nomination & Governance Committee
27 March 2024

DIRECTORS' REMUNERATION REPORT

EAMONN FLANAGAN, CHAIR

REMUNERATION COMMITTEE CHAIR'S ANNUAL STATEMENT

Dear Investor

On behalf of the board and its Remuneration Committee (Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2023, for which we seek shareholder support at our forthcoming Annual General Meeting.

Summary of the year

Chesnara has a very clear strategic focus across three key areas:

1. **Maximising value from our existing business;**
2. **Acquiring life and pension businesses that meet the strategic criteria of the company; and**
3. **Enhancing value through profitable new business generation.**

These three strategic objectives are underpinned by the culture, values and risk appetite of the group, which looks to deliver positive investment returns and value for money for our customers. From a remuneration perspective we seek to achieve strong alignment between the interests of stakeholders and executive directors and continue to operate two executive incentive schemes: the Short-Term Incentive Scheme (STIS) and Long-Term Incentive Plan (LTIP).

As covered in the financial report, we have seen excellent delivery on our key performance metrics in the year:

1. **Cash generation† of £32.5m contributed to the funding requirements of the dividend.**
2. **Commercial cash generation of £53.0m showing that Chesnara continues to deliver cash generation through a wide variety of market conditions.**
3. **EcV† increased by £48.3m before the impact of dividend distributions of £35.4m.**
4. **Strong solvency ratio of 205% well above our usual operating range.**
5. **£10.1m of new business profits were generated on a commercial basis.**
6. **Acquisition strategy saw the completion of two transactions in 2023, the insurance portfolio of Conservatrix and the onshore UK individual protection line of business of Canada Life Limited.**
7. **An increase in dividend of 3% retaining our track record of growing the dividend every year for the last 20 years.**

2023 AGM voting results and summary of revised approach to remuneration for 2024
I would like to begin by thanking shareholders for their engagement and feedback in the development of our new Directors' Remuneration Policy in early 2023. The Committee was delighted that the policy was approved by 96.25% of shareholders at the 2023 AGM. The policy can be found at **www.chesnara.co.uk**

Our 31 December 2022 Directors' Remuneration Report received 72.66% of votes in favour. Since the AGM the Remuneration Committee has engaged with the company's major shareholders and proxy agencies to help understand the reasons for votes cast against the DRR. Three areas were identified, as announced by RNS on 15 November 2023. We intend to respond to each as follows:

Assessment of the company's M&A activity within the Strategic Scorecard of the STIS
For 2024, the Remuneration Committee will make a small modification to the performance measures to be included in the STIS. The Strategic Scorecard (30% weighting) will be replaced by an ESG metric (5% weighting) and a Strategic Activity Scorecard (25% weighting) which focuses on the assessment of value-enhancing strategic activities including M&A, management actions, operational programme delivery and pipeline development. The weightings within the Strategic Activity Scorecard will vary year-to-year to reflect the relative priorities for the company.

WE SEEK TO ACHIEVE STRONG ALIGNMENT BETWEEN THE INTERESTS OF STAKEHOLDERS AND EXECUTIVE DIRECTORS.

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

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This means that the assessment of M&A activity for the FY24 STIS will be entirely contained within the Strategic Activity Scorecard with no discretion applied. There will also be no discretion applied to the FY23 STIS outcome. Full details of the assessment of the Strategic Activity Scorecard will be included in the Directors' Remuneration Report each year.

LTIP to be based one third on Core Surplus Emergence
One area of feedback related to the use of cash generation metrics in both the STIS and LTIP. In response to this, for LTIP awards granted in 2024, the commercial cash generation metric will be replaced by a new Core Surplus Emergence metric. The existing relative TSR and Economic Value growth metrics will be retained. Each metric will be weighted one third of the assessment in line with the current approach.

Core Surplus Emergence will be consistent with the absolute surplus movement of the divisions as used elsewhere in the Annual Report and Accounts, including graphically on page 45, and the company's other trading updates but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends. It is linked to SII and creates differential between the LTIP and STIS KPIs.

All LTIP performance targets to be disclosed prospectively going forward
Shareholders expressed a preference for LTIP performance targets to be disclosed prospectively, in line with the approach the company has always taken for the relative TSR metric. The company acknowledges that this is increasingly common practice and going forward will disclose threshold and maximum targets prospectively going forwards, commencing with the targets for the LTIP awards to be granted in 2024.

The Remuneration Committee would like to thank the major shareholders who engaged in the consultation exercise since the AGM and believes that the proposed changes address the key issues raised.

Workforce
It is our normal practice to award all employees an annual salary increase which takes into account factors such as inflation.

In 2024, UK employees below executive level received a general salary increase from a pot of 6.0%, with the exception of individual awards being made as a result of staff progression. The Group CEO and Group FD are covered later.

Executive performance in 2023

Executive director remuneration outcomes for 2023
In light of the performance of the executive team relative to the financial targets and strategic objectives set at the start of the year, the Remuneration Committee is satisfied that the reward outcomes are appropriate and that our Remuneration Policy worked as intended. Details on the STIS can be found on page 110 and under the 2021 LTIP awards on page 112. The targets and performance outcome can be found in the tables on pages 110 and 112.

The impact of acquisitions is excluded from the cash generation and EcV results for STIS award purposes given their funding can have a distorting impact on short-term results. To recognise the importance of potential M&A growth, historically the Committee has used its discretion to assess whether activity and results during a year warrants an award, with any award subject to the overall STIS cap of 100% of basic salary. Although the acquisition strategy created over £28m of incremental Economic Value during the year, the Committee has noted the feedback of shareholders following the vote at the 2023 AGM and has applied no discretion in its assessment of the STIS outcome this year.

The Committee has reviewed the position of the 2021 LTIP ahead of the vesting to understand whether any windfall gain has arisen in respect of the award which was granted at a price of 275.0p. Taking into account the Chesnara share price as at 8 March 2024 of 262.0p the Committee is satisfied that no windfall gains have occurred and that no adjustment is required on vesting.

New Group Chief Financial Officer (Group CFO)
In December 2023, we announced that David Rimmington had agreed with the board that he would not seek re-election at the company's Annual General Meeting (AGM) in 2024 and that he would step down as Group Finance Director and as a director of Chesnara plc at the conclusion of that meeting. David has overseen the 2023 year end reporting process and continues to support an orderly transition to his intended successor.

David is being treated as a good leaver in line with the definitions set out in our Remuneration Policy. He will not be eligible for a salary increase in 2024 nor to receive an LTIP award in 2024. His 2024 STIS and inflight LTIP awards will be pro-rated up to the date David commences Garden Leave. Awards will continue to be subject to the original performance targets and there will be no acceleration of vesting. David leaves Chesnara in a strong position with exciting potential opportunities ahead and we are grateful for the contribution he has made, and wish him well for the future.

Tom Howard will join as an Executive Director on Monday 15 April 2024 at which time he will become Group CFO designate subject to regulatory approval and will stand for election at the AGM. We are pleased to welcome Tom who brings with him over 25 years of industry experience, most recently as CFO of Aviva Investors, the asset management division of Aviva plc. He has held a variety of senior roles within Aviva plc, including Director of Mergers & Acquisitions for Aviva Group and CFO for Aviva's Life and General Insurance business in Ireland. Tom brings with him European actuarial and financial reporting capabilities and a strong track record of leadership in finance, M&A, capital management and business transformation.

Tom's salary on appointment will be £350,000, positioned at the median of the FTSE Small Cap benchmark group, noting again that the group's market capitalisation is above the upper quartile of this index. The structure of Tom's remuneration is the same as that provided to his predecessor, with an STIS and LTIP opportunity of 100% of salary each.

We have agreed to compensate Tom for awards which he forfeited on leaving Aviva Investors to join Chesnara. In the main these relate to deferred awards which had no further performance conditions attached. These will be replaced by awards of Chesnara shares whose vesting profile mirrors as closely as possible the vesting profile of the awards foregone. Other than these, a cash bonus has been agreed with regard to forfeited awards that were due to vest in 2024. These treatments are in line with the typical approach of companies in this scenario and within normal market practice. Further details will be disclosed by RNS in the normal manner once grants have been made following the conclusion of our year end Closed Period and final values will be disclosed in the Directors' Remuneration Report of the 2024 year-end. Further details are disclosed in the report and in compliance with Listing Rules 9.4.2.

Implementation of pay in 2024
As noted in the 2022 and 2021 Directors' Remuneration Reports, we appointed our Group CEO, Steve Murray, on a salary below the market benchmark when he joined in 2021. At the time I indicated that the Committee would potentially return in future years to ask for shareholders' support in rewarding success with future pay rises for Steve, predicated on company performance and his development in role. The Committee continues to be very impressed with our Group CEO's performance and, under his leadership in 2023, the group has:

- Reported an excellent set of financial results including positive commercial cash generation of £53.0 million.
- EcV earning growth of £48.3 million.
- Retained a resilient balance sheet with a strong solvency ratio of 205%, above the usual 140-160% operating range.
- Maintained momentum in acquisitions through the completion of the Conservatrix's insurance portfolio in the Netherlands and Canada Life Limited onshore individual protection business here in the UK. The four deals completed over the last 2 years have added c£50m of net EcV to the group.
- Remained very positive on the outlook for further M&A and continue to see a positive pipeline of opportunities.

- Made a number of excellent hires to leadership positions including new CEOs for the UK, Movestic and Scildon business units and the future Group CFO Tom Howard who will join as a director in 2024.
- Increased the interim dividend 3% year-on-year, extending the company's excellent and long-term track record of increasing its dividend to shareholders.
- Delivered shareholder returns towards the upper quartile of our comparator group since the Group CEO's appointment.

The Committee has therefore decided to increase the Group CEO's salary by 6% as part of the annual review process, in line with the salary pot available for UK employee salary increases, and to deliver an additional 8.6% to reflect his development in role. At £525,000, this positions the Group CEO's salary between the median and the upper quartile of the FTSE Small Cap benchmark compared with the group's market capitalisation above the upper quartile of this index. The Committee believes that this positioning for 2024 reflects Steve's contribution and the opportunities that he is developing to further grow the group. The increase reflects the Committee's signposting in last year's report of its intention to review the Group CEO's salary as he further developed in role, mindful of his performance and reward positioning compared to other such roles in peer organisations and within the parameters of the Remuneration Policy.

The executive directors' remuneration for 2024 can be found on page 109.

Non-executive director fees
The board took into account individual NEDs' updated responsibilities and wider benchmarks for NED pay when determining increases to their fees. The Chair's fee was raised by 8.9%, leaving it in the lower quartile of the peer group. Directors' fees are set out on page 118.

Employee engagement
The management teams in each of the businesses are responsible for ensuring that employees are kept informed and their views are considered on key subject matters.

The Committee engaged with UK staff on the components of the group's remuneration offering and the alignment of directors' pay with UK employees through a meeting held between myself as Remuneration Committee Chair and the Group CEO with representatives from across the UK team.

Shareholder engagement
The Directors' Remuneration Report for the year ended 31 December 2023 comprises my Annual Statement as Chair of the Remuneration Committee and our Annual Remuneration Report, which together are subject to an advisory shareholder vote at the AGM in May 2024. As noted in the introduction to this letter, shareholder engagement following last year's AGM has directly influenced the proposed approach to remuneration for the upcoming year. As a Committee we will always be open to shareholder feedback.

The Remuneration Committee would like to thank the major shareholders who engaged in the consultation exercise since the AGM and believes that the proposed changes address the key issues raised.

The voting outcome at the 2023 AGM in respect of the Directors' Remuneration Report for the year ended 31 December 2022 and the Remuneration Policy is set out on page 119 and reflects the support of both private and institutional shareholders. The committee will continue to be mindful to the interests of shareholders.

I hope that my annual statement, together with our Remuneration Report, provides a clear account of the operation of the Remuneration Committee during 2023 and how we have put our Remuneration Policy into practice. As Chair of the Remuneration Committee, I look forward to engaging with you on our activities and the decisions that we have taken.

Eamonn Flanagan

Eamonn Flanagan
Chair of the Remuneration Committee
27 March 2024

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This section sets out how the Remuneration Committee has implemented its Remuneration Policy for executive directors during 2023. Other than the single total figure of remuneration for each director tables on page 109, statement of directors' shareholding and share interests on page 114, the information contained within this report has not been subject to audit.

Composition and activities of the Remuneration Committee
In accordance with its Terms of Reference, which can be viewed on the company's website, the Remuneration Committee considered matters relating to directors' remuneration and that of other senior managers at each of its meetings in 2023. Members of the Remuneration Committee during the course of the year were:

Committee members[1]	Role on the committee	Committee member since	Attendance in 2023	Maximum possible meetings in 2023
Luke Savage	Committee member	February 2020	10	10
Eamonn Flanagan[2]	Committee Chair	July 2020	10	10
Carol Hagh	Committee member	February 2022	10	10

Notes.
1. By invitation, the Group CEO and Group Chief of Staff attended the Remuneration Committee, as under their role did the Group General Counsel & Company Secretary but none were present when matters relating to their own remuneration were discussed.
2. Eamonn Flanagan joined the Committee in July 2020, and was appointed Chair on 15 January 2022.

The Committee appointed PricewaterhouseCoopers LLP (PwC) as its independent advisor from 10 October 2022 following a competitive tender process. During 2023 the Committee incurred external advisor fees totalling £156,530 excluding VAT. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct and the Committee is therefore satisfied that the advice PwC provided was objective and independent.

Highlights 2023
In 2023, the Committee met ten times and dealt with the following matters:

Area of focus	Matter considered
Executive director remuneration and reward	Assessed and recommended to the board, approval of the outcome of awards made in 2022 under the STIS and in 2021 under the LTIP having given due consideration to the risk report provided by the Audit & Risk Committee. The Committee also approved the outcomes of buyout awards made to Steve Murray as Group CEO on appointment. Approved the targets and the grant of awards to Executives in 2023 under the 2023 STIS and the 2023 LTIP and undertook a half-year evaluation. Also considered whether the share price at the time of making the LTIP award was likely to give rise to a 'windfall' for directors and determined that this was not the case. Approved the remuneration terms offered to the incoming Group CFO including awards to compensate them for inflight benefits otherwise to be forfeited upon leaving their previous employer.
All employee and executive remuneration	Reviewed the UK employee general salary increase of 6%, mindful of the continuing cost of living challenge, staff turnover and the ability to attract new talent including new business unit CEOs in an internationally competitive recruitment market. Reviewed and updated the STIS and LTIP Rules as presented to – and adopted by – shareholders at the 2023 AGM. Approved the expansion of LTIP grants eligibility to a broader participation group of targeted senior leaders and key talent who are able to materially influence the delivery of group strategy, ensuring that this critical group of executives are aligned to our long-term goals.
Terms of Reference	The Committee's Terms of Reference were reviewed. A number of minor modifications were made in consultations with our advisors, PwC, but no material revisions were made to the scope of Committee duties as they were felt to continue to be appropriate and provide adequate scope to cater for the expectations set by the Code.
Review of the Remuneration Policy	A revised Remuneration Policy was presented to – and approved by – shareholders at the AGM in May 2023 and received 96.25% support.
Committee evaluation	An evaluation of the Committee's performance by way of an internal questionnaire suggested that the Committee continued to operate well. This followed the external evaluation undertaken in the previous year which reached the same conclusion.
Annual salary review	The Committee reviewed the salaries of the executive directors and senior management and made changes in line with its Remuneration Policy and with due reference to staff salaries and economic conditions generally.
Directors' remuneration reporting	The Committee reviewed the draft Directors' Remuneration Report for the 2023 Report and Accounts and recommended its approval by the Chesnara board.
Performance against strategic objectives	The Committee reviewed the executive directors' performance against objectives set.
Shareholder engagement	The Committee Chair responded to questions/queries raised by shareholders and conducted a consultation exercise following the outcome of the vote on the 2022 Directors' Remuneration Report at the 2023 AGM, which has resulted in a number of changes to the operation of remuneration going forward as outlined in the Chair of the Committee's letter.
Employee engagement	The Committee engaged with staff on the alignment of directors' pay with UK employees through a meeting held between the Committee Chair, the Group CEO and a cross section of the UK workforce.
Chair's fees	The Committee reviewed the level of fees payable to the Chair.
Remuneration principles	The Committee reviewed the Group Remuneration Principles, which guide the remuneration policies throughout the group.

Single total figure of remuneration for each director (audited information)
The remuneration of the executive directors for the years ended 31 December 2023 and 31 December 2022 is made up as follows:

Executive directors' remuneration as a single figure – year ended 31 December 2023

Name of director	Salary and fees £000	All taxable benefits[1] £000	Non-taxable benefits £000	STIS £000	LTIP[2] £000	Pension[2&4] £000	Total for 2023 £000	Fixed £000	Variable £000
Steve Murray[5]	458	21	8	439	211	39	1,176	526	650
David Rimmington	315	41	8	299	105	30	798	394	404
Total	**773**	**62**	**16**	**738**	**316**	**69**	**1,974**	**920**	**1,054**

Executive directors' remuneration as a single figure – year ended 31 December 2022

Name of director	Salary and fees £000	All taxable benefits £000	Non-taxable benefits £000	STIS £000	LTIP £000	Pension[3] £000	Total for 2022 £000	Fixed £000	Variable £000
Steve Murray[5]	420	21	2	321	294	36	1,094	479	615
David Rimmington	300	15	7	226	76	29	653	351	302
Total	**720**	**36**	**9**	**547**	**370**	**65**	**1,747**	**830**	**917**

Notes.
1. Includes amounts paid in lieu of accrued dividends and interest arising upon the exercise of share options under the 2014 STIS.
2. Includes amounts paid in lieu of accrued dividends and interest arising upon the exercise of share options under the 2014 LTIP.
3. The pension component in the single figure table represents employer contributions. No directors were members of a defined benefit scheme.
4. No portion of the LTIP single figure value in relation to the 2021 LTIP award is attributable to share price growth.
5. This vesting outcome of the 2021 LTIP award has been applied to the average share price between 1 October 2023 and 31 December 2023 (261.3p) to produce the estimated LTIP figures shown for 2023 above. There will be a true-up based on the actual share price on the day of vesting which will be shown in the 2024 Annual Report and Accounts.

The remuneration of the non-executive directors for the years ended 31 December 2023 and 31 December 2022 is made up as follows, with the fee element being fixed and the benefits being variable in nature:

Non-executive directors' remuneration as a single figure – year ended 31 December 2023 and 2022

	2023			2022		
Name of director	Fees £000	Benefits £000	Total £000	Fees £000	Benefits £000	Total £000
Luke Savage	135	–	135	128	–	128
Eamonn Flanagan	70	–	70	66	–	66
Jane Dale	75	–	75	71	–	71
Mark Hesketh	70	–	70	66	–	66
Carol Hagh	65	–	65	55	–	55
Karin Bergstein	65	–	65	55	–	55
Total	**480**	**–**	**480**	**441**	**–**	**441**

Salary and fees
The Remuneration Committee usually reviews basic salaries annually. Assessments are made giving full regard to external factors such as earnings inflation and industry benchmarks and to internal factors such as changes to the role by way of either structural reorganisations or enlargement of the group. In addition, basic pay levels reflect levels of experience. The single earnings figures demonstrate the application of this assessment process.

The Remuneration Policy for the executive directors is designed with regard to the policy for employees across the group as a whole. Our ability to meet our growth expectations and compete effectively is dependent on the skills, experience and performance of all our employees. Our employment policies, remuneration and benefit packages for employees are regularly reviewed. There are some differences in the structure of the Remuneration Policy for the executive directors and senior management team compared to other employees, reflecting their differing responsibilities, with the principal difference being the increased emphasis on performance related pay for the more senior employees within the organisation.

UK employee share ownership is encouraged and facilitated through participation in the SAYE Scheme (subject to minimum service requirement).

The Committee engaged directly with employees on the alignment of directors' pay with UK employees, including with regard to the proposed 2024 salary increase.

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Taxable benefits

The taxable benefits for executive directors relate to the provision of a car, fuel allowance and medical insurance. For non-executive directors, the taxable benefits represent the reimbursement of travelling expenses incurred in attending board meetings at the Preston head office. These amounts also include an amount to compensate for the personal tax burden incurred.

Short-Term Incentive Scheme

The amounts reported as STIS in 2023 derive from awards made under the 2023 STIS. The amounts awarded to the executive directors under this scheme are based on performance against three core measures; cash generation†, total EcV earnings† and group strategic objectives. The table below shows the outcome of each measure, the target set and the resulting award.

	Upper threshold for minimum performance	Percentage award for minimum performance	On target performance	Percentage award for on target performance	Minimum threshold for maximum performance	Percentage award for maximum performance	Actual result	Actual percentage total award	Actual percentage award, as percentage of salary	Total award (£)
Steve Murray										
Cash generation[1&3]	£21.39m	0%	£30.55m[1]	25.0%	£39.73m	35.0%	£51.87m[1]	35.0%	35.0%	160,230
Total EcV earnings[2&3]	£9.34m	0%	£13.34m	25.0%	£20.01m	35.0%	£42.24m	35.0%	35.0%	160,230
Group strategic objectives	75%	0%	100%	15.0%	125%	30.0%	86.8% of max	26.0%	26.0%	119,005
Total				**65.0%**		**100.0%**		**96.0%**	**96.0%**	**439,465**
David Rimmington										
Cash generation[1&3]	£21.39m	0%	£30.55m[1]	25.0%	£39.73m	35.0%	£51.87m[1]	35.0%	35.0%	110,362
Total EcV earnings[2&3]	£9.34m	0%	£13.34m	25.0%	£20.01m	35.0%	£42.24m	35.0%	35.0%	110,362
Group strategic objectives	75%	0%	100%	15.0%	125%	30.0%	83.0% of max	24.9%	24.9%	78,394
Total				**65.0%**		**100.0%**		**94.9%**	**94.9%**	**299,118**

For results between the performance thresholds, a straight-line basis applies.

Notes.
1. This is stated after certain adjustments, such as consolidation adjustments. The actual results are also adjusted in the same manner.
2. The total EcV earnings before exceptional items on page 52 has been adjusted in line with the basis of the target.
3. Both the cash generation and EcV result have been adjusted to remove prospective Countrywide Assured/CASLP Part VII benefits to be consistent with the target setting basis.

The following table details the requirements for delivery of the strategic objectives for 2023 and actual outcomes:

Objectives area	Objectives and performance	Outcome
Steve Murray		
Operational delivery (25%)	Set clear direction for, and ensure efficient delivery by, business units across Chesnara.	– Signing of new strategic partnership with SS&C and associated TUPE transfer of Chesnara staff, – CASLP Part VII delivered and detailed scoping work on migration underway, – Planning work for Canada Life Part VII also underway, – Delivery of enhancements to Scildon IT platform and associated cost savings in year, and – Migration and integration work for Robein Leven and Conservatrix portfolio complete.
Communication and culture (10%)	Improve external and internal communications with key stakeholders.	– Over 110 meetings with investors held across 2023 including attendance at debt and equity conferences, podcasts with equity analysts and presentations to bank sales forces, – Further simplification of Investor Presentation with positive feedback received particularly as part of the HY 23 results, – Strong support for shareholder engagement on remuneration matters post AGM, and – RfP process run for one of the group's corporate broking advisors with RBC selected.

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

Short-Term Incentive Scheme continued

The following table details the requirements for delivery of the strategic objectives for 2023 and actual outcomes:

Objectives area	Objectives and performance	Outcome
M&A (40%)	Proactively identify and execute value enhancing M&A.	– 2 deals executed in the period – Conservatrix insurance portfolio and Canada Life UK protection portfolio, – Proactive engagement with potential targets and advisors has continued with positive pipeline entering 2024, – Evaluation of Swedish market opportunities well underway, and – Excellent return from M&A – c£50m of incremental EcV against c£100m of capital deployed.
People (10%)	Development of direct reports and improve the talent pool across Chesnara.	– Successfully transitioned leadership in UK division, Scildon and Movestic with three new CEOs in place and regulatory approved, – Announcement of the appointment of Tom Howard as new Group CFO, subject to regulatory approval with David Rimmington stepping off the board at the May AGM, – Further reshaping of Group Senior Leadership Team also undertaken, and – LTIP broadened.
ESG (15%)	Continued development of appropriate environmental/climate, people and sustainability policies and practices, for the benefit of our customers, shareholders, staff, suppliers and other stakeholders, which respond to regulatory and non-regulatory guidance and industry practice.	– Announced first ever sustainability targets, – Published first ever Annual Sustainability Report, – Group programme now embedded, – Positive engagement with sustainability ratings agencies on scoring, – Initial diversity and inclusion targets agreed with Nominations Committee, and – M&A process updated to include sustainability considerations.
David Rimmington		
Enhance investor relations (10%)	Improve investor relations materials and coverage and look to develop additional equity and debtholders including in the Wealth Management area.	– Over 110 meetings with investors held across 2023 including attendance at debt and equity conferences, podcasts with equity analysts and presentations to bank sales forces, – Further simplification of Investor Presentation with positive feedback received particularly as part of the HY 23 results, – First IFRS disclosures presented to the market, – Strong support for shareholder engagement on remuneration matters post AGM, and – RfP process run for one of the group's corporate broking advisors with RBC selected.
IFRS 17 (25%)	Planning and delivery of IFRS 17 across group and divisions.	– Successfully delivered IFRS 17 reporting requirements with first set of numbers shared with the market at HY 23, – Huge amount of work across the group to reshape financial processes and agree technical requirements and treatment strategies with our auditors, Deloitte; and – High quality training for Chesnara plc board also delivered.
Balance sheet (30%)	Proactive management of the group's balance sheet including in support of M&A.	– Continued to develop and validate longer list of potential management actions available across the group, – Broadened scope of group FX hedge which was executed again pre year end, – Mass lapse reinsurance also implemented in CA, and – Maintained investment grade rating from Fitch.
People (10%)	Enhance the Finance function talent pool.	– Further investment in Finance function talent to support both business development and IFRS 17 BAU transition, – Revised operating structure also implemented, and – Wellness programme for Finance and wider UK employees implemented.
ESG (25%)	Continued development of appropriate environmental/climate, people and sustainability policies and practices, for the benefit of our customers, shareholders, staff, suppliers and other stakeholders, which respond to regulatory and non-regulatory guidance and industry practice.	– Continued sponsorship of Sustainability programme across the group, – Published first ever Annual Sustainability Report, – Group programme now embedded with additional resources secured, – Positive engagement with sustainability ratings agencies on scoring, – Substantial baselining work now complete, and – Financial processes upgraded to support ESG requirements.

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Short-Term Incentive Scheme continued
In converting performance against the measures assessed for 2023 set out in the previous tables, the directors' STIS awards are specified below. The Committee did not apply discretion in determining the final outcome:

Name of director	Salary on which award is based £	Maximum potential award as % of salary	Actual award as % of salary	Total value of award £
Steve Murray	457,800	100.00%	95.99%	439,465
David Rimmington	315,321	100.00%	94.86%	299,118
Total				**738,583**

35% of the above awards are granted as deferred share awards that will vest at the end of a three-year deferred period.

Long-Term Incentive Plan awards
The following table sets out the amounts that are due to vest on 28 April 2024 under the 2014 LTIP, for which performance conditions were satisfied during the year.

For the Group CEO, this award is a buy-out award granted under the 2014 LTIP in lieu of an LTIP grant from Steve's ex-employer Royal London, with performance conditions aligned to the Chesnara 2021 LTIP award (50% EcV and 50% Relative TSR). For the relative TSR component, the Committee exercised its discretion to measure performance from the date that the Group CEO was appointed in role on 19 October 2021 as this was considered to be a fair and motivating approach to the performance condition on the basis that it was from this point that the Group CEO was able to affect the company's TSR performance.

Individual	Measure	Weight	Ranges and targets			Actual outcome				
			Minimum achievement (as % of target)	Target achievement	Max achievement	Opening EcV	Closing EcV	Performance achieved	% of award vesting	Value of award £
Steve Murray	**Award 1 Personal Performance**	100%	n/a	n/a	n/a	n/a	n/a	n/a	100.0%	56,053
	Award 2 – TSR	50%	=Median	(7.7)%	13.4%	n/a	n/a	5.4%	33.4%	122,290
	Award 2 – EcV	50%	=94.3%	£696.0m	£716.0m	£636.8m	£524.7m	75.4%	0.0%	nil
David Rimmington	**TSR**	50%	=Median	3.2%	27.1%	n/a	n/a	14.7%	34.9%	86,066
	EcV	50%	=94.3%	£696.0m	£716.0m	£636.8m	£524.7m	75.4%	0.0%	nil

The table below sets out potential LTIP interests that have accrued during the year, and each directors' interest in that scheme:

Name of executive director	Name of scheme	Date award was granted	Amount of options awarded[1]	Face value on the date of grant[2]	% of award vesting for minimum performance	Length of vesting period – 3 years Date of vesting
Steve Murray	2014 LTIP	06 July 2023	210,386	£457,800 based on share price (272.00p)	10.0%	06 July 2026[3]
	2014 LTIP	28 April 2022	147,627	£420,000 based on share price (284.50p)	10.0%	28 April 2025[3]
	2014 LTIP	26 November 2021	119,089	£340,000 based on share price (285.50p)	10.0%	28 April 2023[3]
	2014 LTIP	26 November 2021	140,105	£400,000 based on share price (285.50p)	10.0%	28 April 2024[3]

Notes.
1. No awards are made if performance is below the minimum criteria.
2. The face value is reported as an estimate of the maximum potential value on vesting.
3. LTIP awards from 2019 onwards are subject to a two-year holding period in addition to the three-year performance period.

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

The table below sets out potential LTIP interests that have accrued during the year, and each directors' interest in that scheme:

Name of executive director	Name of scheme	Date award was granted	Amount of options awarded[1]	Face value on the date of grant[2]	% of award vesting for minimum performance	Length of vesting period – 3 years Date of vesting
David Rimmington	2014 LTIP	06 July 2023	115,927	£315,321 based on share price (272.00p)	10.0%	06 July 2026[3]
	2014 LTIP	28 April 2022	105,556	£300,306 based on share price (284.50p)	10.0%	28 April 2025[3]
	2014 LTIP	28 April 2021	94,502	£259,882 based on share price (275.00p)	10.0%	28 April 2024[3]
	2014 LTIP	28 April 2020	81,213	£259,882 based on share price (320.00p)	10.0%	28 April 2023[3]
	2014 LTIP	28 April 2019	71,070	£254,785 based on share price (358.50p)	10.0%	28 April 2022[3]
	2014 LTIP	28 April 2018	60,805	£249,300 based on share price (410.00p)	10.0%	28 April 2021
	2014 LTIP	28 April 2017	61,996	£237,600 based on share price (383.25p)	12.5%	28 April 2020
	2014 LTIP	28 April 2016	71,259	£222,328 based on share price (312.00p)	12.5%	28 April 2019

Notes.
1. No awards are made if performance is below the minimum criteria.
2. The face value is reported as an estimate of the maximum potential value on vesting.
3. LTIP awards from 2019 onwards are subject to a two-year holding period in addition to the three-year performance period.

Basis of awards and summary of performance measures and targets

2014 LTIP
Share options awarded are based on the share price at close of business on date of award and a percentage of basic salary, that being Steve Murray 100% in 2022 and 125% in 2023; and David Rimmington 75% in 2014 and 2015, 90% in 2016 to 2021 and 100% in 2022 and 2023. Options have a nil exercise price.

Total Shareholder Return
Awards granted under the 2014 LTIP: 50% of the awards will vest subject to the TSR target being in a certain range, with the range being the ranking of the TSR of Chesnara against the TSR of the individual companies in the FTSE 350 Higher Yield Index. The award will be made on a sliding scale from nil if the Chesnara TSR is below the median to full if the Chesnara TSR is in the upper quartile.

Awards granted under the 2023 LTIP: 33.3% will vest at maximum for TSR performance 6% per annum higher than the median company in the comparator group over the performance period with this calibration aiming to ensure that a maximum pay-out is achieved for performance comparable to the upper quartile of life insurance peer companies. The calibration of threshold is unchanged such that Chesnara must perform as a minimum at the median of the comparator group for any payout to be achieved subject to the TSR target being in a certain range, with the range being the ranking of the TSR of Chesnara against the TSR of the individual companies in the FTSE 350 Higher Yield Index. The award will be made on a sliding scale from nil if the Chesnara TSR is below the median to full if the Chesnara TSR is in the upper quartile.

EcV growth target
Awards granted under the 2014 LTIP: 50% of the award will vest subject to the EcV outcome being within a certain range of its target.

Awards granted under the 2023 LTIP: 33.3% of the award will vest subject to the EcV outcome being within a certain range of its target.

Commercial cash generation
Awards granted under the 2023 LTIP: 33.3% of the award will vest subject to the commercial cash outcome being within a certain range of its target. This will be replaced by Core Surplus Emergence in 2024.

Payments for loss of office (audited information)
No payments were made during the year for loss of office.

Payments to past directors (audited information)
No payments were made during the year to past directors.

Statement of directors' shareholding and share interests (audited information)
The Remuneration Policy requires executive directors to build up a shareholding through the retention of shares. For executives who joined Chesnara before 1 May 2021 (i.e. David Rimmington), their minimum is 100% of basic salary but with a 200% of salary shareholding requirement (including a provision for this to be held for the full 2 years in a post-employment scenario) applying to all future awards granted from 2023 onward. Executives joining from 1 May 2021 (e.g. Steve Murray and now Tom Howard) the minimum is 200% of salary. As at 31 December 2023 this criterion has been met by David Rimmington. Steve Murray who joined on 02 August 2021 has unsurprisingly not yet met this requirement albeit has continued to acquire shares in 2023 outside the LTIP programme. When the minimum holding level has not been achieved, directors may only dispose of shares where funds are required to discharge any income tax and National Insurance liabilities arising from awards received from a Chesnara incentive plan. The chair and non-executive directors are encouraged to hold shares in the company but are not subject to a formal shareholding guideline.

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The following table shows, in relation to each director, the total number of share interests with and without performance conditions, the total number of share options with and without performance measures, those vested but unexercised and those exercised at 31 December 2023 or the date of resignation.

No changes took place in the interests of the directors between 31 December 2023 and 27 March 2024.

	Shares held		Options				
Name of director	**1 January 2023**	**31 December 2023**	**With performance measures**	**Without performance measures[1]**	**Vested but unexercised**	**Exercised during the year**	**Percentage of shareholding target held[2]**
Steve Murray	69,671	147,248	531,743	77,644	–	123,160	108.5%
David Rimmington	108,282	140,919	315,985	78,245	–	70,979	152.6%
Luke Savage	20,000	30,000	–	–	–	–	–
Jane Dale	3,333	3,333	–	–	–	–	–
Eamonn Flanagan	30,000	30,000	–	–	–	–	–
Mark Hesketh	15,362	15,849	–	–	–	–	–
Carol Hagh	–	10,000	–	–	–	–	–
Karin Bergstein[3]	–	–	–	–	–	–	–
Total	**246,648**	**377,349**	**847,728**	**155,889**	**–**	**194,139**	**–**

Notes.
1. The 'options without performance measures' column in the table does not include the share options that will be awarded as part of the mandatory deferral rules under the 2023 STIS in respect of awards made in relation to the 2023 financial year, which equate to 35% of the cash award under this scheme. The timetable for the administration of the scheme means that these will be reported in the 2024 Annual Report and Accounts.
2. Calculated using the share price of 261.50p at 31 December 2023.
3. As a Netherlands' national, Karin Bergstein is not permitted by the Dutch Central Bank (De Nederlandsche Bank) to hold shares in a company of which she is a director.

Outstanding share options and share awards

Below are details of outstanding share options and awards for current executive directors.

Name of executive director	Scheme	Grant date	Exercise price (p)	Number of shares under option at 1 January 2023	Number granted during year	Number exercised during year	Number waived/ lapsed during year	Number of shares under option and unexercised at 31 December 2023	End of performance period	Vesting date	Performance period	Date of expiry of option
STEVE MURRAY	2023 LTIP (2023 award)	06/07/23	Nil	–	210,386	–	–	210,386	31/12/25	06/07/26	3 Years	06/07/33
	2014 LTIP (2022 award)	28/04/22	Nil	147,627	–	–	–	147,627	31/12/24	28/04/25	3 Years	28/04/32
	2014 LTIP (2021 award)	26/11/21	Nil	50,456	–	(50,456)	–	–	31/12/22	31/12/22	1 Year	26/11/31
	2014 LTIP (2021 award)	26/11/21	Nil	119,089	–	(51,982)	(67,107)	–	31/12/22	28/04/23	3 Years	26/11/31
	2014 LTIP (2021 award)	26/11/21	Nil	20,722	–	(20,722)	–	–	30/06/23	30/06/23	2 Years	26/11/31
	2014 LTIP (2021 award)	26/11/21	Nil	140,105	–	–	–	140,105	31/12/23	28/04/24	3 Years	26/11/31
	2014 LTIP (2021 award)	26/11/21	Nil	33,625	–	–	–	33,625	31/12/23	30/06/24	3 Years	26/11/31
	2023 STIS (2023 award)	31/05/23	Nil	–	39,953	–	–	39,953	n/a	31/05/26	n/a	31/05/33
	2014 STIS (2022 award)	28/04/22	Nil	29,525	–	–	–	29,525	n/a	28/04/24	n/a	26/04/32
	Share save	01/12/22	220.40	8,166	–	–	–	8,166	n/a	01/12/25	n/a	01/06/26
				549,315	**250,339**	**(123,160)**	**(67,107)**	**609,387**				
DAVID RIMMINGTON	2023 LTIP (2023 award)	06/07/23	Nil	–	115,927	–	–	115,927	31/12/25	06/07/26	3 Years	06/07/33
	2014 LTIP (2022 award)	28/04/22	Nil	105,556	–	–	–	105,556	31/12/24	28/04/25	3 Years	28/04/32
	2014 LTIP (2021 award)	28/04/21	Nil	94,502	–	–	–	94,502	31/12/23	28/04/24	3 Years	28/04/31
	2014 LTIP (2020 award)	28/04/20	Nil	81,213	–	(27,612)	(53,601)	–	31/12/22	28/04/23	3 Years	28/04/30
	2023 STIS (2023 award)	31/05/23	Nil	–	28,115	–	–	28,115	n/a	31/05/26	n/a	31/05/33
	2014 STIS (2022 award)	28/04/22	Nil	31,327	–	–	–	31,327	n/a	28/04/25	n/a	28/04/32
	2014 STIS (2021 award)	28/04/21	Nil	18,803	–	–	–	18,803	n/a	28/04/24	n/a	28/04/31
	2014 STIS (2020 award)	28/04/20	Nil	27,418	–	(27,418)	–	–	n/a	28/04/23	n/a	28/04/30
	2014 STIS (2019 award)	28/04/19	Nil	7,760	–	(7,760)	–	–	n/a	28/04/22	n/a	28/04/29
	Share save	30/10/20	219.80	8,189		(8,189)		–	n/a	01/12/23	n/a	01/06/24
				374,768	**144,042**	**(70,979)**	**(53,601)**	**394,230**				

There has been no change made to share options granted or offered and the main conditions for the exercise of these rights compared to the previous year.

Performance graph and CEO remuneration table
The following graph shows the company's performance compared with the performance of the FTSE 350 Higher Yield Index and the FTSE UK Life Insurance Index. The FTSE 350 Higher Yield Index has been selected since 2014 as a comparison because it is the index used by the company for the performance criterion for its LTIP, and the FTSE UK Life Insurance Index has been selected due to Chesnara's inclusion within this Index.

The table below sets out the details for the director undertaking the role of Group CEO:

Year	Individual performing Group CEO role	Group CEO single figure of total remuneration £000	STIS pay-out against maximum	Long-term incentive vesting rates against maximum opportunity	Note
2023	Steve Murray	1,176	96.00%	41.98%	1 & 5
2022	Steve Murray	1,094	76.37%	60.42%	1 & 4
2021	Steve Murray	721	57.00%	58.42%	1
2021	John Deane	978	95.57%	–	2
2020	John Deane	782	53.38%	–	2
2019	John Deane	1,111	98.79%	19.93%	2
2018	John Deane	965	31.08%	67.99%	2
2017	John Deane	1,142	86.96%	80.95%	2
2016	John Deane	902	98.33%	–	2
2015	John Deane	596	81.96%	–	2
2014	Graham Kettleborough	712	91.30%	34.52%	3

Notes.
1. Steve Murray joined Chesnara on 2 August 2021 and was appointed Group CEO on 19 October 2021.
2. John Deane was appointed Group CEO on 1 January 2015 and stood down on 18 October 2021.
3. During 2014 an LTIP that was granted to the CEO in 2012 vested. The LTIP included a condition such that the sum of the LTIPs and STIS awarded in that year could not exceed 100% of the CEO's salary. The STIS in 2012 amounted to 65.48% of salary. When the performance measurements for the 2012 LTIP were assessed, the award was required to be restricted due to the operation of the 100% combined cap, such that the 2012 LTIP paid out 34.52% of the salary at the time of award. During 2014 the STIS that was awarded represented 68.5% of the CEO's salary. The maximum payable was up to 75% of the CEO's salary, resulting in a 91.3% pay-out with reference to the maximum potential award.
4. During 2022, Steve Murray had two LTIP awards that vested, with one vesting at 100% and the other vesting at 33.40%. The figure reported above is a combined percentage, based upon the total number of shares vesting under both grants.
5. During 2023, Steve Murray had two LTIP awards that vested, with one vesting at 100% and the other vesting at 43.65%. The figure reported above is a combined percentage, based upon the total number of shares vesting under both grants.

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Rolling 5-year percentage change in remuneration for the executive and non-executive directors and group employees
The table below shows the percentage change in remuneration for the executive and non-executive directors and the company's employees as a whole between the years 2023 and 2020. In future years, this analysis will be repeated until a rolling 5-year comparison is ultimately reported.

Percentage change in remuneration	Group CEO %	Group Finance Director %	Luke Savage %	Jane Dale %	Eamonn Flanagan %	Mark Hesketh %	Carol Hagh %	Karin Bergstein %	Group employees %
2023 compared with 2022									
Salary and fees	9.0	5.0	5.9	5.8	6.1[2]	6.1[2]	4.9	4.9	6.0
All taxable benefits	–	173.4[1]	–	–	–	–	–	–	(5.2)
STIS	37.0	32.5	n/a	n/a	n/a	n/a	n/a	n/a	42.0
2022 compared with 2021									
Salary and fees	–	4.0	3.7	6.8	7.4	7.4	n/a	n/a	4.0
All taxable benefits	162.5[1]	(75.0)	–	–	–	–	n/a	n/a	6.6
STIS	33.7	(11.4)	n/a	n/a	n/a	n/a	n/a	n/a	(22.8)
2021 compared with 2020									
Salary and fees	–	–	–	–	–	–	n/a	n/a	–
All taxable benefits	–	300.0[1]	–	–	–	–	n/a	n/a	(1.1)
STIS	80.0	72.4	n/a	n/a	n/a	n/a	n/a	n/a	2.9
2020 compared with 2019									
Salary and fees	2.0	2.0	n/a	–	n/a	–	n/a	n/a	2.0
All taxable benefits	(39.1)[1]	20.3[1]	n/a	n/a	n/a	n/a	n/a	n/a	13.3
STIS	(44.9)	(41.0)	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes
1. All taxable benefits include amounts paid in lieu of accrued dividends and interest arising upon the exercise of share options under the 2014 and 2023 STISs for the Group CEO and Group FD. For the non-executive directors, these relate to expenses grossed up for income tax, which is settled by the company for travel to Chesnara's head office in Preston, which, for tax purposes, is deemed to be the non-executive director's normal place of work.
2. The increases for Eamonn Flanagan and Mark Hesketh reflect the additional responsibilities they took on with regard to chairing Remuneration and Nominations Committees respectively as well as chairing Movestic Fonder AB and joining the CA With-Profits Committee respectively.

Comparison of total remuneration for the Group CEO and UK employees
We set out here our analysis on CEO pay ratio reporting as required by The Companies (Miscellaneous Reporting) Regulations 2018.
This analysis has been conducted using 'Option A' as set out in the Regulations and has consisted of:

- Determining the total FTE remuneration of all UK employees for the 2023 financial year;
- Ranking all those employees based on their total FTE remuneration from low to high; and
- Identifying the employees whose remuneration places them at the 25th, 50th (median) and 75th percentile points of this ranking.

The analysis is then presented to show the ratio of the Group CEO's 2023 single total figure of remuneration to the:

- Median (i.e. 50th percentile) FTE remuneration of our UK employees;
- 25th percentile FTE remuneration of our UK employees; and
- 75th percentile FTE remuneration of our UK employees.

Comparison of total remuneration	Group CEO	25th percentile pay ratio (FTE UK employees total remuneration)		Median pay ratio (FTE UK employees total remuneration)		75th percentile pay ratio (FTE UK employees total remuneration)	
	£	£	Ratio	£	Ratio	£	Ratio
2023	1,176,000	74,990	15.7 : 1	114,796	10.2 : 1	165,656	7.1 : 1
2022			14.5 : 1		10.4 : 1		6.4 : 1
2021			13.7 : 1		9.7 : 1		5.4 : 1
2020			11.3 : 1		8.2 : 1		4.8 : 1
2019			15.7 : 1		11.8 : 1		6.6 : 1

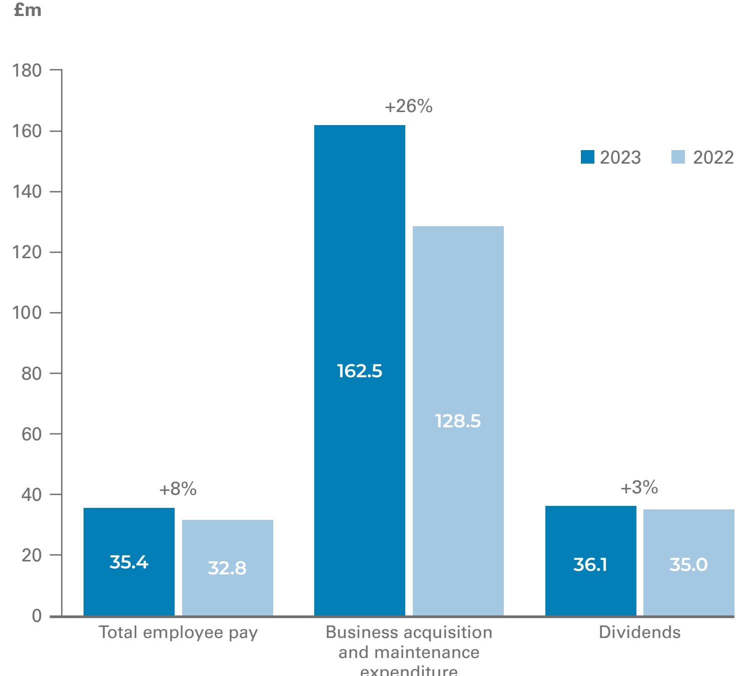
The Remuneration Committee considers that the ratio is consistent with our Remuneration Policy and that no actions arise from this analysis.

Base salaries of all employees, including our executive directors, are set with reference to a range of factors including market practice, experience and performance in role.

The 2023 ratios are broadly consistent with the prior year. Over the longer term, the CEO pay ratios have moved broadly in line with the CEO's single figure of remuneration. The Committee notes that the pay ratios for 2023 reflect the nature of the CEO's package being more heavily weighted towards variable pay compared to more junior colleagues (consistent with our reward policies), and this means the ratio is likely to fluctuate depending on the performance of the business and associated outcomes of incentive plans in each year.

Furthermore, the Committee is satisfied that our pay and broader people policies drive the right behaviours and reinforce the group's values which in turn drive our culture. For these reasons, the Committee believes that the ratios are consistent with these policies.

Relative importance of spend on pay
The following graph shows the actual expenditure of the group and change between the current and previous years:



The graph shows a comparison of total employee pay and shareholder dividends with the group's total acquisition and maintenance expenditure (which consists of administration expenses and costs associated with the acquisition of new business). This has been chosen as a comparator to give an indication of the employee pay relative to the overall cost base. As can be seen, the total employee pay is a relatively small component.

Statement of Implementation of Remuneration Policy in the following financial year
The following states how remuneration will be implemented for the executive and non-executive directors in 2024.

Salaries and fees
Will be set in accordance with the company's policy.

Executive directors
Steve Murray (Group CEO) received a 14.6% uplift in recognition of the general 6% 2024 pot made available for UK employees as a whole as well as a shift to benchmark median following assessment of his performance following a longer period in his role. David Rimmington (Group FD) received no uplift for 2024 in line with his settlement agreement.

Non-executive directors
The Chair's fee has been increased by 8.9%, remaining below the low end of the benchmark group and as decided by the other non-executive directors. The fee level for other non-executive directors reflect a base fee and then role-specific uplifts and have been set by the Chair in discussion with the Group CEO and increased by different levels in parallel with a review of individual responsibilities, particularly with regard to chairing board committees. Jane Dale's fee has been increased by 11.3% in recognition of her responsibilities as the Chair of the Audit & Risk Committee as well as the increased complexity of the UK subsidiary Countrywide Assured plc and for chairing the Sustainability Committee. Eamonn Flanagan's fee was increased by 8.5% in recognition of his responsibilities as the Chair of the Remuneration Committee as well as his appointment to chair the Movestic Livförsäkring AB board from May 2024. Carol Hagh's fee was increased by 14.6% in recognition of the increased complexity of the UK subsidiary Countrywide Assured plc plus her role as Workforce NED. Karin Bergstein's fee has been increased by 4.5% in light of her contribution across the full reach of our territories and the requirements this places upon her and Mark Hesketh's by 10.8% given his role in the UK business and additional oversight of the Netherland entities.

The table below sets out the anticipated payments for 2024:

	Fees £000	Benefits[1] £000	Total £000
Luke Savage	147.0	1	148.0
Eamonn Flanagan	75.4	1	76.4
Mark Hesketh	77.0	1	78.0
Jane Dale	82.9	1	83.9
Carol Hagh	73.9	1	74.9
Karin Bergstein	67.4	10	77.4
Total	**523.6**	**15**	**538.6**

Note
1. Benefits shown here mainly relate to expenses grossed up for income tax, which is settled by the company for travel to Chesnara's head office in Preston, which, for tax purposes, is deemed to be the non-executive director's normal place of work. The figure for Karin Bergstein represents amounts payable to the Dutch tax authorities by the company, under Dutch social security legislation to otherwise avoid Karin incurring double taxation.

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2024 award under the 2023 Short-Term Incentive Scheme
The Remuneration Committee proposes to grant awards to the executive directors under the 2023 Short-Term Incentive Scheme.

The table below and accompanying notes set out the performance measures, weightings and the potential outcomes for achieving minimum, on-target and maximum performance. The actual targets for each measure are deemed to be commercially sensitive and whilst they are not disclosed at this stage, they will be disclosed in 2024 together with the performance outcome relative to these targets.

Individual	Measures	Weighting	Ranges and targets			Potential outcomes in terms of % of basic salary		
			Minimum achievement (as % of target)	Target achievement (as % of target)	Maximum achievement (as % of target)	Minimum achievement	Target achievement	Maximum achievement
Steve Murray & Tom Howard	Cash generation	35.0%	70.0%	100.0%	130.0%	nil	25.0%	35.0%
	EcV earnings	35.0%	70.0%	100.0%	150.0%	nil	25.0%	35.0%
	Strategic Activity Scorecard & ESG	30.0%	75.0%	100.0%	125.0%	nil	15.0%	30.0%

The STIS will be implemented and operated by the Remuneration Committee as set out within the policy.

Measures
Following review by the Remuneration Committee, changes were approved for 2019 onwards to remove the IFRS component used in prior years and base performance assessment on cash generation and EcV† earnings metrics both with appropriate adjustments and group strategic objectives. The two financial measures were deemed to be complementary when operated together, to encourage sensible executive behaviour and better reflect an overall assessment of company financial performance. For 2023, group strategic objectives remained weighted 30% of the total to ensure that a sufficient proportion of the bonus potential was attributed to good outcomes in relation to ESG and acquisitions. Our assessment measures continued to ensure there was a balance between aligning executive director remuneration to shareholder returns whilst also recognising measures over which the directors can exercise more immediate and direct influence. The financial measures are recognised outputs from the audited year end Financial Statements, although it should be noted that the Remuneration Committee is, in accordance with the policy, able to make discretionary adjustments if deemed necessary. As agreed in advance by the Remuneration Committee, the financial results for the year are adjusted to look through any impact of the symmetric adjustment and WP transfers/restrictions, be they negative or positive. The results for STIS purposes exclude the impact of any acquisition activity in the year other than through the exercise of Committee discretion. Successful acquisitions are rewarded primarily through the LTIP.

The objectives assigned to each executive director are relevant to their roles and include major regulatory or business development initiatives that the Committee considers key to delivery of the company's business plan. Each individual development objective is assigned a 'significance weighting' influenced by factors such as business criticality, scale, complexity and level of executive director influence. Developments with a higher significance are weighted more heavily when establishing the overall performance target.

Targets
The cash generation and EcV earnings targets are initially based on the latest budget which is produced annually as part of the group business planning process. The group business plan is subject to rigorous Chesnara board scrutiny and approval. The Remuneration Committee can make discretionary adjustments to either the targets or to the actual results for the year if it considers this to be appropriate, in accordance with the scheme rules.

Malus and clawback
The 2023 Scheme includes malus and clawback provisions covering a material misstatement of the company's results, regulatory breach, gross misconduct on the part of the participant, reputational damage to the company, a material failure of risk management, insolvency or corporate failure if this arises within two years of an award vesting and it is a precondition that the executive accepts such provisions at the time of the award.

2024 award made under the 2023 LTIP
In 2024 the Remuneration Committee proposes to grant awards to the executive directors under the Chesnara 2023 Long-Term Incentive Plan.

The table below and accompanying notes set out the performance measures, weightings and the potential outcomes relative to achieving minimum, on-target and maximum performance for the executive directors.

Individual	Share award	Measures	Weighting	Ranges and targets			Vesting rates in terms of % of basic salary		
	% of basic salary			Minimum achievement (as % of target)	Target achievement	Maximum achievement (as % of target)	Minimum achievement	Target achievement	Maximum achievement
Steve Murray	125%	TSR	33.3%	<Median	Median	+6% p.a. above the median	nil	10.4%	41.7%
		EcV	33.3%				nil	10.4%	41.7%
		Core Surplus Emergence	33.3%				nil	10.4%	41.7%
Tom Howard	100%	TSR	33.3%	<Median	Median	+6% p.a. above the median	nil	8.3%	33.3%
		EcV	33.3%				nil	8.3%	33.3%
		Core Surplus Emergence	33.3%				nil	8.3%	33.3%

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

The two 2024 awards under the 2023 LTIP will be implemented and operated by the Remuneration Committee as set out within the policy.

Measures
The three performance measures for the 2024 LTIP award use performance against the constituents of an index and internal targets.

The external measure compares the 3-year TSR of Chesnara plc with the TSR of the companies comprising the FTSE 350 Higher Yield Index with averaging over the 3 months prior to the start and end of the performance period.

The first internal measure will be Core Surplus Emergence. It will be the absolute surplus movement of the divisions including the Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends, as deemed appropriate. Being linked to SII rather than cash generation creates better differential between the LTIP and STIS KPIs.

The other internal measure assesses Economic Value growth. Both the EcV and Core Surplus Emergence targets are set with due regard to the board approved business plan. All measures seek to ensure an alignment between executive director reward and shareholder value, with one assessing relative performance to other investment opportunities and the others assessing absolute performance.

The plan includes Change of Control provisions covering takeover, reconstruction, amalgamation or winding-up of the company and it is a precondition that the executive accepts such provisions at the time of the award.

Weightings
For the 2024 award the three measures have been assigned equal weighting.

Holding period
A two-year holding period was introduced to the LTIP for awards made from 2019, to follow the three-year performance period.

Targets
Targets for the 2024 LTIP are set out in the table below. In the case of the Economic Value and Core Surplus Emergence metrics, targets have been set with reference to the group's business plan for the period as set at the start of 2024. The relative TSR metric has been calibrated on a consistent basis as the 2023 LTIP. For all targets, straight line interpolation applies between threshold and maximum to determine vesting.

Performance target	Rationale	Threshold target (25% of maximum vests)	Maximum target (100% of maximum vests)
Relative Total Shareholder Return	Relative TSR against the constituents of the FTSE 350 Higher Yield Index	Median	Median plus 6% per annum
Economic Value (EcV) growth*	Measures 2026 EcV against a 2023 EcV baseline	£107.3m before dividends and debt costs	£157.3m before dividends and debt costs
Core Surplus Emergence*	Aggregate Core Surplus Emergence over 2024 to 2026	£81.7m	£91.6m

* Targets based on 2023 forecast outturn as set in January 2024.

The Remuneration Committee can make discretionary adjustments to either the target or to the actual result for the year if it considers this to be appropriate, in accordance with the scheme rules and the policy.

Malus and Clawback
The 2023 plan includes malus and clawback provisions covering a material misstatement of the company's results, regulatory breach, gross misconduct on the part of the participant, reputational damage to the company, a material failure of risk management, insolvency or corporate failure if this arises within two years of an award vesting and it is a precondition that the executive accepts such provisions at the time of the award.

The following table sets out the voting in respect of the Directors' Remuneration Report at the 2023 AGM:

Report	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Report	66,203,911	72.66%	24,914,731	27.34%	91,118,642	7,142

The following table sets out the voting in respect of the Directors' Remuneration Policy at the 2022 AGM:

Report	Number of votes cast for	Percentage of votes cast for	Number of votes cast against	Percentage of votes cast against	Total votes cast	Number of votes withheld
Remuneration Policy	93,267,407	97.43%	2,459,491	2.57%	95,726,898	34,159

Approval
This report was approved by the board of directors on 27 March 2024 and signed on its behalf by:

Eamonn Flanagan
Chair of the Remuneration Committee
27 March 2024

AUDIT & RISK COMMITTEE REPORT

OUR FOCUS IN THE YEAR HAS INCLUDED IFRS 17, CLIMATE CHANGE REPORTING, ACQUISITIONS AND OPERATIONAL RESILIENCE. **JANE DALE, CHAIR**

NUMBER OF MEETINGS DURING YEAR: 6

MEMBERS:

Jane Dale	Chair
Eamonn Flanagan	Member
Mark Hesketh	Member
Karin Bergstein	Member (appointed 14 Feb 2022)

The requirements for the composition of the Audit & Risk Committee are detailed within its Terms of Reference. The composition of the committee, in accordance with the requirements of the UK Corporate Governance Code and with DTR 7.1.1AR, and committee member biographies are detailed on pages 94 and 95.

Role of the Audit & Risk Committee

The role of the Audit & Risk Committee includes assisting the board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control. The scope of its responsibilities also includes focus on risk management: accordingly, it also assists the board in fulfilling its obligations in this regard. The committee is also responsible for making recommendations to the board in relation to the appointment, re-appointment and removal of the external auditor. The committee's duties include keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the external auditor. The full Terms of Reference of the Audit & Risk Committee are available on our website **www.chesnara.co.uk**

Chair's introduction

Welcome to the Audit & Risk Committee Report of the 2023 Annual Report and Accounts. It has been another busy year for the committee, with a packed agenda which has covered not only our business as usual activities, but a number of other key areas of focus. These have arisen from various internal and external factors and include applying IFRS 17 Insurance Contracts for the first time; sustainability; considering a number of key accounting judgements, not least in relation to the two acquisitions that completed in the year; and risk oversight over a number of key operational changes across the group. Further detail on these, and more, has been provided below.

IFRS 17

The group is applying the new accounting standard IFRS 17 Insurance Contracts for the first time in its full year audited financial statements. This follows the first time reporting of these standards in our 2023 interim results. IFRS 17 is a complex accounting standard and significantly changes both the profit profile of the group's insurance business and also the presentation and disclosure in the financial statements. The group-wide team has worked incredibly hard in implementing the new standard over many years across our different geographies and products. Over the course of the year, the committee oversaw the final stages of implementation of the standard. This included: ensuring key judgements and technical decisions were documented, reviewed and signed off both internally and by our external auditor; ensuring that the committee had a clear understanding of the dynamics of the standards and its impact on our results; and consideration of the implementation of the new controls that have been put in place to support robust financial reporting. We have had to work closely with our auditors across the group to ensure that all aspects of the implementation were appropriately signed off. I'm happy to say that we have a robust control environment in place and we will continue to bed down the controls around the reporting routines associated with the standard including implementing the final stages of the new consolidation software that we have been working on over the course of the year.

Other accounting and financial reporting matters

As well as the implementation of IFRS 17 the committee has considered a number of key accounting matters pertinent to this year's Annual Report and Accounts. This has included the accounting for two acquisitions in the year, consideration of the accounting for the UK's transformation programme and the disclosures required around the OECD's new Pillar 2 Global Anti-Base Erosion (GloBE) rules (BEPS 2.0), which are designed to address tax avoidance, ensure coherence of international tax rules, and, ultimately deliver a more transparent tax environment. These have been covered in more detail on pages 124 and 125.

Corporate governance reform

In last year's report I referred to the committee's close monitoring of potential reforms in corporate reporting.

In January 2024 the Financial Reporting Council (FRC) announced its revisions to the Corporate Governance Code following its stakeholder consultation over the course of 2023. One of the main changes to the Code extends the disclosures that are expected regarding the board's role in annually reviewing the effectiveness of the company's Risk Management and Internal Controls Framework. The 2024 code requests that boards explain through a declaration in their Annual Report and Accounts how they have done this and their conclusions from this work. These new disclosures will apply from periods beginning on or after 1 January 2025, with the exception of Provision 29, which is effective from 1 January 2026. Over the course of 2024 and beyond the committee will work with the board in applying these new disclosures.

Sustainability

The committee's role in the group's sustainability programme is to oversee any reporting made by the group in this area, as well as understanding the risk exposures of the group to climate change related risks. The committee oversaw the production of the group's inaugural Annual Sustainability Report (ASR) that was issued in March 2023 as well as the reporting within this year's report, which has been published alongside these Annual Report and Accounts. Our 2023 year end ASR includes an update on the progress that has been made over the course of the year. As well as our ASR, these Report and Accounts include a section covering the group's Corporate and Social Responsibility. The committee has paid close attention to the reporting developments that are included in this year's report on pages 71 to 91. This has included applying the new CFD (Climate Related Financial Disclosures) rules for the first time, as well as developments in our TCFD report (Task Force on Climate-Related Financial Disclosures). From a risk perspective, the TCFD report provides information on the key climate-related risks and opportunities facing the group's business. This ultimately concluded that our main risk exposures arise in relation to how climate change could affect the assets that the group is invested

in as opposed to the potential physical risks associated with climate change (such as flooding etc.) which are deemed to be lower materiality based on the insurance risks that the group is exposed to. The committee reviewed and challenged these conclusions through its oversight of the group's annual ORSA (Own Risk and Solvency Assessment) process.

Operational change and operational resilience
The group has seen a reasonable level of operational change during the course of the year. This has included three new divisional CEOs being appointed; the UK division entering into a new strategic business process outsourcing partnership which has resulted in the formation of an associated migration programme; the integration of the business of Conservatrix into the existing Waard business; and the ongoing IT change programme within Scildon. The committee's role has been to ensure that the risks associated with these changes are appropriately captured and managed. Detailed risk reporting and analysis is managed at a local level, and the committee has had full sight of this through a combination of direct interactions with local Audit Committees coupled with coverage through the Group's Risk Reporting processes, largely via the quarterly Chief Risk Officer's risk report.

From an operational resilience perspective, the committee has continued to ensure that it is appropriately appraised regarding the group's operational resilience. This has included obtaining updates regarding the status of the UK's operational resilience programme. Alongside this the committee oversaw the update to the group's Cyber Response Framework, which is designed to ensure that the group is appropriately positioned to respond to any cyber incidents.

Acquisitions
The company has completed two deals over the course of the year, namely the acquisition of Conservatrix on 1 January 2023 and the reinsurance arrangement with Canada Life on 16 May 2023. The committee's role is to focus on ensuring that the acquisition diligence process has been delivered in line with the group's risk-based acquisition process; that all key benefits and risks are appropriately understood; and that the accounting and associated judgements for the transaction is in compliance with accounting standards. The committee fully discharged its responsibilities regarding the oversight of the diligence and deal benefit assessment processes for these two transactions. Further information on the accounting for these transactions is included on page 253.

In addition to transactions that completed in the year, the UK division has continued to work on the post-acquisition activities arising from the CASLP acquisition that completed in 2022. This has involved the Part VII transfer of CASLP policies to CA, effective 31 December 2023, coupled with the migration of in-house operating activities of CASLP to our new outsource provider, SS&C. The committee has had appropriate risk oversight of the post completion programme for CASLP.

Regulatory matters
The committee has a role in overseeing key compliance matters of the group. This has included the UK's Consumer Duty implementation programme; the UK's Solvency II reform and the EU's review of Solvency II. The committee has had full sight of all these areas of focus over the course of the year and was kept appraised of any emerging issues. It is pleasing to report that the UK's Consumer Duty programme met the July 2023 milestone for its small amount of open business and is on track to meet the July 2024 deadline for its remaining closed-book products. In terms of Solvency II developments, the UK business has adopted the initial phase reform which has resulted in a change in the risk margin for the UK business. From the perspective of the Dutch and Swedish businesses, the committee is monitoring any potential Solvency II changes closely.

Governance
The committee has continued to oversee some of the group's core governance processes. This has included:

– Monitoring the risk management and internal control system: The annual Risk Management and Internal Control Report was reviewed and challenged by the committee during the year. This concluded that the controls across the group were operating appropriately over the course of the year.
– Systems of governance effectiveness: The committee oversaw the group's annual assessment of the effectiveness of its systems of governance. This concluded there were no major areas of concern.
– Committee evaluation process: The committee performed its own evaluation process during the year, and concluded that there were no particular areas of concern. Any feedback will be built into how the committee operates in the future.

Looking forward
As ever, there is a full agenda ahead, much of which reflects a continuation of work that is currently in train. As well as the committee's business as usual activities particular focus will be given to:

Sustainability reporting: This is developing rapidly and different regimes apply in the UK and Europe. The committee will need to ensure all regulatory and public reporting is delivered on time and to a good standard.

Operational change: There are a number of operational change programmes across the group, including the UK's transformation programme as well as ongoing developments in the Dutch division. The committee will ensure that it maintains a close eye on risks around operational change across the group.

Group operational resilience: The committee will be focusing on ensuring that it is satisfied that the group remains materially operationally resilient, with appropriate recovery plans in place. This will include monitoring emerging regulation and industry practice. A particular focus will be on ensuring the requirements of the Digital Operational Resilience Act (DORA) are met in our European businesses.

Consumer Duty: The committee will be paying close attention to the delivery of the remaining aspects of the UK's Consumer Duty programme. It will also be mindful of the impact that the Consumer Duty has regarding any associated risks for future UK-based acquisitions.

Acquisitions: Should the group enter into any acquisition processes over the course of 2024 the committee will ensure that it has the appropriate oversight over the process, commensurate with the size and complexity of the target, mindful of any industry developments that will need to be considered in any future acquisition diligence process. Any associated benefits and risk analysis will be scrutinised by the committee.

Tax oversight: As the group becomes more complex, with more complex transactions and arrangements in place, the committee's role will be to ensure that tax risks around the group are being appropriately identified and managed. This includes the implementation of the new BEPS 2.0 requirements.

Financial reporting controls: From a financial controls perspective it remains critical that the committee has good oversight over any financial reporting control risks across the group. In particular the committee will focus on areas of operational change such as acquisitions; the bedding in of new controls in relation to IFRS 17 and finalising the implementation of the group's new financial and solvency reporting consolidation tool.

Jane E Dale

Jane Dale
Chair of the Audit and Risk Committee
27 March 2024

AUDIT & RISK COMMITTEE REPORT

The Chesnara Audit & Risk Committee has responsibilities over a combination of both risk and audit matters. An update against each of these two key obligations has been provided below.

Audit responsibilities

This section of the report includes the following:

1. **Activities during 2023:** A summary of the work performed by the Audit & Risk Committee during the year.
2. **External audit:** Further detail of how the committee has overseen various aspects of the external audit process.
3. **Internal audit:** The work performed by the committee in overseeing the Internal Audit function of Chesnara.
4. **Significant issues:** Provides some insight into the significant issues that the committee has considered during the year in relation to the financial statements, and how these were addressed.

1. Activities during 2023

The committee's work is driven by a combination of business as usual (BAU) activities and non-standard areas that have required attention during the year. The committee has focused on the following non-BAU areas during 2023: the finalisation of the group's **IFRS 17 implementation programme**; the **UK's outsourcer selection process and subsequent transformation programme**; the group's **operational resilience programme; climate change and sustainability reporting**; and any **conduct regulatory developments, including the UK's Consumer Duty**. A summary of all the activities performed by the committee during 2023 in relation to its audit responsibilities is summarised below:

Area	Activities
Financial reporting	**Annual Report and Accounts:** Reviewed the Annual Report and Accounts, including; compliance with accounting standards, noting the first time application of IFRS 17 Insurance Contracts; accounting policy appropriateness; consideration of any other financial reporting changes and emerging practice; whether they are fair, balanced and understandable; and disclosures surrounding going concern, prospects and longer-term viability. See Significant Issues section on pages 124 and 125 for further details on certain aspects of this year's accounts. **Half-year report:** Reviewed and challenged the Chesnara half-year report for the six months ended 30 June 2023, which included the group's first reporting at the half year under IFRS 17 Insurance Contracts. **Actuarial assumptions:** Reviewed and challenged the actuarial assumptions underpinning the quarterly financial reporting process, covering IFRS, Solvency II and EcV. See Significant Issues section on pages 124 and 125 for further detail. **Solvency II narrative reporting:** Reviewed the Chesnara group Solvency and Financial Condition Report, which is published annually on the Chesnara website and also sent to the Prudential Regulation Authority. **Financial performance:** Monitored and scrutinised the financial performance of the group, covering IFRS, Solvency, EcV, Cash Generation and expenses. **IFRS 17:** Monitored the finalisation of the group's IFRS 17 programme, which included the oversight of any residual key matters to be resolved, close monitoring of the audit process and an ongoing committee education programme, which included a deeper dive analysis of the performance and position of the group's results on an IFRS 17 basis. **FRC updates:** Actively monitored and reviewed any key publications issued by the Financial Reporting Council regarding financial reporting matters during the year. This has included, amongst other things, "IFRS 17 'Insurance Contracts' Interim Disclosures in the First Year of Application"; "Annual Review of Corporate Reporting 2022/23"; "CRR Thematic review of climate-related metrics and targets"; and "Thematic Review: IFRS 13 'Fair value measurement'".
External audit	**External audit plans:** Reviewed the group-wide plans of the external auditor, including consideration of the key audit risks. **External audit quality:** Assessed the quality of the external auditor during the year. This has included, amongst other things, consideration of feedback from management, coupled with reviewing the FRC report entitled 'Deloitte LLP Audit Quality Inspection and Supervision Report' which was published in July 2023. **External audit reporting and feedback:** Reviewed key findings reported by the group external auditor on the Annual Report and Accounts and the IFRS 17 implementation audit work, including key judgements and control matters. As part of its interactions with the external auditor the committee met with the external auditor without the presence of executive directors. **External audit independence:** Reviewed the assessment regarding the independence of the external auditor, with specific consideration given to audit fees and also the nature and volume of the services delivered by the external auditor during the year.
Internal audit	**Oversight of Internal Audit function during the year:** The committee reviewed and approved the plans of the Internal Audit functions across the group, via interactions with local Audit & Risk Committees, and their subsequent delivery. See page 123 for more information. **Evaluation of internal audit effectiveness:** The committee evaluates the effectiveness of internal audit on an annual basis and concluded that the function remains appropriate for the business. **Review of internal audit findings:** Received regular updates from business unit Audit & Risk Committees regarding key findings from internal audits that have been performed during the year. Reviewed the internal audit findings and management responses for Chesnara plc.
Other	**Feedback from divisional Audit & Risk Committees:** Reviewed and challenged regular feedback provided by the group's divisional Audit & Risk Committees. The Audit & Risk Committee Chair of the Dutch divisions attended a Chesnara A&RC meeting during 2023; the Swedish and UK divisions are represented by plc directors who are also chairs of the local Audit & Risk Committtees. **Committee Terms of Reference:** Reviewed its Terms of Reference during the year and also completed its annual assessment of compliance with its Terms of Reference. **Performance evaluation:** Conducted an evaluation of the committee's performance during the year, which was completed by members of the committee. The review showed that the committee performed well across all aspects of the Assessment Framework.

Audit responsibilities (continued)

2. External audit

Quality and effectiveness of the audit process

The quality and effectiveness of the external audit process is reviewed on an annual basis and had regard to the following factors:

- The quality of the background papers and verbal presentations to the committee on the audit planning process and final audit findings and compliance with independence criteria;
- The work that Deloitte performed in relation to the implementation of IFRS 17 Insurance Contracts over the course of the year;
- The ongoing credentials and tenure of the lead audit partner, Matt Perkins. The committee concluded that Matt has the appropriate qualifications and experience to lead the audit;
- The rationale put forward for the materiality limits established and the explanation given of the impact these have had on the work performed;
- The views of the executive on the way in which the audit has been conducted;
- The conclusion from the FRC's publication entitled 'Deloitte LLP Audit Quality Inspection and Supervision Report' which was published in July 2023; and
- The audit fees charged and the change in fees from the previous year. Changes in annual fees do, of course, need to reflect change in the nature of the company's business which has expanded over time. For this year additional fees were paid to Deloitte to support the one off work associated with their audit of the implementation of IFRS 17.

It was concluded that the audit process was effective. The company is committed to putting its audit out to tender at least every ten years, having completed its last external audit tender during 2017. The next audit tendering process will need to take place at the latest during 2027, following the 2026 audit.

Provision of non-audit services and independence

The committee has in place a policy on the engagement of the audit firm for non-audit services. Approval is granted where the service is clearly related to the process of audit services, including regulatory returns (assurance services). In other cases, the approval of the committee is required and documented governance processes are followed.

The committee regularly monitors the level of fees paid for non-audit services to ensure, over a period of years, that these represent a low proportion of total fees paid. Reports from the auditor on independence are also reviewed annually and discussed with the auditor. It should be noted that total fees paid by the company are not material in the context of the overall business of the auditor.

Details of the fees paid to Deloitte, and its associates, for both audit and non-audit services during the year have been provided below:

Audit fees	2023 £000	% proportion	2022 £000	% proportion
Audit services	3,456	100	2,050	90
Assurance services	–	–	227	10
Total	**3,456**		**2,277**	

Audit services

The fees charged for audit services have increased when compared with 2022. The key reasons for the net increase since the prior year are:

- An increase of c£1,050k in relation to the preparatory audit work associated with the implementation of IFRS 17;
- An increase of c£400k in relation to additional scope work, including ongoing additional scope work in relation to IFRS 17 and one-off work associated with the Part VII transfer within the UK and the two acquisitions completed in the year; and
- A reduction of c£130k in relation to the additional work undertaken in 2022 due to reduced scope from the CASLP (formerly 'Sanlam Life & Pensions UK') acquisition.

Audit fees of £1,056k (2022: £950k) were paid to Ernst & Young (EY) during the year for the audits of Scildon, the Waard group and Movestic.

Assurance services

The reduction of assurance service fees from the prior year is due to the one-off assurance work over the Tier 2 debt issuance performed in 2022 and separately the half-year review as not performed for 2023.

Non-audit services

Non-audit services totalling £71k (2022: £nil) were delivered in 2023. This was in relation to market analysis and strategic planning work delivered by EY to Movestic.

3. Internal audit

Within Chesnara, Internal Audit operates as separate functions within each of its businesses and these report into their own Audit & Risk Committee who have the primary oversight and supervisory responsibility. This includes determining how the local Internal Audit function will be resourced and as a result these are a mix of outsourced and in-house capabilities.

At a group level the Chesnara Audit & Risk Committee sets three high level principles which must be followed by each of the businesses. This committee then receives periodic reports from each business on matters such as the make up of the audit plan, progress against this plan and any significant issues identified/reported.

The remit of the UK based Internal Audit team also covers Chesnara and consequently the committee get similar periodic reports to the local committees on its own audit plan throughout the year.

Across the group, internal audit covered a broad range of topics including Remuneration, Reinsurance, Business Continuity planning, Outsourcing, Underwriting, Product Governance, Risk Management, Premiums, IT Development, Acquisitions, Claims Handling, ORSA, Information Security, EUCs and Consumer Duty. No significant issues have been identified through the delivery of the internal audit programme during the year.

AUDIT & RISK COMMITTEE REPORT

4. Significant issues

The table below provides information regarding the significant issues that the committee has considered in relation to the preparation of the Annual Report and Accounts. This includes consideration of matters communicated by the auditors.

Area of focus	Reporting issue	Role of the committee	Conclusion/action taken
Reporting under IFRS 17 for the first time	IFRS 17 Insurance Contracts is a new accounting standard that is being reported for the first time within the group's 2023 annual financial statements. The reporting within these financial statements is the culmination of a multi-year, multi-jurisdictional programme that was necessary in order to ensure that this complex accounting standard would be appropriately applied across the group.	Over the course of the year the committee has ensured that it has remained abreast of all key aspects of the final stages of the implementation. This has included key judgements, audit work progress and results analysis / education. The committee has reviewed and challenged the IFRS 17 information in the year end 2023 accounts, including the transition disclosures and key judgements.	The committee is satisfied that IFRS 17 has been appropriately applied in the year end 2023 financial statements.
Accounting for the acquisition of Conservatrix	On 1 January 2023, the group completed the acquisition of the insurance portfolio of Nederlandsche Algemeene Maatschappij van Levensverzekering 'Conservatrix' N.V. This represents a large one-off transaction that requires special attention from an accounting perspective.	The committee's role is to ensure that accounting for the acquisition is performed in line with required accounting standards, and is appropriately supported by accounting judgement papers that reflect the underlying facts and circumstances of the transaction.	The committee has reviewed and challenged the judgement papers that have supported the accounting and disclosures associated with this transaction. The committee has reviewed the disclosures within the financial statements and is satisfied that they meet the required accounting standards.
Accounting for the Canada Life arrangement	On 16 May 2023 the UK division reached an agreement with Canada Life UK Limited to acquire its onshore individual protection line of business. Customers' policies are expected to transfer to the UK, subject to the completion of a court-approved Part VII transfer. In the interim period Canada Life UK will reinsure the portfolio to the UK division. The accounting for this transaction requires careful consideration.	Management provided an overview of the accounting implications of incorporating the Canada Life transaction into the UK division, initially as a reinsurance arrangement, to be followed by Part VII transfer. The paper includes the IFRS 17 and IFRS 3 implications including the rationale and details in respect of calculating an opening CSM value. The committee's role is to review and challenge the conclusions documented within this paper.	The committee is satisfied that the accounting considerations regarding this transaction were appropriately documented by management and scrutinised by the committee, and that the financial statements include appropriate disclosures in compliance with relevant accounting standards.
Accounting for the UK's transformation programme	On 22 May 2023 the UK division entered into a new long-term strategic partnership with SS&C to provide policy administration to the UK division. As a result of entering into this new agreement there are plans in place to migrate the majority of the administration of the UK division's policies to SS&C. The accounting for the costs of this programme requires careful consideration as the programme involves the migration of a mix of investment and insurance contracts, which results in a combination of both IFRS 17 Insurance contracts and IAS 37 Provisions, Contingent Liabilities and Contingent Assets applying to the accounting for these costs.	A paper has been produced documenting the overall costs of the programme and how the relevant accounting standards should be applied. The paper covers the key judgements made by management in arriving at the conclusions drawn, which have been reviewed and challenged by the committee.	The committee has concluded that the accounting for the costs of the UK's transformation programme have been performed in line with relevant accounting standards and is satisfied with the associated disclosures in the financial statements.
Valuation of Chesnara plc's investment in CA plc	Chesnara plc's solo balance sheet includes the value of its investment in its various subsidiaries. These are typically carried at cost and are reviewed at least annually for impairment. As a result of dividend payments over time, at some point the underlying value of the group's closed-book subsidiaries will become lower than the carrying value that it is held at in the Chesnara plc balance sheet, resulting in a need to write down the carrying value.	The committee's role is to review and challenge management's paper covering the assessment of the carrying value of Chesnara's investment in its subsidiaries. This includes scrutinising the underlying assumptions underpinning the 'value in use' assessment and the conclusions made.	As a result of the annual impairment process it was concluded that the carrying value of Chesnara plc's investment in Countrywide Assured plc required writing down by £14.4m. This reflects that the underlying value of Countrywide Assured has reduced, largely as a result of its continued dividend streams up to Chesnara plc. Further detail can be found on page 168.

Area of focus	Reporting issue	Role of the committee	Conclusion/action taken
Impairment assessment of AVIF intangible assets	The group IFRS balance sheet includes intangible assets (the 'AVIF' assets), representing the acquired value of the in-force policies at the point of previous acquisitions, which is amortised over the estimated profit profile of the associated polices that were acquired. An impairment test of these intangible assets is required on an annual basis.	The committee is required to review the work performed by management in assessing the carrying value of the AVIF intangible assets, including scrutinising the assumptions made and conclusions drawn.	The review concluded that the net of tax AVIF associated with the acquisition of CASLP Limited should be written down by £6.1m, mainly reflecting the impact of poor persistency experience over 2023, coupled with a change in management's view of assumed future investment returns.
BEPS 2.0	The group is in the process of assessing the impact of the OECD's Pillar 2 Global Anti-Base Erosion (GloBE) rules (BEPS 2.0). The assumption of the group is that it is within the scope of the new regulations, but the fact that its operations are carried out in established tax jurisdictions (the United Kingdom, Sweden and the Netherlands) should ensure that top-up tax is not applicable. Under IAS 12 'Income Taxes', which has been amended in recognition of the GloBE rules, the group is required to provide relevant disclosure in the consolidated financial statements.	A paper has been produced for the committee that summarises the initial impact of BEPS 2.0 on the group. This has been supported by an initial impact assessment by KPMG. The committee's role is to review and challenge the assessment that has been performed by management in forming the disclosures within this year's financial statements.	The committee has reviewed the IAS 12 disclosures that have been made within these financial statements and concluded that they reflect our current view of the impact of BEPS 2.0 on the group.
TCFD/CFD disclosures	The group is required to disclose information in order to comply with the requirements of the TCFD (Task Force on Climate-Related Financial Disclosures). In addition, for the first time this year the group is also required to comply with the new mandatory CFD (Climate Related Financial Disclosures), which is a new legislative requirement for this year.	The role of the committee is to ensure that it has reviewed the disclosures in the Annual Report and Accounts in relation to the group's TCFD and CFD reporting obligations, noting where there are any key judgements in the disclosures that have been produced.	The committee is satisfied that the disclosures in the Annual Report and Accounts meet the requirements of TCFD and CFD and reflect the underlying facts and circumstances of the group and its climate-related objectives.
Expense assumptions used in determining insurance contract provisions	The actuarial reserving process for the UK division includes an assumption on the future expenses that are required to run the business. This includes making judgements on both the future outsourcer and non-outsourcer costs, and any associated transition costs that might be incurred in achieving the longer-term expense assumptions.	The responsibility of the committee is to satisfy itself that the judgements underpinning the projected future expenses required to the run the UK life insurance operations are appropriate, and to ensure these judgements are appropriately reflected in the year end 2023 financial statements.	The committee is satisfied that the expense assumptions included in the valuation of the insurance contract liabilities of the UK division at 31 December 2023 are appropriate and that they are suitably described in note A6(n) on page 168.
Actuarial assumptions	A key aspect of the Audit & Risk Committee's role is to review and challenge the actuarial assumptions that underpin the valuation of the policyholder liabilities in the financial statements. The assumptions are inherently judgemental and are updated at least annually to reflect the facts and circumstances available at the time. The assumptions are underpinned by a combination of internally observed experience coupled with data that is available at a market level. The key assumptions include estimates over: – future mortality and morbidity rates; – future lapse assumptions; – future expense required to manage the policies in force; and – policyholder options and guarantees.	The committee's role is to review and challenge the actuarial assumptions report which underpins the valuation of insurance liabilities.	The committee concluded that the actuarial assumptions were appropriate. Disclosures over key judgements are included in note A6 and note B2 of the IFRS financial statements.

AUDIT & RISK COMMITTEE REPORT

Risk responsibilities
This section of the report provides information regarding the risk oversight responsibilities of the Audit & Risk Committee.

General responsibilities
Overall the committee is responsible for:
- the group's risk management and internal control systems and their effectiveness;
- overseeing the group's risk profile in the context of its current and future strategy;
- discussing and recommending to the board for approval, the group's risk appetite statement, reverse stress testing and scenario stress testing;
- advising the board on proposed changes to the group's risk appetite statement where this is deemed appropriate;
- monitoring risk exposures across the group and advising the board where such exposures do not appear to accord with the group's risk appetite statement;
- reviewing the group's capability to identify and manage emerging and new risk types;
- challenging the regular stress and scenario testing of the group's business;
- determining whether there is a sufficient level of risk mitigation in place;
- overseeing due diligence of a major strategic transaction, including any proposed acquisition or disposal, prior to the board taking a decision to proceed with a view to ensuring that the board is aware of all material risks associated with the transaction;
- considering the adequacy and effectiveness of the technology infrastructure and supporting documentation in the Risk Management System and Framework;
- considering and approving the remit of the Risk function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- providing qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to any performance objectives; and
- considering and recommending to the board for approval, the group's risk related regulatory submissions, including the ORSA.

Focused activities performed during the year
The table below provides some information regarding the more focused activities that the committee has performed during the year in discharging its risk oversight responsibilities.

Acquisitions
The Audit & Risk Committee has overseen the due diligence for the acquisition of Canada Life, ensuring that the board is aware of all material associated risks, in particular the implications for the risk appetite and tolerance of the company, taking independent external advice where appropriate and available. The committee has also been focusing on overseeing the risks associated with the integration of the Conservatrix book in Waard and the Part VII transfer of CASLP into CA. The committee was satisfied that the risk reporting surrounding these activities has been appropriate and that management has responded to any associated risks as they emerge.

UK transition and transformation
During the year the UK business agreed a new long-term strategic partnership with Fin Tech market leader SS&C Technologies (SS&C) to provide policy administration services. The Audit & Risk Committee was provided with appropriate due diligence information on the range of risks associated with onboarding the new administration partner and delivering a multi-dimensional transformation programme, including:
- financial risks, including financial resources and liquidity, and potential impact on financial resilience;
- operational risks, including service delivery, information security, data protection;
- business continuity risks, sub-outsourcing risks, and potential impact on operational resilience;
- concentration risks, including outsourcing or third-party dependencies and the potential impact on operational resilience.

The committee is satisfied that there was appropriate visibility of the key strategic risks and mitigants.

IT/data security and cyber risk
The committee's risk responsibilities include overseeing management's plans to continue to ensure the group remains resilient to IT risks. This includes monitoring results from various initiatives such as the group's 'phishing' tests, cyber attack simulations and penetration testing. Chesnara has established a group-wide Cyber Response Framework to guide the group in preparing and responding effectively to a cyber-attack which includes an updated policy on ransomware. The committee was satisfied that the group's IT risk programme continues to focus on the right priorities in this ever-evolving area.

Global market instability
Ongoing global conflict and economic uncertainty remains a prominent emerging risk for the group, with inflation driven expense risk and future investment returns being the affected key areas with greatest potential impact. As a result of these observations the committee has obtained regular updates from management on potential impacts. This has included consideration of the following:
- Financial results volatility;
- Increased expense base with wage inflation and increasing supplier costs; and
- 3rd party/supplier failure risks.

The committee is satisfied that management is monitoring these risks closely, and that the group's ORSA process suitably examines these scenarios.

Operational and regulatory change
There are a number of operational and regulatory change projects across the group, and as a result the committee has been monitoring these closely. Activity across the group includes:
- integration and Part VII activity for the acquisitions of CASLP and Conservatrix;
- the operational implementation of IFRS 17;
- the ongoing policy administration IT upgrade programme in Scildon;
- operational resilience and digital operational resilience;
- Consumer Duty; and
- climate change risk and sustainability.

The committee was satisfied that the risk reporting surrounding these programmes has been appropriate and that management has responded to any associated risks as they emerge.

Regular activities performed during the year
The table below provides some further information regarding the 'business as usual' activities that the committee has performed during the year in discharging its risk oversight responsibilities:

Quarterly risk reporting: During the year the committee reviewed the quarterly group and divisional risk reports on the identification, evaluation and management of principal risks across the group, including any emerging risks. The quarterly risk reporting included 'in focus' topics as required and also reports against the group's 'watchlist' of items.

Principal risk definition: Reviewed and challenged the group's definition of principal risks for the purpose of reporting and monitoring against these risks, including how they are mitigated through the group's Internal Control Framework.

Dividend proposal: The committee considered the final dividend proposal review document prepared by the Group Chief Risk Officer.

Risk plan review and sign off: The committee reviewed and approved the group and divisional risk plans and associated resourcing needs.

Internal control report: The committee reviewed and approved the annual internal controls assessment report, which concluded that the controls across the group are operating effectively.

Systems of governance review: An annual review of the effectiveness of the systems of governance review was facilitated by the Risk function. This considered a number of areas of the overall system of governance including its completeness, effectiveness, its use and the overall culture. This concluded there were no major areas of concern. Any areas for improvement have been built into future plans, with suitable priorities attached.

ORSA review: The committee reviewed the 2023 group ORSA and made a formal recommendation to the board to approve it. The ORSA includes the outcome of the group's stress and scenario testing. The stresses that are modelled are reviewed and approved as part of the ORSA planning process, and the results are included in the final ORSA report.

Risk appetite: Partially reviewed and re-approved the group's Risk Appetite Framework, including reviewing and challenging the key risk indicators/tolerance limits and key business performance measures. Some aspects of the annual review were deferred to 2024-Q2 following a decision to move the timing of the annual review to allow sufficient time to consider the latest scenario analysis from the ORSA.

Review divisional Audit & Risk Committee progress: Received and challenged updates provided by divisional Audit & Risk Committees.

Continuous solvency monitoring: Reviewed the output from the group's continuous solvency monitoring activities. There were no issues arising from this process during the year.

Standard formula assessment: As part of its annual cycle the Actuarial function performs an assessment of the appropriateness of the standard formula for the purposes of calculating the group's capital requirements under Solvency II. The work and associated findings was reviewed and challenged by the committee.

Assurance
Taken together, the group's Risk function and Internal Audit function ensure that the committee is provided with appropriate assurance throughout each year. The second-line Risk function ensures independent review and challenge of business performance and activities with the opportunity to influence areas of review to be undertaken by the independent third-line Internal Audit function. The committee can direct the activity of either function as circumstances require, amending work plans to accommodate deep dives if felt appropriate to do so. The committee leverages these functions within the group's proportionate three-lines of defence model in addition to engaging with, and having board representation on, the business unit Audit & Risk Committees which themselves have local Risk and Internal Audit functions. In this way, and through receiving assurance reports from each business unit on a quarterly basis, the committee satisfies itself with regard the assurance it obtains on the group's activities and performance.

Jane E Dale

Jane Dale
Chair of the Audit & Risk Committee
27 March 2024

DIRECTORS' REPORT

The directors present their Annual Report and Accounts and the audited consolidated financial statements of Chesnara plc for the year ended 31 December 2023. The Corporate Governance Report on pages 98 to 102 forms part of the Directors' Report.

Chesnara plc – Company No. 4947166
The following information, that has been included by way of a cross reference to other areas of the Annual Report and Accounts, is required by the Companies Act to be included within the Directors' Report:

Requirements/reference
Financial risk management objectives and policies
The Financial Management section on pages 59 and 60 and the Risk Management section on pages 61 to 70.

Exposure to price risk, credit risk, liquidity risk and cash flow risk
Note 6 'Management of financial risk' to the IFRS Financial Statements.

Likely future developments
The Business Review section on pages 38 to 44.

Greenhouse gas reporting
The Corporate and Social Responsibility section on pages 71 to 91.

Environmental, employee and social community matters
The Corporate and Social Responsibility section on pages 71 to 91.

Directors
Full information of the directors who served in 2023 is detailed in the Corporate Governance Report on pages 98 to 102.

Details of the non-executive directors who served as chairs and members of the board committees of the board are set out in the Corporate Governance Report on pages 98 to 102. Information in respect of the Chair and members of the Remuneration Committee and in respect of directors' service contracts is included in the Remuneration Report on pages 105 to 119, which also includes details of directors' interests in shares and share options. The Chair and all the non-executive directors will retire at the Annual General Meeting and, being eligible, offer themselves for election or re-election as appropriate. All of the executive directors have service contracts with the company of no more than one year's duration and will offer themselves for re-election at least every three years.

The service contracts of all the directors are retained at the company's office and will be available for inspection for 15 minutes prior to the Annual General Meeting. No director had any material interest in any significant contract with the company or with any of the subsidiary companies during the year.

The directors benefitted from qualifying third party indemnity provisions in place during the years ended 31 December 2022 and 31 December 2023 and the period to 27 March 2024.

Director evaluations
During the year, the Chair evaluated the performance of all appointed directors in one to one meetings and the senior independent director evaluated the performance of the Chair. It was confirmed that each director continued to make effective contributions in their role and to the board as a whole.

Director appointments
With regard to the appointment and replacement of directors, the company follows the UK Corporate Governance Code 2018 and is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution.

Share capital
Details of the issued share capital, together with details of movements in the issued share capital of Chesnara plc during the year are shown in note H1 to the IFRS Financial Statements which is incorporated by reference and deemed to be part of this report.

The company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 31 December 2023, the company had 150,650,275 ordinary shares in issue, of which none were held as treasury shares. During the year, no treasury shares were held or traded.

In order to retain maximum flexibility, the company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2023, to repurchase up to 10% of its issued share capital. Further details are provided in the Notice of this year's Annual General Meeting.

At the Annual General Meeting in 2023, shareholders approved resolutions to allot shares up to an aggregate nominal value of £5,012,959 and to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's Annual General Meeting to renew these authorities.

No person has any special rights of control over the company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or voting rights. The directors have no current plans to issue shares.

Articles of Association
The company's Articles of Association may only be amended by special resolution of the company at a general meeting of its shareholders.

Conflicts of interest
Procedures are in place to ensure compliance with the directors' conflict of interest duties as set out in the Companies Act 2006. The company has complied with these procedures during the year and the board considers that the procedures operated effectively. During the year, details of any new conflicts or potential conflicts were advised and submitted to the board for consideration, and where appropriate, approved.

There were no material conflicts of interest noted in 2023.

WE EVALUATE ALL OUR APPOINTED DIRECTORS AND THE CHAIR TO ENSURE THEY ARE CONTINUING TO MAKE EFFECTIVE CONTRIBUTIONS.

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

Results and dividends
The consolidated statement of comprehensive income for the year ended 31 December 2023, prepared in accordance with United Kingdom adopted international accounting standards and set out on page 142 shows:

	2023 £m	Restated 2022 £m
Profit/(loss) for year attributable to shareholders	18.7	(33.7)

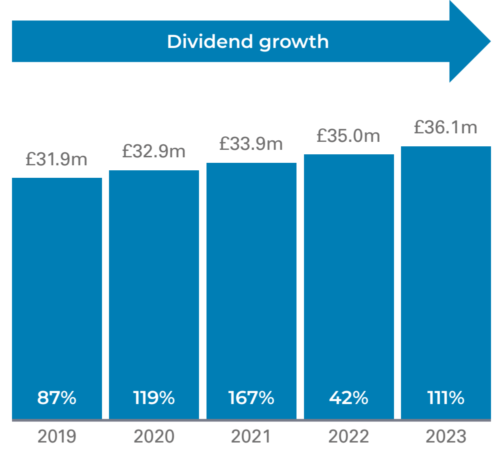
The group IFRS results are reported under IFRS 17 for the first time in the annual financial statements. IFRS 17 is the new accounting standard for recognising, measuring and disclosing insurance contracts. This is effective for the first time in these financial statements and replaces the previous standard, IFRS 4. IFRS 17 has been implemented as if it had always been in place and so previous results have been restated.

An interim dividend of 8.36p (2022: 8.12p) per ordinary share was paid by Chesnara on 10 November 2023. The board recommends payment of a final dividend of 15.61p (2022: 15.16p) per ordinary share on 28 May 2024 to shareholders on the register at the close of business on 12 April 2024.

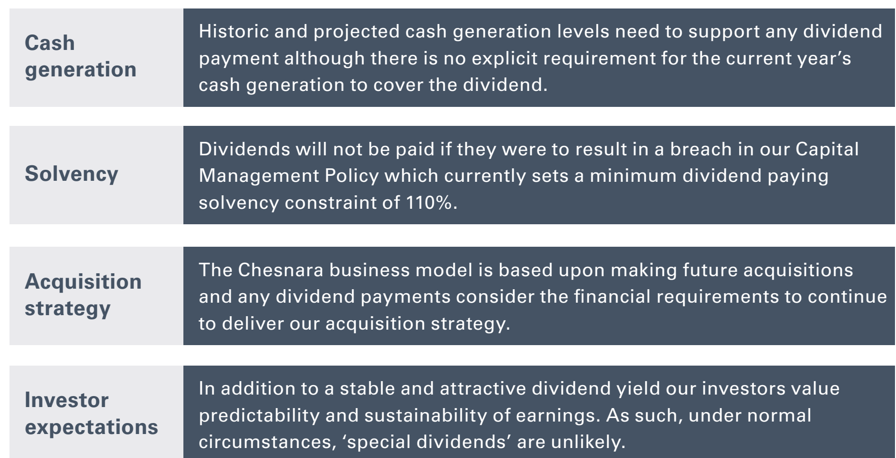
The Chesnara Dividend Policy is directly influenced by two key factors. We recognise that our shares are predominantly held as a source of predictable and sustainable income. Our primary aim is therefore to provide an attractive yield with steady growth where possible.

Our aim to satisfy investor expectations cannot and will not be delivered at the expense of financial security and solvency. As such, dividend capacity is assessed giving full regard to our Group Capital Management Policy which currently prohibits dividends to be declared that would result in Chesnara having a solvency ratio below 110%.

Total dividend as a ratio of cash generated



Considerations



The chart above shows the dividend paid in each respective year as a percentage of the cash generated. Over the past 5 years £170m of dividends have been paid at an average annual yield of 7.8% (based on average annual share prices) representing 85% of the cash generated over the period.

The board makes dividend decisions with reference to a range of management information, reports and policies including the group ORSA, group business plan, solvency analysis including sensitivities, analysis of historic financial results and the Group Capital Management Policy.

Substantial shareholdings
Information provided to the company by major shareholders pursuant to the FCA's Disclosure and Transparency Rules (DTR), is published via a Regulatory Information Service and is available on the company's website. The company had been notified under Rule 5 of the DTR of the following interests in voting rights in its shares as at 16 February 2023; 20 April 2023; 24 October 2023; and 28 November 2023:

Name of substantial shareholder	Total number of ordinary shares held	Percentage of the issued share capital as at 31 December 2023
Columbia Threadneedle Investments (London)	17,733,950	11.76%
Aberdeen Standard Investments (Standard Life) (Edinburgh)	16,334,208	10.83%
Hargreaves Lansdown Asset Mgt (Bristol)	11,677,651	7.74%
Interactive Investor (Manchester)	11,138,758	7.38%
M&G Investments (London)	9,558,884	6.34%
Canaccord Genuity Wealth Mgt (London)	6,075,000	4.03%
Janus Henderson Investors (London)	5,623,316	3.73%
Royal London Asset Mgt (London)	5,502,369	3.65%

DIRECTORS' REPORT

Subsequent to 31 December 2023 there have been changes to this position and the holdings as at 15 March 2024 are shown below. No other person holds a notifiable interest in the issued share capital of the company.

Name of substantial shareholder	Total number of ordinary shares held	Percentage of the issued share capital as at 15 March 2024
Columbia Threadneedle Investments (London)	17,740,780	11.76%
Aberdeen Standard Investments (Standard Life) (Edinburgh)	15,904,519	10.54%
Hargreaves Lansdown Asset Mgt (Bristol)	11,810,386	7.83%
Interactive Investor (Manchester)	11,238,648	7.45%
M&G Investments (London)	9,788,490	6.49%
Canaccord Genuity Wealth Mgt (London)	6,350,567	4.21%
Janus Henderson Investors (London)	5,592,777	3.71%
Royal London Asset Mgt (London)	5,502,369	3.65%

Chesnara plc has no multiple voting rights or voting certificates relative to total voting rights and no issued share capital is composed of non-voting shares. Depositary receipts represent 0% of voting rights and our free float percentage of voting rights exceeds 98%.

Related party transactions and significant contracts

During the year ended 31 December 2023, the company did not have any material transactions or transactions of an unusual nature with, and did not make loans to, related parties in which any director has or had a material interest.

There were no significant contracts with substantial shareholders during the year.

Post balance sheet events

There have been no post balance sheet events that either require adjustment to the financial statements or are important in the understanding of the company's current position, financial performance or results.

Charitable donations

Charitable donations made by group companies during the year ended 31 December 2023 were £36,285 (2022: £65,353). This consisted of a donation of £22,075 to an environmental sustainability charity based in the Netherlands and £14,210 donated to a range of other charitable initiatives by our Swedish, Dutch and UK divisions.

No political contributions were made during the year ended 31 December 2023 (2022: £nil).

Employees

The average number of employees during 2023 was 387 (2022: 414).

Employee involvement

The group believes that employee communication and consultation is important in enhancing the company culture and connectivity, and in motivating and retaining employees. An open communications programme enables all employees to understand key strategies and other matters of interest and importance, quickly and efficiently. The communication includes face-to-face briefings, open discussion forums with senior management and updates via email.

Business relationships

Throughout the year the directors have had regard for the need to foster the company's business relationships with suppliers, customers and stakeholders, including on the principal decisions taken by the company during the financial year. Information supporting this is provided in the Section 172 disclosures on pages 30 to 37.

Going concern statement

After making appropriate enquiries, including consideration of the economic uncertainty in the wake of a high-inflation environment on the group's operations, financial position and prospects, the directors confirm that they are satisfied that the company and the group have adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements. Further details can be found within the Financial Management section on page 60.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

A resolution for the re-appointment of Deloitte LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting. Chesnara is satisfied that it adheres to the rules that are imposed on UK listed companies to perform a tender after 10 years and with a mandatory change of auditors after 20 years.

Approved by the board on 27 March 2024 and signed on its behalf by:

David Rimmington
Group Finance Director

DIRECTORS' RESPONSIBILITIES STATEMENT

Directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors are required to prepare the group financial statements in accordance with UK-adopted international accounting standards.

In preparing the financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Details of the company's greenhouse gas emissions, energy consumption and energy efficiency can be found in the Climate-Related Financial Disclosures within the Strategic Report section, on pages 71 to 91.

Disclosures under Listing Rule 9.8.4R
For the purposes of Listing Rule 9.8.4C, the information required to be disclosed under Listing Rule 9.8.4R can be found within the following sections of the Report and Accounts:

Section	Requirement	Location
1	Statement of interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
3	Deleted	Not applicable
4	Details of long-term incentive schemes	Directors' Remuneration Report
5	Waiver of emoluments by a director	Not applicable
6	Waiver of any future emoluments by a director	Not applicable
7	Non pre-emptive issue of equity for cash	Not applicable
8	As per 7, but for major subsidiary undertakings	Not applicable
9	Parent participation in any placing of a subsidiary	Not applicable
10	Contracts of significance	Not applicable
11	Controlling shareholder provision of services	Not applicable
12	Shareholder dividend waiver	Not applicable
13	Shareholder dividend waiver – future periods	Not applicable
14	Controlling shareholder agreements	Not applicable

Responsibility statement
The directors whose names and functions are listed in the Board Profile and Board of Directors section on pages 94 and 95, confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant Financial Reporting Framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Approved by the board on 27 March 2024 and signed on its behalf by

Luke Savage
Chair
27 March 2024

Steve Murray
Chief Executive Officer
27 March 2024

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The City of London, England

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESNARA PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- **the financial statements of Chesnara plc (the parent company) and its subsidiaries (the group) give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements, which comprise:

- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Balance Sheets;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated and Parent Company Statement of Cash Flows; and
- the related Notes A1 to J9, excluding the Capital Management disclosures calculated in accordance with the Solvency II regime in Note B4, which are labelled as 'unaudited'.

The Financial Reporting Framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Initial adoption of IFRS 17; – Expense assumptions used in the valuation of insurance contract liabilities; and – Valuation of Chesnara plc's investment in Countrywide Assured plc (CA) Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £10.3m which was determined on the basis of 2% of adjusted net assets. IFRS 17 brought in the concept of Contractual Service Margin (CSM), which reflects the estimated deferred profit that is expected to be realised within net assets in future reporting periods. We deem it appropriate to adjust net assets by adding CSM to the benchmark, in the determination of materiality in the current year.
Scoping	Our group audit work focused on the material components where the group's policies are administered. In 2023, the full scope of audit covered all components of the group.

Significant changes in our approach	With effect from 1 January 2023, the group transitioned to IFRS 17 'Insurance Contracts', which replaced the existing standard for insurance contracts, IFRS 4. The group's financial statements for the year ended 31 December 2023 are the group's first set of financial statements to include the adoption of the new standard, including the retrospective application to the preceding period. Given the significance, complexity and judgements associated with the transition, we have identified a key audit matter in relation to the initial adoption of IFRS 17. In the current period we have identified a new key audit matter relating to the insurance contract liabilities, specifically to the expense assumptions used within the valuation. In the prior year, we identified key audit matters pertaining to the valuation of the CASLP Limited Acquired Value In-Force (AVIF) intangible asset, Scildon insurance liabilities, and the Movestic Deferred Acquisition Costs (DAC) intangible asset. The quantum of the AVIF intangible at the 2023 period end is such that the valuation is not materially sensitive to assumptions, the use of historic assumptions underpinning the Scildon insurance liabilities is no longer an appropriate practice under IFRS 17, and the Movestic DAC has sufficient headroom. We have therefore not included these items as key audit matters in the current period.

Conclusions relating to going concern

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

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

- gaining an understanding of the controls in relation to management's assessment of going concern and the governance process around the going concern assumption;
- evaluating management's stress and scenario testing within the group Own Risk and Solvency Assessment (ORSA), and the key assumptions used with reference to internal and external information;
- with the involvement of actuarial specialists, reviewing the governance over, and the production of, solvency monitoring information, and considering its consistency with other available information and our understanding of the business;
- evaluating management's assessment of the risks across the group, including: investment and liquidity risk, regulatory change risk, acquisition risk, demographic experience risk, expense risk, operational risk, IT and data security and cyber risk, new business risk, and reputational risk;
- evaluating the key assumptions underpinning the group's forecasted profitability and liquidity within the group business plan;
- assessing the mitigating actions management have put in place, and further plans they have if required, in anticipation of any further deterioration of the wider UK and global economy; and
- assessing the appropriateness of the going concern disclosures in the financial statements, based on our knowledge gained throughout the audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESNARA PLC

Initial adoption of IFRS 17

Key audit matter description
IFRS 17 'Insurance Contracts' became effective from 1 January 2023, replacing IFRS 4 'Insurance Contracts'. The new standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts, which are significantly different to those required under IFRS 4. The group's financial statements for the year ended 31 December 2023 are the group's first set of financial statements under the new standard and include comparative financial information that has been restated from 1 January 2022. The first-time adoption resulted in a reduction in the group's net equity of £14.8m upon transition.

The application of IFRS 17 to the group's insurance contracts requires significant management judgement in developing the valuation methodology, defining the related accounting policies, and implementing those policies appropriately within the relevant calculation models. The judgements, policy choices and elections made have the potential to significantly impact the financial results of the group.

The new standard has introduced a number of significant changes, including new requirements regarding the recognition and measurement of insurance contracts and related account balances and classes of transactions. This resulted in an increased extent of audit effort, including the involvement of our internal actuarial specialists.

Due to the pervasive impact of the IFRS 17 transition on the group's financial reporting, we have concluded that the implementation of the new standard forms a key audit matter.

The transitional approach and impact of IFRS 17 is documented within Note A4 to the financial statements, and the Audit & Risk Committee Report on page 120.

How the scope of our audit responded to the key audit matter
In assessing management's judgements in the interpretation and application of IFRS 17, we have performed the following procedures:

- with the involvement of IFRS 17 accounting and actuarial specialists, we have critically evaluated the appropriateness of key technical accounting decisions, judgements, assumptions, and elections made in determining the impacts to assess compliance with the requirements of the standard;
- assessed and validated materiality-based judgements taken by management in the application of IFRS 17 to the group's contracts, by agreeing key inputs back to audited source data;
- with the involvement of actuarial specialists we assessed the group's implementation of the defined methodology and IFRS 17 actuarial models;
- substantiated the incremental data and other information required for the IFRS 17 calculations, including the relevant input data; and
- evaluated the new ongoing disclosures and the disclosures related to the transition impact and reconciled the disclosures to underlying accounting records and supporting data.

Key observations
Based on the procedures described above, we consider the group's initial adoption of IFRS 17 to be appropriate and in compliance with the standard.

Expenses assumptions used in the valuation of insurance contract liabilities

Key audit matter description
The insurance contract liabilities are one of the largest balances on the balance sheet, held at £4.2bn (2022: £3.8bn) at 31 December 2023. The valuation of insurance contract liabilities is determined using actuarial assumptions that require complex judgements and estimates to be made by management. A number of the assumptions, such as mortality and morbidity, economic assumptions, and lapse rates, are made with reference to industry tables and actual experience, and hence market benchmarking highlights material deviations from industry practices. The expense assumptions require management to make significant judgements and estimates relating to the future expenses attributable to insurance contracts. The risk associated with the expense assumptions has increased during the period, as a result of:

- the restructure of the administration outsourcing arrangements for the UK business, including the anticipated project costs of migration and termination;
- the impact of inflation on future expenses in the short- and longer-term, particularly given the current high interest rate environment; and
- the cost implications of maintaining insurance portfolios in run-off, particularly where variable cost assumptions are used.

Given the significance of the insurance contract liabilities held within CA (£1.4bn), Waard (£0.8bn) and Scildon (£1.9bn), our key audit matter has been pinpointed to the expense assumptions within these subsidiaries. As the expense assumptions are susceptible to manipulation by management, we have determined that there was a risk of misstatement due to fraud.

The accounting policy relating to the insurance contract liabilities has been presented in Note A5(a), with details of the balance and movement set out within Note F1. The expense assumptions used in determining insurance contracts liabilities are also referred to in the Audit & Risk Committee Report on page 120.

How the scope of our audit responded to the key audit matter
In respect of the expense assumptions used in the valuation of the insurance contract liabilities, we have performed the following procedures:

- gained an understanding of the relevant controls in relation to the derivation and approval of expense assumptions;
- with involvement of actuarial specialists, we evaluated the appropriateness of expense assumptions and methodology, by benchmarking with industry expectations, and the assessment of management actions;
- tested the key inputs into significant judgements, such as assessing whether the anticipated costs of migration and termination are consistent with contractual arrangements;
- tested 'actual' expenses, and compared previous forecasts to observed actuals to understand management's forecasting accuracy; and
- assessed the mechanical accuracy of the underlying calculation verifying whether the methodology has been applied correctly.

Key observations
Based on the procedures performed, we consider the expense assumptions used in the valuation of insurance contract liabilities to be appropriate.

Valuation of Chesnara plc's investment in CA

Key audit matter description
Chesnara plc, the parent company, holds a total investment of £399.6m (2022: £414.0m) on the Company Balance Sheet relating to its investment in group subsidiaries, at cost less impairment.

At 31 December 2022, the company held investments of £142.9m and £62.9m in CA and CASLP, respectively. At 31 December 2023, following a £14.4m impairment, an investment of £191.4m was held in CA as a result of substantially all of the CASLP insurance business, and therefore corresponding investment, being Part VII transferred into CA.

In line with IAS 36: Impairment of Assets, management are required to carry out an impairment assessment if there is indication of impairment loss at the balance sheet date. Through the assessment management evaluated whether the investment in CA is carried at more or less than the recoverable amount, which is the higher of fair value less costs of disposal and value in use, and therefore whether an impairment is required. Management have historically deemed economic value (EcV) to be an appropriate proxy for the IAS 36 'value in use' within their impairment assessment. Management's definition of EcV has been set out on page 49.

In recent periods the CA EcV has been on a downwards trend as over this time period dividends paid to the parent company have exceeded its EcV growth, with this dynamic being a function of it being a closed book. The impairment assessment performed by management at the balance sheet date highlighted £14.4m (2022: £25.0m) of impairment over the carrying value of the investment. We therefore identified a key audit matter relating to the valuation of the parent company's investment in CA.

Due to the potential for management to introduce inappropriate bias to judgements made in the impairment assessment, we have determined that there was a risk of misstatement due to fraud.

The accounting policy relating to the valuation of Chesnara plc's investment in CA has been presented in Note A5(z), with details of the impairment sensitivities within Note A6(k). The investment in CA is also referred to in the Audit & Risk Committee Report on page 120.

How the scope of our audit responded to the key audit matter
In respect of the investment in CA, we have performed the following procedures:

- gained an understanding of the relevant controls in place around the impairment assessment and EcV valuation;
- evaluated management's methodology and the appropriateness of using EcV as a proxy for the 'value in use' with reference to the requirements of IAS 36;
- evaluated management's assessment by performing benchmarking against other recent industry transactions to gain corroborative and contradictory evidence; and
- with the involvement of actuarial specialists, we evaluated the accuracy and completeness of adjustments made to the IFRS balance sheet to determine EcV.

Key observations
Based on the procedures performed, we consider the carrying value of Chesnara plc's investment in CA is appropriate.

Our application of materiality

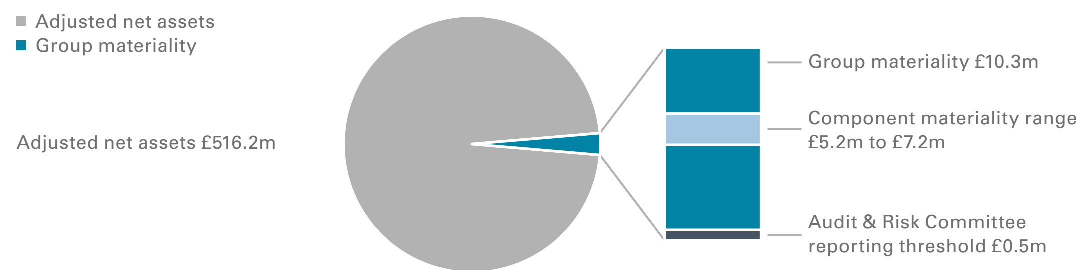
Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£10.3m (2022: £9.9m)	£9.0m (2022: £9.4m)
Basis for determining materiality	2% of adjusted net assets (2022: 3% of net assets).	3% of net assets The basis of determining materiality is consistent with the prior period, however the prior period parent company materiality was capped at 95% of group materiality.
Rationale for the benchmark applied	The key stakeholders of the group are focussed on the management of capital under Solvency II, and therefore we consider the most relevant metric to be the net asset position of the group. IFRS 17 brought in the concept of CSM, which reflects the estimated deferred profit that is expected to be realised within net assets in future reporting periods. We deem it appropriate to adjust net assets by adding CSM to the benchmark, reflecting the future value of the group. We have updated the benchmark to reflect the changes in the balance sheet as a result of IFRS 17 implementation.	A net assets or equity measure is closely aligned to the objectives of parent company, in making dividend payments from the distributable reserves, and the benchmark represents a stable long-term measure of the company's financial position.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESNARA PLC

Our application of materiality (continued)



Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2022: 65%) of group materiality	65% (2022: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the quality of the control environment and whether we were able to rely on controls, internal and external factors affecting the business, the nature of the balances, and the level of corrected and uncorrected misstatements identified in the previous audit.	

As permitted by FRC Practice Note 20 'The Audit of Insurers in the United Kingdom', we applied a separate testing threshold of £24m within the UK component, for testing the unit-linked assets and liabilities, the associated statement of comprehensive income balances and related notes. This was determined with reference to 1% of unit-linked assets.

Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the committee all audit differences in excess of £500,000 (2022: £495,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

The risk assessment and scoping for the group has been performed centrally by the group audit team. Based on this assessment and consistent with the prior year, we focused our group audit scope primarily where the group's policies are administered. This included the UK reporting segment (including all UK incorporated companies per Note I7), Waard Group and Scildon in the Netherlands and Movestic Livförsäkring AB in Sweden. These components account for all the operations of the group and were all subject to a full scope audit, which covered 100% of net assets, profit before tax and revenue of the group.

Excluding the parent company, the component materiality levels set by the group auditor range from £5.2m to £7.2m (2022: £5.0m to £5.4m).

The audit at each location involved the use of component audit teams. The procedures performed by the group audit team specifically relate to the parent company, and group consolidation.

Our consideration of the control environment

We have focused our assessment of controls around each of the key audit matters detailed on pages 135 to 137, and significant balances and business processes, including premiums, claims, reserving, investments, and financial reporting. With the support of our IT specialists, we have performed walkthroughs to gain an understanding of the underlying IT systems. The extent of the controls assessment and testing performed across the group varies depending on the maturity of the IT systems and controls.

If, through the process of understanding the systems and controls, we identified deficiencies or found that previously identified deficiencies had not been remediated or had been risk accepted by management, we did not seek to take a controls reliance approach. Management recognises the need to enhance certain aspects of its general IT controls across the group, as stated on page 102.

We took a controls reliance approach over the Movestic listed investments cycle. We have shared observations arising from our procedures with management and the Audit & Risk Committee. The board's assessment of the control environment is set out on page 102.

Our consideration of climate-related risks
In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements.

The group's Risk Management Policy and Framework encompass the potential impacts and opportunities of environmental, social and governance factors (ESG) and climate change as explained in the Strategic Report on pages 24 to 91. Climate-related risks and opportunities are overseen by the group board as well as management, with climate change matters assigned to Group Chief Executive Officer (Group CEO) at a group level and the respective CEOs at business unit level. As set out in Note A5(ad), management does not consider that climate change risk is currently a key source of estimation uncertainty nor that it presents a material impact to the judgements made in the financial statements.

We have held discussions with management and reviewed their supporting papers to understand the climate-related risk assessment, legal and regulatory requirements, ESG strategy, governance, and disclosures. Further, we have obtained an understanding of management's process and controls in considering the impact of climate risks.

With the involvement of our actuarial and ESG specialists, we performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transaction, incorporating the external and internal factors affecting the entity, and did not identify any additional risks of material misstatement.

With the involvement of our ESG specialists, we read the disclosures included in the Annual Report and Accounts to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit, and evaluated the appropriateness of disclosures included in the financial statements in Note A5(ad).

Working with other auditors
Referral instructions have been provided to each of the component audit teams detailing the procedures to be performed to support the group audit opinion. The group audit team have utilised virtual meetings and in-person visits throughout the audit, to monitor and challenge each of the component audit teams, including the attendance of senior group audit team members at key component meetings. The group audit team have reviewed the audit files of each component team, focusing on the following areas;

- independence and continuance;
- assessment of the control environment;
- procedures around key audit matters and financial reporting; and
- legal and regulatory compliance.

In addition to the review of the component audit files, the group audit team has evaluated the component responses to the referral instructions ensuring that the planned procedures have been performed appropriately.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report and Accounts.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities** This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESNARA PLC

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, internal audit, the directors and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team, including significant component audit teams, and relevant internal specialists, including tax, actuarial, IT, IFRS 17, ESG and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: expense assumptions used in the valuation of insurance contract liabilities and the valuation of Chesnara plc's investment in CA. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation, and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory solvency requirements and compliance with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA), De Nederlandsche Bank (DNB) and the Swedish Financial Services Authority (FSA).

Audit response to risks identified

As a result of performing the above, we identified expense assumptions used in the valuation of insurance contract liabilities and the valuation of Chesnara plc's investment in CA as key audit matters related to the potential risk of fraud. The Key Audit Matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the FRC, PRA, DNB and the FSA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 130;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate, set out on page 130;
- the directors' statement on fair, balanced and understandable, set out on page 131;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 63;
- the section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems, set out on page 102; and
- the section describing the work of the Audit & Risk Committee, set out on page 120.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters which we are required to address

Auditor tenure
Following the recommendation of the Audit & Risk Committee, we were appointed by the group's board on 1 October 2009 to audit the financial statements for the year ending 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 31 December 2009 to 31 December 2023.

Consistency of the audit report with the additional report to the Audit & Risk Committee
Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the FCA Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Matthew Perkins

Matthew Perkins (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

27 March 2024

IFRS FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December	Note	2023 £m	Restated 2022 £m
Insurance revenue	D1	228.0	225.1
Insurance service expense	D1	(224.7)	(206.1)
Net expenses from reinsurance contracts held	D1	(8.4)	(5.7)
Insurance service result		**(5.1)**	**13.3**
Net investment return	D2	1,023.5	(1,556.9)
Net finance (expenses)/income from insurance contracts issued	D2	(314.9)	548.8
Net finance income/(expenses) from reinsurance contracts held	D2	6.7	(13.1)
Net change in investment contract liabilities	D2	(529.6)	589.3
Change in liabilities relating to policyholders' funds held by the group	D2	(114.0)	392.9
Net investment result		**71.7**	**(39.0)**
Fee, commission and other operating income	D3	89.4	59.6
Total revenue net of investment result		**156.0**	**33.9**
Other operating expenses	D4	(149.9)	(100.9)
Total income less expenses		**6.1**	**(67.0)**
Financing costs	D5	(11.0)	(10.5)
Profit arising on business combinations and portfolio acquisitions	I8	6.7	15.4
Profit/(loss) before income taxes	C2	**1.8**	**(62.1)**
Income tax credit	D6	16.9	28.4
Profit/(loss) for the period	C2	**18.7**	**(33.7)**
Items that may be reclassified subsequently to profit and loss:			
Foreign exchange translation differences arising on the revaluation of foreign operations		(7.8)	6.9
Revaluation of pension obligations after tax		(0.7)	–
Revaluation of land and building		0.1	0.7
Other comprehensive (expense)/income for the period, net of tax		**(8.4)**	**7.6**
Total comprehensive income/(expense) for the period		**10.3**	**(26.1)**
Basic earnings per share (based on profit or loss for the period)	I3	12.41p	(22.40)p
Diluted earnings per share (based on profit or loss for the period)	I3	12.29p	(22.13)p

The Notes and information on pages 146 to 253 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December	Note	2023 £m	Restated 2022 £m	Restated 2021 £m
Assets				
Intangible assets	**E1**	96.4	126.1	80.4
Property and equipment	**E2**	8.4	7.9	7.8
Investment properties	**E3**	88.1	94.5	1.1
Insurance contract assets	**F1**	4.0	–	–
Reinsurance contract assets	**F1**	185.7	194.0	242.3
Amounts deposited with reinsurers		32.5	32.8	38.3
Financial investments	**E4**	11,456.1	10,536.8	9,176.0
Derivative financial instruments	**E5**	0.3	0.1	0.3
Other assets	**E6**	57.7	46.4	47.3
Deferred tax assets	**G4**	54.6	11.7	0.9
Cash and cash equivalents	**E7**	146.0	204.6	70.1
Total assets		**12,129.8**	**11,254.9**	**9,664.5**
Liabilities				
Insurance contract liabilities	**F1**	4,203.0	3,821.6	4,032.1
Reinsurance contract liabilities	**F1**	17.1	17.3	33.1
Other provisions	**G1**	23.2	8.7	1.7
Investment contracts at fair value through profit or loss		5,872.3	5,660.8	3,982.0
Liabilities relating to policyholders' funds held by the group		1,281.8	986.8	990.6
Lease contract liabilities	**G2**	1.2	1.2	2.0
Borrowings	**G3**	207.9	212.0	47.2
Derivative financial instruments	**E5**	4.4	3.8	–
Deferred tax liabilities	**G4**	24.3	31.8	8.9
Deferred income	**G5**	2.8	3.5	4.5
Other current liabilities	**G6**	131.7	123.3	118.7
Bank overdrafts	**E7**	0.2	–	0.3
Total liabilities		**11,769.9**	**10,870.8**	**9,221.1**
Net assets	**C2**	**359.9**	**384.1**	**443.4**
Shareholders' equity				
Share capital	**H1**	7.5	7.5	7.5
Merger reserve	**H1**	36.3	36.3	36.3
Share premium	**H1**	142.5	142.3	142.1
Other reserves	**H2**	6.5	14.9	7.3
Retained earnings	**H3**	167.1	183.1	250.2
Total shareholders' equity		**359.9**	**384.1**	**443.4**

The Notes and information on pages 146 to 253 form part of these financial statements.

Approved by the board of directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Luke Savage
Chair

Steve Murray
Chief Executive Officer

Company number: 04947166

IFRS FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December	Note	2023 £m	Restated 2022 £m
Profit/(Loss) for the period		**18.7**	**(33.7)**
Adjustments for:			
Depreciation of property and equipment	**E2**	0.8	0.7
Depreciation on right-of-use assets		0.8	0.7
Amortisation of intangible assets	**E1**	17.1	17.5
Impairment of intangible assets		21.0	–
Interest on lease liabilities		–	–
Share-based payment		0.7	0.9
Tax paid/(recovered)		(16.9)	13.0
Interest receivable		(5.6)	(9.5)
Dividends receivable		(2.3)	(1.5)
Interest expense		10.3	10.5
Fair value (gains)/losses on financial assets and investment properties		(1,023.5)	1,428.2
Profit on business combinations and portfolio acquisitions		(6.7)	(15.4)
Increase in intangible assets related to investment contracts		(10.2)	(9.1)
Adjustment total		**(1,014.5)**	**1,436.0**
Interest received		7.5	9.6
Dividends received		19.6	1.5
Changes in operating assets and liabilities:			
Decrease/(increase) in financial assets and investment properties		327.6	(138.7)
Decrease/(increase) in net reinsurers contract assets		7.8	28.3
Decrease/(increase) in amounts deposited with reinsurers		0.3	5.5
(Increase)/decrease in other assets		(19.5)	8.6
Increase/(decrease) in net insurance contract liabilities		93.7	(557.9)
Increase/(decrease) in investment contract liabilities		526.4	(747.9)
Increase/(decrease) in provisions		2.3	(2.8)
Increase/(decrease) in other current liabilities		5.7	(38.4)
Cash utilised from operations		**(24.4)**	**(29.9)**
Income tax paid		(10.5)	(12.1)
Net cash utilised from operating activities		**(34.9)**	**(42.0)**
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		30.3	55.6
Development of software		–	(2.4)
Net proceeds/(purchases) of property and equipment		(0.8)	(1.1)
Net cash generated by investing activities		**29.5**	**52.1**
Cash flows from financing activities			
Net proceeds from the issue of share capital		0.2	0.3
Net proceeds from Tier 2 debt raised		–	196.5
Proceeds from borrowings		–	2.0
Repayment of borrowings		(3.9)	(37.1)
Repayment of lease liabilities		(0.6)	(0.3)
Dividends paid		(35.4)	(34.3)
Interest paid		(10.1)	(5.8)
Net cash (utilised)/generated by from financing activities		**(49.8)**	**121.3**
Net (decrease)/increase in cash and cash equivalents		**(55.2)**	**131.4**
Net cash and cash equivalents at beginning of period	**E7**	204.6	69.8
Effect of exchange rate changes on net cash and cash equivalents		(3.6)	3.4
Net cash and cash equivalents at end of the period	**E7**	**145.8**	**204.6**

Note. Net cash and cash equivalents includes overdrafts.

The Notes and information on pages 146 to 253 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2023 (restated)		**7.5**	**142.3**	**36.3**	**14.9**	**183.1**	**384.1**
Profit for the year		–	–	–	–	18.7	18.7
Dividends paid		–	–	–	–	(35.4)	(35.4)
Foreign exchange translation differences		–	–	–	(7.8)	–	(7.8)
Other items of comprehensive income		–	–	–	(0.6)	–	(0.6)
Issue of share premium		–	0.2	–	–	–	0.2
Share-based payment		–	–	–	–	0.7	0.7
Equity shareholders' funds at 31 December 2023		**7.5**	**142.5**	**36.3**	**6.5**	**167.1**	**359.9**

Year ended 31 December 2022

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2022 (as previously stated)		**7.5**	**142.1**	**36.3**	**7.3**	**265.0**	**458.2**
Transition adjustments	**A4**	–	–	–	–	(14.8)	(14.8)
Equity shareholders' funds at 1 January 2022 (restated)		**7.5**	**142.1**	**36.3**	**7.3**	**250.2**	**443.4**
Loss for the year		–	–	–	–	(33.7)	(33.7)
Dividends paid		–	–	–	–	(34.3)	(34.3)
Foreign exchange translation differences		–	–	–	6.9	–	6.9
Other items of comprehensive income		–	–	–	0.7	–	0.7
Issue of share premium		–	0.2	–	–	–	0.2
Share-based payment		–	–	–	–	0.9	0.9
Equity shareholders' funds at 31 December 2022 (restated)		**7.5**	**142.3**	**36.3**	**14.9**	**183.1**	**384.1**

The Notes and information on pages 146 to 253 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A1 General information

Chesnara plc (Registered number 4947166) (the company) is a limited liability company, incorporated in the United Kingdom and registered in England and Wales. The company is limited by shares and has a primary listing on the London Stock Exchange. The address of the registered office is 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, England, PR1 8UY, UK.

The company and its subsidiaries, together forming the group, comprise UK, Swedish and Dutch life and pensions businesses.

The UK segment consists of the CA and CASLP businesses, as described in Note C1. The acquisition of Sanlam Life & Pensions UK (SLP) took place on 28 April 2022, and the business subsequently changed its legal name to CASLP. On 31 December 2023, the long-term business of CASLP, along with the majority of the assets of the company were transferred into CA via a Business Transfer Scheme under Part VII of the Financial Services and Markets Act 2000. During the year, the group also reached an agreement to acquire the onshore UK individual protection business of Canada Life Limited. Further detail on this transaction can be found in Note I8. The UK segment is substantially closed to new business, such that new insurance contracts are only issued to existing customers, dependent on their changing needs.

The Swedish segment comprises the Movestic business, as described in Note C1. Its activities are performed predominantly in Sweden, where it underwrites life, accident and health risks and provides a portfolio of investment contracts. It is open to new business, distributing its products principally through independent financial advisors.

The Dutch segment comprises the Waard Group and Scildon businesses, as described in Note C1. The group's Dutch life businesses contain a mix of term life, unit-linked, index-linked and non-linked business. Scildon is open to new business for some of its products, whilst there have been a number of acquisitions into the Waard Group in recent years, the most recent being the acquisition of Conservatrix, which completed on 1 January 2023.

These financial statements are presented in pounds sterling, which is the functional currency of the parent company. Foreign operations are included in accordance with the policies set out in Note A5. The results and cash flows of these operations have been translated into sterling at an average rate for the year of £1 = SEK 13.20 (2022: £1 = SEK 12.47) for the Swedish business and £1 = EUR 1.15 (2022: £1 = EUR 1.17) for the Dutch business.

Assets and liabilities have been translated at the year end rate of £1 = SEK 12.84 (31 December 2022: £1 = SEK 12.49) for the Swedish business and £1 = EUR 1.15 (31 December 2022: £1 = EUR 1.13) for the Dutch business.

Total foreign currency exchange rate loss for the year ended 31 December 2023 recognised in the Consolidated Statement of Comprehensive Income of £7.8m (year ended 31 December 2022: gain of £6.9m).

The financial statements were authorised for issue by the directors on 27 March 2024.

A2 Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the company and of entities controlled by the company (its subsidiaries), made up to 31 December each year. Control is achieved when the company is exposed or has rights to the variable returns from the involvement with the entity and has the ability to affect those returns through its power over the entity. The parent company financial statements present information about the company as a separate entity and not about its group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Profit or loss and each component of other comprehensive income are attributed to the company and to the non-controlling interests. Total comprehensive income is attributed to the company shareholders and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

A3 Basis of preparation

The consolidated and parent company financial statements have been prepared on a going concern basis. The directors believe that they have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the directors have taken into consideration the points as set out in the Financial Management section of the Annual Report and Accounts under the heading 'Maintain the group as a going concern'.

The financial statements are presented in pounds sterling, rounded to the nearest one hundred thousand, and are prepared on the historical cost basis except for insurance and reinsurance contracts which are stated at their fulfilment value in accordance with IFRS 17 and the following assets and liabilities which are stated at their fair value: derivative financial instruments; financial instruments at fair value through profit or loss; assets and liabilities held for sale; investment property; and investment contract liabilities at fair value through profit or loss.

Assets and liabilities are presented in a liquidity order in the balance sheet. In addition, amounts expected to be recovered or settled within a year are classified as current in the notes to the accounts. If they are expected to be recovered or settled in more than one year, they are classified as non-current in the notes to the accounts. Assets and liabilities are presented on a current and non-current basis in the Company Balance Sheet.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Judgements made by management in the process of applying the group's accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are set out in Note A6.

The group prepares interim financial statement at half year and as permitted by IFRS 17 has elected to apply the 'year-to-date' method and restate estimates in respect of insurance contracts made in the previous interim financial statements, in these year end financial statements. This Accounting Policy election applies to all groups of insurance and reinsurance contracts.

The accounting policies set in Note A5, unless otherwise stated, have been applied consistently to all years presented in these Consolidated Financial Statements. This includes the changes in accounting policies introduced by IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments', both of which have been applied in these financial statements. Note A4 below details the impact to the group of adopting IFRS 17 and IFRS 9 in these financial statements.

The Consolidated Financial Statements have been prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with United Kingdom adopted international accounting standards.

A4 New accounting standards and impact on adoption

The group has applied IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments' for the first time in these Annual Report and Accounts and as a result comparative amounts and the shareholder equity position at 1 January 2022 have been restated to reflect this. The introduction of these standards means there are significant changes to the accounting for insurance and reinsurance contracts and financial instruments, although the impact for the group in respect of IFRS 9 is less significant.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' introduces significant changes in the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts for the group.

The scope of IFRS 17 is very similar to that of IFRS 4 and all of the insurance and reinsurance contracts accounted for under IFRS 4 are accounted for under IFRS 17, with some additional benefits within the Swedish business now accounted for under IFRS 17 that were previously accounted for under IAS 39. These contracts now come into scope for IFRS 17 due to the different separation rules regarding component parts of contracts that now apply in IFRS 17 compared to IFRS 4.

Insurance and reinsurance contracts are aggregated into portfolios. The portfolios are determined by identifying contracts that have similar risks and that are managed together. The portfolios are then further divided into contract groups based on annual cohorts (ie by year of issue) and profitability.

Under IFRS 17, the insurance contract liabilities are broken down into the following component parts:

(i) Present Value of Future Cash Flows (pvFCF): estimates of future cash flows adjusted to reflect the effect of the time value of money and other financial risks where applicable

(ii) Risk Adjustment (RA) for non-financial risk: the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk

(iii) Contractual Service Margin (CSM): the unearned profit that will be recognised as the group provides insurance contract services

(iv) Liability for Incurred Claims (LIC) – claims and expenses for insurance contracts that have not yet been paid, including claims and expenses that have been incurred but not yet reported

Collectively, the pvFCF and RA are referred to as Fulfilment Cash Flows (FCF). Changes in the FCF will impact either profit or loss or the CSM, depending on whether they relate to future or current service and the 'measurement model' applicable to the group of contracts. If the CSM for a group of contracts becomes onerous (ie negative) then a 'loss component' is established in respect of the negative amount and the CSM is floored at zero, with losses recognised in profit or loss immediately.

The FCF and the CSM are collectively referred to as the Liability for Remaining Coverage (LRC) and the total of the LRC and LIC make up the total value for a given group of insurance contracts.

For reinsurance contracts held, in line with the description above of the measurement components of the gross insurance contracts issued, the groups of reinsurance contracts consists of an Asset for Remaining Coverage (ARC) or LRC and the Asset for Incurred Claims (AIC). The components of the reinsurance ARC/LRC are similar to the LRC arising from the insurance contracts issued, with the following distinct differences:

- The RA for non-financial risk represents the amount of risk being transferred by the group to the reinsurer.
- The CSM represents the net cost or net gain on purchasing reinsurance and can be positive or negative on initial recognition and subsequent measurement.
- To the extent that onerous contracts are reinsured, a 'loss-recovery component' is established at the date the underlying onerous losses are recognised to cater for the expected recoveries of the underlying losses from the reinsurance contracts held.
- There is an explicit allowance for the risk of non-performance of the issuer of the reinsurance contract which includes allowance for expected losses arising from disputes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A4 New accounting standards and impact on adoption (continued)

IFRS 17 'Insurance Contracts' (continued)

The following three measurement models are applicable under IFRS 17:

(i) General Measurement Model (GMM): this is the default measurement method which determines how movements in the fulfilment cash flows impact either profit and loss or the CSM. Under the GMM, changes in the fulfilment cash flows that relate to future service impact the CSM with other changes to the fulfilment cash flows instead impacting profit and loss.

(ii) Variable Fee Approach (VFA): this is used where the contract meets the IFRS 17 definition of an insurance contract with direct participating features. This means that the nature of the services provided are substantially investment related with insurance benefits also being provided. Under the VFA changes in the group's share of the underlying items in respect of financial and economic impacts will adjust the CSM and not the profit or loss.

(iii) Premium Allocation Approach (PAA): this is a simplified approach that can be applied to eligible short-duration contracts whereby all movements in the liability go to profit and loss (ie there is no CSM).

Reinsurance contracts are considered separately to gross insurance contracts with the majority of reinsurance contracts within the group measured under the GMM and a small amount measured under PAA.

With the adoption of IFRS 17, certain line items in the group's Consolidated Balance Sheet have been replaced with new line items. For example, the group now presents separately the carrying amount of portfolios of:

- Insurance contracts issued that are assets;
- Insurance contracts issued that are liabilities;
- Reinsurance contracts held that are assets; and
- Reinsurance contracts held that are liabilities.

The assessment as to whether a given portfolio is an asset or liability considers the portfolio as a whole, so LRC plus LIC for gross insurance contracts for example.

The line items in the consolidated income statement have also changed significantly compared to that under IFRS 4 with specific line items now for:

- Insurance revenue;
- Insurance service expenses;
- Net income (expense) from reinsurance contracts held;
- Insurance Finance Income or Expense (IFIE) for insurance contracts issued; and
- Net IFIE for reinsurance contracts held.

Under IFRS 17, for contracts not measured under the PAA, the group recognises insurance revenue to depict the transfer of promised services provided under groups of insurance contracts. The insurance revenue for each year represents the changes in the LRC that relate to services provided in that year for which the group expects to receive consideration. This mainly comprises the release of expected claims, the release of the expired risk adjustment for non-financial risk and the CSM amounts recognised in profit or loss in the period.

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium receipts for providing services in the period.

'Insurance service expenses' in each reporting period represents the cost of providing those services, broadly comprising incurred claims and benefits and expenses that are directly attributable to providing the service in the period.

'Net income/(expenses) from reinsurance contracts' generally comprises reinsurance expenses and the recovery of incurred claims. Reinsurance expenses are recognised similarly to insurance revenue, with the amount of reinsurance expenses representing an allocation of the premiums paid to reinsurers that depicts the received insurance contract services in the period.

Together, the insurance revenue, insurance service expenses and net income/(expenses) from reinsurance contracts make up the insurance service result, presented on the face of the income statement. 'Non-distinct investment components' of insurance contracts represent amounts that the group must repay back to the policyholder regardless of the occurrence of the insured event and are excluded from profit or loss.

The 'investment result' comprises the 'net investment return', changes in investment contract liabilities and policyholder funds held by the group and IFIE for both insurance and reinsurance contracts. The IFIE broadly includes the effect of changes in the time value of money and the effect of financial risk and changes in financial risk.

Transition approach – IFRS 17

Transition refers to the determination of the opening balance sheet at the beginning of the annual reporting period immediately preceding the date of IFRS 17 initial application (ie at 1 January 2022). The future cash flows and risk adjustment are measured on a current basis in the same manner as they would be calculated for subsequent measurement. The key component of transition is therefore the determination of the CSM.

IFRS 17 is required to be applied retrospectively unless it is impracticable to do so due to the lack of available and supportable historical information. For a full retrospective approach (FRA), the CSM at the date of transition is calculated by rolling forward the CSM from the initial recognition of the groups of the insurance contracts to the transition date as if the accounting policies under IFRS 17 had always applied. Where the FRA is impracticable, a choice between a Modified Retrospective Approach (MRA) and a Fair Value Approach (FVA) is permitted.

The group has been able to apply the FRA to its Dutch business divisions with the inception date for the contracts acquired being the date of historical acquisition into the group. The FVA has been applied for CA in the UK where the length of time elapsed since acquisition into the group has meant that the retrospective application of IFRS 17 is not possible or practicable for any of the contract groups. The relatively small part of the Movestic business in Sweden to which a CSM is applicable has also been treated as FVA at the date of transition.

Information regarding the fair value methodology used at transition is provided in Note A6.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was effective from 1 January 2018 and replaces 'IAS 39 Financial Instruments: Recognition and Measurement'. The group elected to defer the application of IFRS 9 in the Consolidated Financial Statements, applying the temporary exemption available under 'Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 'Financial Instruments' with IFRS 4' up until the previously published group Consolidated Financial Statements as at 31 December 2022.

IFRS 9.4.1 requires financial assets to be classified into the following measurement categories based on an assessment of the business model of the group and the contractual cash flow characteristics of the assets:

- Amortised Cost (AC) where the financial asset is in a 'hold to collect' business model and where contractual cash flows arising are Solely Payments of Principal and Interest (SPPI).
- Fair Value Through OCI (FVTOCI) where the financial asset is in a 'hold to collect and sell' business model and where contractual cash flows arising are SPPI.
- Fair Value Through Profit or Loss (FVTPL) where the financial asset does not fit into either of the above classifications or where the entity elects to measure financial assets at FVTPL.

Almost all accounting requirements for financial liabilities remain unchanged from IAS 39. IFRS 9 has however introduced new requirements for accounting and presentation of changes in the fair value of an entity's own credit risk where the entity has designated to value at fair value (IFRS 9.5.7.7-8). Changes in fair value attributable to the change in the entity's own credit risk are presented in OCI unless this presentation would create or enlarge an accounting mismatch in the P&L, as is the case for the Chesnara plc group.

The two financial liability classification categories are:

- Fair Value Through Profit or Loss (FVTPL); and
- Amortised Cost (AC).

The majority of the group's financial assets and liabilities are classified as FVTPL either mandatorily as prescribed by IFRS 9, or by designating as such, as permitted under IFRS 9.4.1.5 to avoid an accounting mismatch that would otherwise have occurred with the valuation of the corresponding liabilities.

The majority of the group's financial instruments were already held at FVTPL under IAS 39 and will continue to be valued at FVTPL under IFRS 9 to reflect the way the business is managed and in line with a fair value approach to SII and EcV reporting. The SPPI test is used to distinguish between those mandatorily classified as FVTPL and those designated at FVTPL.

The mortgage portfolio held by Waard, comprising both direct mortgages and savings mortgages, was previously valued at AC under IAS 39. Both types of mortgage assets pass the SPPI test as the contractual terms require only fixed payments on fixed dates or variable payments where the amount of the variable payment for a period is determined by applying a floating market rate of interest for that period. They are therefore not required to be classified at FVTPL, but they have been designated as FVTPL as this will significantly reduce the accounting mismatch with the corresponding liability, valued under IFRS 17 using current market sourced discount rates, that would arise otherwise. This application of the 'fair value option' aligns with the group's business model which is to manage the business on a fair value basis.

Short-term receivables are classified as AC and no assets will be categorised as FVTOCI.

Financial liabilities are generally classified and measured at AC (IFRS 9.4.2.1), however they can be classified and measured at FVTPL if held for trading or designated as at FVTPL where doing so results in more relevant information (IFRS 9.4.2.2), because either:

- It eliminates, or significantly reduces, a measurement of recognition inconsistency; or
- A group of financial instruments is managed, and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The investment contracts help by the group meet the criteria above for classification at FVTPL as this will significantly reduce the accounting mismatch that would arise otherwise. This is also in line with the group's business model is to manage the business on a fair value basis.

The borrowings liabilities do not match the exceptions listed above and it is appropriate that they are classified as AC under IFRS 9, as was also the case under IAS 39. This includes the Tier 2 debt within the parent company of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A4 New accounting standards and impact on adoption (continued)

Effect of adoption of IFRS 17 and IFRS 9

The following table shows by balance sheet line item how the adoption of IFRS 17 and IFRS 9 has impacted the balance sheet that was reported in the Consolidated Financial Statements of the group as at 31 December 2021.

Unaudited

	31 December 2021 – as reported £m	Items derecognised £m	Items reclassified £m	IFRS 17 and IFRS 9 remeasurement £m	As at 1 January 2022 £m
Intangible assets	122.1	(41.7)	–	–	80.4
Property and equipment	7.8	–	–	–	7.8
Investment properties	1.1	–	–	–	1.1
Reinsurance contract assets	247.8	–	23.3	(28.8)	242.3
Amounts deposited with reinsurers	38.3	–	–	–	38.3
Financial investments	9,127.1	–	–	48.9	9,176.0
Derivative financial instruments	0.3	–	–	–	0.3
Other assets	72.4	–	(25.1)	–	47.3
Deferred tax assets	–	0.5	2.2	(1.8)	0.9
Cash and cash equivalents	70.1	–	–	–	70.1
Total assets/transition effects on assets	**9,687.0**	**(41.2)**	**0.4**	**18.3**	**9,664.5**
Insurance contract liabilities	3,818.4	–	106.5	107.2	4,032.1
Reinsurance contract liabilities	–	–	–	33.1	33.1
Other provisions	1.0	–	0.7	–	1.7
Investment contracts at fair value through profit or loss	4,120.6	–	–	(138.6)	3,982.0
Liabilities relating to policyholder funds held by the group	990.6	–	–	–	990.6
Lease contract liabilities	2.0	–	–	–	2.0
Borrowings	47.2	–	–	–	47.2
Derivative financial instruments	–	–	–	–	–
Deferred tax liabilities	15.7	(9.6)	2.2	0.6	8.9
Deferred income	2.8	(0.5)	2.2	–	4.5
Other current liabilities	230.2	(0.4)	(111.2)	0.1	118.7
Bank overdrafts	0.3	–	–	–	0.3
Total liabilities/transition effects on liabilities	**9,228.8**	**(10.5)**	**0.4**	**2.4**	**9,221.1**
Net assets/transition effects on shareholders' equity	**458.2**	**(30.7)**	**–**	**15.9**	**443.4**

For the entities applying the full retrospective approach, the group has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied since the date of their acquisition into the group; derecognised any existing balances that would not exist if IFRS 17 had always applied; and recognised any resulting difference in net equity. For entities or contracts applying the fair value method this position is estimated using fair value techniques.

IFRS 9 may be applied prospectively from 1 January 2023 but the group has elected to apply IFRS 9 within these financial statements from 1 January 2022 in line with IFRS 17 in order to avoid an accounting mismatch for the comparative period, as the measurement of assets under IFRS 9 cannot be considered without reference to the liabilities under IFRS 17.

The overall impact to the net equity position of the group at 1 January 2022 as a result of applying IFRS 17 and IFRS 9 is a reduction in net equity of £14.8m.

There are various offsetting impacts which result in this overall reduction of net equity, the key ones being:

Items derecognised:

Derecognition of Acquired Value of In-Force Business (AVIF) and Deferred Acquisition Costs (DAC) in respect of insurance contracts:
On transition to IFRS 17, AVIF previously recognised in respect of acquired insurance contracts is derecognised as a balance that would not exist had IFRS 17 always applied. Similarly, DAC is no longer recognised for new contracts written. Instead, acquisition cash flows paid or expected to be paid on or after the initial recognition of the FRA and FVA groups of insurance contracts, have been considered when determining the initial CSM of those groups.

Intangible assets of £41.7m consisting of AVIF of £31.3m and DAC of £10.4m have been derecognised from the consolidated group balance sheet at the date of transition, with a corresponding adjustment to net equity. The derecognition of the deferred tax liability of £9.6m is all in respect of deferred tax balances relating to the AVIF and DAC assets. The derecognition of the intangible assets and associated deferred tax, together with other smaller impacts, results in an overall reduction of net equity of £30.7m at the transition date.

IFRS 17 and IFRS 9 remeasurement:

(i) *Recognition of the CSM as an explicit liability representing future unearned profits:* At 1 January 2022, a CSM of £119.6m net of reinsurance was established resulting in a decrease to net equity.

(ii) *Recognition of an explicit liability for Risk Adjustment for non-financial risk:* At 1 January 2022, a RA of £39.7m net of reinsurance was established resulting in a decrease to net equity.

(iii) *Change in classification of contracts between from investment to insurance liabilities:* The benefits for certain pension contracts in the Swedish business were previously separated under IFRS 4 with the savings element measured under IAS 39. The benefits can no longer be separated under IFRS 17 and therefore they are removed from the investment contract line in full and now reported within insurance contract liabilities. This reduction of £138.6m to the investment contract liability line is therefore largely offset by an increase in the insurance contract liability line. Note A6(b) provides further details regarding this change in classification. No contracts have switched from insurance to investment.

(iv) *IFRS 9 impacts:* The assets held in respect of certain mortgage savings products in the Waard Group previously valued at amortised cost have been revalued to fair value under IFRS 9. The increase in value of £48.9m in the financial investment line is largely offset by an increase in the insurance contract liabilities line as both the asset cash flows and liability cash flows are measured using similar techniques. Further detail regarding the judgements involved in the mortgage asset revaluation can be found in Note A6(i).

(v) *Revaluation of the present value of future cash flows for insurance and reinsurance contracts:* A variety of local methodologies with different areas of implicit margin has been replaced by a valuation of 'best estimate' future cash flows, discounted at market interest rates, results in an increase to net equity of £177.7m.

The combined impacts in respect of items (i) to (v) above net of the deferred tax impact (£2.5m decrease to net equity) results in an overall increase to net equity of £15.9m at the transition date.

Items reclassified:

The group has also reclassified all rights and obligations arising from portfolios of insurance and reinsurance contracts such as (i) outstanding claims in respect of insurance contracts and the reinsurers share of outstanding claims (ii) receivables and payables related to insurance and reinsurance contracts. These reclassifications have not impacted the net equity of the group at the transition date.

Standards and amendments issued but not yet effective

At the date of authorisation of these financial statements the following standards and interpretations, which are applicable to the group, and which have not been applied in these financial statements, were in issue but not yet effective:

Title	**Subject**
Amendments to IAS 1	Classification of liabilities as current or non-current
Amendments to IAS 1	Disclosure of accounting policies
Amendments to IAS 1	Non-current liabilities with covenants
Amendments to IAS 8	Definition of accounting estimates
Amendments to IFRS 16	Lease liability in a sale and leaseback

The directors do not expect that the adoption of the standards, amendments and interpretations listed above will have a material impact on the financial statements of the group in future periods.

BEPS 2.0

The Organisation for Economic Cooperation and Development (OECD) has released a package of international tax reform measures as part of the Two-Pillar solution to address tax challenges of the digitisation of the economy. This includes the Global Anti-Base Erosion (GloBE) rules, released in December 2021, which introduce a global minimum tax rate of 15% for multi-national groups with a consolidated turnover of at least EUR 750m.

The Chesnara group operates in the United Kingdom, Sweden and the Netherlands, all of which have enacted and substantively enacted new legislation to implement the global minimum top-up tax, effective from 1 January 2024.

The group is working to understand the application and impact of this legislation as it applies to insurance groups, which settle taxes on behalf of policyholders as well as corporate entities. This includes an exploration of the items of revenue which constitute turnover for the GloBE rues and a clearer understanding of the classification of the taxes that we settle on behalf of our policyholders. Chesnara is working with the tax authorities of the jurisdictions in which we operate to further this understanding.

The group has applied the IAS 12 mandatory exemption from recognising and disclosing information on the associated deferred tax assets and liabilities at 31 December 2023. At the balance sheet date it is not possible to quantify any potential liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies

(a) Insurance contracts and reinsurance contracts

(i) Scope and classification

Contracts under which the group accepts significant insurance risk are classified as insurance contracts. Contracts held by the group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the group to financial risk.

Insurance contracts may be issued, and reinsurance contracts may be initiated by the group, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, reinsurance contracts initiated or insurance or reinsurance contracts acquired by the group, unless otherwise stated.

Some contracts entered into by the group have the legal form of insurance contracts but do not transfer significant insurance risk. These contracts are classified as financial liabilities and are referred to as 'investment contracts' (see Note A5(b)). Similarly financial reinsurance contracts do not transfer significant insurance risk and are accounted for under IFRS 9. Mass lapse reinsurance contracts also contain no insurance risk and are accounted for under IAS 37.

Insurance contracts are classified as direct participating contracts or contracts without direct participating features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participating features. Some of these contracts are measured under the PAA.

The following table provides a summary of the broad product categories and the measurement model approach applied.

Classification	Product category
Long-term contracts without direct participating features (GMM)	Immediate annuities Term assurance and other non-linked Unit-linked/index-linked/with-profits – GMM
Long-term contracts with direct participating features (VFA)	Unit-linked/index-linked/with-profits – VFA
Short-term contracts (PAA)	Short-term protection

(ii) Separating components from insurance and reinsurance contracts

The group does not have any distinct investment components which require separation from the insurance or reinsurance contract. Distinct investment components are investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction

The group does not have any insurance contracts containing embedded derivatives or have any insurance contracts which transfer distinct goods and services other than insurance contract services which require separation from the host contract.

(iii) Aggregation of insurance and reinsurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts that are subject to similar risks and are managed together. Each portfolio is divided into annual cohorts (i.e. by year of issue) and each annual cohort into a maximum of three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Further detail regarding the judgements involved in the defining portfolios and profitability groups can be found in Note A6(c).

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the group's practical ability to set a different price or level of benefits for policyholders with different characteristics can be included in the same group, however the group has not taken advantage of this.

Portfolios of reinsurance contracts held are assessed separately from insurance contracts issued and are assessed for aggregation on an individual contract basis. Some reinsurance contracts provide cover for underlying contracts that are included in different groups.

As per the gross insurance contracts the reinsurance contracts are divided into profitability groupings as follows:

- any contracts on which there is a net gain on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of showing a net gain subsequently; and
- any remaining contracts in the annual cohort.

All reinsurance contracts within the group fall into the third profitability category above.

(iv) Recognition and derecognition of insurance and reinsurance contracts

An insurance contract issued by the group is recognised from the earliest of:

– the beginning of its coverage period (i.e. the period during which the group provides services in respect of any premiums within the boundary of the contract);

– when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and

– when a group of contracts becomes onerous or if the facts and circumstances indicate that a group of contract is onerous for those contracts measured using the PAA.

An insurance contract acquired in a transfer of contracts, or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Non-proportionate reinsurance contracts are recognised at the earlier of:

(a) the beginning of the coverage period of the group of reinsurance contracts; or

(b) the date the entity recognises an onerous group of underlying insurance contracts if the entity entered into the related reinsurance contract held at or before that date.

The recognition of proportionate reinsurance contracts is delayed until the date that any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

Reinsurance contracts acquired as recognised at the date of acquisition.

The group derecognises a contract when it is extinguished – i.e. when the specified obligations in the contract expire or are discharged or cancelled. The group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the group treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

(v) Fulfilment cash flows

The Fulfilment Cash Flows (FCF) are the current estimates of the future cash flows within the contract boundary of a group of contracts and:

– are unbiased estimates of the future cash flows;

– are determined from the perspective of the group, provided that the estimates are consistent with observable market practises and variables; and

– reflect conditions existing at the period-end date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates and reflects the compensation that the group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the group fulfils insurance contracts. For reinsurance contracts held, the risk adjustment for non financial risk represents the amount of risk being transferred by the group to the reinsurer. Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note A6(e).

The estimates of the future cash flows are adjusted using current discount rates to reflect the time value of money and the financial risks related to those cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation (See Note A6(d)).

The group estimates certain FCF at the portfolio level or higher and then allocates such estimates to groups of contracts. The group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

(vi) Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and any investment related services).

A substantive obligation to provide insurance contract services ends when either:

– the group has the practical ability to reassess the risks of the particular policyholder and as a result can set a price or level of benefits that fully reflects those risks, or

– the group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and as a result can set a price or level of benefits that fully reflects the risk of that portfolio unless the pricing of the premiums up to the date when the risks are reassessed takes into account the risks that relate to periods after the assessment.

For reinsurance contracts cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

(vii) Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset and the asset is derecognised, when the insurance acquisition cash flows are included in the measurement of the group of contracts. The group derecognises the assets for insurance acquisition cash flows in the year within the reporting period in which the expenses are incurred and therefore does not have any assets for insurance acquisition cash flows on the balance sheet at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies (continued)

(a) Insurance contracts and reinsurance contracts (continued)

(viii) Initial measurement – insurance contracts not measured under the PAA

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the group will recognise as it provides insurance contract services in the future. At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous) arising from:

(a) the initial recognition of the FCF; and

(b) cash flows arising from the contracts in the group at that date.

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised (see Note A5(a)(xi)).

(ix) Initial measurement – reinsurance contracts not measured under the PAA

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the group recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the group will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

(a) the initial recognition of the FCF;

(b) cash flows arising from the contracts in the group at that date; and

(c) any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (c) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts. When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

(x) Contracts acquired in a business combination or portfolio transfer

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date. If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or the gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue and instead reported within 'insurance service expense'.

(xi) Subsequent measurement – insurance contracts not measured under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the LRC and the LIC. The LRC comprises the FCF that relate to services that will be provided under the contracts in future periods and any remaining CSM at that date. The LIC includes the FCF for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The FCF of groups of insurance contracts are updated by the group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates. The way in which the changes in estimates of the FCF are treated follow the general principle below:

(a) changes that relate to current or past service are recognised in profit or loss; and

(b) changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM:

The following adjustments relate to future service and thus adjust the CSM:

(a) experience adjustments – arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;

(b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;

(c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period, determined by comparing (i) the actual investment component that becomes payable in a period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and

(d) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments (a), (b) and (d) above are measured using discount rates determined on initial recognition (the locked-in discount rates).

For insurance contracts under the GMM, the following adjustments do not adjust the CSM:

(a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;

(b) changes in the FCF relating to the LIC; and

(c) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The group does not classify any premiums received in the period as relating to current service on materiality grounds.

For insurance contracts under the VFA:
Direct participating contracts are contracts under which the group's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the group's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items. The group provides investment related services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

The group has not applied the risk mitigation option that is available under IFRS 17.B115 regarding offsetting the impacts of derivatives and reinsurance contracts and therefore recognises all changes in financial risk and the time value of money against the CSM for direct participating contracts.

The following adjustments relate to future service and thus adjust the CSM:

(a) changes in the amount of the group's share of the fair value of the underlying items; and

(b) changes in the FCF that do not vary based on the returns of underlying items:

  (i) changes in the effect of the time value of money and financial risks including the effect of financial guarantees;

  (ii) changes in estimates of the present value of future cash flows in the LRC; and

  (iii) changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not adjust the CSM:

(a) changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;

(b) changes in the FCF that do not vary based on the returns of underlying items:

  (i) changes in the FCF relating to the LIC; and

  (ii) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The group does not classify any premiums received in the period as relating to current service on materiality grounds.

Changes to the CSM for insurance contracts:
For insurance contracts, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

(i) the CSM of any new contracts that are added to the group in the year;

(ii) interest accreted on the carrying amount of the CSM during the year (for contracts under the GMM, using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items);

(iii) as detailed above, changes in fulfilment cash flows that relate to future services, to the extent that there is a CSM available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with the impact going to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM;

(iv) the effect of any currency exchange differences on the CSM; and

(v) the amount recognised as insurance revenue for insurance services provided in the year, determined after all other adjustments above.

Release of the CSM to profit or loss for insurance contracts – coverage units
The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units. The coverage period is defined as a period during which the entity provides insurance contract services. Insurance contract services include coverage for an insured event (insurance coverage), the generation of an investment return for the policyholder, if applicable (investment-return service) for the contracts under the GMM, and the management of underlying items on behalf of the policyholder (investment-related service) for the contracts under the VFA.

Investment-return services are provided only when an investment component exists in insurance contracts or the policyholder has a right to withdraw an amount, and the group expects these amounts to include an investment return that is achieved by the group by performing investment activities to generate that investment return.

Note A6(g) sets out the coverage units that are applied to the products within the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies (continued)

(a) Insurance contracts and reinsurance contracts (continued)

(xi) Subsequent measurement – insurance contracts not measured under the PAA (continued)

Insurance contracts – loss component

When the negative adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous, and the group recognises the excess in insurance service expenses and records the excess as a loss component of the LRC.

When a loss component exists, the group allocates between the loss component and the remaining component of the LRC for the respective group of contracts, on a systematic and rational basis for:

(a) expected incurred claims and other directly attributable expenses for the period;

(b) changes in the risk adjustment for non-financial risk for the risk expired; and

(c) finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses. Decreases in the FCF in subsequent periods that relate to future service reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods that relate to future service increase the loss component.

(xii) Subsequent measurement – reinsurance contracts not measured under the PAA

The carrying amount of a group of insurance contracts at each reporting date is the sum of the Asset for Remaining Coverage (ARC) and the Asset for Incurred Claims (AIC). The ARC comprises the FCF that relate to services that will be received under the reinsurance contracts held in future periods and any remaining CSM at that date. The AIC comprises the FCF related to past service for incurred claims that have not yet been received.

Changes to the CSM for reinsurance contracts:

For reinsurance contracts, the carrying amount of the CSM at each reporting date is the carrying amount at the start of the year, adjusted for:

(i) the CSM of any new contracts that are added to the group in the year;

(ii) Interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;

(iii) Income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;

(iv) reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;

(v) changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;

(vi) the effect of any currency exchange differences on the CSM; and

(vii) the amount recognised in profit or loss because of the services received in the year.

Income referred to in (iii) above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the group expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts. For the purposes of (iii) to (v) above, when underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the group applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Release of the CSM to profit or loss for reinsurance contracts – coverage units

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period. Note A6(g) sets out the coverage units that are applied to the reinsurance contracts held within the group.

Reinsurance contracts held – loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the group expects to recover from the group of reinsurance contracts held. The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

(xiii) Insurance and reinsurance contracts measured under PAA

The group uses PAA to simplify the measurement of groups of contracts where the coverage period of each contract in the group is 1 year or less. This approach is used for stand-alone short-term protection products in Movestic.

On initial recognition of each group of insurance contracts, the carrying amount of the LRC is measured at the premiums received. The group has chosen to expense insurance acquisition cash flows when they are incurred.

Subsequently, the carrying amount of the LRC is increased by any premiums received and decreased by the amount recognised as insurance revenue for services provided. On initial recognition of each group of contracts, the group expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, the group has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

For contracts measured under the PAA, the LIC is adjusted for the time value of money, as the contracts issued and measured under the PAA typically have a settlement period of over 1 year. A risk adjustment for non-financial risk is also calculated.

There are no investment components within insurance contracts issued and reinsurance contracts held that are measured under the PAA.

(xiv) Non-distinct investment components

Insurance revenue and insurance service expenses exclude any Non-Distinct Investment Components (NDIC). The group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs, or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses, being recognised instead directly in the balance sheet.

The table that follows details the source of the NDIC's for the broad product categories.

Product category	Typical NDIC
Immediate annuities	None
Term assurance and other non-linked	Term assurance: None Other non-linked: Lower of death, surrender and maturity benefit
Unit-linked/index-linked/with-profits – GMM	Lower of death, surrender and maturity benefit
Unit-linked/index-linked/with-profits – VFA	Lower of death, surrender and maturity benefit
Short-term protection	None

(xv) Presentation in the profit and loss and balance sheet

IFRS 17 has a significant impact on the presentation of the income statement with a separate insurance service result and investment result.

Under IFRS 17, for contracts not measured under the PAA, the group recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the LRC that relate to services for which the group expects to receive consideration. This mainly comprises the release of expected claims, the risk adjustment expired and the CSM amortised in the period.

For contracts measured under the PAA, the insurance revenue for each period equates to the amount of expected premium receipts for providing services in the period.

'Insurance service expenses' in each reporting period represents the cost of providing those services, broadly comprising incurred claims and benefits and expenses that are directly attributable to providing the service in the period.

'Net income/(expenses) from reinsurance contracts' generally comprises reinsurance expenses and the recovery of incurred claims. Reinsurance expenses are recognised similarly to insurance revenue, with the amount of reinsurance expenses representing an allocation of the premiums paid to reinsurers that depicts the received insurance contract services in the period. Income and expenses from reinsurance contracts are presented separately from income and expenses from insurance contracts issued. Income and expenses from reinsurance contracts, other than insurance finance income or expenses, are presented on a net basis on the face of the income statement as 'net expenses from reinsurance contracts' in the insurance service result.

Together, the insurance revenue, insurance service expenses and net income/(expenses) from reinsurance contracts make up the insurance service result, presented on the face of the income statement.

The 'investment result' comprises the 'net investment return', changes in investment contract liabilities and policyholder funds held by the group and IFIE for both insurance and reinsurance contracts. The IFIE broadly includes the effect of changes in the time value of money and the effect of financial risk and changes in financial risk. The group includes all IFIE in the profit or loss, with no disaggregation into Other Comprehensive Income.

The group disaggregates changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses.

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the balance sheet. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) are included in the carrying amount of the related portfolios of contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies (continued)

(b) Investment contracts

Investment contracts are contracts that carry financial risk, with no significant insurance risk and are accounted for under IFRS 9. Where contracts contain both insurance and investment components the investment component can only be separated if it meets the requirements of a 'distinct investment component'. Distinct in this sense is where the investment component is not highly inter-related with the insurance component and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction. This requirement is different from IFRS 4 where previously if the investment component could be reliably measured then separation was permitted. As a result of this change, one of the savings type products in Movestic is now classed as insurance and accounted for under IFRS 17 along with some UK pensions contracts with waiver of premium benefit.

All investment contract liabilities are designated on initial recognition as held at fair value through profit or loss. The group has designated investment contract liabilities at fair value through profit or loss as this more closely reflects the basis on which the businesses are managed.

The financial liability in respect of unit-linked contracts is measured by reference to the value of the underlying net asset value of the unitised investment funds, determined on a bid value, at the balance sheet date.

For the UK business, the impact of deferred tax on unrealised capital gains is passed to the policyholder and for the Swedish business a policyholder yield tax in respect of an estimate of the investment return on the underlying investments in the unitised funds are also reflected in the measurement of the respective unit-linked liabilities.

Investment contract liabilities are managed together with related investment assets on a fair value basis as part of the documented risk management strategy.

The fair value of other investment contracts is measured by discounting current estimates of all contractual cash flows that are expected to arise under contracts.

Amounts deposited with reinsurers under reinsurance arrangements, which primarily involve the transfer of financial risk, are entered directly to the balance sheet as amounts deposited with reinsurers. These assets are designated on initial recognition as at fair value through profit or loss.

Amounts collected on investment contracts, which primarily involve the transfer of financial risk such as long-term savings contracts, are accounted for using deposit accounting, under which the amounts collected, less any initial fees deducted, are credited directly to the balance sheet as an adjustment to the liability to the investor. Similarly, benefits paid are not included in the income statement but are instead deducted from investment contract liabilities in the accounting period in which they are paid.

Acquisition costs relating to investment contracts comprise directly attributable incremental acquisition costs, which vary with, and are related to, securing new contracts, and are recognised as an asset to the extent that they represent the contractual right to benefit from the provision of investment management services. The asset is presented as a deferred acquisition cost asset and is amortised over the expected term of the contract, as the fees relating to the provision of the services are recognised. All other costs are recognised as expenses when incurred.

(c) Investment return

Investment return comprises investment income from financial assets and rental income from investment properties.

Income from financial assets comprises dividend and interest income, net fair value gains and losses (both unrealised and realised) in respect of financial assets classified as fair value through profit or loss, and realised gains on financial assets classified as loans and receivables.

Dividends are accrued on an ex-dividend basis. Interest received and receivable in respect of interest-bearing financial assets classified as fair value through profit or loss is included in net fair value gains and losses. For loans and receivables and cash and cash equivalents interest income is calculated using the effective interest method.

Rental income from investment properties under operating leases is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of each lease. Lease incentives are recognised in the Consolidated Statement of Comprehensive Income as an integral part of the total lease income.

The investment return in respect of assets backing investment contracts is presented separately from the investment return for those assets backing insurance contracts in order to meet the IFRS 17 requirement to illustrate the relationship between insurance finance income or expenses and the corresponding return on the assets.

(d) Fee, commission income and other operating income

Fee and commission income for investment contracts:

In accordance with IFRS 15, fees charged for investment management services provided in connection with investment contracts are recognised as revenue over time, as the services are provided. Initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the anticipated period over time in which services will be provided.

Initial fees, annual management charges and contract administration charges are recognised over time as revenue on an accruals basis. Surrender charges are recognised as a reduction to policyholder claims and benefits incurred when the surrender benefits are paid.

Commissions received or receivable which do not require the group to render further services are recognised at the point at which the commission becomes due. However, when it is probable that the group will be required to render further services during the life of the contract, the commission, or part thereof, is deferred and recognised over time as revenue over the period in which services are rendered.

All fees in respect of insurance contracts are now recognised within insurance revenue.

Other operating income:

Fee income from investment managers, which is in relation to Movestic, is recognised in accordance with IFRS 15. The income is received from the fund companies based on the value of the managed assets. The fee income is recognised and adjusted on an ongoing basis, as Movestic meets its commitments.

(e) Other operating expenses

Actual incurred expenses within the group are assessed according to the group's guidelines to consider whether they are attributable to fulfilling insurance contracts and those meeting this requirement are reported as 'insurance service expenses'. As part of this assessment, the eligible expenses are apportioned between investment and insurance contracts on a systematic and rational basis. Certain expenses such as project expenses and one-off expenses are considered to be non-attributable and are therefore excluded from the apportionment and directly allocated to 'other operating expenses'. The 'other operating expenses' therefore include all expenses that are not attributable to insurance contracts, as they are either not eligible or have been apportioned to investment contracts.

Operating lease payments

Under IFRS 16, the deprecation of right-of-use assets is recognised in the Statement of Comprehensive Income as an administration expense. Payments made in relation to lease commitments are reflected in the balance sheet as a reduction to the corresponding lease liability.

(f) Financing costs

Financing costs comprise interest payable on borrowings and on reinsurance claims deposits included within reinsurance payables, calculated using the effective interest rate method. Under IFRS 16, interest on lease liabilities is recognised in the Statement of Comprehensive Income as finance costs.

(g) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income. Tax that relates directly to transactions reflected within equity is also presented within equity.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In accordance with IAS 12, deferred tax assets and deferred tax liabilities arising from different tax jurisdictions in which the group operates are not offset against each other.

(iii) Policyholders' fund yield tax

Certain of the group's policyholders within the Swedish business are subject to a yield tax which is calculated based on an estimate of the investment return on underlying investments within their unitised funds. The group is under an obligation to deduct the yield tax from the policyholders' unitised funds and to remit these deductions to the tax authorities. The remittance of this tax payment is included in other operating expenses as it does not comprise a tax charge on group profits.

(h) Intangible assets

(i) Acquired value of in-force business

Acquired in-force investment contracts arising from business combinations are measured at fair value at the time of acquisition.

The present value of in-force investment contracts recognised under IFRS 9 is stated at cost less accumulated amortisation and impairment losses. The initial cost is deemed to be the fair value of the contractual customer relationships acquired. The acquired present value of the in-force investment contracts is carried gross of tax and is amortised against income on a time profile which, it is intended, will broadly match the profile of the underlying emergence of profit from the contracts. The recoverable amount is estimated at each balance sheet date. If the recoverable amount is less than the carrying amount, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income and the carrying amount is reduced to its recoverable amount.

Under IFRS 17, the difference between the fair value of insurance contracts and the fulfilment cash flows pertaining to those contracts is recognised as the CSM under IFRS 17. This has been applied retrospectively in these financial statements and therefore the asset held on the balance sheet for the acquired value of in-force business is in respect of investment contracts only.

(ii) Acquired value of customer relationships

The acquired value of customer relationships arising from business combinations is measured at fair value at the time of acquisition. This comprises the discounted cash flows relating to new insurance and investment contracts which are expected to arise from existing customer relationships. These are carried gross of tax, are amortised in accordance with the expected emergence of profit from the new contracts and are tested periodically for recoverability.

(iii) Software assets

An intangible asset in respect of internal development software costs is only recognised if all of the following conditions are met:

(i) an asset is created that can be identified;

(ii) it is probable that the asset created will generate future economic benefits; and

(iii) the development costs of the asset can be measured reliably.

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Software assets, including internally developed software, are amortised on a straight-line basis over their estimated useful life, which typically varies between 3 and 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies (continued)

(i) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful economic lives of the property and equipment on the following basis:

Computers and similar equipment	3 to 5 years
Fixtures and other equipment	5 years

Assets held under leases, as right-of-use assets, are depreciated over their useful economic lives on the same basis as owned assets, or where shorter, over the term of the relevant lease. These include office buildings, office and IT equipment and motor vehicles.

(j) Investment properties

Investment properties consist of properties held in the Unit-Linked Property Investment Fund and SIPP Commercial Property (Directly Held) in our UK division, as described below.

Unit-Linked Property Investment Fund

The properties held in the unit-linked property fund are valued on a monthly basis by Jones Lang Lasalle (JLL), an independent property valuer, on an open-market basis. Their valuation is prepared in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards (5th Edition).

The properties are measured initially at cost. The carrying amount includes the cost of replacing part of an existing property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of a property. Subsequent to initial recognition, properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of properties are included within investment income in the Statement of Comprehensive Income in the year in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes. All such valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

The properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised within investment income in the Statement of Comprehensive Income in the year of retirement or disposal.

SIPP Commercial Property (Directly Held)

The self-invested fund properties are initially recorded at purchase price and then valued triennially, by an independent professional valuer, on an open market basis, using valuation models in accordance with the Practice Statements in the RICS Appraisal and Valuation Standards (5th Edition). The portfolio is revalued annually using an index valuation on each property. Any funds in receipt of the sale of the property are for the benefit of the respective pension fund members.

(k) Financial investments, assets and liabilities

The fair values reflect market values at the balance sheet date, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Any gain or loss arising from a change in fair value is recognised in the profit and loss. Rental income from investment property is accounted for as described in Accounting Policy (l).

IFRS 9 requires financial investments to be classified into measurement categories using the 'business model' test and the 'solely payment of principal and interest' test. The measurement categories under IFRS 9 are:

(i) Amortised Cost (AC);

(ii) Fair Value Through Other Comprehensive Income (FVOCI); and

(iii) Fair Value Through Profit or Loss (FVTPL).

IFRS 9 also permits the application of a 'fair value option' whereby the outcome of the business model and SPPI tests would lead to a classification of financial assets that would result in an accounting mismatch with the corresponding liabilities.

The group has accordingly classified all financial assets held for investment purposes and derivative financial instruments as FVTPL either mandatorily as a result of the business model and SPPI tests or has designated as FVTPL as permitted by the 'fair value option'. The fair values of financial assets quoted in an active market are their bid prices at the balance sheet date.

Asset groups to which the fair value option has been applied are debt securities, the mortgage loan portfolio and cash and cash equivalents. The present value of the insurance liabilities associated with the mortgage loan and debt securities are strongly dependent on discount rates sourced from market data and therefore a classification of AC for these assets would lead to a large mismatch with the insurance liability.

Investments in subsidiaries are carried in the Company Balance Sheet at cost less impairment and all short-term receivables are classified as AC.

Financial assets are derecognised when contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities

'Investment contract liabilities' and 'Liabilities relating to policyholder funds held by the group' are designated as FVTPL, since the liabilities are managed together with the investment assets on a fair value basis as part of the documented risk management strategy. Purchases and sales of 'regular way' financial assets are recognised on the trade date, which is when the group commits to purchase, or sell, the assets.

Borrowings and short-term payables are classified as AC.

(l) Impairment and Expected Credit Loss provisioning

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking Expected Credit Loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

As stated above, for the group all financial assets held for investment purposes are classified as FVTPL. Financial assets that are subject to ECL provisioning are limited to short-term receivables only. The simplified approach under IFRS 9 has been applied in assessing full lifetime loss provisions for these assets. Due to the short-term nature of these instruments and the minimal historical losses on these asset classes, the resulting provisions that would be required are not considered to be material and therefore no provision is made.

(m) Policyholders' funds held by the group and liabilities relating to policyholders' funds held by the group

Policyholders' funds held by the group and liabilities relating to policyholders' funds held by the group are recognised at fair value.

(i) Policyholders' funds held by the group
The policyholders' funds held by the group represent the assets associated with an investment product in the Swedish business, where the assets are held on behalf of the policyholder and where all the risks and rewards associated with the assets are the policyholders' not the groups.

The policyholders' funds held by the group are held for investment purposes on behalf of the policyholders and are designated as at fair value through profit or loss. The fair values of the policyholders' funds held by the group are the accumulation of the bid prices of the underlying assets at the balance sheet date. Transactions in these financial assets are recognised on the trade date, which is when the group commits (on behalf of the policyholder) to purchase or sell the assets.

(ii) Liabilities relating to policyholders' funds held by the group
The liability relating to policyholders' funds held by the group represents the liability that matches the asset policyholders' funds held by the group. As stated previously, the risk and rewards associated with the investment product (and its underlying assets and matching liability) lie with the policyholders, not the group.

(n) Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. Hedge accounting has not been applied.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Embedded derivatives which are not closely related to their host contracts, and which meet the definition of a derivative are separated and fair valued through profit or loss.

(o) Other assets

'Other assets' comprise receivables arising from investment contracts and other receivables such as accrued interest, receivables from fund management companies and income tax balances. Financial assets classified as 'other assets' are stated at amortised cost less impairment losses. A provision for the impairment of loans and receivables is established when there is objective evidence that the group will not be able to collect all the amounts due according to the original contract terms after the date of the initial recognition of the asset and when the impact on the estimated cash flows of the financial asset can be reliably measured.

Prepayments are held at cost and are amortised over the relevant time period.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments. Highly liquid is defined as having a short maturity of 3 months or less at their acquisition.

Operating activities cash flows include loans and financial investments. The purchases are funded from cash flows associated with the origination of insurance and investment contracts, net of payments of related benefits and claims. This is due to the cash receipts and payments made on behalf of the customers for which their funds are held by the entity. Dividends and interest received from the financial investments are captured within the operating activities.

Investing activities cash flows include cash payments to acquire property, plant and equipment, intangibles, and other long-term assets. These payments include those relating to capitalised development costs.

Financing activities cash flows include cash proceeds from issuing share capital, cash payments to owners to acquire or redeem the entity's shares, cash repayments of amounts borrowed, cash payments by a lessee for the reduction of the outstanding liability relating to a finance lease, dividends paid out to shareholders, and interest paid on the borrowings.

(q) Other provisions

Provisions are recognised when the group has a present, legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. The group recognises provisions for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies (continued)

(r) Lease contract liabilities

The group assesses whether a contract is or contains a lease, at inception of the contract. The group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

– Fixed lease payments

– Variable lease payments

– The amount expected to be payable by the lessee under residual value guarantees

– The exercise price of purchase options

– The payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line in the Consolidated Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

– The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

– The lease payments change due to changes in an index rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payment change is due to a floating interest rate, in which case a revised discount rate is used).

– A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.

The group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The group does not have any leases that include purchase options or transfer ownership of the underlying asset. The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if these were owned. For the group this is 'Property and Equipment'.

For short-term leases (lease of than 12 months or less) and leases of low-value assets (such as personal computers and office furniture) the group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Other operating expenses' in the Consolidated Income Statement.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The group has not used this practical expedient.

The groups' weighted average incremental borrowing rate applied to lease liabilities during 2022 is 5.2% for the UK division, 2.8% or the Swedish division and 2.0% for the Dutch division.

(s) Borrowings

Borrowings are recognised initially at fair value, less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised in the Consolidated Statement of Comprehensive Income on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash payments through the expected life of the financial liability.

(t) Deferred income

Deferred income is in respect of initial fees that relate to the future provision of services that are deferred and amortised over the anticipated period.

(u) Other current liabilities

'Other current liabilities,' comprising investment contract payables and other payables, are recognised when due and are measured on initial recognition at the fair value of the consideration paid. Current liabilities in respect of insurance contracts are reported as part of the Liability for Incurred Claims.

(v) Employee benefits

(i) Pension obligations

UK businesses

Group companies operate defined contribution pension schemes, which are funded through payments to insurance companies, to which group companies pay fixed contributions. There are no legal or constructive obligations on group companies to pay further contributions if the fund does not hold sufficient assets to pay employee benefits relating to service in current and prior periods. Accordingly, group companies have no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised in the Consolidated Statement of Comprehensive Income when due.

Swedish business

The group participates in a combined defined benefit and defined contribution scheme for the benefit of its employees. However, the Scheme is a multi-employer scheme, with the associated assets and liabilities maintained on a pooled basis. There is limited information available to the group to allow it to account for the Scheme as a defined benefit scheme and, in accordance with IAS 19 Employee Benefits, it is, therefore, accounted for as a defined contribution scheme. Contributions paid to the Scheme are recognised in the Consolidated Statement of Comprehensive Income when due.

Dutch business (Waard)

Group companies operate defined contribution pension schemes, which are funded through payments to insurance companies, to which group companies pay fixed contributions. There are no legal or constructive obligations on group companies to pay further contributions if the fund does not hold sufficient assets to pay employee benefits relating to service in current and prior periods. Accordingly, group companies have no further payment obligations once the contributions have been paid. Contributions to defined contribution pension schemes are recognised in the Consolidated Statement of Comprehensive Income when due.

As a result of the Conservatrix acquisition, Waard Leven assumed the obligations under a defined benefit pension scheme for a small number of former Conservatrix employees. This scheme is closed to new entrants with no further benefits accruing and as such the exposure for Waard Leven is limited to the longevity risk of the contracts. The liability is valued under IAS 19 and reported under 'Other provisions' in the balance sheet.

Dutch business (Scildon)

Scildon had a defined benefit plan which was closed and transferred into a defined contribution pension plan during 2019. The defined benefit pension scheme was administered by Stichting Pensionfonds Legal & General Nederland. The company had agreed to contribute to the premium for the unconditional part of the pension. The company paid a contribution to the Scheme and subsequently had no further financial obligations with respect to this part of the Scheme. During 2019, a new defined contribution pension scheme was established for the benefit of Scildon employees.

(ii) Bonus plans

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The expense is recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

(w) Share-based payments

The value of employee share options and other equity settled share-based payments is calculated at fair value at the grant date using appropriate and recognised option pricing models. Vesting conditions, which comprise service conditions and performance conditions, other than those based upon market conditions, are not taken into account when estimating the fair value of such awards but are taken into account by adjusting the number of equity instruments included in the ultimate measurement of the transaction amount. The value of the awards is recognised as an expense on a systematic basis over the period during which the employment services are provided. Where an award of options is cancelled by an employee, the full value of the award (less any value previously recognised) is recognised at the cancellation date.

(x) Share capital and shares held in treasury

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments, as consideration for the acquisition of a business, are included in the cost of acquisition.

(ii) Shares held in treasury

Where the company purchases its own equity share capital, the consideration paid, including directly attributable costs, is deducted from total shareholders' equity and shown separately as 'treasury shares' until they are cancelled. Where such shares are subsequently sold, any consideration received is credited to the share premium account.

(y) Dividends

Dividend distributions to the company's shareholders are recognised in the period in which the dividends are paid, and, for the final dividend, when approved by the company's shareholders at the Annual General Meeting.

(z) Investment in subsidiaries

Investments in subsidiaries are carried in the balance sheet at cost less impairment. The company assesses at each reporting date whether an investment is impaired by assessing whether any indicators of impairment exist. If objective evidence of impairment exists, the company calculates the amount of impairment as the difference between the recoverable amount of the group entity and its carrying value and recognises the amount as an expense in the income statement. The recoverable amount is determined based on the cash flow projections of the underlying entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A5 Significant accounting policies (continued)

(aa) Business combinations

Acquisitions meeting the definition of a 'business' are accounted for under IFRS 3 'Business combinations'. This requires management to perform an assessment of the fair value of the assets and liabilities acquired and consideration paid at the point of acquisition. The acquiree's identifiable assets, liabilities, and contingent liabilities, are classified according to the relevant accounting standard and are measured initially at their fair values at the acquisition date. Expenses directly attributable to the acquisition are expensed as incurred unless determined to be attributable to future insurance contracts. Gains arising on a bargain purchase, where the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed exceeds the fair value of the consideration for the acquisition, are recognised in the Consolidated Statement of Comprehensive Income. Where the fair value of the consideration exceeds the fair value of the assets and liabilities acquired it is recognised as a goodwill intangible asset on the group balance sheet.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(ab) Portfolio transfers

Where a transaction is not deemed to be a business combination it is accounted for as an asset and liability purchase. In this scenario the group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in IAS 38 Intangible Assets) and liabilities assumed. The cost of the transaction to the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase.

(ac) Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates, being its functional currency. For the purpose of these Consolidated Financial Statements, the results and balance sheet of each group company are expressed in pounds sterling, which is the functional currency of the parent company and the presentation currency of the Consolidated Financial Statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency, being foreign currencies, are recorded at the rates of exchange prevailing on the dates of the transactions. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. At each balance sheet date, monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date and exchange differences are recognised in profit or loss. Non-monetary items carried at fair value, which are denominated in foreign currencies, are translated at the rates prevailing when the fair value was determined.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising are classified as other comprehensive income and are recognised in the group's foreign currency translation reserve. Such translation differences are recognised as income or as expense in the year in which the operation is disposed of.

Transactions relating to business combinations denominated in foreign currencies are translated into sterling at the exchange rates prevailing on the transaction date.

(ad) Climate change

In our Climate-related Financial Disclosures on pages 76 and 77 we identify that climate change related risks have the potential to manifest as an 'Investment and liquidity risk' (Principal Risk 1) or a 'Regulatory change risk' (Principal Risk 2). Whilst climate change risk is one of the most significant challenges facing the world, with Chesnara having its part to play in shaping policies and practices that contribute to managing climate risk challenges, the year end balance sheet does not include any significant judgements that are underpinned by a particular climate change scenario. Consequently, we do not believe that climate change risk is currently a key source of estimation uncertainty.

A6 Significant accounting judgements and estimates

In preparing the financial statements the group makes judgements and applies estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Disclosures of judgements made by the group in applying the accounting policies include those that have the most significant effect on the amounts that are recognised in the Consolidated Financial Statements.

Such estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. With the introduction of IFRS 17 and IFRS 9 the key areas of judgement have been reassessed for insurance and reinsurance contracts and for financial instruments. Details of all critical accounting judgements and estimates are set out in the notes that follow.

IFRS 17 significant judgements applied in determining the transition amounts

(a) Judgement in applying the IFRS 17 fair value approach at transition

Where it is practical to do so, the group has applied the full retrospective approach to measure each group of insurance contracts which means IFRS 17 has been applied since acquisition into the group. Where it was impractical to apply the full retrospective approach a fair value approach was used. The transition approach was determined at the level of a group of insurance contracts, however due to the factors under consideration (such as the length of time since acquisition and availability of data) the outcome of the practicability assessment resulted in a transition approach being applied for the operating segment as a whole, with the exception of Movestic.

Operating segment	Transition approach
UK – CA	Fair value
Movestic	Fair value*
Waard Group	Full retrospective
Scildon	Full retrospective
Other group activities	N/A

*For PAA contracts in Movestic the group has concluded that it is practicable to apply the full retrospective approach and hence this was applied.

However, it was concluded that the full retrospective approach could not be applied to the majority of the pension benefits in scope of IFRS 17, and hence the fair value approach has been applied to all of the pension savings benefits on the grounds of materiality.

The group determined that it would be impracticable to apply the full retrospective approach where the following applied:

(i) Historical cash flow information was unavailable at the required level of aggregation

(ii) Historical actuarial models were unavailable

(iii) Information relating to historical assumptions that reflected the conditions existing at the relevant date was unavailable or not possible to create without the use of hindsight

Chesnara has been able to apply the full retrospective approach to all material business acquired or written since 2016 when SII was introduced. In addition the full retrospective approach has been applied to all of the contracts within Waard, which includes business acquired in 2015.

In applying the fair value approach, the group determined the CSM to be the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13, 'Fair Value Measurement' (IFRS 13), and its FCF at the transition date. The fair value of an insurance liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date.

In the absence of recent market transactions for similar contracts, a present value technique was used to determine the fair value of the groups of contracts. IFRS 13 defines fair value accounting techniques according to the inputs used. The lack of observable market prices for the liabilities under consideration and hence the reliance on significant judgement to determine a market participant's view results in the present value technique being considered a Level 3 technique. The significant judgements to determine a market participant's view include:

(a) a market participant's view of the expected future cash flows and risk allowances would align to Chesnara's view;

(b) only future cash flows within the boundaries of the insurance contracts were included in the market participant's fair value estimation;

(c) a market participant would require a compensation for the cost of holding capital in respect of the liabilities which has been determined based on market rates; and

(d) a market participant would determine the compensation for the cost of holding capital based on a buffer in excess of the SII regulatory capital requirements. The buffer assumed is in the range of 130%-140% reflecting the specifics of the underlying business.

A number of specific modifications are permitted when using the fair value approach. The group has adopted the following modifications:

(i) Level of aggregation – to use information at the transition date to identify groups of insurance contracts;

(ii) Level of aggregation – to group annual cohorts of business;

(iii) Level of aggregation – the assessment for profitability was made at the transition date; and

(iv) Measurement model – to use information at the transition date to assess eligibility for the VFA.

Fulfilment cash flows were estimated prospectively at the transition date and discount rates were determined at the transition date.

IFRS 17 significant accounting judgements

(b) Separation of contracts and classification

Judgement has been exercised across the group in determining whether contracts issued contain significant insurance risk and whether contracts including investment components and insurance components can be separated. Once any investment components are separated, the group assesses whether the contract should be separated into several insurance components that, in substance, should be treated as separate contracts to reflect the substance of the transaction. To determine whether insurance components should be recognised and measured separately, the group considers whether there is an interdependency between the different risks covered, whether components can lapse independently of each other and whether the components can be priced and sold separately. When the group enters into one legal contract with different insurance components operating independently of each other, insurance components are recognised and measured separately applying IFRS 17.

Generally, the contracts identified as insurance contracts under IFRS 17 are the same as those under IFRS 4. However, there are some contracts, in the Swedish business, where under IFRS 17 the investment and insurance components can no longer be separated resulting in certain pension benefits becoming in scope of IFRS 17. No contracts have been switched from insurance to investment contracts. Many contracts issued include 'rider' benefits in addition to the base policy, however having considered the facts and circumstances of these products it has been determined that these components should not be separated and that the contract is measured as one contract.

The assessment as to whether insurance contracts have direct participating features qualify for the VFA requires an element of judgement to determine whether the proportion of the underlying item to be paid to the policyholder is substantial and whether the policyholder liability varies substantially with the movement in the fair value of the underlying item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A6 Significant accounting judgements and estimates (continued)

IFRS 17 significant accounting judgements (continued)

(c) Level of aggregation

Judgement is required in applying the requirement to group portfolios that have similar risks and are managed together. The group has considered the following factors (to the extent that they are relevant for the entity) in order to group contracts by similar risks and those that are managed together: principal insurance risk, product type, tax status, legacy book/outsource provider and measurement model.

Further judgement is required in determining the profitability grouping that applies to portfolios of contracts. For the new business cohorts in Scildon, a policy level test is applied and contracts are allocated to the relevant profitability group. To date, this has not resulted in any contracts being classified as 'no significant risk of becoming onerous'. Where portfolios of contracts are acquired in a business combination or a portfolio transfer, the purchase terms have been such that to date all contracts have been allocated to the 'other' profitable cohort.

(d) Discount rates

Cash flows are discounted using currency-specific, risk-free yield curves adjusted for the characteristics of the cash flows and the liquidity of the insurance contracts. The group applies a 'bottom-up' approach to determining discount rates and follows the methodology used by the PRA and EIOPA to determine risk-free yield curves and ultimate forward rates for regulatory solvency calculations. To reflect the liquidity or otherwise of the insurance contracts, the risk-free yield curves are adjusted by an illiquidity premium.

For certain Dutch 'savings mortgage' products, there is a direct connection to the policyholder's mortgage loan and the premiums to repay the loan in that the crediting rate is set such that the account value will be equal to the balance on the loan at maturity. For this product, the cash flows are discounted using the same curve used to value the corresponding mortgage assets which itself is derived from mortgage rates available in the market.

When the present value of future cash flows is estimated using stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk free rates as adjusted for illiquidity.

Inflation rates mainly relate to expense inflation. The assumptions in respect of expense inflation reflect the group's best estimate view incorporating market consistent data such as earnings indices and central bank inflation targets.

The yield curves that were used to discount the estimates of future cash flows that were modelled deterministically are shown in the table below:

					2023					2022		
Yield curve	**Broad product category**	**Currency**	**1 yr**	**5 yrs**	**10 yrs**	**20 yrs**	**30 yrs**	**1 yr**	**5 yrs**	**10 yrs**	**20 yrs**	**30 yrs**
RFR	Unit-linked/index-linked/with-profits – VFA	EUR	3.36%	2.32%	2.39%	2.41%	2.53%	3.18%	3.13%	3.09%	2.77%	2.73%
	Unit-linked/index-linked/with-profits – GMM *(with high liquidity)*	GBP	4.74%	3.36%	3.28%	3.43%	3.36%	4.46%	4.06%	3.71%	3.54%	3.35%
	Short-term protection	SEK	3.03%	2.26%	2.25%	2.76%	2.99%	3.47%	3.16%	3.01%	3.18%	3.27%
RFR + VA	Immediate annuities	EUR	3.56%	2.52%	2.59%	2.61%	2.70%	3.37%	3.32%	3.28%	2.96%	2.89%
	Term assurance and other non-linked Unit-linked/index-linked/with-profits – GMM *(with medium liquidity)*	GBP	5.05%	3.67%	3.59%	3.74%	3.67%	4.75%	4.35%	4.00%	3.83%	3.64%
Market Mortgage Rates	Waard Savings Mortgage	EUR	4.77%	3.73%	3.80%	3.82%	3.94%	4.23%	4.18%	4.14%	3.82%	3.78%

The sensitivity of the income statement and balance sheet to movements in the yield curve is shown in Note B3(a)(ii).

(e) Methods used to measure the risk adjustment for non-financial risk

The group calculates the risk adjustment using a Cost of Capital (CoC) methodology similar to the PRA and EIOPA Solvency II Risk Margin approach. The differences between the Solvency II Risk Margin and the IFRS 17 risk adjustment for non-financial risk include:

(a) the risk adjustment for non-financial risk only includes risks within the IFRS 17 contract boundary which may differ to the contract boundary assumed in Solvency II;

(b) the Solvency II risk margin makes allowance for counterparty default risk and operational risk, but these are not required in the risk adjustment for non-financial risk.

In determining the risk adjustment for non-financial risk each entity allows for diversification between the risks in a consistent manner to that applied in the Solvency II risk margin. Diversification is allowed for within each entity, but not across the entities, and is allocated to groups of insurance contracts in proportion to the undiversified risk capital amounts. The risk adjustment is then determined by applying a CoC rate to the amount of capital required for each future reporting date and discounting the result using the appropriate portfolio level risk free rates adjusted for illiquidity.

The required capital is determined using stresses and diversification factors aligned to the relevant Solvency II methodologies and allocated to groups of contracts in a way that is consistent with the risk profiles of the groups. The CoC rate reflects that used in the group's own EcV reporting, currently 3.25%pa (2022: 3.25%).

To determine the risk adjustments for non-financial risk for reinsurance contracts, the group applies these techniques both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

Over a 1 year time horizon and on a net of reinsurance basis, this risk adjustment corresponds to a confidence level of 75.9% (2022: 74.6%). This is equivalent to estimating that the probability that any changes in best estimate liabilities from non-financial risk over the next year exceed the amount of the risk adjustment is less than 24.1%. Using statistical approximations, the 1 year figure can be transformed into an equivalent confidence level over the expected lifetime of in-force policies of 61.9% (2022: 61%).

(f) Expense allocations

Expenses cash flows are assessed as to whether they are attributable to the fulfilment or acquisition of insurance contracts. Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The group has determined that this method results in a systematic and rational allocation.

(g) Coverage period and units

Judgement is required in determining the expected coverage period over which the CSM is allocated into profit or loss for the services provided or received.

For contracts issued, the group determines the coverage period for the CSM recognition as follows:

(a) for non-participating contracts, the coverage period corresponds to the policy coverage for mortality and/or morbidity risk and investment return services;

(b) for contracts with direct participating features, the coverage period corresponds to the period in which insurance or investment related services are expected to be provided.

The coverage period for reinsurance contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

The CSM at the end of the reporting period is allocated to profit and loss based on the relevant underlying coverage units where the number of coverage units in a group is determined by considering, for each contract, the quantity of the benefits provided under a contract and its expected coverage period. The quantity of benefits provided includes insurance, investment return and investment-related services and hence the coverage unit is based on the maximum benefit payment which may become due in a period.

For contracts that provide an investment return or investment-related service, the account balance is generally considered the main driver for determining the amount of service provided in a period. For products that provide an insurance service the sum assured, in excess of any account balance, is considered the main driver for determining the amount of insurance service provided in a period.

The following table provides details of the coverage units applied for the broad product categories:

Product category	Typical coverage unit
Immediate annuities	Annuity face amount
Term assurance and other non-linked	Term assurance: Sum insured Other non-linked: Higher of death and maturity benefit
Unit-linked/index-linked/with-profits – GMM	Higher of death benefit, account value and maturity benefit
Unit-linked/index-linked/with-profits – VFA	Higher of death benefit, account value and maturity benefit
Short-term protection	N/A

Notes F2 to F5 provide information regarding the timing of the future release of the CSM to the profit and loss account, based on the CSM at the balance sheet date.

(h) Non-distinct investment components

Insurance revenue and insurance service expenses exclude any NDIC. The group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from insurance revenue and insurance service expenses. Where the required information for the actual NDIC is unavailable at a policy level the group applies estimation techniques based on expected data. Typical non-distinct investment components are outlined in Note A5(a)(xiv).

Other accounting judgements

(i) Mortgage asset valuation

The mortgage savings assets within the Waard Group, previously valued at amortised cost under IAS 39, are now designated as FVTPL and valued at fair value in order to avoid an accounting mismatch with the corresponding liability valued under IFRS 17.

The mortgage portfolio acquired by Waard Leven as part of the Argenta acquisition in 2020 contains both a savings element and risk element. For the savings part of the mortgage, the asset cash flows are projected to the mortgage end date and discounted using a risk free rate plus a spread. The expected future cash flows are determined from the product characteristics and best estimate actuarial assumptions with the credit spread being sourced primarily from a weighted average of mortgage rates available in the market at each duration. In principle, the spread should only be applied to the future investment-related part of the cash flows but since this is impracticable the group has applied a spread to all cash flows. This results in a close approximation to the corresponding liability and reflects the true economic offset of asset and liability.

(j) Acquired value of in-force business (CASLP)

The group applies accounting estimates and judgements in determining the fair value, amortisation and recoverability of acquired in-force business, which following the introduction of IFRS 17 relates to investment contracts only. The AVIF previously recognised in respect of insurance contracts has now been derecognised in these financial statements. In the initial determination of the acquired value of in-force business, the group uses actuarial models to determine the expected net cash flows (on a discounted basis) of the policies acquired. The key assumptions applied in the models are driven by the expected behaviour of policyholders on termination rates, expenses of management and age of individual contract holders as well as global estimates of investment growth, based on recent experience at the date of acquisition. The assumptions applied within the models are considered against historical experience of each of the relevant factors. Refer to accounting policy Note A5(h).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION A – GENERAL INFORMATION AND ACCOUNTING POLICIES AND JUDGEMENTS

A6 Significant accounting judgements and estimates (continued)

Other accounting judgements (continued)

(j) Acquired value of in-force business (CASLP) (continued)

The acquired value of in-force business is amortised on a basis that reflects the expected profit stream arising from the investment contracts acquired at the date of acquisition. Acquired value of in-force business is tested for recoverability by reference to expected future income and expense levels. Such impairment testing requires a degree of estimation and judgement. In particular, the value is sensitive to the rate at which future cash flows are discounted and to the rates of return on invested assets, based on applying a range of discount rates, which have been determined with reference to our review of the current market assessment of the true value of money and the risks specific to the asset for which the cash flows have not been adjusted. The rates used for the purpose of the impairment testing range from 4% to 12% and the actual rate applied was 11.45% (31 December 2022: 8%).

The AVIF for CASLP has been tested for recoverability as at 31 December 2023 and as a result of that test an impairment of £21.0m has been applied (£6.1m net of tax). The carrying value of the AVIF in CASLP following the impairment and net of amortisation is £21.9m at 31 December 2023 (31 December 2022: £49.6m).

A 400 bps increase in the effective discount rate would reduce the underlying value of in-force business in CASLP by £3.7m (31 December 2022: £11.3m). A 10% fall in projected future profits would reduce the underlying value of in-force business in CASLP by £2.2m (31 December 2022: £5.7m).

(k) Investment in subsidiary CA

The group applies accounting estimates and judgements in determining the holding value and recoverability of its investment in subsidiaries, in particular that of Countrywide Assured plc. An annual impairment test is performed which requires a degree of estimation and judgement, and for which management has determined that the reported EcV of the UK business is appropriate to be used as a proxy for the IAS 36 'value in use' assessment, as this value takes into account the future cash flows and hence future profitability of the business. This assessment showed that as at the balance sheet date, there was a deficit of £14.4m against the carrying value of the investment in subsidiary value and hence the carrying value has been impaired by this amount, thereby impacting the parent company income statement and balance sheet but no impact to the group Consolidated Financial Statements.

A 400 bps increase in interest rates would reduce the EcV, and hence the carrying value, by £5.4m (31 December 2022: £14.6m). A 10% fall in equity values would reduce the carrying value by £7.9m (31 December 2022: £8.2m). A 10% mass lapse of policyholders would reduce the carrying value by £11.1m (31 December 2022: £6.1m).

Significant accounting estimates and assumptions

(l) Mortality/Longevity/Morbidity

Best estimate assumptions about mortality, longevity and morbidity used in estimating future cash flows are developed for homogeneous product types and groups of policyholders at a local entity level. Assumptions are generally based on a combination of national data, standard industry tables, the local entity's recent experience and also future expectations. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts. Note B2 provides more information on mortality rates used and the sensitivity of the income statement and balance sheet to changes in mortality and morbidity assumptions.

(m) Persistency

Best estimate assumptions about policyholder behaviour, such as surrenders and lapses, used in estimating future cash flows, are developed for homogeneous product types and groups of policyholders at a local entity level. Assumptions are generally based on a combination of the local entity's recent experience and future expectations. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Surrenders and lapses depend on the product and policy duration in force. Note B2 provides more information on lapse rates and the sensitivity of the income statement and balance sheet to changes in persistency assumptions.

(n) Future expenses

Best estimate assumptions regarding expenses used in the estimation of future cash flows are set at a level that reflects the group's expectations as to future expenditure based on each entity's cost base and annual budgeting process along with longer-term expectations as to how the business will run off net of any new business. Transition costs and major project expenses are reviewed on a case-by-case basis as to whether they should be treated as non-attributable. Costs which are borne centrally for group-wide projects, such as IFRS 17 implementation for example, have been considered non-attributable. Expenses pertaining to investment costs on assets backing liabilities where no investment related service is provided to policyholders, generally term assurance and annuities, are also excluded. Note B2 provides more information on the sensitivity of the income statement and balance sheet to changes in future expense assumptions.

(o) Time value of options and guarantees

The group has offered guaranteed annuity options within certain contracts. Estimates have been made of the number of contract holders who will exercise these options, in order to measure their value. Changes in investment conditions could result in significantly more contract holders exercising their options than the group has assumed in determining the liabilities arising from these contracts.

UK with-profits contracts contain a Discretionary Participation Feature (DPF) which entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. The terms and conditions of these contracts, together with UK regulations, set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the group may exercise its discretion as to the quantum and timing of their payment to contract holders.

(p) Non-performance of reinsurers

Where appropriate, reinsurance cash flows are adjusted for the possibility of loss due to reinsurer default using an approach equivalent to the PRA and EIOPA methodology for the Solvency II Credit Default Adjustment.

SECTION B – RISK AND CAPITAL MANAGEMENT

B1 Risk Management Framework

The group's board of directors has overall responsibility for the adequacy of the design and implementation of the group's Risk Management Framework and its consistent application across divisions. The group and its divisions operate within a defined risk strategy and supporting Risk Appetite Framework. Risk preferences are approved by the board of directors and the risk position of the business is monitored against these preferences.

The group's risk management policies are established to identify and analyse the risks faced by the group, set appropriate risk limits and controls, and monitor adherence to risk limits. The risk management policies are reviewed regularly to reflect changes in market conditions and the group's activities whilst the board of directors approves the review, updates and attestation of these policies at least annually.

Risk is managed at local entity level where the business is transacted, based on the principles and policies established at group level. The Group Audit & Risk Committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the Risk Management Framework in relation to the risks faced by the group. It is assisted in its oversight role by internal audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Group Audit & Risk Committee.

The group issues insurance contracts and investment contracts. The nature and extent of the underwriting and financial risks arising from these contracts are determined by the contract design. The risks are evaluated for risk management purposes in conjunction with the risks mitigated by related reinsurance contracts and the risks arising from financial assets held to fund the settlement of the liabilities.

B2 Underwriting risk

General

Underwriting risk consists of insurance risk, persistency risk (together demographic experience risk) and expense risk:

- **Insurance risk:** the risk transferred from the policyholder to the group, other than financial risk. Insurance risk arises from uncertainty regarding the occurrence, timing and amount of future claims.
- **Persistency (or lapse) risk:** the risk that a policyholder will cancel a contract, increase or reduce premiums, withdraw deposits or annuitise a contract earlier or later than expected.
- **Expense risk:** the risk of unexpected increases in the administrative costs of servicing contracts.

The group is exposed to different aspects of insurance risk for life insurance policies issued:

- Mortality risk – the risk of losses arising from death of life insurance policyholders being earlier than expected
- Morbidity risk – the risk of medical claims arising from the diagnosis of illness being higher than expected
- Longevity risk – the risk of losses due to policyholders living longer than expected

The group's management of insurance risk is a critical aspect of its business. The primary insurance activity carried out by the group comprises the assumption of the risk of loss from persons that are directly subject to the risk. As such, the group is exposed to the uncertainty surrounding the timing and severity of claims under the related contracts. The principal risk is that the frequency and severity of claims is greater than expected.

The theory of probability is applied to the pricing and provisioning for a portfolio of insurance contracts. Insured events are, by their nature, random, and the actual number and size of events during any 1 year may vary from those estimated using established statistical techniques. It is noted that the annuity policies give exposure to longevity risk, which provides a partial natural hedge to the exposure to mortality risk.

The group manages its insurance risk through adoption of underwriting strategies, the aim of which is to avoid undue concentration of risk, approval procedures for new products, pricing guidelines and adoption of reinsurance strategies, the aim of which is to reinforce the underwriting strategy by avoiding the retention of undue concentration of risk.

Notwithstanding that the group pursues common overarching objectives and employs similar techniques in managing these risks, the range of product characteristics and the differing market and regulatory environments of the UK, Swedish and Dutch businesses are such that insurance risk is managed separately for the separate operating segments and concentration of insurance risk is mitigated. The UK segment consists of largely closed legacy books of business that are in run-off. Within the Dutch business, the Waard Group operates as an acquisitive vehicle with a number of acquisitions of closed books in recent years whereas Scildon is a writer of new business. The Swedish segment, Movestic, also writes new business however this predominantly comprises of investment contracts valued under IFRS 9. Accordingly, the information which follows (and also the quantitative disclosures in Section F of the notes to the financial statements) differentiates these segments and sets out for each the key risks arising from insurance contracts and how those risks are measured and managed.

(a) UK business

The main insurance contract portfolios within the UK and the associated risks that have a material effect on the amount, timing and uncertainty of future cash flows arising from the insurance contracts issued are as follows:

(i) Immediate annuities

Immediate annuities provide regular income payments generally during the outstanding life of the policyholder, and in some cases that of a surviving spouse or partner. In certain cases, payments may be guaranteed for a minimum period. These contracts expose the business to longevity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B2 Underwriting risk (continued)
(a) UK business (continued)
(ii) Term assurances and other non-linked

The principal insurance risk for these portfolios is mortality risk with some morbidity risk arising from critical illness benefits. The policies generally provide fixed and guaranteed benefits and have fixed future premiums.

(iii) Unit-linked/Index-linked/With-profits – GMM

The contracts in these portfolios are with-profits or unit-linked pensions and savings products which, due to the presence of in the money guarantees or the charges applied, did not meet the criteria for measurement under VFA. The with-profits policies comprise a guaranteed sum assured payable on death or at maturity, to which may be added a discretionary terminal bonus. The unit-linked policies include guarantees in excess of the unit fund. The principal insurance risk for these contracts is mortality risk however some contracts also contain morbidity risk.

(iv) Unit-linked/Index-linked/With-profits – VFA

These portfolios contain unit-linked pensions, endowments and whole of life contracts and a small number of with-profits policies. The contracts passed the criteria for measurements under VFA. The principal insurance risk for these contracts is mortality risk however some contracts also contain morbidity risk.

Management of insurance risks

The risk at outset of a contract is managed through the pricing basis. Thereafter the risks associated with these products are managed by reinsurance and, in some cases, by the ability to charge the policyholder for the mortality benefits provided.

For unit-linked contracts there is exposure to insurance risk only insofar as the value of the unit-linked fund is lower than the guaranteed minimum death benefit.

The with-profits business which is measured using the VFA is reinsured to ReAssure Limited and hence the only risk retained for this business is the risk of default by the reinsurer and some expense risk.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in the UK:

31 December Type of contracts	2023 Gross £m	 Reinsurance £m	 Total £m	2022 Gross £m	 Reinsurance £m	 Total £m
Immediate annuities	113.4	(48.8)	64.6	118.1	(50.7)	67.4
Term assurance and other non-linked	92.7	(68.0)	24.7	106.1	(73.2)	32.9
Unit-linked/Index-linked/With-profits – GMM	223.3	(0.2)	223.1	229.1	(0.2)	228.9
Unit-linked/Index-linked/With-profits – VFA	949.7	(47.7)	902.0	994.3	(48.5)	945.8
Total	**1,379.1**	**(164.7)**	**1,214.4**	**1,447.6**	**(172.6)**	**1,275.0**

Concentration of insurance risk

The UK does not underwrite group insurance covers which tends to naturally limit geographic concentrations. Exposures to material insurance risks, on individual cases, are avoided through the use of quota share and surplus reinsurance and retained sums assured on any one life are generally under £250,000.

Mortality assumptions

A base mortality table is selected which is most appropriate for each type of contract taking into account historical experience and where appropriate, reinsurers rates. The mortality rates reflected in these tables are periodically adjusted, allowing for emerging experience. The mortality assumptions used on the blocks of business most sensitive to changes in mortality assumptions are disclosed below.

Term assurance ex-Protection Life, Life Business: 65% TMN00 select (2022: 65%) and 65% TFN00 select (non-smokers) (2022: 65%), 65% TMS00 select (2022: 65%) and 65% TFS00 select (smokers) (2022: 65%).

Annuitant mortality (CA): 104% PMA08 table (2022: 104%) and 104% PFA08 table (2022: 104%), with 100% CMI_2022 improvements (with zero weighting to 2020, 2021 and 2022 data) with a 1.5% long-term convergence rate from 31 December 2023 (2022: 1.5%).

Annuitant mortality (CASLP conventional annuities): 120% PMA08 table (2022: 120%) and 120% PFA08 table (2022: 120%), with 100% CMI_2022 improvements (with zero weighting to 2020, 2021 and 2022 data) with a 1.5% long-term convergence rate from 31 December 2023 (2022: 2%).

Other underwriting risks on insurance contracts

Expense risk

The UK business outsources the majority of operational activities to third party administrators in order to reduce the expense inefficiencies that would arise with fixed and semi-fixed costs on a reducing policy base, although this is mitigated by acquisitions of business. There are, however, risks associated with the use of outsourcing. In particular, there will be a need for periodic renegotiations of the terms of the outsourcing arrangements as the existing agreements expire, the outcome of which could potentially impact ongoing maintenance expenses and involve transition costs. There is also a risk that, at some point in the future, third party administrators could default on their obligations. The UK business monitors the financial soundness of third-party administrators and has retained step-in rights on the more significant of these agreements. There are also contractual arrangements in place which provide for financial penalties in the event of default by the administration service provider.

Persistency risk

Persistency risk is the risk that the investor cancels the contract or discontinues paying new premiums into the contract, thereby exposing the UK business to the risk of a reduction in profits. Persistency experience is actively monitored to allow early identification of trends. In addition, reinsurance is in place to limit the impact arising from a mass lapse event on the long-term contracts.

(b) Swedish business

The Movestic business is focused predominantly on unit-linked savings and pensions in the local Swedish market. IFRS 17 requires that contracts are separated according to the benefits selected. The majority of the benefits in Movestic are classified as investment contracts, with no significant insurance risk, and are therefore measured under IFRS 9, however some of the savings benefits do however fall within the scope of IFRS 17 'Insurance Contracts'. In addition, there is some short-term protection business, measured under PAA.

(i) Unit-linked/Index-linked/With-profits – VFA

The insurance benefits within scope of IFRS 17 are unit-linked pension savings contracts where the policyholder has selected to receive a payment on survival to a specified date but there are no payments to beneficiaries on death before this date, with invested amounts instead becoming the property of Movestic. To compensate the insured for this risk, Movestic allocates inheritance gains on a monthly basis to surviving policyholders such that the gains broadly match the long-term average values retained due to death. At the individual beneficiary level there is insurance risk as significant additional amounts are paid to the beneficiary on survival compared to receiving no payment on death.

(ii) Short-term protection

These portfolios primarily include insurance contracts providing:

– Life cover on an individual or group contract basis

– Accident and sickness cover for group contracts

– Income protection benefits separated from group pension schemes

– Waiver of premium separated from group pension schemes

The principal risk for the life cover is mortality risk and the principal risk for the remaining products is morbidity risk. The above are 1-year contracts as Movestic has the practical ability to re-price all benefits within 1 year.

Management of insurance risks

For linked contracts the investment risk is borne by the policyholder and there is limited exposure to insurance risk. In addition, the allocation of inheritance gains are reviewed regularly and are subject to change in order that the inheritance gains allocated broadly equals the amount paid to Movestic on death, thereby reducing the risk to Movestic.

For the contracts measured under the PAA the key risks are managed through appropriate product design and pricing of the policies to ensure that the potential cost to Movestic of these events (and associated expenses of underwriting and administration) are reflected in the price charged to the policyholder. These contracts are either 1-year contracts or Movestic has the practical ability to re-price all benefits within 1 year, which allows Movestic to manage its risk exposure. In addition, risk is further mitigated by the use of reinsurance.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in Sweden:

31 December Type of contracts	2023 Gross £m	 Reinsurance £m	 Total £m	2022 Gross £m	 Reinsurance £m	 Total £m
Long-term with direct participating features	131.5	–	131.5	117.0	–	117.0
Short-term protection	40.3	(14.5)	25.8	42.0	(15.8)	26.2
Total	**171.8**	**(14.5)**	**157.3**	**159.0**	**(15.8)**	**143.2**

Concentration of insurance risk

Regarding benefits assured for individual contracts, the combined effect of reinsurance and the fact that the vast majority of the total benefit assured relates to numerous small value contracts limits the level of concentration risk. The use of reinsurance means that exposures to material insurance risks on individual cases are avoided, with 97.5% of the business having retained sums assured of less than £250,000.

In respect of group contracts, the business is exposed to multiple employees of the same organisation being involved in a single loss event. Movestic forecasts that its maximum loss would be of the order of SEK 614m (approximately £48.0m) gross of reinsurance and SEK 15m (approximately £1.2m) after reinsurance. The equivalent retention for 2022 was SEK 5m (approximately £0.4m).

Mortality assumptions

These are not material for the long-term Swedish contracts as the inheritance gains allocated by Movestic to the surviving policyholders are such that they broadly match the long-term average of the amounts retained on death. Mortality assumptions are not material to the protection products due to the short-term nature of these contracts.

Other underwriting risks on insurance contracts

Expense risk

Expense risk is the risk that expenses are higher than expected hence leading to a reduction in profits. Expenses are actively monitored and managed to reduce this risk.

Persistency risk

Persistency risk is the risk that the investor cancels the contract or discontinues paying new premiums into the contract, thereby exposing the Swedish business to the risk of a reduction in profits. Persistency experience is actively monitored to allow early identification of trends. In addition, reinsurance is in place to limit the impact arising from a mass lapse event on the long-term contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B2 Underwriting risk (continued)

(c) Waard Group

The Waard Group comprises the original business acquired by the Chesnara group in 2015 and the subsequent acquisitions of portfolios of business made by the Waard Group from 2019 onwards (see Note C1 for details). With the recent acquisitions there is now a mix of protection and savings business in the Waard Group and both the GMM and VFA measurement models are applied. The acquisition of Conservatrix on 1 January 2023 also contained contracts where no significant insurance risk remained at the date of acquisition and these contracts have consequently been classified as investment contacts.

(i) Immediate annuities

The acquisitions of Robein and Conservatrix contain immediate annuities, where the risk is longevity.

(ii) Term assurance and other non-linked

Waard's original business includes term assurances, with further contracts added in subsequent acquisitions most significantly for Argenta and Brand New Day. These portfolios are exposed to mortality risk.

The portfolio acquired from Monuta contained endowment and savings business, some with-profit sharing conditions however there are separate portfolios for mortality and longevity risk depending on which is considered to be the predominant risk.

The Robein acquisition also included term assurance business.

The Conservatrix acquisition also included pension, endowment and funeral plans all of which are exposed to mortality risk.

(iii) Unit-linked/Index-linked/With-profits – GMM

The Argenta acquisition included a significant amount of mortgage savings which contain mortality risk.

The Robein acquisition contains unit-linked savings products with death cover as a percentage of fund value. A significant amount of these policies had no insurance risk on acquisition (as over time the death cover moves to 100% of the fund value) however as the acquisition was before the effective date of IFRS 17, the scope is determined at inception of the contract. For those policies with insurance risk, the predominant risk is considered to be longevity risk. The unit-linked savings products have been allocated to two portfolios as only certain types of policy (execution only) passed all criteria of the VFA eligibility test.

The Conservatrix acquisition includes 'Natural Guarantee Plans' which provide varying degrees of death benefit cover, ranging from 0% to 110%. These policies have been split between those with mortality risk (where the death cover exceeds the fund value) and those with longevity risk (where the death cover is lower than fund value). In addition Conservatrix also includes unit-linked products with mortality being the predominant risk.

(iv) Unit-linked/Index-linked/With-profits – VFA

As noted above the acquisition of Robein contains unit-linked savings contracts, for which the criteria for measurement under VFA are met. The principal insurance risk for these contracts is longevity risk.

Management of insurance risks

The portfolio is closed to new business and is in run-off and hence no significant underwriting occurs. For the existing portfolio, the division entered into an excess of loss and catastrophe (Life) and quota share (Health) reinsurance agreement to mitigate the risk in excess of risk appetite for mortality, disability and unemployment.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in the Waard Group:

31 December Type of contracts		2023			2022	
	Gross £m	Reinsurance £m	Total £m	Gross £m	Reinsurance £m	Total £m
Immediate annuities	67.8	–	67.8	4.4	–	4.4
Term assurance and other non-linked	153.7	(4.4)	149.3	75.2	(3.5)	71.7
Unit-linked/Index-linked/With-profits – GMM	496.9	–	496.9	305.5	–	305.5
Unit-linked/Index-linked/With-profits – VFA	67.0	–	67.0	78.6	–	78.6
Total	**785.4**	**(4.4)**	**781.0**	**463.7**	**(3.5)**	**460.2**

Concentration of insurance risk

The Waard portfolios do not include group contracts and hence do not have the concentration of risk which may be presented by these contracts. For individual life contracts an excess of loss limit of €100,000 is applied for life risk, hence concentration risk is limited.

Mortality assumptions

Different assumptions are used for each portfolio. As an example, the most material portfolio (Argenta Savings Mortgages) uses the following mortality assumptions: 80% of the generational prognosis table AG2018.

The assumptions are subject to regular review to ensure that the assumption reflects the experience incurred on the specific book.

Persistency and expense risk

The Waard portfolio is small relative to the group which limits the risks presented to the group. To mitigate the expense risk, management actively monitors the expenses incurred to keep costs to an appropriate level. In addition, management will continue with the current acquisition strategy to maintain expenses efficiencies. Persistency levels are moderate and largely depend on investment performance.

(d) Scildon

Scildon contains a mixture of unit-linked and traditional savings contracts with life cover, term assurance, annuities and group pension business.

(i) Immediate annuities

Immediate annuities provide regular income payments for either the outstanding lifetime of the policyholder and in some cases the outstanding lifetime of a surviving spouse or partner or for the fixed term chosen by the policyholder. Payments are guaranteed for a minimum period. These contracts expose the business to longevity risk.

(ii) Term assurance and other non-linked

Scildon mainly writes term life contracts, sold as a regular premium policy. The current mass market product has no surrender value or profit sharing. The most significant factors that could increase risk are epidemics and changes in lifestyle leading to higher mortality.

There are also older traditional policies with-profit sharing conditions (before 2011) that allow for a surrender value at lapse or profit sharing at maturity. These are split into separate portfolios reflecting the principal risks of mortality or longevity.

(iii) Unit-linked/Index-linked/With-profits – GMM

Scildon writes unit-linked and index-linked business, with most policies paying out 0%, 90% or 110% of the unit-value at death of the policyholder and 100% at maturity. When the death benefit is greater than 100% of the unit fund value the principal risk is mortality and if the death benefit is less than 100% of the unit fund value the principal risk is longevity. These are allocated to two portfolios as only policies allocating the majority of premiums to unit-linked holdings passed the criteria of the VFA eligibility test.

(iv) Unit-linked/Index-linked/With-profits – VFA

As noted above, Scildon contains unit-linked and index-linked savings contracts, for which the criteria for measurement under VFA are met.

The group pension contracts are also unit-linked in nature and pass the VFA eligibility criteria. The principal risk for these contracts is mortality risk.

Management of insurance risks

Term assurances are the main new business product type and significant underwriting occurs.

For linked contracts the investment risk is borne by the policyholder, therefore there is exposure to insurance risk only insofar as the value of the unit-linked fund is lower than any guaranteed benefits.

Quota share reinsurance agreements are in place with a maximum retention per policy, to mitigate the risk in excess of risk appetite for mortality at the moment of underwriting. Catastrophe reinsurance is in place to mitigate the loss arising from a catastrophe risk event.

The following table shows the breakdown of insurance and reinsurance contract values by major product type for contracts in Scildon:

31 December **Type of contracts**		**2023**			**2022**	
	Gross £m	**Reinsurance £m**	**Total £m**	**Gross £m**	**Reinsurance £m**	**Total £m**
Immediate annuities	146.7	–	146.7	129.0	–	129.0
Term assurance and other non-linked	173.3	14.9	188.2	167.3	15.2	182.5
Unit-linked/Index-linked/With-profits – GMM	278.8	–	278.8	299.7	–	299.7
Unit-linked/Index-linked/With-profits – VFA	1,264.0	–	1,264.0	1,155.3	–	1,155.3
Total	**1,862.8**	**14.9**	**1,877.7**	**1,751.3**	**15.2**	**1,766.5**

Concentration of insurance risk

Scildon does write group pensions contracts with an excess of loss limit of €200,000 per life, hence concentration risk is limited. Regarding benefits assured for individual contracts, the combined effect of reinsurance and the fact that the vast majority of the total benefit assured relates to numerous small value contracts, limit the level of concentration risk.

Mortality assumptions

The assumptions differ by product type, and there are also different assumptions applied within each product type depending on when the contract was written. The unit-linked contracts are the largest product group and an example of the mortality tables used are the GBM 1976-1980 (males) and the GBV 1976-1980 (females). For annuities, an example of the mortality tables applied are the GBM 1980-1985 (males) and GBV 1980-1985 (females) tables.

Persistency and expense risk

To mitigate the expense risk, management actively monitor the expenses incurred to keep costs to an appropriate level. Persistency levels are moderate however they are actively monitored to allow early identification of trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B2 Underwriting risk (continued)

(e) Sensitivity analysis

The following tables show the impact to the CSM, profit or loss after tax and shareholders' equity if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. The analysis has been prepared for a change in the stated variable, with all other assumptions remaining constant and presents the impact both before and after reinsurance.

31 December 2023

Variation in/arising from	CSM gross £m	CSM net £m	Profit or loss gross £m	Profit or loss net £m	Equity gross £m	Equity net £m
Mortality and morbidity combined – 10% increase	(34.8)	(9.9)	(19.4)	(11.9)	(19.4)	(11.9)
Expenses – 10% increase	(13.3)	(13.9)	(5.9)	(5.5)	(5.9)	(5.5)
Lapse – 10% decrease	(2.4)	(3.5)	(1.2)	(0.5)	(1.2)	(0.5)

31 December 2022

Variation in/arising from	CSM gross £m	CSM net £m	Profit or loss gross £m	Profit or loss net £m	Equity gross £m	Equity net £m
Mortality and morbidity combined – 10% increase	(41.8)	(12.7)	(11.5)	(7.2)	(11.5)	(7.2)
Expenses – 10% increase	(14.0)	(14.5)	(4.5)	(4.1)	(4.5)	(4.1)
Lapse – 10% decrease	(2.0)	(3.1)	1.4	2.1	1.4	2.1

The sensitivities to mortality and morbidity (critical illness) rates shown above are calculated on the assumption that there would be no consequential change in rates to policyholders. In practice, group policy is to pass costs on to policyholders where it is contractually permitted and where it considers that the impact of the change is significant and subject to treating customers fairly.

A 10% increase in mortality and morbidity rates in 2023 is expected to result in a greater fall in profits compared to 2022 as Scildon, which has the highest exposure to mortality and morbidity, has a lower CSM in 2023. This means that the CSM would absorb less of the impact of the stress. Some additional risk also comes from the Canada Life policies that CA acquired during 2023.

The impact of a 10% increase in expenses has increased from 2022 to 2023 due to an increased cost base following the acquisitions of Conservatrix and policies from Canada Life.

The group has increased exposure to a 10% decrease in lapse rates in 2023 following Waard's acquisition of Conservatrix, which includes some policies with onerous guarantees. If fewer such policies lapse, then the group would incur more guarantee costs, hence the profit and loss impact of a reduction in lapses is worse. Conversely a 10% increase in lapse rates is now lower.

B3 Financial risk

General

The group is exposed to a range of financial risks, principally through its insurance contracts, financial assets, including assets representing shareholder assets, financial liabilities, including investment contracts and borrowings, and its reinsurance assets. These risks are described at a high level in the Risk Management section of the Annual Report and Accounts under 'PR1 – Investment and Liquidity Risk'.

In particular, the key financial risk is that, in the long-term, proceeds from financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts and borrowings. The most important components of this financial risk are market risk (interest rate risk, equity and property price risk and foreign currency exchange risk), liquidity risk and credit risk (including the risk of reinsurer default).

The risks related to insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising are set out in Note B2.

The group provides two types of investment contract: unit-linked savings and unit-linked pensions predominantly written in the UK and Sweden.

(i) Unit-linked savings are single or regular premium contracts, with the premiums invested in a pooled investment fund, where the policyholder's investment is represented by units or trust accounts where the policyholder decides where to invest. On certain contracts there is a small additional benefit payable on death which is deemed not to transfer significant insurance risk to the business for these contracts. The benefits payable at maturity or surrender of the contracts are the underlying value of the investment in the unit-linked funds or trust accounts, less surrender charges where applicable.

(ii) Unit-linked pensions are single or regular premium contracts with features similar to unit-linked savings contracts. Benefits are payable on transfer, retirement or death.

(a) Market risk

(i) Management of market risk

The group businesses manage their market risks within Asset Liability Matching (ALM) frameworks that have been developed to achieve long-term investment returns at least equal to their obligations under insurance and investment contracts, with minimal risk. Within the ALM frameworks the businesses produce quarterly reports at legal entity and asset and liability class level, which are circulated to the businesses' key management. The principal technique of the ALM frameworks is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to policyholders, with separate portfolios of assets being maintained for linked and non-linked liabilities.

For non-unit-linked business, the group's objective is to match the timing and nature of cash flows from insurance and investment contract liabilities with the timing of cash flows from assets subject to identical or similar risks. By matching the cash flows of liabilities with those of suitable assets, market risk is managed effectively, whilst liquidity risk is minimised. These processes to manage the risks, which the group has not changed from previous periods, ensure that the group is able to meet its obligations under its contractual liabilities as they fall due.

Unit-linked and index-linked insurance contracts and investment contracts

The group matches the financial liabilities relating to these contracts with units in the financial assets of the funds to which the value of the liabilities is linked, such that the policyholders bear the principal market risk (being interest rate, equity price and foreign currency risks) and credit risk. Accordingly, this approach results in the group having no significant direct market or credit risk on these contracts. Its primary exposure to market risk is the risk of volatility in asset-related fees due to the impact of interest rate, equity price and foreign exchange rate movements on the fair value of the assets held in the linked funds, on which asset-related fees are based.

There is residual exposure to market risk on certain unit-linked contracts where the group provides to policyholders guarantees as to fund performance or additional benefits which are not dependent on fund performance. This exposure is mitigated to the extent that the group matches the obligations with suitable financial assets external to the unit-linked funds, such that the residual exposure is not considered to be material.

With-profits contracts

Some non-linked insurance contracts within the UK businesses include discretionary participation features in the form of with-profits policies. For the CA business, where the policyholder benefits comprise a discretionary annual bonus and a discretionary terminal bonus, the with-profits business is wholly reinsured to ReAssure Limited and hence there is no market risk for this class of business. For the CA (S&P) business, the primary investment objective of the with-profits policyholder funds is that the guaranteed minimum benefits of the with-profits policyholders should be met entirely from the policyholder funds.

The secondary investment objective is, where possible, to provide a surplus in excess of the guaranteed minimum benefits. The entire surplus in the policyholder fund accrues to the with-profits policyholders. Any deficit in the policyholder fund is ultimately borne by shareholders. Therefore, the group has a significant exposure to market risk in relation to with-profits business should the with-profits policyholder assets be unable to fully meet the cost of guarantees. To achieve the investment objectives, the funds may invest in a range of asset classes including property, equities, fixed interest securities, convertibles, cash and derivatives, both in UK and overseas.

Other insurance contracts

Other non-linked contracts include contracts which pay guaranteed benefits on insured events, the terms being fixed at the inception of the contract. Exposure to market price risk is minimised by generally investing in fixed-interest debt securities, while interest rate risk is generally managed by closely matching contracts written with financial assets of suitable nature, yield, duration and currency. To the extent that the group is unable to fully match its interest rate risk, it makes provision in respect of assumed shortfalls on guaranteed returns to policyholders.

Shareholder funds

Shareholder funds at both group parent company and operating subsidiary level, in accordance with corporate objectives and, in some instances, in accordance with local statutory solvency requirements, are invested in order to protect capital and to minimise market and credit risk. Accordingly, they are generally invested in assets of a shorter-term liquid nature, which gives rise to the risk of lower returns on these investments due to changes in short-term interest rates.

(ii) Interest rate risk

As discussed in the Management of Market Risk section on page 174, the group is exposed to interest rate risks in regards to the assets backing non-linked contracts. The exposure is managed by closely matching contracts written with financial assets of suitable nature, yield, duration and currency.

The tables below show the impact of movements in per annum market rates of interest on the CSM, profit or loss after tax and on shareholder equity as at the balance sheet dates. We believe these interest rate risk variables, to which the group results are sensitive, represent the ones that might reasonably occur in the future.

31 December 2023

Variation in/arising from 100 basis points in market rate of interest	Increase CSM £m	Decrease CSM £m	Increase Profit or loss £m	Decrease Profit or loss £m	Increase Shareholder equity £m	Decrease Shareholder equity £m
Insurance and reinsurance contracts	1.9	(2.6)	84.9	(102.3)	84.9	(102.3)
Financial instruments	–	–	(91.2)	101.5	(91.2)	101.5
Total	**1.9**	**(2.6)**	**(6.3)**	**(0.8)**	**(6.3)**	**(0.8)**

31 December 2022

Variation in/arising from 100 basis points in market rate of interest	Increase CSM £m	Decrease CSM £m	Increase Profit or loss £m	Decrease Profit or loss £m	Increase Shareholder equity £m	Decrease Shareholder equity £m
Insurance and reinsurance contracts	2.5	(2.7)	66.6	(78.4)	66.6	(78.4)
Financial instruments	–	–	(78.2)	89.0	(78.2)	89.0
Total	**2.5**	**(2.7)**	**(11.6)**	**10.6**	**(11.6)**	**10.6**

The group's exposure to interest rate risk principally comes from non-linked liabilities and the assets backing them. The change in exposure from 2022 to 2023 is driven by the Conservatrix acquisition, which has had a more significant effect on liabilities than assets, owing to the very long-term nature of its funeral plan policies. This has subsequently improved the profit and loss impact of a 100 bps rise in interest rates and worsened the profit and loss impact of a 100 bps fall in interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B3 Financial risk (continued)
(a) Market risk (continued)
(iii) Equity price risk

As discussed in the Management of Market Risk section on page 174, the group is exposed to equity and property price risks in regards to the asset related fees from the assets backing its unit-linked and index-linked insurance contracts and investment contracts and also in regards to policyholder guarantees for these contracts. The exposure is mitigated somewhat by investing in suitable financial assets outside of the unit-linked and index-linked funds.

As also in the Management of Market Risk section on page 174, the group is exposed to equity and property price risks in regards to the UK with-profits. The exposure is mitigated by limiting these investments to back the surplus in the relevant funds and not the guaranteed minimum benefits.

The tables below show the impact of movements in equity and property values on the CSM, profit or loss after tax and on shareholder equity as at the balance sheet date. We believe these equity and property risk variables, to which the group results are sensitive, represent the ones that might reasonably occur in the future.

31 December 2023

Variation in/arising from 10% in equity and property price	Increase CSM £m	Decrease CSM £m	Increase Profit or loss £m	Decrease Profit or loss £m	Increase Shareholder equity £m	Decrease Shareholder equity £m
Insurance and reinsurance contracts	3.5	(4.8)	(140.5)	141.3	(140.5)	141.3
Financial instruments	–	–	161.7	(161.7)	161.7	(161.7)
Total	**3.5**	**(4.8)**	**21.2**	**(20.4)**	**21.2**	**(20.4)**

31 December 2022

Variation in/arising from 10% in equity and property price	Increase CSM £m	Decrease CSM £m	Increase Profit or loss £m	Decrease Profit or loss £m	Increase Shareholder equity £m	Decrease Shareholder equity £m
Insurance and reinsurance contracts	6.0	(5.9)	(131.8)	131.6	(131.8)	131.6
Financial instruments	–	–	145.2	(145.2)	145.2	(145.2)
Total	**6.0**	**(5.9)**	**13.4**	**(13.6)**	**13.4**	**(13.6)**

A fall in equity and property values reduces policyholder fund values and so reduces the value of charge income. Thus, the profit and loss impact of a 10% decrease in equity and property values is negative. This impact has increased in 2023 due to an increase in equity exposures following strong equity growth. Conversely, a 10% increase in equity and property values is now more positive than before.

(iv) Currency risk

Currency risk is the risk that the fair value or future cash flows of an asset or liability will change as a result of movements in foreign exchange rates. The group's exposure to currency risk is minimised to the extent that the risk on investments denominated in foreign currencies which back unit-linked investment and insurance contracts is borne by policyholders. It is, however, exposed to currency risk through:

(i) its investment in Movestic, the assets and liabilities of which are principally denominated in Swedish krona; and

(ii) its investment in Waard and Scildon, the assets and liabilities of which are principally denominated in euros.

The group's currency risk through its ownership of Movestic, Scildon and Waard Group is reflected in:

(i) foreign exchange translation differences arising on the translation into sterling and consolidation of Movestic, Scildon and Waard Group's financial statements; and

(ii) the impact of adverse exchange rate movements on cash flows between Chesnara plc and its foreign subsidiaries: in the short-term these relate to cash flows from Movestic, Scildon and Waard to Chesnara by way of dividend payments. The risk on cash flows is reduced by:

  (a) the foreign currency hedge held by Chesnara plc which mitigates against adverse exchange rate impacts whilst also providing a dampening effect to a favourable currency movement, and;

  (b) by closely monitoring exchange rate movements and buying forward foreign exchange contracts, where deemed appropriate.

The following tables set out the group's exposure to assets and liabilities denominated in foreign currencies, expressed in sterling, at the respective balance sheet date:

31 December	2023 £m	2022 £m
Swedish krona		
Assets	4,507.1	3,935.5
Liabilities	(4,442.0)	(3,841.8)
Net assets	**65.1**	**93.7**
Euro		
Assets	2,955.9	2,540.4
Liabilities	(2,761.6)	(2,245.7)
Net assets	**194.3**	**294.7**
US dollar		
Assets	1.1	0.8
Liabilities	(0.7)	(0.4)
Net assets	**0.4**	**0.4**

The tables below show the impact of movements in foreign currency exchange rates on profit before tax for the year under review and on shareholder equity as at the balance sheet date. We believe these currency risk variables, to which the group results are sensitive, represent the ones that are most reasonably possible to occur in the future.

31 December 2023 Variation in/arising from 10% in SEK: sterling exchange rate	Favourable CSM £m	Adverse CSM £m	Favourable Profit or loss £m	Adverse Profit or loss £m	Favourable Shareholder equity £m	Adverse Shareholder equity £m
Insurance and reinsurance contracts	0.6	(0.5)	0.3	(0.3)	(17.5)	14.3
Financial instruments	–	–	(7.2)	2.2	20.8	(20.0)
Total	**0.6**	**(0.5)**	**(6.9)**	**1.9**	**3.3**	**(5.7)**

31 December 2023 Variation in/arising from 10% in EUR: sterling exchange rate	Favourable CSM £m	Adverse CSM £m	Favourable Profit or loss £m	Adverse Profit or loss £m	Favourable Shareholder equity £m	Adverse Shareholder equity £m
Insurance and reinsurance contracts	14.7	(12.0)	(0.3)	0.3	(295.4)	241.7
Financial instruments	–	–	(8.5)	7.4	308.2	(251.8)
Total	**14.7**	**(12.0)**	**(8.8)**	**7.7**	**12.8**	**(10.1)**

31 December 2022 Variation in/arising from 10% in SEK: sterling exchange rate	Favourable CSM £m	Adverse CSM £m	Favourable Profit or loss £m	Adverse Profit or loss £m	Favourable Shareholder equity £m	Adverse Shareholder equity £m
Insurance and reinsurance contracts	0.5	(0.4)	0.6	(0.5)	(15.9)	13.0
Financial instruments	–	–	(5.0)	4.9	22.5	(17.7)
Total	**0.5**	**(0.4)**	**(4.4)**	**4.4**	**6.6**	**(4.7)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B3 Financial risk (continued)
(a) Market risk (continued)
(iv) Currency risk (continued)

31 December 2022 Variation in/arising from 10% in EUR: sterling exchange rate	Favourable CSM £m	Adverse CSM £m	Favourable Profit or loss £m	Adverse Profit or loss £m	Favourable Shareholder equity £m	Adverse Shareholder equity £m
Insurance and reinsurance contracts	8.8	(7.2)	0.3	(0.3)	(247.4)	202.4
Financial instruments	–	–	(8.8)	8.5	262.2	(213.5)
Total	8.8	(7.2)	(8.5)	8.2	14.8	(11.1)

(b) Credit risk
(i) Management of credit risk

The group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the group is exposed to credit risk are:

- Counterparty risk with respect to debt securities and cash deposits;
- The mortgage loan portfolio held by Waard with respect to the interest and capital repayments due from the borrowers;
- Reinsurers' share of insurance liabilities;
- Amounts deposited with reinsurers in relation to investment contracts;
- Amounts due from reinsurers in respect of claims already paid; and
- Other short-term receivables.

In addition, there will be some exposures to individual policyholders, on amounts due on insurance contracts. These are tightly controlled, with contracts being terminated or benefits amended if amounts owed are outstanding for more than a specified period of time, so that there is no significant risk to the results of the businesses.

The group businesses structure the levels of credit risk they accept by placing limits on their exposure to a single counterparty, or group of counterparties. Such risks are subject to at least an annual review, while watch lists are maintained for exposures requiring additional review.

Although the businesses hold a significant proportion of their financial assets in debt securities and cash deposits the risk of default on these is mitigated to the extent that any losses arising in respect of unit-linked assets backing the insurance and investment contracts which the businesses issue, would effectively be passed on to policyholders and investors through the unit-linked funds backing the insurance and investment contracts.

Reinsurance is used to manage insurance risk in the businesses. This does not, however, discharge the businesses' liability as primary insurers. If a reinsurer fails to pay a claim for any reason, the businesses remain liable for the payment to the policyholder. The group limits its exposure to reinsurance counterparties with a credit rating lower than BBB- and the creditworthiness of reinsurance exposures is regularly monitored as part of the group's Risk Framework.

(ii) Exposure to credit risk

The following table presents the assets of the group which are subject to credit risk and a reconciliation to the balance sheet carrying value of each item:

31 December	2023			2022		
	Policyholder linked £m	Amount subject to credit risk £m	Balance sheet carrying value £m	Policyholder linked £m	Amount subject to credit risk £m	Balance sheet carrying value £m
Reinsurance contract assets	–	185.7	185.7	–	194.0	194.0
Amounts deposited with reinsurers	–	32.5	32.5	–	32.8	32.8
Holdings in collective investment schemes	8,025.4	350.8	8,376.2	7,725.1	464.6	8,189.7
Debt securities at fair value through profit or loss	14.8	1,222.3	1,237.1	19.1	915.0	934.1
Policyholders' funds held by the group	1,281.8	–	1,281.8	986.8	–	986.8
Mortgage loan portfolio	366.8	–	366.8	266.0	–	266.0
Derivative financial instruments	0.1	0.2	0.3	–	0.1	0.1
Other assets	12.6	45.1	57.7	0.8	45.6	46.4
Cash and cash equivalents	78.3	67.7	146.0	81.7	122.9	204.6
Total	**9,779.8**	**1,904.3**	**11,684.1**	**9,079.5**	**1,775.0**	**10,854.5**

The amounts presented above as policyholder linked represent unit-linked assets where the risk is borne by the holders of unit-linked insurance and investment contracts.

(iii) Credit quality analysis

The creditworthiness of major reinsurers is considered on an annual basis by reviewing their financial strength.

The group's exposure to credit risk is summarised as:

Credit rating As at 31 December 2023	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB £m**	**Unrated £m**	**Total £m**
Reinsurance contract assets	–	138.7	–	–	–	47.0	185.7
Amounts deposited with reinsurers	–	32.5	–	–	–	–	32.5
Holdings in collective investment schemes	310.0	306.7	2,274.8	422.0	1,482.6	3,580.1	8,376.2
Debt securities at fair value through profit or loss	409.6	349.1	338.4	128.2	1.2	10.6	1,237.1
Policyholders' funds held by the group	–	101.9	353.3	167.3	659.7	(0.4)	1,281.8
Mortgage loan portfolio	–	–	10.7	–	–	356.1	366.8
Derivative financial instruments	–	–	0.3	–	–	–	0.3
Other assets	0.7	0.5	0.5	0.2	–	55.8	57.7
Cash and cash equivalents	0.1	3.2	89.7	41.2	–	11.8	146.0
Total	**720.4**	**932.6**	**3,067.7**	**758.9**	**2,143.5**	**4,061.0**	**11,684.1**

Credit rating As at 31 December 2022	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB £m**	**Unrated £m**	**Total £m**
Reinsurers share of insurance contract liabilities	–	119.2	–	2.9	–	71.9	194.0
Amounts deposited with reinsurers	–	32.8	–	–	–	–	32.8
Holdings in collective investment schemes	303.6	190.9	2,297.5	328.1	85.3	4,984.3	8,189.7
Debt securities at fair value through profit or loss	315.8	317.8	173.9	124.7	–	1.9	934.1
Policyholders' funds held by the group	–	71.7	248.4	116.9	86.4	463.4	986.8
Mortgage loan portfolio	–	–	266.0	–	–	–	266.0
Derivative financial instruments	–	–	0.1	–	–	–	0.1
Other assets	0.9	0.6	0.4	0.1	–	44.4	46.4
Cash and cash equivalents	–	17.4	176.6	0.1	–	10.5	204.6
Total	**620.3**	**750.4**	**3,162.9**	**572.8**	**171.7**	**5,576.4**	**10,854.5**

Included within reinsurers' share of insurance contract liabilities and amounts deposited with reinsurers (in respect of investment contracts) above, is a total exposure of £71.4m as at 31 December 2023 (31 December 2022: £72.0m) to ReAssure, which has been included within the 'AA' rating category.

Monument Re makes up £48.7m of the unrated exposure to reinsurers' share of insurance contract liabilities as at 31 December 2023 (31 December 2022: £50.6m). This is protected through the use of a funds withheld arrangement under which the reinsurer has deposited collateral to CA in respect of the value of expected future reinsured claim payments.

The 'Other assets' in the credit risk rating table are not held at fair value or managed on a fair value basis. These assets generally consist of short-term receivables and are not considered to have a low credit rating as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B3 Financial risk (continued)
(b) Credit risk (continued)
(iv) Concentration of credit risk

Debt securities

As at 31 December 2023	Policyholder linked £m	Policyholder with-profit £m	Non-linked/ shareholder £m	Total £m
Austria	–	–	24.8	24.8
Belgium	–	–	37.1	37.1
France	0.7	2.7	200.1	203.5
Germany	–	0.4	210.7	211.1
Italy	–	–	12.3	12.3
Ireland	–	–	14.4	14.4
Netherlands	–	2.5	230.6	233.1
Poland	–	–	0.4	0.4
Portugal	–	–	3.3	3.3
Spain	–	0.5	37.1	37.6
UK	11.4	25.9	181.9	219.2
Other	2.2	13.4	117.4	133.0
Europe	**14.3**	**45.4**	**1,070.1**	**1,129.8**
USA	0.5	3.2	82.4	86.1
Other	–	1.7	1.4	3.1
North America	**0.5**	**4.9**	**83.8**	**89.2**
Australia	–	–	11.3	11.3
Other	–	–	6.8	6.8
Asia Pacific	**–**	**–**	**18.1**	**18.1**
Total	**14.8**	**50.3**	**1,172.0**	**1,237.1**

Debt securities

As at 31 December 2022	Policyholder linked £m	Policyholder with-profit £m	Non-linked/ shareholder £m	Total £m
Austria	–	–	17.9	17.9
Belgium	–	–	32.9	32.9
France	0.7	5.2	149.4	155.3
Germany	–	0.4	104.3	104.7
Italy	–	–	18.3	18.3
Ireland	–	–	17.1	17.1
Netherlands	1.9	2.5	123.1	127.5
Poland	–	–	0.4	0.4
Spain	–	0.4	20.9	21.3
UK	13.8	25.9	172.9	212.6
Other	2.2	4.8	107.2	114.2
Europe	**18.6**	**39.2**	**764.4**	**822.2**
USA	0.5	7.9	81.4	89.8
Other	–	1.6	0.6	2.2
North America	**0.5**	**9.5**	**82.0**	**92.0**
Australia	–	–	12.5	12.5
Other	–	–	7.4	7.4
Asia Pacific	**–**	**–**	**19.9**	**19.9**
Total	**19.1**	**48.7**	**866.3**	**934.1**

There are no direct holdings in debt securities within Russia or Ukraine.

(c) Liquidity risk

(i) Management of liquidity risk

Liquidity risk is the risk that adequate liquid funds are not available to settle liabilities as they fall due and is managed by forecasting cash requirements and by adjusting investment management strategies to meet those requirements. Liquidity risk is generally mitigated by holding sufficient investments which are readily marketable in sufficiently short timeframes to allow the settlement of liabilities as they fall due. Where liabilities are backed by less marketable assets, for example investment properties, there are provisions in contractual terms which allow deferral of redemptions in times of adverse market conditions. The group's substantial holdings of money market assets also serve to reduce liquidity risk.

(ii) Maturity analysis

The tables below present a maturity analysis of the group's financial liabilities on discounted basis.

31 December 2023

				Contractual cash flows (discounted)					
Carrying values and cash flows arising from:	**Carrying value £m**	**<1 yr £m**	**1-2 yrs £m**	**2-3 yrs £m**	**3-4 yrs £m**	**4-5 yrs £m**	**5-10 yrs £m**	**>10 yrs £m**	**Total £m**
Insurance contract liabilities	4,203.0	651.2	332.8	294.4	277.8	267.2	872.9	1,222.6	3,918.9
Reinsurance contract liabilities	17.1	3.2	3.6	3.5	3.2	2.9	15.1	24.7	56.2
Total insurance and reinsurance contract liabilities	4,220.1	654.4	336.4	297.9	281.0	270.1	888.0	1,247.3	3,975.1
Investment contract liabilities	5,872.3	5,414.0	40.3	38.0	40.2	47.7	131.0	69.6	5,780.8
Liabilities relating to policyholder's fund held by the group	1,281.8	1,281.8	–	–	–	–	–	–	1,281.8
Lease contract liabilities	1.2	1.0	0.2	–	–	–	–	–	1.2
Borrowings	207.9	204.2	1.7	0.7	0.3	0.2	0.9	–	208.0
Derivative financial instruments	4.4	4.4	–	–	–	–	–	–	4.4
Other current liabilities	131.7	131.7	–	–	–	–	–	–	131.7
Bank overdrafts	0.2	0.2	–	–	–	–	–	–	0.2
Total financial liabilities	7,499.5	7,037.3	42.2	38.7	40.5	47.9	131.9	69.6	7,408.1
Total	**11,719.6**	**7691.7**	**378.6**	**336.6**	**321.5**	**318.0**	**1,019.9**	**1,316.9**	**11,383.2**

31 December 2022

				Contractual cash flows (discounted)					
Carrying values and cash flows arising from:	**Carrying value £m**	**<1 yr £m**	**1-2 yrs £m**	**2-3 yrs £m**	**3-4 yrs £m**	**4-5 yrs £m**	**5-10 yrs £m**	**>10 yrs £m**	**Total £m**
Insurance contract liabilities	3,821.6	574.2	295.9	269.0	249.3	284.1	816.9	1,091.9	3,581.3
Reinsurance contract liabilities	17.3	3.6	3.1	3.1	2.8	2.6	14.4	28.0	57.6
Total insurance and reinsurance contract liabilities	3,838.9	577.8	299.0	272.1	252.1	286.7	831.3	1,119.9	3,638.9
Investment contract liabilities	5,660.8	5,660.8	–	–	–	–	–	–	5,660.8
Liabilities relating to policyholder's fund held by the group	986.8	986.8	–	–	–	–	–	–	986.8
Lease contract liabilities	1.2	0.7	0.5	–	–	–	–	–	1.2
Borrowings	212.0	212.0	–	–	–	–	–	–	212.0
Derivative financial instruments	3.8	3.8	–	–	–	–	–	–	3.8
Other current liabilities	123.3	123.3	–	–	–	–	–	–	123.3
Bank overdrafts	–	–	–	–	–	–			
Total financial liabilities	6,987.9	6,987.4	0.5	–	–	–	–	–	6,987.9
Total	**10,826.8**	**7,565.2**	**299.5**	**272.1**	**252.1**	**286.7**	**831.3**	**1,119.9**	**10,626.8**

The values reported for insurance contract liabilities and reinsurance contract liabilities exclude the risk adjustment and contractual service margin as these are not considered to be financial liabilities subject to liquidity risk. The carrying values in the table above are the balance sheet values.

The maturity analysis for unit-linked investment contracts presents all the liabilities as due in the earliest period in the table because they are repayable or transferable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B3 Financial risk (continued)
(c) Liquidity risk (continued)
(ii) Maturity analysis (continued)

The table that follows shows the amounts from insurance contract assets and liabilities that are payable on demand. In most cases the non-distinct investment component is considered to be appropriate. As per the maturity analysis table above, the amounts presented exclude the risk adjustment and contractual service margin. The carrying amount is the full balance sheet value.

31 December Type of contracts	2023		2022	
	Payable on demand £m	Carrying amount £m	Payable on demand £m	Carrying amount £m
Immediate annuities	2.4	327.9	2.0	251.5
Term assurance and other non-linked	150.3	419.7	144.0	348.7
Unit-linked/Index-linked/With-profits – GMM	882.0	999.0	769.0	834.3
Unit-linked/Index-linked/With-profits – VFA	2,132.5	2,412.1	2,109.3	2,345.2
Short-term protection	36.9	40.3	38.2	42.0
Total	**3,204.1**	**4,199.0**	**3,062.5**	**3,821.7**

B4 Capital management
(a) Regulatory context

Solvency II

The Chesnara group is required to comply with the Solvency II capital regime. Solvency II came into force on 1 January 2016 and is an EU insurance legislation that aims to unify the EU insurance market and enhance consumer protection. This regime currently remains applicable to the UK post Brexit, albeit the PRA has made some changes to the provision of technical information such as the risk-free yield curve, which is now based on SONIA swap rates, and the volatility adjustment and symmetric adjustment, which are now derived using indices more relevant to the UK. The UK Treasury and EIOPA have both been undertaking a review of SII rules implementation. In the UK this has resulted in a reduction in the SII Risk Margin and similar is expected for the overseas entities from the EIOPA review. The Solvency II regime includes rules over the quantity and quality of capital (known as Own Funds) that insurance companies and groups need in order to meet the regime's required level of capital (known as the Solvency Capital Requirement). The Chesnara group operates exclusively within the UK and the EU and as a result, the Solvency II regime applies to the group and all regulated insurance companies within the group. The regulators responsible for the supervision of the group and its subsidiaries have been shown in section (c)(i) of this Note.

The Solvency II regime has specific rules regarding how Own Funds are recognised and valued. In a number of cases, the IFRS and Solvency II value of an asset and liability are the same, but in some cases there are differences. In particular, liabilities for insurance and investment contracts are valued differently, with insurance contracts now valued according to IFRS 17 and therefore including a contractual service margin and investment contracts valued as per unit value under IFRS 9. In addition, Solvency II has differing treatments for certain intangible assets. A high level reconciliation between the IFRS net assets and Solvency II Own Funds of the group and its subsidiaries has been provided in section (c)(ii) of this Note.

Regarding the Solvency Capital Requirement (SCR) of the Chesnara group and its subsidiaries, the group has elected to use the 'standard formula' approach for its calculation, which means we are applying the formulae as included in the Solvency II framework. The calculations within the standard formula have been designed such that, on the basis that an insurance company holds Own Funds that are at least equal to its SCR, it will be able to withstand a 1 in 200 year event. An alternative would have been to use an 'internal model' but this was not deemed appropriate for the size and complexity of the Chesnara group.

Company law

As well as complying with the Solvency II regime, each company within the group is required to comply with relevant company law capital and distribution rules.

(b) Objectives, policies and processes for managing capital
(i) Objectives

To manage compliance with the externally imposed capital requirements, the group and its subsidiaries have established capital management policies in place. The objectives of these policies are:

- to ensure that capital is managed in a way that is consistent with the business strategy of the group and its subsidiaries, in that they:
  - promote fair customer outcomes through protecting policyholders;
  - provide protection to shareholders through ensuring that the business is adequately protected against stress events; and
  - provide a framework to support the decision making process for returns to shareholders via dividends.
- to ensure that capital of the group and its subsidiaries is managed in accordance with the board's risk appetite, in particular each board's aversion for Own Funds to fall below the SCR.

(ii) Policies

In light of the objectives for the group's and its subsidiaries' capital management policies, the following quantitative limits for managing Own Funds are applied across the group:

Region	CA	Movestic	Waard Group	Scildon	Group
Dividend paying limit: Own Funds stated as % of SCR	120%	120%	135%	175%	140%
Management actions limit: Own Funds stated as % of SCR	110%	110%	135%	175%	110%

Dividend paying limit: This is the point at which a dividend would cease to be paid, until at such time the solvency position was restored above this point. This limit is set by the relevant board in each division with reference to its respective risk appetite, as articulated in each division's Capital Management Policy.

Management actions limit: This is the point at which, should Own Funds fall below this level, additional management actions would be considered to restore Own Funds back above this level. In essence this represents an internal 'ladder of intervention limit' that is set by the group and divisional boards.

To put the above table and definitions in context, and taking group as an example, this means that the group will not pay a dividend should the payment of the dividend take the group Own Funds to below 140% of its SCR. Should Own Funds fall below 110% of SCR additional management actions will be taken.

(iii) Process for management of capital

The following key processes and procedures are in place across the group to manage adherence to the capital management policies in place:

- *Internal solvency reporting:* A number of internal reports are produced that focus on the solvency position of the group/company. These include the Own Risk & Solvency Assessment (ORSA) Report, a quarterly actuarial report and a quarterly finance report. All of these are presented to and approved by the board.
- *Production of projections:* On at least an annual basis, solvency projections are produced for the group and its subsidiaries. These projections are included in both the business plans and the ORSA Report and show how management anticipates the solvency position to develop over time. The projections process includes assessing the impact of a number of different stress scenarios to ensure that the sensitivities of the business are understood. Both the ORSA and the business plans are presented to and approved by the board.
- *Regular review of internal limits in place:* On at least an annual basis, the limits described in section (b)(ii) of this Note are reviewed and assessed, having regard to the developments of the business and any other changes that may have affected the group's/divisions' risk appetite.
- *Recovery management protocol:* A protocol for management actions has been designed which, in effect, represents an internally set 'ladder of intervention'. The protocol includes items such as solvency monitoring frequency, what level of escalations are required and what management actions need to be considered.
- *Monthly solvency monitoring:* Full solvency calculations are performed on a quarterly basis. For intra-quarter months, a monthly solvency estimate is produced. Where full estimation routines are not practical intra-valuation solvency can be monitored through trigger monitoring and sensitivity analysis. In addition to the group level indicators, the Chesnara board will remain close to any indications of divisional solvency movements by means of divisional MI and quarterly business reviews. On at least a monthly basis, specific key risk indicators are monitored against pre-defined trigger points. The trigger points are set having regard for the sensitivity of the group to certain scenarios. Trigger points and the list of risk indicators being monitored are assessed at least annually.

(iv) Compliance during year

The group, and all insurance companies within the group, held Own Funds above their respective Solvency Capital Requirements at all times during the year.

(c) Quantitative analysis

(i) Group solvency position

The unaudited solvency position of the group and its divisions at 31 December 2023, and at 31 December 2022, has been shown in the tables below. They present a view of the solvency position which may differ to the position of the individual insurance company(ies) within that division.

31 December 2023 (unaudited)

Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group and consolidation adjustments £m	Group £m
Own Funds (pre dividends)	187.5	178.7	105.3	133.7	102.0	707.2
Proposed dividend	(35.0)	(7.8)	(6.9)	–	26.2	(23.5)
Own Funds (post dividends)	**152.5**	**170.9**	**98.4**	**133.7**	**128.2**	**683.7**
SCR	102.6	116.7	27.9	72.8	12.7	332.7
Solvency surplus	**49.9**	**54.2**	**70.5**	**60.9**	**n/a**	**351.0**
Solvency ratio	**149%**	**147%**	**353%**	**184%**	**n/a**	**205%**
Dividend paying limit (% of SCR)	120%	120%	135%	175%	n/a	140%
Dividend paying limit (£)	123.1	140.0	37.7	127.4	n/a	465.8
Surplus over dividend paying limit	29.4	30.9	60.7	6.2	n/a	217.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION B – RISK AND CAPITAL MANAGEMENT

B4 Capital management (continued)
(c) Quantitative analysis (continued)

31 December 2022 (unaudited)

Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group and consolidation adjustments £m	Group £m
Own Funds (pre dividends)	194.2	185.4	85.0	132.4	30.9	627.9
Proposed dividend	(56.0)	(12.0)	(5.3)	–	50.5	(22.8)
Own Funds (post dividends)	**138.2**	**173.4**	**79.7**	**132.4**	**81.4**	**605.1**
SCR	99.4	106.9	13.5	70.3	16.6	306.7
Solvency surplus	**38.8**	**66.5**	**66.2**	**62.1**	**n/a**	**298.4**
Solvency ratio	**139%**	**162%**	**591%**	**188%**	**n/a**	**197%**
Dividend paying limit (% of SCR)	120%	120%	135%	175%	n/a	140%
Dividend paying limit (£)	119.3	128.3	18.2	123.0	n/a	429.4
Surplus over dividend paying limit	18.9	45.1	61.5	9.4	n/a	175.7

(ii) Reconciliation between Solvency II Own Funds and IFRS net assets (unaudited)
The tables below show the key differences between the Solvency II Own Funds reported in section (c)(i) of this Note and the group's IFRS net assets.

31 December 2023 (unaudited)

Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group and consolidation adjustments £m	Group £m
Solvency II Own Funds (post dividends)	**152.5**	**171.0**	**98.4**	**133.7**	**128.1**	**683.7**
Add Back: Ring-fenced fund surplus restrictions	0.5	–	–	–	–	0.5
Add Back: Intangible assets	22.1	72.8	–	–	–	94.9
Add Back: Tier 2 debt and restriction	–	–	13.7	–	(214.3)	(200.6)
Add Back: Foreseeable dividends	35.0	7.8	6.9	–	(26.2)	23.5
Add Back: Difference in valuation of technical provisions	(49.0)	(153.4)	(27.7)	(25.6)	40.3	(215.4)
Add Back: Difference in deferred tax	(4.7)	–	16.5	6.5	(10.2)	8.1
Add Back: Other valuation differences	(5.7)	(1.0)	(28.0)	(0.2)	0.1	(34.8)
IFRS net assets	**150.7**	**97.2**	**79.8**	**114.4**	**(82.2)**	**359.9**

31 December 2022 (unaudited)

Region	UK £m	Movestic £m	Waard Group £m	Scildon £m	Other group and consolidation adjustments £m	Group £m
Solvency II own funds (post dividends)	**138.2**	**173.4**	**79.7**	**132.4**	**81.4**	**605.1**
Add Back: Ring-fenced fund surplus restrictions	–	–	–	–	–	–
Add Back: Intangible assets	50.5	75.6	–	–	–	126.1
Add Back: Tier 2 debt and restriction	–	–	–	–	(153.3)	(153.3)
Add Back: Foreseeable dividends	56.0	12.0	5.3	–	(50.5)	22.8
Add Back: Difference in valuation of technical provisions	(34.5)	(154.2)	23.5	(34.4)	42.1	(157.5)
Add Back: Difference in deferred tax	(26.4)	–	7.5	14.7	(9.9)	(14.1)
Add Back: Other valuation differences	(1.2)	(0.6)	(42.8)	(1.6)	1.2	(45.0)
IFRS net assets (as restated)	**182.6**	**106.2**	**73.2**	**111.1**	**(89.0)**	**384.1**

Further information on how the group uses Solvency II, and metrics derived from Solvency II, as Alternative Performance Measures can be found in the Additional Information section of the Annual Report and Accounts on pages 274 to 277.

SECTION C – SEGMENTAL INFORMATION

C1 Composition of operating segments

The group considers that it has no product or distribution-based business segments. It reports segmental information on the same basis as reported internally to the chief operating decision maker, which is the board of directors of Chesnara plc.

The segments of the group as at 31 December 2023 comprise:

UK: This segment comprises the UK's life insurance and pensions business within Countrywide Assured plc (CA), the group's principal UK operating subsidiary, and Sanlam Life & Pensions UK (SLP), acquired by the group on 28 April 2022 and subsequently renamed to CASLP Limited (CASLP). The majority of the assets and liabilities of CASLP were transferred to CA on 31 December 2023 under a Part VII business transfer.

During the year, the group reached an agreement to acquire the onshore individual protection business of Canada Life Limited with the transaction initially in the form of a reinsurance agreement accepted by CA. See Note I8 for further details.

Movestic: This segment comprises the group's Swedish life and pensions business, Movestic Livförsäkring AB (Movestic) and its subsidiary company Movestic Fonder AB (investment fund management company). Movestic is open to new business and primarily comprises unit-linked pension business and also providing some life and health product offerings.

Waard Group: This segment represents the group's closed Dutch life insurance business and comprises a number of acquisitions of closed insurance books of business since the acquisition of the original Waard entities into the group in 2015. The Waard Group comprises a mixture of long-term savings and protection business and also contains some non-life business.

During the year, the group acquired the insurance portfolio of Nederlandsche Algemeene Maatschappij van Levensverzekering 'Conservatrix' N.V. (Conservatrix), a specialist provider of life insurance products in the Netherlands. See Note I8 for further details.

Scildon: This segment represents the group's open Dutch life insurance business. Scildon's policy base is predominantly made up of individual protection and savings contracts. It is open to new business and sells protection, individual savings and group pension contracts via a broker-led distribution model.

Other group activities: The functions performed by the parent company, Chesnara plc, are defined under the operating segment analysis as other group activities. Also included therein are consolidation and elimination adjustments.

The accounting policies of the segments are the same as those for the group as a whole. Any transactions between the business segments are on normal commercial terms in normal market conditions. The group evaluates performance of operating segments on the basis of the profit before tax attributable to shareholders of the reporting segments and the group as a whole. There were no changes to the measurement basis for segment profit during the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION C – SEGMENTAL INFORMATION

C2 Segmental performance and net assets

(a) Segmental income statement for the year ended 31 December 2023

	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other group activities (UK) £m	Total £m
Insurance revenue	65.8	11.1	36.1	115.0	–	228.0
Insurance service expense	(65.6)	(7.4)	(37.8)	(113.9)	–	(224.7)
Net expenses from reinsurance contracts held	(5.5)	(0.6)	0.4	(2.7)	–	(8.4)
Segmental insurance service result	**(5.3)**	**3.1**	**(1.3)**	**(1.6)**	**–**	**(5.1)**
Net investment return	339.3	432.5	63.2	181.2	7.3	1,023.5
Net finance (expenses)/income from insurance contracts issued	(86.4)	(16.0)	(49.3)	(163.2)	–	(314.9)
Net finance expenses from reinsurance contracts held	9.3	0.7	0.1	(3.4)	–	6.7
Net change in investment contract liabilities	(226.4)	(299.6)	(3.6)	–	–	(529.6)
Change in liabilities relating to policyholders' funds held by the group	–	(114.0)	–	–	–	(114.0)
Segmental investment result	**35.8**	**3.6**	**10.4**	**14.6**	**7.3**	**71.7**
Fee, commission and other operating income	39.8	50.3	2.9	–	(3.6)	89.4
Segmental revenue, net of investment result	**70.3**	**57.0**	**12.0**	**13.0**	**3.7**	**156.0**
Other operating expenses	(39.9)	(40.0)	(3.5)	(5.5)	(23.1)	(112.0)
Financing costs	(0.2)	(0.5)	–	–	(10.3)	(11.0)
Profit/(loss) before tax and consolidation adjustments	**30.2**	**16.5**	**8.5**	**7.5**	**(29.7)**	**33.0**
Other operating expenses:						
Amortisation and impairment of intangible assets	(26.7)	(11.2)	–	–	–	(37.9)
Segmental income less expenses	**3.5**	**5.3**	**8.5**	**7.5**	**(29.7)**	**(4.9)**
Post completion gain on portfolio acquisition	–	–	6.7	–	–	6.7
(Loss)/profit before tax	**3.5**	**5.3**	**15.2**	**7.5**	**(29.7)**	**1.8**
Income tax credit/(charge)	20.5	–	(1.6)	(1.9)	(0.1)	16.9
(Loss)/profit after tax	**24.0**	**5.3**	**13.6**	**5.6**	**(29.8)**	**18.7**

(b) Segmental balance sheet as at 31 December 2023

	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other group activities (UK) £m	Total £m
Total assets	4,527.2	4,519.4	946.8	2,009.1	127.3	12,129.8
Total liabilities	(4,376.6)	(4,422.2)	(867.0)	(1,894.6)	(209.5)	(11,769.9)
Net assets	**150.6**	**97.2**	**79.8**	**114.5**	**(82.2)**	**359.9**
Investment in associates	–	–	–	–	–	–
Additions to non-current assets	–	–	–	–	–	–

(c) Segmental income statement for the year ended 31 December 2022

	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other group activities (UK) £m	Total £m
Insurance revenue	65.1	12.6	16.9	130.5	–	225.1
Insurance service expense	(58.2)	(4.5)	(17.8)	(125.6)	–	(206.1)
Net expenses from reinsurance contracts held	(1.7)	(2.9)	(1.6)	0.5	–	(5.7)
Segmental insurance service result	**5.2**	**5.2**	**(2.5)**	**5.4**	**–**	**13.3**
Net investment return	(280.8)	(876.8)	(93.3)	(302.4)	(3.6)	(1,556.9)
Net finance (expenses)/income from insurance contracts issued	161.6	20.5	91.0	275.7	–	548.8
Net finance expenses from reinsurance contracts held	(24.1)	(0.5)	(0.3)	11.8	–	(13.1)
Net change in investment contract liabilities	129.5	459.8	–	–	–	589.3
Change in liabilities relating to policyholders' funds held by the group	–	392.9	–	–	–	392.9
Segmental investment result	**(13.8)**	**(4.1)**	**(2.6)**	**(14.9)**	**(3.6)**	**(39.0)**
Fee, commission and other operating income	16.4	43.1	0.1	–	–	59.6
Segmental revenue, net of investment result	**7.8**	**44.2**	**(5.0)**	**(9.5)**	**(3.6)**	**33.9**
Other operating expenses	(30.7)	(29.7)	(3.1)	(5.7)	(14.2)	(83.4)
Financing costs	(0.2)	(0.8)	–	–	(9.5)	(10.5)
Profit/(loss) before tax and consolidation adjustments	**(23.1)**	**13.7**	**(8.1)**	**(15.2)**	**(27.3)**	**(60.0)**
Other operating expenses:						
Amortisation of intangible assets	(5.3)	(12.2)	–	–	–	(17.5)
Segmental income less expenses	**(28.4)**	**1.5**	**(8.1)**	**(15.2)**	**(27.3)**	**(77.5)**
Post completion gain on portfolio acquisition	9.6	–	5.8	–	–	15.4
(Loss)/profit before tax	**(18.8)**	**1.5**	**(2.3)**	**(15.2)**	**(27.3)**	**(62.1)**
Income tax credit/(charge)	19.2	–	(0.1)	3.9	5.4	28.4
(Loss)/profit after tax	**0.4**	**1.5**	**(2.4)**	**(11.3)**	**(21.9)**	**(33.7)**

(d) Segmental balance sheet as at 31 December 2022

	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Other group activities (UK) £m	Total £m
Total assets	4,748.9	3,948.2	542.6	1,902.5	112.7	11,254.9
Total liabilities	(4,566.3)	(3,842.0)	(469.4)	(1,791.4)	(201.7)	(10,870.8)
Net assets	**182.6**	**106.2**	**73.2**	**111.1**	**(89.0)**	**384.1**
Investment in associates	–	–	–	–	–	–
Additions to non-current assets	–	10.4	0.3	–	–	10.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION D – PERFORMANCE IN THE YEAR

D1 Insurance result

Year ended 31 December 2023

Insurance revenue	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Contracts not measured under the PAA:					
Amounts relating to changes in the liability for remaining coverage:					
Expected incurred claims and other directly attributable expenses	59.1	0.3	28.2	100.1	187.7
Change in risk adjustment for non-financial risk for the risk expired	2.2	0.1	0.9	2.4	5.6
CSM recognised for the services provided	4.5	0.3	7.0	9.0	20.8
Insurance acquisition cash flows recovery	–	–	–	3.5	3.5
Insurance revenue for contracts not measured under the PAA	**65.8**	**0.7**	**36.1**	**115.0**	**217.6**
Insurance revenue for contracts measured under the PAA	**–**	**10.4**	**–**	**–**	**10.4**
Total insurance revenue	**65.8**	**11.1**	**36.1**	**115.0**	**228.0**
Insurance service expenses					
Incurred claims and other directly attributable expenses	(50.7)	(11.0)	(30.4)	(75.1)	(167.2)
Changes that relate to past service – changes in the FCF relating to the LIC	–	3.6	–	–	3.6
Losses on onerous contracts and reversals of those losses	(14.9)	–	(7.4)	(35.4)	(57.7)
Insurance acquisition cash flows amortisation	–	–	–	(3.4)	(3.4)
Total insurance service expenses	**(65.6)**	**(7.4)**	**(37.8)**	**(113.9)**	**(224.7)**
Net income/(expenses) from reinsurance contracts held					
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA					
Amounts relating to changes in the remaining coverage:					
Expected amount recoverable for claims and other insurance service expenses	(23.8)	–	(5.0)	(17.7)	(46.5)
Change in risk adjustment for non-financial risk for the risk expired	(0.7)	–	(0.2)	(1.3)	(2.2)
CSM recognised for the services received	(0.5)	–	2.2	(2.7)	(1.0)
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA	**(25.0)**	**–**	**(3.0)**	**(21.7)**	**(49.7)**
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts measured under the PAA	**–**	**(2.5)**	**–**	**–**	**(2.5)**
Amounts recoverable for incurred claims and other incurred insurance service expenses	19.5	3.2	3.4	17.3	43.4
Changes in amounts recoverable that relate to past service – adjustments to incurred claims	–	(1.3)	–	–	(1.3)
Recoveries of loss on recognition of onerous underlying contracts	–	–	–	0.5	0.5
Recoveries of losses on onerous underlying contracts and reversals of such losses	–	–	–	1.2	1.2
Total net expenses from reinsurance contracts held	**(5.5)**	**(0.6)**	**0.4**	**(2.7)**	**(8.4)**
Total insurance service result	**(5.3)**	**3.1**	**(1.3)**	**(1.6)**	**(5.1)**

Year ended 31 December 2022

Insurance revenue	UK £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Contracts not measured under the PAA:					
Amounts relating to changes in the liability for remaining coverage:					
Expected incurred claims and other directly attributable expenses	57.2	0.3	8.3	113.7	179.5
Change in risk adjustment for non-financial risk for the risk expired	2.4	0.1	4.9	3.0	10.4
CSM recognised for the services provided	5.5	0.2	3.7	10.3	19.7
Insurance acquisition cash flows recovery	–	–	–	3.5	3.5
Insurance revenue for contracts not measured under the PAA	**65.1**	**0.6**	**16.9**	**130.5**	**213.1**
Insurance revenue for contracts measured under the PAA	**–**	**12.0**	**–**	**–**	**12.0**
Total insurance revenue	**65.1**	**12.6**	**16.9**	**130.5**	**225.1**
Insurance service expenses					
Incurred claims and other directly attributable expenses	(58.2)	(11.5)	(14.6)	(92.7)	(177.0)
Changes that relate to past service – changes in the FCF relating to the LIC	–	7.0	–	–	7.0
Losses on onerous contracts and reversals of those losses	–	–	(3.2)	(29.4)	(32.6)
Insurance acquisition cash flows amortisation	–	–	–	(3.5)	(3.5)
Total insurance service expenses	**(58.2)**	**(4.5)**	**(17.8)**	**(125.6)**	**(206.1)**
Net income/(expenses) from reinsurance contracts held					
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA					
Amounts relating to changes in the remaining coverage:					
Expected amount recoverable for claims and other insurance service expenses	(24.5)	–	(4.4)	(16.0)	(44.9)
Change in risk adjustment for non-financial risk for the risk expired	(0.8)	–	(0.2)	(1.1)	(2.1)
CSM recognised for the services received	(1.1)	–	(0.9)	(2.7)	(4.7)
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts not measured under the PAA	**(26.4)**	**–**	**(5.5)**	**(19.8)**	**(51.7)**
Reinsurance expenses (allocation of reinsurance premiums paid) – contracts measured under the PAA	**–**	**(2.3)**	**–**	**–**	**(2.3)**
Amounts recoverable for incurred claims and other incurred insurance service expenses	24.7	2.8	3.9	18.5	49.9
Changes in amounts recoverable that relate to past service – adjustments to incurred claims	–	(3.4)	–	–	(3.4)
Recoveries of loss on recognition of onerous underlying contracts	–	–	–	1.4	1.4
Recoveries of losses on onerous underlying contracts and reversals of such losses	–	–	–	0.4	0.4
Total net expenses from reinsurance contracts held	**(1.7)**	**(2.9)**	**(1.6)**	**0.5**	**(5.7)**
Total insurance service result	**5.2**	**5.2**	**(2.5)**	**5.4**	**13.3**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION D – PERFORMANCE IN THE YEAR

D2 Investment result

In the tables that follow the investment return on surplus shareholder assets is included in the insurance contracts column. Net fair value gains and losses in respect of holdings in collective investment schemes are included in the line that is most appropriate taking into account the nature of the underlying investments.

No amounts included in net fair value gains and losses of financial instruments in 2023 were estimated using a valuation technique (year ended 31 December 2022: £Nil).

Year ended 31 December 2023

Net Investment return	Insurance contracts UK £m	Insurance contracts Movestic £m	Insurance contracts Waard £m	Insurance contracts Scildon £m	Investment contracts (without DPFs) £m	Chesnara plc £m	Total £m
Interest revenue from financial assets not measured at FVTPL	6.8	0.9	0.5	–	–	0.9	9.1
Net gains on financial investments mandatorily measured as FVTPL	63.0	18.1	21.4	129.6	527.7	6.3	766.1
Net gains on financial investments designated as FVTPL	41.9	–	37.6	51.7	115.8	–	247.0
Net gains from fair value adjustments to investment properties	1.2	–	–	–	–	–	1.2
Total net investment return	**112.9**	**19.0**	**59.5**	**181.3**	**643.5**	**7.2**	**1,023.4**
Finance income/(expenses) from insurance contracts issued							
Change in fair value of underlying assets of contracts measured under the VFA	(75.4)	–	(5.1)	(132.6)	–	–	(213.1)
Interest accreted	(18.2)	–	(30.0)	(19.1)	–	–	(67.3)
Effect of changes in interest rates and other financial assumptions	2.4	(16.0)	(21.2)	(14.2)	–	–	(49.0)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	4.7	–	6.9	2.9	–	–	14.5
Total finance income from insurance contracts issued	**(86.5)**	**(16.0)**	**(49.4)**	**(163.0)**	**–**	**–**	**(314.9)**
Finance income from reinsurance contracts held							
Interest accreted	8.8	–	0.1	(1.1)	–	–	7.8
Effect of changes in interest rates and other financial assumptions	1.5	0.7	–	(1.6)	–	–	0.6
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	(1.0)	–	–	(0.7)	–	–	(1.7)
Total finance expenses from reinsurance contracts held	**9.3**	**0.7**	**0.1**	**(3.4)**	**–**	**–**	**6.7**
Net insurance finance expenses	**(77.2)**	**(15.3)**	**(49.3)**	**(166.4)**	**–**	**–**	**(308.2)**
Net change in investment contract liabilities	–	–	–	–	(529.6)	–	(529.6)
Change in liabilities relating to policyholder funds held by the group	–	–	–	–	(113.9)	–	(113.9)
Net investment result	**35.7**	**3.7**	**10.2**	**14.9**	**–**	**7.2**	**71.7**

Year ended 31 December 2022

Net Investment return	UK £m	Insurance contracts Movestic £m	Waard £m	Scildon £m	Investment contracts (without DPFs) £m	Chesnara plc £m	Total £m
Interest revenue from financial assets not measured at FVTPL	–	0.1	–	–	–	–	0.1
Net gains on financial investments mandatorily measured as FVTPL	(110.8)	(5.8)	(83.3)	(207.2)	(589.3)	(4.1)	(1,000.5)
Net gains on financial investments designated as FVTPL	(37.4)	(18.5)	(10.0)	(95.2)	(392.9)	0.5	(553.5)
Net gains from fair value adjustments to investment properties	(3.1)	–	–	0.1	–	–	(3.0)
Total net investment return	**(151.3)**	**(24.2)**	**(93.3)**	**(302.3)**	**(982.2)**	**(3.6)**	**(1,556.9)**
Finance income/(expenses) from insurance contracts issued							
Change in fair value of underlying assets of contracts measured under the VFA	72.3	18.5	3.4	171.8	–	–	266.0
Interest accreted	5.6	–	(0.5)	12.6	–	–	17.7
Effect of changes in interest rates and other financial assumptions	78.9	2.0	92.7	92.5	–	–	266.1
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	4.8	–	(4.6)	(1.2)	–	–	(1.0)
Total finance income from insurance contracts issued	**161.6**	**20.5**	**91.0**	**275.7**	**–**	**–**	**548.8**
Finance income from reinsurance contracts held							
Interest accreted	1.1	–	–	0.5	–	–	1.6
Effect of changes in interest rates and other financial assumptions	(25.2)	(0.5)	(0.3)	11.0	–	–	(15.0)
Effect of changes in fulfilment cash flows at current rates when CSM is unlocked at locked in rates	–	–	–	0.3	–	–	0.3
Total finance expenses from reinsurance contracts held	**(24.1)**	**(0.5)**	**(0.3)**	**11.8**	**–**	**–**	**(13.1)**
Net insurance finance expenses	**137.5**	**20.0**	**90.7**	**287.5**	**–**	**–**	**535.7**
Net change in investment contract liabilities	–	–	–	–	589.3	–	589.3
Change in liabilities relating to policyholder funds held by the group	–	–	–	–	392.9	–	392.9
Net investment result	**(13.8)**	**(4.2)**	**(2.6)**	**(14.8)**	**–**	**(3.6)**	**(39.0)**

D3 Fees, commission and other operating income

Year ended 31 December

	2023 £m	2022 £m
Policy-based fees	3.2	1.7
Fund management-based fees recognised under IFRS 15	45.5	25.9
Change in deferred income – gross	0.6	1.1
Commission income from investment contracts	20.4	21.4
Fee income from investment managers	1.3	1.4
Charges to policyholder funds for yield tax	17.9	8.3
Other types of operating income	0.5	(0.2)
Total fee, commission and other operating income	**89.4**	**59.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION D – PERFORMANCE IN THE YEAR

D4 Expenses by nature

Year ended 31 December 2023

	Note	Insurance acquisition cash flows £m	Other attributable expenses £m	Other operating expenses £m	Total £m
Administrative expenses					
Personnel-related costs	I1	2.2	13.6	25.4	41.2
Investment management fees		–	2.3	1.3	3.6
Costs paid to third-party administrators		–	9.7	3.9	13.6
Other goods and services		3.3	13.0	28.9	45.2
Depreciation charge on property and equipment		0.1	0.5	0.2	0.8
Depreciation of right-of-use assets		–	–	0.4	0.4
Amortisation charge on software assets		–	–	2.0	2.0
Sub-total		**5.6**	**39.1**	**62.1**	**106.8**
Commission, new business and renewal costs					
Insurance contracts		–	3.5	–	3.5
Investment contracts		–	–	29.4	29.4
Sub-total		**–**	**3.5**	**29.4**	**32.9**
Amortisation and Impairment of intangible assets					
Acquired value of in-force business		–	–	28.6	28.6
Deferred acquisition costs		–	–	7.6	7.6
Sub-total		**–**	**–**	**36.2**	**36.2**
Other expenses					
Payment of yield tax relating to policyholders funds		–	–	17.9	17.9
Other		–	2.9	4.3	7.2
Sub-total		**–**	**2.9**	**22.2**	**25.1**
Total		**5.6**	**45.5**	**149.9**	**201.0**

Year ended 31 December 2022

	Note	Insurance acquisition cash flows £m	Other attributable expenses £m	Other operating expenses £m	Total £m
Administrative expenses					
Personnel-related costs	I1	4.0	12.1	21.8	37.9
Investment management fees		–	0.3	1.4	1.7
Costs paid to third-party administrators		–	8.0	4.8	12.8
Other goods and services		2.7	9.7	17.0	29.4
Depreciation charge on property and equipment		–	0.4	0.3	0.7
Depreciation of right-of-use assets		–	0.1	0.6	0.7
Amortisation charge on software assets		–	–	1.8	1.8
Sub-total		**6.7**	**30.6**	**47.7**	**85.0**
Commission, new business and renewal costs					
Insurance contracts		–	6.4	–	6.4
Investment contracts		–	–	29.1	29.1
Sub-total		**–**	**6.4**	**29.1**	**35.5**
Amortisation of intangible assets					
Acquired value of in-force business		–	–	7.2	7.2
Deferred acquisition costs		–	–	8.5	8.5
Sub-total		**–**	**–**	**15.7**	**15.7**
Other expenses					
Payment of yield tax relating to policyholders funds		–	–	8.3	8.3
Other		–	1.9	0.1	2.0
Sub-total		**–**	**1.9**	**8.4**	**10.3**
Total		**6.7**	**38.9**	**100.9**	**146.5**

Included in other goods and services above are the following amounts payable to the auditor and its associates, exclusive of VAT.

Year ended 31 December

	2023 £m	2022 £m
Fees payable to the company's auditor for the audit of the company's financial statements	0.6	0.4
Fees payable to the company's auditor and its associates for other services to the group:		
The audit of the company's subsidiaries pursuant to legislation*	1.9	1.7
Audit-related assurance services**	2.0	1.1
Non-audit services	0.1	–
Total	**4.6**	**3.2**

*Includes £1.6m (2022: £0.6m) audit fees in respect of the Movestic, Waard and Scildon audit in the year performed by EY.

**Includes £0.1m (2022: £0.3m) fees related to assurance services in respect of Waard and Scildon in the year performed by EY.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION D – PERFORMANCE IN THE YEAR

D5 Financing costs

Year ended 31 December	2023 £m	2022 £m
Interest expense on bank borrowings	0.7	0.6
Interest expense on financial reinsurance	0.5	0.8
Interest expenses on lease liabilities	–	–
Interest expense on Tier 2 debt	9.8	8.9
Other interest	–	0.2
Total financing costs	**11.0**	**10.5**

Interest expense on bank borrowings and Tier 2 debt is calculated using the effective interest rate method and is the total interest expense for financial liabilities that are not designated at fair value through profit or loss.

D6 Income tax

Total income tax comprises Year ended 31 December	2023 £m	2022 £m
CA and other group – net credit	20.4	24.6
Movestic	–	–
Waard Group – net expense	(1.6)	(0.1)
Scildon – net (expense)/credit	(1.9)	3.9
Total net credit	**16.9**	**28.4**

UK businesses

CA and other group activities Year ended 31 December	2023 £m	2022 £m
Current tax		
Current year expense	–	(3.2)
Overseas tax	(0.3)	–
Adjustment to prior years	–	1.5
Net expense	(0.3)	(1.7)
Deferred tax		
Origination and reversal of temporary differences	20.7	26.3
Total income tax credit	**20.4**	**24.6**

Reconciliation of effective tax rate on profit before tax Year ended 31 December	2023 £m	2022 £m
Profit/(loss) before tax	**(26.3)**	**(80.7)**
Income tax using the domestic corporation tax rate of 23.5% (2022: 19.0%)	6.2	15.3
Non-taxable profit on acquisition of subsidiary	–	(4.7)
Impact of small companies rate	(1.5)	–
Other permanent differences	(0.6)	0.2
Effect of UK tax bases on insurance profits	(7.5)	7.8
Offset of franked investment income	1.2	–
Variation in rate of tax on amortisation of acquired in-force value	13.3	3.3
Foreign tax	(0.3)	–
Effect of deferred tax not recognised	10.1	(0.4)
Effect of change in tax rate	(0.2)	3.1
Other	(0.3)	–
Total income tax credit	**20.4**	**24.6**

The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023.

Movestic

The current tax and deferred tax for Movestic was £Nil in the year ended 31 December 2023 (31 December 2022: £Nil).

Reconciliation of effective tax rate on profit before tax Year ended 31 December	2023 £m	2022 £m
Profit before tax	**5.4**	**1.5**
Income tax using the domestic corporation tax rate of 20.6% (20.6%)	(1.1)	(0.5)
Non-taxable income in relation to unit-linked business	1.2	1.5
Non-taxable fair value adjustment	–	–
Unrecognised tax recoverable	(0.3)	–
Non-deductible expenses	0.2	(0.9)
Under/(over) provided in prior years	–	(0.1)
Total income tax credit/(expense)	**–**	**–**

Waard Group

Waard Group Year ended 31 December	2023 £m	2022 £m
Current tax		
Current year expense	(1.7)	(1.1)
Adjustment to prior years	4.7	–
Net expenses	3.0	(1.1)
Deferred tax		
Origination and reversal of temporary differences	(4.6)	1.0
Total income tax expense	**(1.6)**	**(0.1)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION D – PERFORMANCE IN THE YEAR

D6 Income tax (continued)

Waard Group (continued)

Reconciliation of effective tax rate on profit before tax **Year ended 31 December**	**2023** **£m**	**2022** **£m**
Loss before tax	**14.7**	**(2.3)**
Income tax using the domestic corporation tax rate of 25%	(3.8)	0.6
Non-taxable fair value adjustment	1.7	–
Temporary differences	1.0	(0.7)
Reversal of temporary difference	(0.5)	–
Total income tax expense	**(1.6)**	**(0.1)**

Scildon

Scildon **Year ended 31 December**	**2023** **£m**	**2022** **£m**
Current tax	**4.8**	**(4.0)**
Adjustments for prior year	–	–
Net expense	4.8	(4.0)
Deferred tax		
Origination and reversal of temporary differences	(6.7)	7.8
Impact to changes in tax rates	–	0.1
Total income tax credit	**(1.9)**	**3.9**

Reconciliation of effective tax rate on profit before tax **Year ended 31 December**	**2023** **£m**	**2022** **£m**
Loss before tax	**7.5**	**(15.2)**
Income tax using the domestic corporation tax rate of 25%	(1.9)	4.0
Permanent differences	0.1	–
Temporary differences	(0.1)	(0.1)
Total income tax credit	**(1.9)**	**3.9**

SECTION E – BALANCE SHEET ASSETS

E1 Intangible assets

Year ended 31 December 2023

	AVIF £m	AVCR £m	Software assets £m	Total £m
Cost:				
Balance at 1 January	**113.9**	**2.3**	**29.5**	**145.7**
Additions	–	–	–	–
Additions – arising on acquisition	–	–	2.3	2.3
Foreign exchange translation difference	(1.6)	–	(0.7)	(2.3)
Balance at 31 December	**112.3**	**2.3**	**31.1**	**145.7**
Balance at 1 January	**48.5**	**2.1**	**20.2**	**70.8**
Amortisation for the year	7.5	–	2.0	9.5
Impairment for the year	21.0	–	–	21.0
Foreign exchange translation difference	(0.9)	–	(0.5)	(1.4)
Balance at 31 December	**76.1**	**2.1**	**21.7**	**99.9**
Carrying amounts:				
At 1 January	**65.4**	**0.2**	**9.3**	**74.9**
At 31 December	**36.3**	**0.2**	**9.3**	**45.8**

Year ended 31 December 2022

	AVIF £m	AVCR £m	Software assets £m	Total £m
Cost:				
Balance at 1 January	**60.6**	**2.3**	**27.7**	**90.6**
Additions	–	–	–	–
Additions – arising on acquisition	54.7	–	2.4	57.1
Foreign exchange translation difference	(1.4)	–	(0.6)	(2.0)
Balance at 31 December	**113.9**	**2.3**	**29.5**	**145.7**
Balance at 1 January	**42.3**	**2.1**	**18.8**	**63.2**
Amortisation for the year	7.2	–	1.8	9.0
Foreign exchange translation difference	(1.0)	–	(0.4)	(1.4)
Balance at 31 December	**48.5**	**2.1**	**20.2**	**70.8**
Carrying amounts:				
At 1 January	**18.3**	**0.2**	**8.9**	**27.4**
At 31 December	**65.4**	**0.2**	**9.3**	**74.9**

The amortisation charged to the Consolidated Statement of Comprehensive Income is recognised in other operating expenses (see Note D4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION E – BALANCE SHEET ASSETS

E1 Intangible assets (continued)

Deferred acquisition costs

Year ended 31 December	2023 £m	2022 £m
Balance at 1 January	**51.2**	**53.0**
Additions	8.3	7.9
Amortisation charged to income	(7.6)	(8.5)
Foreign exchange translation difference	(1.3)	(1.2)
Balance at 31 December	**50.6**	**51.2**
Current	11.1	11.2
Non-current	39.5	40.0
Total	**50.6**	**51.2**

The amortisation charged to income is recognised in other operating expenses (see Note D4).

E2 Property and equipment

31 December	2023 £m	2022 £m
Cost:		
Balance at 1 January	**19.0**	**14.5**
Additions – Arising on acquisition	–	4.4
Additions	1.9	0.4
Disposals	(0.3)	(1.6)
Revaluation	0.3	0.8
Foreign exchange translation difference	(0.3)	0.5
Balance at 31 December	**20.6**	**19.0**
Amortisation and impairment losses:		
Balance at 1 January	**11.1**	**6.6**
Additions – Arising on acquisition	–	4.4
Depreciation charge for the year	0.8	1.4
Disposals	–	(1.4)
Foreign exchange translation difference	0.3	0.1
Balance at 31 December	**12.2**	**11.1**
Carrying amounts at 31 December	**8.4**	**7.9**

The group leases several assets including office buildings, office and IT equipment and motor vehicles. The average lease term is 3 years.

Right-of-use assets	Non-investment property £m	Other £m	2023 Total £m
Carrying amounts at 1 January	**1.2**	**0.1**	**1.3**
Additions	–	0.8	0.8
Disposals	–	–	–
Depreciation charge	(0.4)	(0.4)	(0.8)
Foreign exchange translation difference	0.3	(0.3)	–
Carrying amounts at 31 December	**1.1**	**0.2**	**1.3**

Amount recognised in profit and loss

	Non-investment property £m	Other £m	2023 Total £m
Fixed lease expense	0.1	–	0.1
Total cash outflow for leases	**0.1**	**–**	**0.1**

Right-of-use assets

	Non-investment property £m	Other £m	2022 Total £m
Carrying amounts at 1 January	**1.9**	**0.1**	**2.0**
Additions	0.1	–	0.1
Disposals	(0.2)	–	(0.2)
Depreciation charge	(0.7)	–	(0.7)
Carrying amounts at 31 December	**1.1**	**0.1**	**1.2**

Amount recognised in profit and loss

	Non-investment property £m	Other £m	2022 Total £m
Fixed lease expense	0.6	0.1	0.7
Total cash outflow for leases	**0.6**	**0.1**	**0.7**

E3 Investment properties

31 December

	2023 £m	2022 £m
Balance at 1 January	**94.5**	**1.1**
Additions – Arising on acquisition	–	103.0
Additions	2.3	0.9
Disposals	(6.0)	(2.9)
Revaluation	(2.7)	(7.7)
Foreign exchange translation difference	–	0.1
Balance at 31 December	**88.1**	**94.5**

Investment properties were bought for investment purposes in line with the investment strategy of the group. The properties are independently valued in accordance with International Valuation Standards on the basis of determining the open market value of the investment properties on an annual basis. The latest valuations were conducted as at 31 December 2022. There is no observable input and therefore its classed as Level 3 totalling £88.1m, see Note E4(b).

Both of these amounts are disclosed in net investment return (see Note D2). Expenses incurred in the operation and maintenance of investment properties are disclosed in other operating expenses (see Note D4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION E – BALANCE SHEET ASSETS

E4 Financial investments

(a) Financial investments by classification

The carrying amounts of the financial investments and other financial assets and liabilities held by the group at the balance sheet date are as follows:

31 December 2023	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Equity securities	–	–	194.2	194.2
Holdings in collective investment schemes	–	–	8,376.2	8,376.2
Debt securities – government bonds	–	716.5	–	716.5
Debt securities – other	–	520.6	–	520.6
Policyholder funds help by the group	–	1,281.8	–	1,281.8
Mortgage loan portfolio	–	366.8	–	366.8
Total	**–**	**2,885.7**	**8,570.4**	**11,456.1**
Derivatives and other financial assets				
Derivative financial instruments	–	–	0.3	0.3
Other assets	57.7	–	–	57.7
Cash and cash equivalents	–	146.0	–	146.0
Total financial investments and financial assets	**57.7**	**3,031.7**	**8,570.7**	**11,660.1**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	5,872.3	–	5,872.3
Liabilities relating to policyholder funds help by the group	–	1,281.8	–	1,281.8
Derivative financial instruments	–	–	4.4	4.4
Borrowings	207.9	–	–	207.9
Other current liabilities	131.7	–	–	131.7
Total financial liabilities	**339.6**	**7,154.1**	**4.4**	**7,498.1**

31 December 2022	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Equity securities	–	–	160.2	160.2
Holdings in collective investment schemes	–	–	8,189.7	8,189.7
Debt securities – government bonds	–	445.1	–	445.1
Debt securities – other	–	489.0	–	489.0
Policyholder funds help by the group	–	–	986.8	986.8
Mortgage loan portfolio	–	266.0	–	266.0
Total	**–**	**1,200.1**	**9,336.7**	**10,536.8**
Derivatives and other financial assets				
Derivative financial instruments	–	–	0.1	0.1
Other assets	46.4	–	–	46.4
Cash and cash equivalents	–	204.6	–	204.6
Total financial investments and financial assets	**46.4**	**1,404.7**	**9,336.8**	**10,787.9**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	5,660.8	–	5,660.8
Liabilities relating to policyholder funds help by the group	–	986.8	–	986.8
Derivative financial instruments	–	–	3.8	3.8
Borrowings	212.0	–	–	212.0
Other current liabilities	123.3	–	–	123.3
Total financial liabilities	**335.3**	**6,647.6**	**3.8**	**6,986.7**

The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

(b) Financial investment fair values

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the group applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where possible (Level 2), but in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

Fair value measurement at 31 December 2023

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties	–	–	88.1	88.1
Financial assets				
Equities – Listed	194.2	–	–	194.2
Holdings in collective investment schemes	8,233.7	–	142.5	8,376.2
Debt securities – government bonds	716.5	–	–	716.5
Debt securities – other debt securities	520.6	–	–	520.6
Policyholders' funds held by the group	1,239.4	–	42.4	1,281.8
Mortgage loan portfolio	–	366.8	–	366.8
Derivative financial instruments	–	0.3	–	0.3
Total	**10,904.4**	**367.1**	**273.0**	**11,544.5**
Current				9,095.5
Non-current				2,449.0
Total				**11,544.5**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	5,872.3	–	5,872.3
Liabilities related to policyholders' funds held by the group	1,281.8	–	–	1,281.8
Derivative financial instruments	–	4.4	–	4.4
Total	**1,281.8**	**5,876.7**	**–**	**7,158.5**

Fair value measurement at 31 December 2022

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investment properties	1.2	–	93.3	94.5
Financial assets				
Equities – Listed	160.2	–	–	160.2
Holdings in collective investment schemes	7,997.8	46.5	145.4	8,189.7
Debt securities – government bonds	420.9	24.2	–	445.1
Debt securities – other debt securities	434.0	55.0	–	489.0
Policyholders' funds held by the group	951.7	–	35.1	986.8
Mortgage loan portfolio	–	266.0	–	266.0
Derivative financial instruments	–	0.1	–	0.1
Total	**9,965.8**	**391.8**	**273.8**	**10,631.4**
Current				5,932.9
Non-current				4,698.5
Total				**10,631.4**
Financial liabilities				
Investment contracts at fair value through profit or loss	–	5,660.8	–	5,660.8
Liabilities related to policyholders' funds held by the group	986.8	–	–	986.8
Derivative financial instruments	–	3.8	–	3.8
Total	**986.8**	**5,664.6**	**–**	**6,651.4**

Investment properties

The investment properties are valued by external chartered surveyors using industry standard techniques based on guidance from the Royal Institute of Chartered Surveyors. The valuation methodology includes an assessment of general market conditions and sector level transactions and takes account of expectations of occupancy rates, rental income and growth. Properties undergo individual scrutiny using cash flow analysis to factor in the timing of rental reviews, capital expenditure, lease incentives, dilapidation and operating expenses; these reviews utilise both observable and unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION E – BALANCE SHEET ASSETS

E4 Financial investments (continued)

(b) Financial investment fair values (continued)

Holdings in collective investment schemes

The fair value of holdings in collective investment schemes classified as Level 2 are related to the UK segment and Scildon. These do not meet the classification as Level 1, as their fair value is determined using valuation techniques with observable market inputs. The holdings classified as Level 3 £142.5m (Dec 2022: £145.4m) also relate to Scildon, and represent investments held in a mortgage fund. These are classified as Level 3 as the fair value is derived from valuation techniques that include inputs that are not based on observable market data.

Policyholder funds held by the group

There is also a small holding of assets classified as Level 3 £42.4m (Dec 2022: £35.1m) from our Movestic operation which are unlisted. The valuation of the vast majority of these assets is based on unobservable prices from trading on the over-the-counter market.

Debt securities

The debt securities classified as Level 2 at 2022 and 2023 are traded in active markets with less depth or wider bid-ask spreads. This does not meet the classification as Level 1 inputs. The fair values of debt securities not traded in active markets are determined using broker quotes or valuation techniques with observable market inputs. Financial instruments valued using broker quotes are classified at Level 2, only where there is a sufficient range of available quotes.

These assets were valued using counterparty or broker quotes and were periodically validated against third-party models.

Derivative financial instruments

The derivatives financial instruments include a foreign currency hedge related to the group. This was deemed to manage the exposure to foreign exchange movements between sterling and both the euro and Swedish krona.

An uncapped collar which consists of two hedges:

- one hedge to protect against the downside (sterling strengthening) (starting at strike A), and one to remove the upside (weakening) (strike B); with the strikes of these coordinated to result in no upfront premium.
- the 2nd hedge (strike B) creates an uncapped liquidity requirement when it bites.

The capped collar comes with an additional leg which creates value and liquidity when exchange rates move beyond a certain point (strike C).

Within derivative financial instruments is a financial reinsurance embedded derivative related to our Movestic operation. The group has entered into a reinsurance contract with a third party that has a section that is deemed to transfer significant insurance risk and a section that is deemed not to transfer significant insurance risk. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative asset at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rate at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out above. Further detail can be found in Note E5.

Investment contract liabilities

The investment contract liabilities in Level 2 of the valuation hierarchy represent the fair value of linked and non-linked liabilities valued using established actuarial techniques utilising market observable data for all significant inputs, such as investment yields.

Significant unobservable inputs in Level 3 instruments valuations

The Level 3 instruments held in the group are in relation to investments held in an Aegon managed Dutch Mortgage Fund that contains mortgage-backed assets in the Netherlands. The fair value of the mortgage fund is determined by the fund manager on a monthly basis using an in-house valuation model. The valuation model relies on a number of unobservable inputs, the most significant being the assumed conditional prepayment rate, the discount rate and the impairment rate, all of which are applied to the anticipated modelled cash flows to derive the fair value of the underlying asset.

The assumed Conditional Prepayment Rate (CPR) is used to calculate the projected prepayment cash flow per individual loan and reflects the anticipated early repayment of mortgage balances. The CPR is based on four variables:

- Contract age – The CPR for newly originated mortgage loans will initially be low, after which it increases for a couple of years to its maximum expected value, and subsequently diminishes over time.
- Interest rate differential – The difference between the contractual rates and current interest rates are positively correlated with prepayments. When contractual rates are higher than interest rates of newly originated mortgages, we observe more prepayments and the vice versa.
- Previous partial repayments – Borrowers who made a partial prepayment in the past, are more likely to do so in the future.
- Burnout effect – Borrowers who have not made a prepayment in the past, while their option to prepay was in the money, are less likely to prepay in the future.

The projected prepayment cash flows per loan are then combined to derive an average expected lifetime CPR, which is then applied to the outstanding balance of the fund. The CPR used in the valuation of the fund as at 31 December 2023 was 3.2% (31 December 2022: 4.9%).

The expected projected cash flows for each mortgage within the loan portfolio are discounted using rates that are derived using a matrix involving the following three parameters:

- The remaining fixed rate term of the mortgage
- Indexed Loan to Value (LTV) of each mortgage
- Current (Aegon) mortgage rates

At 31 December 2023 this resulted in discounting the cash flows in each mortgage using a range from 4.67% to 4.68% (31 December 2022: 4.29% to 4.92%).

An impairment percentage is applied to those loan cash flows which are in arrears, to reflect the chance of the loan actually going into default. For those loans which are 1, 2 or 3 months in arrears, an impairment percentage is applied to reflect the chance of default. This percentage ranges from 0.60% for 1 month in arrears to 13.70% for loans which are 3 months in arrears (31 December 2022: 0.60% for 1 month in arrears to 13.70% for loans which are 3 months in arrears). Loans which are in default receive a 100% reduction in value.

The value of the fund has the potential to decrease or increase over time. This can be as a consequence of a periodic reassessment of the conditional prepayment rate and/or the discount rate used in the valuation model.

A 1 percent increase in the CPR would reduce the value of the asset by £1.9m (31 December 2022: £1.7m).

A 1 percent decrease in the CPR would increase the value of the asset by £2.1m (31 December 2022: £2.1m).

A 1 percent increase in the discount rate would reduce the value of the asset by £11.4m (31 December 2022: £9.6m).

A 1 percent decrease in the discount rate would increase the value of the asset by £13.3m (31 December 2022: £11.1m).

Reconciliation of Level 3 fair value measurements of financial instruments
Level 3 movement

31 December	2023 £m	2022 £m
At start of period	**273.8**	**190.2**
Additions – acquisition of subsidiary	–	103.0
Total gains and losses recognised in the income statement	(8.6)	(30.0)
Purchases	22.8	14.7
Settlements	(10.8)	(11.5)
Exchange rate adjustment	(4.2)	7.4
At the end of period	**273.0**	**273.8**

31 December	Carrying amount		Fair value	
	2023 £m	2022 £m	2023 £m	2022 £m
Financial liabilities				
Borrowings	207.9	212.0	155.4	157.0

Borrowings consist of the Tier 2 debt and an amount due in relation to financial reinsurance. The fair value of the Tier 2 debt is calculated using quoted prices in active markets and they are classified as Level 1 in the fair value hierarchy. The amount due in relation to financial reinsurance is fair valued with reference to market interest rates at the balance sheet date.

There were no other transfers between Levels 1, 2 and 3 during the year. The group holds no Level 3 liabilities as at the balance sheet date.

E5 Derivative financial instruments

Chesnara entered into a foreign currency hedge which it rolled forward and slightly expanded in 2023. There are also derivatives held within the unit-linked and with-profits funds, except for an option to repay a financial reinsurance contract early, which comprises an embedded derivative.

31 December	2023		2022	
	Asset £m	Liability £m	Asset £m	Liability £m
Exchange-traded futures	0.2	–	0.1	(0.1)
Foreign currency hedge	–	(4.4)	–	(3.5)
Financial reinsurance embedded derivative	0.1	–	–	(0.2)
Total	**0.3**	**(4.4)**	**0.1**	**(3.8)**
Current	0.3	(4.4)	0.1	(3.7)
Non-current	–	–	–	(0.1)
Total	**0.3**	**(4.4)**	**0.1**	**(3.8)**

Derivatives within unit-linked funds

As part of its investment management strategy, the group purchases derivative financial instruments as part of its investment portfolio for unit-linked investment funds, which match the liabilities arising on its unit-linked insurance and investment business.

A variety of equity futures are part of the portfolio matching the unit-linked investment and insurance liabilities. Derivatives are used to facilitate more efficient portfolio management allowing changes in investment strategy to be reflected by futures transactions rather than a high volume of transactions in the underlying assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION E – BALANCE SHEET ASSETS

E5 Derivative financial instruments (continued)

Derivatives within unit-linked funds (continued)

All the contracts are exchange-traded futures, with their fair value being the bid price at the balance sheet date. They are, accordingly, determined at Level 1 in the three-level fair value determination hierarchy set out in Note E4(b).

Exchange-traded futures (by geographical investment market)

31 December	2023		2022	
	Asset £m	Liability £m	Asset £m	Liability £m
Europe	–	–	–	(0.1)
Japan	0.2	–	0.1	–
Total	**0.2**	**–**	**0.1**	**(0.1)**

Financial reinsurance embedded derivative

In respect of Movestic, the group has a reinsurance contract with a third party that has an element that is deemed to transfer significant insurance risk and an element that is deemed not to transfer significant insurance risk. This assessment has been determined by management based on the contractual terms of the reinsurance agreement. The element of the contract that does not transfer significant insurance risk has two components and has been accounted for as a financial liability at amortised cost and an embedded derivative at fair value.

The embedded derivative represents an option to repay the amounts due under the contract early at a discount to the amortised cost, with its fair value being determined by reference to market interest rates at the balance sheet date. It is, accordingly, determined at Level 2 in the three-level fair value determination hierarchy set out in Note E4(b).

Derivatives within CA (S&P with-profits funds)

As part of its investment management strategy, CA enters into a limited range of derivative instruments to manage its exposure to various risks.

CA uses equity index futures in order to economically hedge equity market risk in the with-profit funds' investments.

The change in fair value of the futures contracts is intended to offset the change in fair value of the underlying equities being hedged. CA settles the market value of the futures contracts on a daily basis by paying or receiving a variation margin. The futures contracts are not discounted as this daily settlement is equal to the change in fair value of the futures. As a result, there is no additional fair value to recognise in relation to these derivatives on the balance sheet at the year end.

CA also purchases exchange rate futures to mitigate exchange rate risk within its with-profits funds.

These contracts are exchange-traded contracts in active markets with their fair value being the bid price at the balance sheet date. They are, accordingly, determined at Level 1 in the three-level fair value determination hierarchy set out in Note E4(b).

E6 Other assets

31 December	2023 £m	2022 £m
Receivables arising from investment contracts		
Reinsurers share of accrued policyholder claims	1.9	0.9
Receivables from policyholders	3.5	3.2
Commission receivables	0.1	0.1
Sub-total	**5.5**	**4.2**
Other receivables		
Accrued interest income	10.2	8.5
Receivables from fund management companies	3.3	1.4
Prepayments	13.7	8.5
Income tax balances	16.4	5.8
Other	8.6	18.0
Sub-total	**52.2**	**42.2**
Total	**57.7**	**46.4**
Current	54.9	45.6
Non-current	2.8	0.8
Total	**57.7**	**46.4**

E7 Cash and cash equivalents

31 December	2023 £m	2022 £m
Bank and cash balances	135.7	144.7
Call deposits due within 1 month	–	59.9
Call deposits due after 1 month	10.3	–
Total cash and cash equivalents	**146.0**	**204.6**
Bank overdrafts	(0.2)	–
Cash and cash equivalents in the statement of cash flows	**145.8**	**204.6**

Short-term bank deposits are subject to a combination of fixed and variable interest rates, with an average maturity of 1 day (2022: 1 day). All deposits included in cash and cash equivalents were due to mature within 1 month of their acquisition. All balances are current and available on demand.

Included in cash and cash equivalents held by the group are balances totalling £52.6m (2022: £81.6m) held in unit-linked policyholders' funds.

31 December	1 January 2023 £m	Financing cash flows £m	Foreign exchange translation differences £m	Other changes (ii) £m	31 December 2023 £m
Tier 2 debt	200.4	–	–	0.2	200.6
Financial reinsurance	9.6	(3.9)	(0.4)	–	5.3
Lease liabilities	1.2	(0.6)	(0.1)	0.7	1.2
Total	**211.2**	**(4.5)**	**(0.5)**	**0.9**	**207.1**

31 December	1 January 2022 £m	Financing cash flows £m	Foreign exchange translation differences £m	Other changes (ii) £m	31 December 2022 £m
Tier 2 debt	–	200.0	–	0.4	200.4
Bank loan (i)	31.3	(31.2)	(0.1)	–	–
Financial reinsurance	15.9	(6.0)	(0.3)	–	9.6
Lease liabilities	2.0	(0.3)	(0.5)	–	1.2
Total	**49.2**	**162.5**	**(0.9)**	**0.4**	**211.2**

(i) The cash flows from bank loans and other borrowings make up the net amount of proceeds from borrowings and repayments of borrowings in the cash flow statement.

(ii) Other changes include interest accruals and payments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F1 Insurance and reinsurance contracts

The following notes provide a quantitative analysis of the insurance and reinsurance contract assets and liabilities and are disaggregated by the IFRS 8 operating segments. This disaggregation has been chosen for the following notes because it is the groups view that together with the information in the Underwriting Risk section, it provides the most relevant information for assessing the effect that contracts within the scope of IFRS 17 have on the entity's financial performance and position.

(a) Composition of the balance sheet

The following tables show the breakdown of the insurance and reinsurance contract assets and liabilities for each of the operating segments within Chesnara. Note A5(a)(i) provides details regarding broad product groups and measurement models. Note B2 provides details for the values of insurance and reinsurance contracts for the broad product groups within each segment.

31 December 2023

	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Insurance contracts					
Insurance contract liabilities	1,383.0	171.8	785.3	1,862.9	4,203.0
Insurance contract assets	(4.0)	–	–	–	(4.0)
Net insurance contract liabilities	**1,379.0**	**171.8**	**785.3**	**1,862.9**	**4,199.0**
Reinsurance contracts					
Reinsurance contract assets	166.8	14.5	4.4	–	185.7
Reinsurance contract liabilities	(2.2)	–	–	(14.9)	(17.1)
Net reinsurance contract assets	**164.6**	**14.5**	**4.4**	**(14.9)**	**168.6**

	Current £m	Non-current £m	Total £m
Insurance contract liabilities	1,801.1	2,401.9	4,203.0
Insurance contract assets	–	(4.0)	(4.0)
Reinsurance contract assets	29.1	156.6	185.7
Reinsurance contract liabilities	2.1	(19.2)	(17.1)

31 December 2022

	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Insurance contracts					
Insurance contract liabilities	1,447.6	158.9	463.7	1,751.4	3,821.6
Insurance contract assets	–	–	–	–	–
Net insurance contract liabilities	**1,447.6**	**158.9**	**463.7**	**1,751.4**	**3,821.6**
Reinsurance contracts					
Reinsurance contract assets	174.7	15.8	3.5	–	194.0
Reinsurance contract liabilities	(2.1)	–	–	(15.2)	(17.3)
Net reinsurance contract assets	**172.6**	**15.8**	**3.5**	**(15.2)**	**176.7**

	Current £m	Non-current £m	Total £m
Insurance contract liabilities	651.4	3,170.2	3,821.6
Insurance contract assets	–	–	–
Reinsurance contract assets	33.8	160.2	194.0
Reinsurance contract liabilities	(2.6)	(14.7)	(17.3)

(b) Fair value of underlying items

The following table shows the fair value of the underlying items of the group's direct participating contracts for each reporting segment.

	(UK) £m	Movestic (Sweden) £m	Waard Group (Netherlands) £m	Scildon (Netherlands) £m	Total £m
Fair value of underlying items as at 31 December 2023	816.9	132.3	65.2	1,238.7	2,253.1
Fair value of underlying items as at 31 December 2022	953.0	118.5	74.4	1,126.0	2,271.9

Composition of underlying items

The majority of the fair value of underlying items across the group are held in collective investment schemes. A small proportion is held in equities, debt securities and in cash and deposits.

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,382.3**	**–**	**65.3**	**1,447.6**
Changes in the statement of profit and loss				
Insurance revenue				
Contracts measured under the fair value approach	(57.5)	–	–	(57.5)
Contracts measured under the full retrospective approach	(8.3)	–	–	(8.3)
Insurance revenue total	**(65.8)**	**–**	**–**	**(65.8)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(2.5)	53.2	50.7
Losses and reversals of losses on onerous contracts	–	14.9	–	14.9
Insurance service expense total	**–**	**12.4**	**53.2**	**65.6**
Insurance service result	**(65.8)**	**12.4**	**53.2**	**(0.2)**
Net finance expenses from insurance contracts	86.5	–	–	86.5
Total amounts recognised in comprehensive income	**20.7**	**12.4**	**53.2**	**86.3**
Investment components	(131.0)	–	131.0	–
Cash flows				
Premiums received	37.5	–	–	37.5
Claims and other directly attributable expenses paid	–	–	(183.8)	(183.8)
Acquisitions	(8.6)	–	–	(8.6)
Total cash flows	**28.9**	**–**	**(183.8)**	**(154.9)**
Insurance contract liabilities as at 31 December 2023	**1,300.9**	**12.4**	**65.7**	**1,379.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(a) Insurance contract balances – analysis by remaining coverage and incurred claims (continued)

	Liabilities for remaining coverage £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2022	**1,471.7**	**64.4**	**1,536.1**
Changes in the statement of profit and loss			
Insurance revenue			
Contracts measured under the fair value approach	(59.1)	–	(59.1)
Contracts measured under the full retrospective approach	(6.0)	–	(6.0)
Insurance revenue total	**(65.1)**	**–**	**(65.1)**
Insurance service expenses			
Incurred claims and other directly attributable expenses	–	58.2	58.2
Insurance service expense total	**–**	**58.2**	**58.2**
Insurance service result	**(65.1)**	**58.2**	**(6.9)**
Net finance expenses from insurance contracts	(161.6)	–	(161.6)
Total amounts recognised in comprehensive income	**(226.7)**	**58.2**	**(168.5)**
Investment components	(128.2)	128.2	–
Cash flows			
Premiums received	33.3	–	33.3
Claims and other directly attributable expenses paid	–	(185.5)	(185.5)
Acquisitions	232.2	–	232.2
Total cash flows	**265.5**	**(185.5)**	**80.0**
Insurance contract liabilities as at 31 December 2022	**1,382.3**	**65.3**	**1,447.6**

There is no PAA business in the UK segment. Note A6(a) sets out the fair value methodology applied at transition that has been applied for the CA contracts in the UK.

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,397.1**	**13.2**	**1.1**	**36.2**	**1,447.6**
Changes that relate to current service					
CSM recognised for services provided	–	–	(1.4)	(3.1)	(4.5)
Change in risk adjustment for non-financial risk for risk expired	–	(2.2)	–	–	(2.2)
Experience adjustments	(8.2)	–	–	–	(8.2)
Revenue recognised for incurred policyholder tax expenses	(0.1)	–	–	–	(0.1)
Total changes that relate to current service	**(8.3)**	**(2.2)**	**(1.4)**	**(3.1)**	**(15.0)**
Changes that relate to future service					
Contracts initially recognised in the period	(12.0)	1.1	10.9	–	–
Changes in estimates that adjust the CSM	9.2	0.5	1.6	(11.3)	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	14.8	–	–	–	14.8
Total changes that relate to future service	**12.0**	**1.6**	**12.5**	**(11.3)**	**14.8**
Insurance service result	**3.7**	**(0.6)**	**11.1**	**(14.4)**	**(0.2)**
Net finance expenses from insurance contracts	84.4	0.7	0.7	0.7	86.5
Total amounts recognised in comprehensive income	**88.1**	**0.1**	**11.8**	**(13.7)**	**86.3**
Cash flows					
Premiums received	37.5	–	–	–	37.5
Claims and other directly attributable expenses paid	(183.8)	–	–	–	(183.8)
Acquisitions	(8.6)	–	–	–	(8.6)
Total cash flows	**(154.9)**	**–**	**–**	**–**	**(154.9)**
Insurance contract liabilities as at 31 December 2023	**1,330.3**	**13.3**	**12.9**	**22.5**	**1,379.0**

The contracts initially recognised in the period relate to the acquisition of the term assurance portfolio from Canada Life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA (continued)

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Insurance contract liabilities as at 1 January 2022	**1,484.1**	**16.6**	**–**	**35.4**	**1,536.1**
Changes that relate to current service					
CSM recognised for services provided	–	–	(0.1)	(5.4)	(5.5)
Change in risk adjustment for non-financial risk for risk expired	–	(2.4)	–	–	(2.4)
Experience adjustments	1.0	–	–	–	1.0
Total changes that relate to current service	**1.0**	**(2.4)**	**(0.1)**	**(5.4)**	**(6.9)**
Changes that relate to future service					
Contracts initially recognised in the period	(7.1)	3.5	3.6	–	–
Changes in estimates that adjust the CSM	(1.2)	(2.2)	(2.5)	5.9	–
Total changes that relate to future service	**(8.3)**	**1.3**	**1.1**	**5.9**	**–**
Insurance service result	**(7.3)**	**(1.1)**	**1.0**	**0.5**	**(6.9)**
Net finance expenses from insurance contracts	(159.7)	(2.3)	0.1	0.3	(161.6)
Total amounts recognised in comprehensive income	**(167.0)**	**(3.4)**	**1.1**	**0.8**	**(168.5)**
Cash flows					
Premiums received	33.3	–	–	–	33.3
Claims and other directly attributable expenses paid	(185.5)	–	–	–	(185.5)
Acquisitions	232.2	–	–	–	232.2
Total cash flows	**80.0**	**–**	**–**	**–**	**80.0**
Insurance contract liabilities as at 31 December 2022	**1,397.1**	**13.2**	**1.1**	**36.2**	**1,447.6**

The contracts initially recognised in the period relates to the acquisition of CASLP.

(c) **Reinsurance contract balances – analysis by remaining coverage and incurred claims**

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2023	**156.6**	**16.0**	**172.6**
Reinsurance expenses – allocation of reinsurance premiums paid	(25.0)	–	(25.0)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	19.5	19.5
Net (expenses)/income from reinsurance contracts held	**(25.0)**	**19.5**	**(5.5)**
Net finance expenses from reinsurance contracts	9.3	–	9.3
Total amounts recognised in comprehensive income	**(15.7)**	**19.5**	**3.8**
Investment components	(2.6)	2.6	–
Cash flows			
Premiums paid	12.5	–	12.5
Recoveries from reinsurance contracts held	–	(24.3)	(24.3)
Total cash flows	**12.5**	**(24.3)**	**(11.8)**
Reinsurance contract assets as at 31 December 2023	**150.8**	**13.8**	**164.6**

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2022	**199.9**	**17.8**	**217.7**
Reinsurance expenses – allocation of reinsurance premiums paid	(26.4)	–	(26.4)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	24.7	24.7
Net (expenses)/income from reinsurance contracts held	**(26.4)**	**24.7**	**(1.7)**
Net finance expenses from reinsurance contracts	(24.1)	–	(24.1)
Total amounts recognised in comprehensive income	**(50.5)**	**24.7**	**(25.8)**
Investment components	(4.0)	4.0	–
Cash flows			
Premiums paid	13.7	–	13.7
Recoveries from reinsurance contracts held	–	(30.5)	(30.5)
Acquisitions	(2.5)	–	(2.5)
Total cash flows	**11.2**	**(30.5)**	**(19.3)**
Reinsurance contract assets as at 31 December 2022	**156.6**	**16.0**	**172.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Reinsurance contract assets as at 1 January 2023	**161.1**	**3.1**	**0.5**	**7.9**	**172.6**
Changes that relate to current service					
CSM recognised for services received	–	–	–	(0.5)	(0.5)
Change in risk adjustment for non-financial risk for risk expired	–	(0.7)	–	–	(0.7)
Experience adjustments	(4.3)	–	–	–	(4.3)
Total changes that relate to current service	**(4.3)**	**(0.7)**	**–**	**(0.5)**	**(5.5)**
Changes that relate to future service					
Changes in estimates that adjust the CSM	1.5	0.5	(0.1)	(1.9)	–
Total changes that relate to future service	**1.5**	**0.5**	**(0.1)**	**(1.9)**	**–**
Net (expense)/income from reinsurance contracts held	**(2.8)**	**(0.2)**	**(0.1)**	**(2.4)**	**(5.5)**
Net finance income from reinsurance contracts held	9.1	0.1	–	0.1	9.3
Total amounts recognised in comprehensive income	**6.3**	**(0.1)**	**(0.1)**	**(2.3)**	**3.8**
Cash flows					
Premiums paid	12.5	–	–	–	12.5
Recoveries from reinsurance contracts held	(24.3)	–	–	–	(24.3)
Total cash flows	**(11.8)**	**–**	**–**	**–**	**(11.8)**
Reinsurance contract assets as at 31 December 2023	**155.6**	**3.0**	**0.4**	**5.6**	**164.6**

	Present value of future cash flows £m	Risk adjustment £m	CSM (new contracts and contracts measured under FRA) £m	CSM (contracts measured under FVA) £m	Total £m
Reinsurance contract assets as at 1 January 2022	**206.0**	**4.3**	**–**	**7.4**	**217.7**
Changes that relate to current service					
CSM recognised for services received	–	–	–	(1.0)	(1.0)
Change in risk adjustment for non-financial risk for risk expired	–	(0.8)	–	–	(0.8)
Experience adjustments	0.1	–	–	–	0.1
Total changes that relate to current service	**0.1**	**(0.8)**	**–**	**(1.0)**	**(1.7)**
Changes that relate to future service					
Contracts initially recognised in the period	(0.4)	0.2	0.2	–	–
Changes in estimates that adjust the CSM	(1.5)	(0.2)	0.3	1.4	–
Total changes that relate to future service	**(1.9)**	**–**	**0.5**	**1.4**	**–**
Net (expense)/income from reinsurance contracts held	**(1.8)**	**(0.8)**	**0.5**	**0.4**	**(1.7)**
Net finance income from reinsurance contracts held	(23.8)	(0.4)	–	0.1	(24.1)
Total amounts recognised in comprehensive income	**(25.6)**	**(1.2)**	**0.5**	**0.5**	**(25.8)**
Cash flows					
Premiums paid	13.7	–	–	–	13.7
Recoveries from reinsurance contracts held	(30.5)	–	–	–	(30.5)
Acquisitions	(2.5)	–	–	–	(2.5)
Total cash flows	**(19.3)**	**–**	**–**	**–**	**(19.3)**
Reinsurance contract assets as at 31 December 2022	**161.1**	**3.1**	**0.5**	**7.9**	**172.6**

The contracts initially recognised in the period relates to the acquisition of CASLP.

(e) Insurance contracts recognised in the period

	2023 £m	2022 £m
Estimates of the present value of future cash inflows	**(31.5)**	**(251.5)**
Estimates of the present value of future cash outflows		
Claims and other insurance service expenses payable	19.5	244.4
Insurance acquisition cash flows	–	–
Total estimates of the present value of net future cash inflows/(outflows)	**(12.0)**	**(7.1)**
Risk adjustment for non-financial risk	1.1	3.5
CSM	10.9	3.6
Total value of insurance contracts recognised in the period	**–**	**–**

Insurance contracts recognised in the period relate to the acquisition of the term assurance portfolio from Canada Life in the current year and CASLP in the prior year. None of the acquired portfolios were onerous at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F2 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – UK (continued)

(f) Reinsurance contracts recognised in the period

	2023 £m	2022 £m
Estimates of the present value of future cash inflows	–	3.2
Estimates of the present value of future cash outflows	–	(3.6)
Risk adjustment for non-financial risk	–	0.2
CSM	–	0.2
Total value of reinsurance contracts recognised in the period	**–**	**–**

Reinsurance contracts recognised in the prior year relate to the acquisition of CASLP. All of the portfolios acquired were originally in a net cost position.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	2.5	(0.5)
Later than one year and not later than two years	2.4	(0.5)
Later than two years and not later than three years	2.4	(0.5)
Later than three years and not later than four years	2.2	(0.4)
Later than four years and not later than five years	2.1	(0.4)
Later than five years and not later than ten years	7.4	(1.6)
Later than ten years	16.4	(2.1)
Total	**35.4**	**(6.0)**

31 December 2022	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	3.7	(0.9)
Later than one year and not later than two years	2.8	(0.8)
Later than two years and not later than three years	2.7	(0.8)
Later than three years and not later than four years	2.4	(0.7)
Later than four years and not later than five years	2.2	(0.7)
Later than five years and not later than ten years	8.2	(2.3)
Later than ten years	15.3	(2.2)
Total	**37.3**	**(8.4)**

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

		Liabilities for incurred claims			
			Contracts under PAA		
	Liabilities for remaining coverage £m	For contracts not under PAA £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Insurance contract liabilities as at 1 January 2023	**119.1**	**–**	**38.2**	**1.6**	**158.9**
Changes in the statement of profit and loss					
Insurance revenue					
Contracts measured under the fair value approach	(0.7)	–	–	–	(0.7)
Contracts measured under the full retrospective approach	(10.4)	–	–	–	(10.4)
Insurance revenue total	**(11.1)**	**–**	**–**	**–**	**(11.1)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	0.6	10.3	0.1	11.0
Adjustments to liabilities for incurred claims	–	–	(3.4)	(0.2)	(3.6)
Insurance service expense total	**–**	**0.6**	**6.9**	**(0.1)**	**7.4**
Insurance service result	**(11.1)**	**0.6**	**6.9**	**(0.1)**	**(3.7)**
Net finance expenses from insurance contracts	14.2	–	2.0	(0.2)	16.0
Effect of movements in exchange rates	(2.8)	–	(1.1)	(0.1)	(4.0)
Total amounts recognised in comprehensive income	**0.3**	**0.6**	**7.8**	**(0.4)**	**8.3**
Investment components	(6.1)	6.1	–	–	–
Cash flows					
Premiums received	20.2	–	–	–	20.2
Claims and other directly attributable expenses paid	–	(6.7)	(8.9)	–	(15.6)
Total cash flows	**20.2**	**(6.7)**	**(8.9)**	**–**	**4.6**
Insurance contract liabilities as at 31 December 2023	**133.5**	**–**	**37.1**	**1.2**	**171.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic (continued)

(a) Insurance contract balances – analysis by remaining coverage and incurred claims (continued)

		Liabilities for incurred claims			
			Contracts under PAA		
	Liabilities for remaining coverage £m	For contracts not under PAA £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Insurance contract liabilities as at 1 January 2022	**138.2**	**–**	**46.7**	**2.2**	**187.1**
Changes in the statement of profit and loss					
Insurance revenue					
Contracts measured under the fair value approach	(0.7)	–	–	–	(0.7)
Contracts measured under the full retrospective approach	(11.9)	–	–	–	(11.9)
Insurance revenue total	**(12.6)**	**–**	**–**	**–**	**(12.6)**
Insurance service expenses					
Incurred claims and other directly attributable expenses	–	0.6	10.8	0.1	11.5
Adjustments to liabilities for incurred claims	–	–	(6.6)	(0.4)	(7.0)
Insurance service expense total	**–**	**0.6**	**4.2**	**(0.3)**	**4.5**
Insurance service result	**(12.6)**	**0.6**	**4.2**	**(0.3)**	**(8.1)**
Net finance expenses from insurance contracts	(18.5)	–	(1.7)	(0.3)	(20.5)
Effect of movements in exchange rates	(3.1)	–	(1.0)	–	(4.1)
Total amounts recognised in comprehensive income	**(34.2)**	**0.6**	**1.5**	**(0.6)**	**(32.7)**
Investment components	(6.7)	6.7	–	–	–
Cash flows					
Premiums received	21.7	–	–	–	21.7
Claims and other directly attributable expenses paid	–	(7.3)	(9.9)	–	(17.2)
Total cash flows	**21.7**	**(7.3)**	**(9.9)**	**–**	**4.5**
Insurance contract liabilities as at 31 December 2022	**119.0**	**–**	**38.3**	**1.6**	**158.9**

The fair value approach was applied to all insurance contracts not measured under PAA in Movestic at transition. Note A6(a) provides further details relating to fair value methodology applied for contracts in Movestic.

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2023	**111.4**	**1.1**	**4.5**	**117.0**
Changes that relate to current service				
CSM recognised for services provided	–	–	(0.3)	(0.3)
Change in risk adjustment for non-financial risk for risk expired	–	(0.1)	–	(0.1)
Experience adjustments	0.3	–	–	0.3
Total changes that relate to current service	**0.3**	**(0.1)**	**(0.3)**	**(0.1)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(0.8)	0.1	0.7	–
Total changes that relate to future service	**(0.8)**	**0.1**	**0.7**	**–**
Insurance service result	**(0.5)**	**–**	**0.4**	**(0.1)**
Net finance expenses from insurance contracts	14.0	–	0.2	14.2
Effect of movements in exchange rates	(2.6)	–	(0.1)	(2.7)
Total amounts recognised in comprehensive income	**10.9**	**–**	**0.5**	**11.4**
Cash flows				
Premiums received	9.8	–	–	9.8
Claims and other directly attributable expenses paid	(6.7)	–	–	(6.7)
Total cash flows	**3.1**	**–**	**–**	**3.1**
Insurance contract liabilities as at 31 December 2023	**125.4**	**1.1**	**5.0**	**131.5**

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2022	**129.4**	**1.4**	**5.7**	**136.5**
Changes that relate to current service				
CSM recognised for services provided	–	–	(0.2)	(0.2)
Change in risk adjustment for non-financial risk for risk expired	–	(0.1)	–	(0.1)
Experience adjustments	0.2	–	–	0.2
Total changes that relate to current service	**0.2**	**(0.1)**	**(0.2)**	**(0.1)**
Changes that relate to future service				
Changes in estimates that adjust the CSM	1.1	(0.2)	(0.9)	–
Total changes that relate to future service	**1.1**	**(0.2)**	**(0.9)**	**–**
Insurance service result	**1.3**	**(0.3)**	**(1.1)**	**(0.1)**
Net finance expenses from insurance contracts	(18.5)	–	–	(18.5)
Effect of movements in exchange rates	(2.9)	–	(0.1)	(3.0)
Total amounts recognised in comprehensive income	**(20.1)**	**(0.3)**	**(1.2)**	**(21.6)**
Cash flows				
Premiums received	9.3	–	–	9.3
Claims and other directly attributable expenses paid	(7.2)	–	–	(7.2)
Total cash flows	**2.1**	**–**	**–**	**2.1**
Insurance contract liabilities as at 31 December 2022	**111.4**	**1.1**	**4.5**	**117.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic (continued)

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Contracts under PAA			
		Assets for incurred claims		
	Assets for remaining coverage £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Reinsurance contract assets as at 1 January 2023	**0.3**	**15.2**	**0.3**	**15.8**
Reinsurance expenses – allocation of reinsurance	(2.5)	–	–	(2.5)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	3.1	0.1	3.2
Changes in the expected recoveries for past claims	–	(1.2)	(0.1)	(1.3)
Net (expenses)/income from reinsurance contracts held	**(2.5)**	**1.9**	**–**	**(0.6)**
Net finance expenses from reinsurance contracts	–	0.8	(0.1)	0.7
Effect of movements in exchange rates	–	(0.4)	–	(0.4)
Total amounts recognised in comprehensive income	**(2.5)**	**2.3**	**(0.1)**	**(0.3)**
Cash flows				
Premiums paid net of ceding commission	1.6	–	–	1.6
Recoveries from reinsurance contacts held	–	(2.6)	–	(2.6)
Total cash flows	**1.6**	**(2.6)**	**–**	**(1.0)**
Reinsurance contract assets as at 31 December 2023	**(0.6)**	**14.9**	**0.2**	**14.5**

	Contracts under PAA			
		Assets for incurred claims		
	Assets for remaining coverage £m	PV of future cash flows £m	Risk adjustment £m	Total £m
Reinsurance contract assets as at 1 January 2022	**(0.2)**	**18.6**	**0.6**	**19.0**
Reinsurance expenses – allocation of reinsurance	(2.3)	–	–	(2.3)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	2.7	–	2.7
Changes in the expected recoveries for past claims	–	(3.1)	(0.2)	(3.3)
Net (expenses)/income from reinsurance contracts held	**(2.3)**	**(0.4)**	**(0.2)**	**(2.9)**
Net finance expenses from reinsurance contracts	–	(0.4)	(0.1)	(0.5)
Effect of movements in exchange rates	–	(0.4)	–	(0.4)
Total amounts recognised in comprehensive income	**(2.3)**	**(1.2)**	**(0.3)**	**(3.8)**
Cash flows				
Premiums paid net of ceding commission	2.8	–	–	2.8
Recoveries from reinsurance contracts held	–	(2.2)	–	(2.2)
Total cash flows	**2.8**	**(2.2)**	**–**	**0.6**
Reinsurance contract assets as at 31 December 2022	**0.3**	**15.2**	**0.3**	**15.8**

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

All Movestic reinsurance is measured as PAA, therefore no table is presented for analysis of reinsurance contracts by measurement component.

(e) Insurance contracts recognised in the period

There are no material new insurance contracts recognised in the period for Movestic.

(f) Reinsurance contracts recognised in the period

There are no material new reinsurance contracts recognised in the period for Movestic.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	0.1	–
Later than one year and not later than two years	0.2	–
Later than two years and not later than three years	0.2	–
Later than three years and not later than four years	0.2	–
Later than four years and not later than five years	0.2	–
Later than five years and not later than ten years	0.9	–
Later than ten years	3.2	–
Total	**5.0**	**–**

31 December 2022	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	0.1	–
Later than one year and not later than two years	0.1	–
Later than two years and not later than three years	0.1	–
Later than three years and not later than four years	0.1	–
Later than four years and not later than five years	0.1	–
Later than five years and not later than ten years	0.7	–
Later than ten years	3.3	–
Total	**4.5**	**–**

(h) Analysis of claims development

Gross of reinsurance	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
Estimate of ultimates						
End of accident year	–	–	–	10.2	8.3	9.2
One year later	–	–	10.0	8.5	7.5	
Two years later	–	10.0	8.6	9.0		
Three years later	14.9	9.7	7.2			
Four years later	14.2	9.7				
Five years later	13.7					
Current estimate of ultimate claims	13.7	9.7	7.2	9.0	7.5	9.2
Cumulative payments	(9.7)	(7.6)	(5.1)	(4.1)	(4.0)	(2.6)
In balance sheet	4.0	2.1	2.1	4.9	3.5	6.6
Provision for accident years from 2018 to 2023						23.2
Provision for prior years						19.6
Effect of discounting						(5.8)
Gross liability in balance sheet						**37.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F3 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Movestic (continued)

(h) Analysis of claims development (continued)

Net of reinsurance	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m
Estimate of ultimates						
End of accident year	–	–	–	–	5.3	5.2
One year later	–	–	–	5.4	4.9	
Two years later	–	–	5.5	5.6		
Three years later	–	3.8	4.8			
Four years later	7.3	3.7				
Five years later	7.1					
Current estimate of ultimate claims	7.1	3.7	4.8	5.6	4.9	5.2
Cumulative payments	(4.3)	(2.9)	(3.5)	(3.0)	(3.0)	(1.8)
In balance sheet	2.8	0.8	1.3	2.6	1.9	3.4
Provision for accident years from 2018 to 2023						12.8
Provision for prior years						13.4
Effect of discounting						(3.5)
Net liability in balance sheet						**22.7**

The information in the tables above is presented on an undiscounted basis.

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	**447.7**	**7.3**	**8.7**	**463.7**
Changes in the statement of profit and loss				
Insurance revenue total	**(36.1)**	**–**	**–**	**(36.1)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(2.1)	32.5	30.4
Losses and reversals of losses on onerous contracts	–	7.4	–	7.4
Insurance service expense total	**–**	**5.3**	**32.5**	**37.8**
Insurance service result	**(36.1)**	**5.3**	**32.5**	**1.7**
Net finance expenses from insurance contracts	49.4	–	–	49.4
Effect of movements in exchange rates	(11.3)	(0.2)	(0.2)	(11.7)
Total amounts recognised in comprehensive income	**2.0**	**5.1**	**32.3**	**39.4**
Investment components	(62.1)	–	62.1	–
Cash flows				
Premiums received	37.6	–	–	37.6
Claims and other directly attributable expenses paid	–	–	(92.0)	(92.0)
Acquisitions	336.6	–	–	336.6
Total cash flows	**374.2**	**–**	**(92.0)**	**282.2**
Insurance contract liabilities as at 31 December 2023	**761.8**	**12.4**	**11.1**	**785.3**

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2022	**375.1**	**4.8**	**6.4**	**386.3**
Changes in the statement of profit and loss				
Insurance revenue total	**(16.9)**	**–**	**–**	**(16.9)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(1.1)	15.7	14.6
Losses and reversals of losses on onerous contracts	–	3.2	–	3.2
Insurance service expense total	**–**	**2.1**	**15.7**	**17.8**
Insurance service result	**(16.9)**	**2.1**	**15.7**	**0.9**
Net finance expenses from insurance contracts	(91.0)	–	–	(91.0)
Effect of movements in exchange rates	23.0	0.4	0.4	23.8
Total amounts recognised in comprehensive income	**(84.9)**	**2.5**	**16.1**	**(66.3)**
Investment components	(56.1)	–	56.1	–
Cash flows				
Premiums received	32.5	–	–	32.5
Claims and other directly attributable expenses paid	–	–	(69.9)	(69.9)
Acquisitions	181.1	–	–	181.1
Total cash flows	**213.6**	**–**	**(69.9)**	**143.7**
Insurance contract liabilities as at 31 December 2022	**447.7**	**7.3**	**8.7**	**463.7**

For the Waard Group, the full retrospective approach at transition has been applied to all insurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group (continued)
(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA (continued)

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2023	**439.3**	**3.2**	**21.2**	**463.7**
Changes that relate to current service				
CSM recognised for services provided	–	–	(7.0)	(7.0)
Change in risk adjustment for non-financial risk for risk expired	–	(0.9)	–	(0.9)
Experience adjustments	2.3	–	–	2.3
Total changes that relate to current service	**2.3**	**(0.9)**	**(7.0)**	**(5.6)**
Changes that relate to future service				
Contracts initially recognised in the period	(52.6)	6.4	46.2	–
Changes in estimates that adjust the CSM	(15.4)	(2.2)	17.6	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	6.7	0.6	–	7.3
Total changes that relate to future service	**(61.3)**	**4.8**	**63.8**	**7.3**
Insurance service result	**(59.0)**	**3.9**	**56.8**	**1.7**
Net finance expenses from insurance contracts	46.6	1.0	1.8	49.4
Effect of movements in exchange rates	(9.9)	(0.2)	(1.6)	(11.7)
Total amounts recognised in comprehensive income	**(22.3)**	**4.7**	**57.0**	**39.4**
Cash flows				
Premiums received	37.6	–	–	37.6
Claims and other directly attributable expenses paid	(92.0)	–	–	(92.0)
Acquisitions	336.6	–	–	336.6
Total cash flows	**282.2**	**–**	**–**	**282.2**
Insurance contract liabilities as at 31 December 2023	**699.2**	**7.9**	**78.2**	**785.3**

The contracts initially recognised in the period relates to the acquisition of Conservatrix.

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2022	**370.5**	**3.8**	**12.0**	**386.3**
Changes that relate to current service				
CSM recognised for services provided	–	–	(3.7)	(3.7)
Change in risk adjustment for non-financial risk for risk expired	–	(0.6)	–	(0.6)
Experience adjustments	2.1	–	–	2.1
Total changes that relate to current service	**2.1**	**(0.6)**	**(3.7)**	**(2.2)**
Changes that relate to future service				
Contracts initially recognised in the period	(2.4)	0.4	2.1	0.1
Changes in estimates that adjust the CSM	(14.8)	5.1	9.7	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	7.9	(4.9)	–	3.0
Total changes that relate to future service	**(9.3)**	**0.6**	**11.8**	**3.1**
Insurance service result	**(7.2)**	**–**	**8.1**	**0.9**
Net finance expenses from insurance contracts	(90.3)	(0.8)	0.1	(91.0)
Effect of movements in exchange rates	22.6	0.2	1.0	23.8
Total amounts recognised in comprehensive income	**(74.9)**	**(0.6)**	**9.2**	**(66.3)**
Cash flows				
Premiums received	32.5	–	–	32.5
Claims and other directly attributable expenses paid	(69.9)	–	–	(69.9)
Acquisitions	181.1	–	–	181.1
Total cash flows	**143.7**	**–**	**–**	**143.7**
Insurance contract liabilities as at 31 December 2022	**439.3**	**3.2**	**21.2**	**463.7**

The contracts initially recognised in the period relates to the acquisition of Robein in 2022.

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2023	**1.6**	**1.9**	**3.5**
Reinsurance expenses – allocation of reinsurance premiums paid	(3.0)	–	(3.0)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	3.4	3.4
Net (expenses)/income from reinsurance contracts held	**(3.0)**	**3.4**	**0.4**
Net finance expenses from reinsurance contracts	0.1	–	0.1
Total amounts recognised in comprehensive income	**(2.9)**	**3.4**	**0.5**
Cash flows			
Premiums paid	4.1	–	4.1
Recoveries from reinsurance contracts held	–	(3.7)	(3.7)
Total cash flows	**4.1**	**(3.7)**	**0.4**
Reinsurance contract assets as at 31 December 2023	**2.8**	**1.6**	**4.4**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group (continued)

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims (continued)

	Assets for remaining coverage £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2022	**3.5**	**2.2**	**5.7**
Reinsurance expenses – allocation of reinsurance premiums paid	(5.5)	–	(5.5)
Amounts recoverable from reinsurers			
Recoveries of incurred claims and other directly attributable expenses	–	3.9	3.9
Net (expenses)/income from reinsurance contracts held	**(5.5)**	**3.9**	**(1.6)**
Net finance expenses from reinsurance contracts	(0.3)	–	(0.3)
Effect of movements in exchange rates	0.1	0.1	0.2
Total amounts recognised in comprehensive income	**(5.7)**	**4.0**	**(1.7)**
Cash flows			
Premiums paid	3.8	–	3.8
Recoveries from reinsurance contracts held	–	(4.3)	(4.3)
Total cash flows	**3.8**	**(4.3)**	**(0.5)**
Reinsurance contract assets as at 31 December 2022	**1.6**	**1.9**	**3.5**

For the Waard Group, the full retrospective approach at transition has been applied to all reinsurance contracts.

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2023	**3.6**	**0.5**	**(0.6)**	**3.5**
Changes that relate to current service				
CSM recognised for services received	–	–	2.2	2.2
Change in risk adjustment for non-financial risk for risk expired	–	(0.2)	–	(0.2)
Experience adjustments	(0.8)	–	–	(0.8)
Total changes that relate to current service	**(0.8)**	**(0.2)**	**2.2**	**1.2**
Changes that relate to future service				
Changes in estimates that adjust the CSM	(0.2)	(0.1)	0.3	–
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	(0.8)	(0.8)
Total changes that relate to future service	**(0.2)**	**(0.1)**	**(0.5)**	**(0.8)**
Net (expense)/income from reinsurance contracts held	**(1.0)**	**(0.3)**	**1.7**	**0.4**
Net finance income from reinsurance contracts held	0.1	–	–	0.1
Total amounts recognised in comprehensive income	**(0.9)**	**(0.3)**	**1.7**	**0.5**
Cash flows				
Premiums paid	4.1	–	–	4.1
Recoveries from reinsurance contracts held	(3.7)	–	–	(3.7)
Total cash flows	**0.4**	**–**	**–**	**0.4**
Reinsurance contract assets as at 31 December 2023	**3.1**	**0.2**	**1.1**	**4.4**

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2022	**4.6**	**0.8**	**0.3**	**5.7**
Changes that relate to current service				
CSM recognised for services received	–	–	(0.9)	(0.9)
Change in risk adjustment for non-financial risk for risk expired	–	(0.2)	–	(0.2)
Experience adjustments	(0.5)	–	–	(0.5)
Total changes that relate to current service	**(0.5)**	**(0.2)**	**(0.9)**	**(1.6)**
Net (expense)/income from reinsurance contracts held	**(0.5)**	**(0.2)**	**(0.9)**	**(1.6)**
Net finance income from reinsurance contracts held	(0.2)	(0.1)	–	(0.3)
Effect of movements in exchange rates	0.2	–	–	0.2
Total amounts recognised in comprehensive income	**(0.5)**	**(0.3)**	**(0.9)**	**(1.7)**
Cash flows				
Premiums paid	3.8	–	–	3.8
Recoveries from reinsurance contracts held	(4.3)	–	–	(4.3)
Total cash flows	**(0.5)**	**–**	**–**	**(0.5)**
Reinsurance contract assets as at 31 December 2022	**3.6**	**0.5**	**(0.6)**	**3.5**

(e) Insurance contracts recognised in the period

In the tables that follow, all insurance and reinsurance contracts recognised in 2023 are in respect of the Conservatrix acquisition. See Note I8 for further details. For 2022, all insurance and reinsurance contracts recognised are from the Robein acquisition.

Year Ended 31 December 2023	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(346.6)**	**–**	**(346.6)**
Estimates of the present value of future cash outflows			
Claims and other insurance service expenses payable	294.1	–	294.1
Total estimates of the present value of future net outflows	**(52.5)**	**–**	**(52.5)**
Risk adjustment for non-financial risk	6.3	–	6.3
CSM	46.2	–	46.2
Losses recognised on initial recognition	**–**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F4 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Waard Group (continued)
(e) Insurance contracts recognised in the period (continued)

Year Ended 31 December 2022	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(180.5)**	**(0.4)**	**(180.9)**
Estimates of the present value of future cash outflows			
Claims and other insurance service expenses payable	178.0	0.5	178.5
Total estimates of the present value of future net cash outflows	**(2.5)**	**0.1**	**(2.4)**
Risk adjustment for non-financial risk	0.4	–	0.4
CSM	2.1	–	2.1
Losses recognised on initial recognition	**–**	**0.1**	**0.1**

(f) Reinsurance contracts recognised in the period
There are no material new reinsurance contracts recognised in the period for Waard.

(g) Expected recognition of CSM
In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	4.9	(1.0)
Later than one year and not later than two years	4.4	0.6
Later than two years and not later than three years	4.0	(0.2)
Later than three years and not later than four years	3.7	(0.1)
Later than four years and not later than five years	3.4	(0.1)
Later than five years and not later than ten years	13.0	(0.3)
Later than ten years	44.8	–
Total	**78.2**	**(1.1)**

31 December 2022	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	3.5	0.1
Later than one year and not later than two years	3.2	0.1
Later than two years and not later than three years	2.6	0.1
Later than three years and not later than four years	2.2	0.1
Later than four years and not later than five years	1.9	0.1
Later than five years and not later than ten years	5.6	0.1
Later than ten years	2.2	–
Total	**21.2**	**0.6**

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon

(a) Insurance contract balances – analysis by remaining coverage and incurred claims

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,633.1**	**76.3**	**42.0**	**1,751.4**
Changes in the statement of profit and loss				
Insurance revenue total	**(115.0)**	**–**	**–**	**(115.0)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(45.8)	120.9	75.1
Losses and reversals of losses on onerous contracts	–	35.4	–	35.4
Amortisation of insurance acquisition cash flows	3.4	–	–	3.4
Insurance service expense total	**3.4**	**(10.4)**	**120.9**	**113.9**
Insurance service result	**(111.6)**	**(10.4)**	**120.9**	**(1.1)**
Net finance expenses from insurance contracts	162.6	0.4	–	163.0
Effect of movements in exchange rates	(37.5)	(1.7)	(0.9)	(40.1)
Total amounts recognised in comprehensive income	**13.5**	**(11.7)**	**120.0**	**121.8**
Investment components	(110.6)	–	110.6	–
Cash flows				
Premiums received	231.3	–	–	231.3
Claims and other directly attributable expenses paid	–	–	(236.0)	(236.0)
Insurance acquisition cash flows	(5.6)	–	–	(5.6)
Total cash flows	**225.7**	**–**	**(236.0)**	**(10.3)**
Insurance contract liabilities as at 31 December 2023	**1,761.7**	**64.6**	**36.6**	**1,862.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(a) Insurance contract balances – analysis by remaining coverage and incurred claims (continued)

	Liabilities for remaining coverage			
	Excluding loss component £m	Loss component £m	Liabilities for incurred claims £m	Total £m
Insurance contract liabilities as at 1 January 2022	**1,820.4**	**60.9**	**41.2**	**1,922.5**
Changes in the statement of profit and loss				
Insurance revenue total	**(130.5)**	**–**	**–**	**(130.5)**
Insurance service expenses				
Incurred claims and other directly attributable expenses	–	(18.2)	110.9	92.7
Losses and reversals of losses on onerous contracts	–	29.4	–	29.4
Amortisation of insurance acquisition cash flows	3.5	–	–	3.5
Insurance service expense total	**3.5**	**11.2**	**110.9**	**125.6**
Insurance service result	**(127.0)**	**11.2**	**110.9**	**(4.9)**
Net finance expenses from insurance contracts	(276.0)	0.3	–	(275.7)
Effect of movements in exchange rates	90.1	3.9	2.2	96.2
Total amounts recognised in comprehensive income	**(312.9)**	**15.4**	**113.1**	**(184.4)**
Investment components	(108.0)	–	108.0	–
Cash flows				
Premiums received	240.3	–	–	240.3
Claims and other directly attributable expenses paid	–	–	(220.3)	(220.3)
Insurance acquisition cash flows	(6.7)	–	–	(6.7)
Total cash flows	**233.6**	**–**	**(220.3)**	**13.3**
Insurance contract liabilities as at 31 December 2022	**1,633.1**	**76.3**	**42.0**	**1,751.4**

For Scildon, the full retrospective approach at transition has been applied to all insurance contracts.

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2023	**1,639.5**	**28.5**	**83.4**	**1,751.4**
Changes that relate to current service				
CSM recognised for services provided	–	–	(9.0)	(9.0)
Change in risk adjustment for non-financial risk for risk expired	–	(3.5)	–	(3.5)
Experience adjustments	(24.0)	–	–	(24.0)
Total changes that relate to current service	**(24.0)**	**(3.5)**	**(9.0)**	**(36.5)**
Changes that relate to future service				
Contracts initially recognised in the period	(11.2)	2.6	11.5	2.9
Changes in estimates that adjust the CSM	3.6	1.7	(5.3)	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	33.1	(0.6)	–	32.5
Total changes that relate to future service	**25.5**	**3.7**	**6.2**	**35.4**
Insurance service result	**1.5**	**0.2**	**(2.8)**	**(1.1)**
Net finance expenses from insurance contracts	159.9	2.2	0.9	163.0
Effect of movements in exchange rates	(37.5)	(0.7)	(1.9)	(40.1)
Total amounts recognised in comprehensive income	**123.9**	**1.7**	**(3.8)**	**121.8**
Cash flows				
Premiums received	231.3	–	–	231.3
Claims and other directly attributable expenses paid	(236.0)	–	–	(236.0)
Insurance acquisition cash flows	(5.6)	–	–	(5.6)
Total cash flows	**(10.3)**	**–**	**–**	**(10.3)**
Insurance contract liabilities as at 31 December 2023	**1,753.1**	**30.2**	**79.6**	**1,862.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(b) Insurance contract balances – analysis by measurement component – contracts not measured under PAA (continued)

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Insurance contract liabilities as at 1 January 2022	**1,788.2**	**33.0**	**101.3**	**1,922.5**
Changes that relate to current service				
CSM recognised for services provided	–	–	(10.3)	(10.3)
Change in risk adjustment for non-financial risk for risk expired	–	(3.8)	–	(3.8)
Experience adjustments	(20.2)	–	–	(20.2)
Total changes that relate to current service	**(20.2)**	**(3.8)**	**(10.3)**	**(34.3)**
Changes that relate to future service				
Contracts initially recognised in the period	(11.6)	5.2	13.4	7.0
Changes in estimates that adjust the CSM	22.7	3.2	(25.9)	–
Changes in estimates that result in losses or reversals of losses on onerous underlying contracts	22.5	(0.1)	–	22.4
Total changes that relate to future service	**33.6**	**8.3**	**(12.5)**	**29.4**
Insurance service result	**13.4**	**4.5**	**(22.8)**	**(4.9)**
Net finance expenses from insurance contracts	(265.3)	(10.6)	0.2	(275.7)
Effect of movements in exchange rates	89.9	1.6	4.7	96.2
Total amounts recognised in comprehensive income	**(162.0)**	**(4.5)**	**(17.9)**	**(184.4)**
Cash flows				
Premiums received	240.3	–	–	240.3
Claims and other directly attributable expenses paid	(220.3)	–	–	(220.3)
Insurance acquisition cash flows	(6.7)	–	–	(6.7)
Total cash flows	**13.3**	**–**	**–**	**13.3**
Insurance contract liabilities as at 31 December 2022	**1,639.5**	**28.5**	**83.4**	**1,751.4**

(c) Reinsurance contract balances – analysis by remaining coverage and incurred claims

	Assets for remaining coverage			
	Excluding loss-recovery component £m	Loss-recovery component £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2023	**(28.4)**	**4.5**	**8.7**	**(15.2)**
Reinsurance expenses – allocation of reinsurance premiums paid	(21.8)	–	–	(21.8)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	–	17.3	17.3
Changes in the loss-recovery component	–	1.8	–	1.8
Net (expenses)/income from reinsurance contracts held	**(21.8)**	**1.8**	**17.3**	**(2.7)**
Net finance expenses from reinsurance contracts	(3.4)	–	–	(3.4)
Effect of movements in exchange rates	0.6	(0.1)	(0.2)	0.3
Total amounts recognised in comprehensive income	**(24.6)**	**1.7**	**17.1**	**(5.8)**
Cash flows				
Premiums paid	24.0	–	–	24.0
Recoveries from reinsurance contracts held	–	–	(17.9)	(17.9)
Total cash flows	**24.0**	**–**	**(17.9)**	**6.1**
Reinsurance contract assets as at 31 December 2023	**(29.0)**	**6.2**	**7.9**	**(14.9)**

	Assets for remaining coverage			
	Excluding loss-recovery component £m	Loss-recovery component £m	Assets for incurred claims £m	Total £m
Reinsurance contract assets as at 1 January 2022	**(40.8)**	**2.5**	**5.1**	**(33.2)**
Reinsurance expenses – allocation of reinsurance premiums paid	(19.8)	–	–	(19.8)
Amounts recoverable from reinsurers				
Recoveries of incurred claims and other directly attributable expenses	–	–	18.5	18.5
Changes in the loss-recovery component	–	1.8	–	1.8
Net (expenses)/income from reinsurance contracts held	**(19.8)**	**1.8**	**18.5**	**0.5**
Net finance expenses from reinsurance contracts	11.8	–	–	11.8
Effect of movements in exchange rates	(1.7)	0.2	0.4	(1.1)
Total amounts recognised in comprehensive income	**(9.7)**	**2.0**	**18.9**	**11.2**
Cash flows				
Premiums paid	22.1	–	–	22.1
Recoveries from reinsurance contracts held	–	–	(15.3)	(15.3)
Total cash flows	**22.1**	**–**	**(15.3)**	**6.8**
Reinsurance contract assets as at 31 December 2022	**(28.4)**	**4.5**	**8.7**	**(15.2)**

For Scildon, the full retrospective approach at transition has been applied to all reinsurance contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(d) Reinsurance contract balances – analysis by measurement component – contracts not measured under PAA

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2023	**(52.1)**	**10.7**	**26.2**	**(15.2)**
Changes that relate to current service				
CSM recognised for services received	–	–	(2.7)	(2.7)
Change in risk adjustment for non-financial risk for risk expired	–	(1.3)	–	(1.3)
Experience adjustments	(1.0)	–	–	(1.0)
Total changes that relate to current service	**(1.0)**	**(1.3)**	**(2.7)**	**(5.0)**
Changes that relate to future service				
Contracts initially recognised in the period	(3.1)	0.9	2.2	–
Changes in estimates that adjust the CSM	1.5	1.3	(2.8)	–
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	0.5	0.5
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	1.8	1.8
Total changes that relate to future service	**(1.6)**	**2.2**	**1.7**	**2.3**
Net (expense)/income from reinsurance contracts held	**(2.6)**	**0.9**	**(1.0)**	**(2.7)**
Net finance income from reinsurance contracts held	(4.3)	0.6	0.3	(3.4)
Effect of movements in exchange rates	1.1	(0.2)	(0.6)	0.3
Total amounts recognised in comprehensive income	**(5.8)**	**1.3**	**(1.3)**	**(5.8)**
Cash flows				
Premiums paid	24.0	–	–	24.0
Recoveries from reinsurance contracts held	(17.9)	–	–	(17.9)
Total cash flows	**6.1**	**–**	**–**	**6.1**
Reinsurance contract assets as at 31 December 2023	**(51.8)**	**12.0**	**24.9**	**(14.9)**

	Present value of future cash flows £m	Risk adjustment £m	CSM £m	Total £m
Reinsurance contract assets as at 1 January 2022	**(70.5)**	**10.2**	**27.1**	**(33.2)**
Changes that relate to current service				
CSM recognised for services received	–	–	(2.7)	(2.7)
Change in risk adjustment for non-financial risk for risk expired	–	(1.1)	–	(1.1)
Experience adjustments	2.8	–	–	2.8
Total changes that relate to current service	**2.8**	**(1.1)**	**(2.7)**	**(1.0)**
Changes that relate to future service				
Contracts initially recognised in the period	(4.9)	1.4	3.5	–
Changes in estimates that adjust the CSM	2.8	2.0	(4.8)	–
CSM adjustment for income on initial recognition of onerous underlying contracts	–	–	1.4	1.4
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	–	–	0.1	0.1
Total changes that relate to future service	**(2.1)**	**3.4**	**0.2**	**1.5**
Net (expense)/income from reinsurance contracts held	**0.7**	**2.3**	**(2.5)**	**0.5**
Net finance income from reinsurance contracts held	14.0	(2.4)	0.2	11.8
Effect of movements in exchange rates	(3.1)	0.6	1.4	(1.1)
Total amounts recognised in comprehensive income	**11.6**	**0.5**	**(0.9)**	**11.2**
Cash flows				
Premiums paid	22.1	–	–	22.1
Recoveries from reinsurance contracts held	(15.3)	–	–	(15.3)
Total cash flows	**6.8**	**–**	**–**	**6.8**
Reinsurance contract assets as at 31 December 2022	**(52.1)**	**10.7**	**26.2**	**(15.2)**

(e) Insurance contracts recognised in the period

Year Ended 31 December 2023	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(113.1)**	**(46.2)**	**(159.3)**
Estimates of the present value of future cash outflows			
Claims and other insurance service expenses payable	98.3	47.3	145.6
Insurance acquisition cash flows	1.4	1.0	2.4
Total estimates of the present value of future cash outflows	**99.7**	**48.3**	**148.0**
Risk adjustment for non-financial risk	1.9	0.8	2.7
CSM	11.5	–	11.5
Losses recognised on initial recognition	**–**	**2.9**	**2.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION F – INSURANCE AND REINSURANCE CONTRACTS

F5 Insurance and reinsurance contracts – quantitative analysis of recognised amounts – Scildon (continued)

(e) Insurance contracts recognised in the period (continued)

Year Ended 31 December 2022	Non-onerous contracts £m	Onerous contracts £m	Total £m
Estimates of the present value of future cash inflows	**(134.5)**	**(98.6)**	**(233.1)**
Estimates of the present value of future cash outflows:			
Claims and other insurance service expenses payable	1.6	1.9	3.5
Insurance acquisition cash flows	116.5	101.5	218.0
Total estimates of the present value of future cash outflows	**118.1**	**103.4**	**221.5**
Risk adjustment for non-financial risk	3.0	2.2	5.2
CSM	13.4	–	13.4
Losses recognised on initial recognition	**–**	**7.0**	**7.0**

All insurance contracts above are in respect of new business written.

(f) Reinsurance contracts recognised in the period

	2023 £m	2022 £m
Estimates of the present value of future cash inflows	12.5	20.5
Estimates of the present value of future cash outflows	(15.6)	(25.4)
Risk adjustment for non-financial risk	0.9	1.4
CSM	2.2	3.5
Total value of reinsurance contracts recognised in the period	**–**	**–**

All of the portfolios acquired were originally in a net cost position. All reinsurance contracts above are in respect of new business written.

(g) Expected recognition of CSM

In the tables that follow the CSM accrues interest at the locked-in rate for GMM portfolios and at current rates for VFA portfolios from the balance sheet date and is then amortised based on the coverage units of the contract groups to give the timeline of the expected recognition.

31 December 2023	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	8.1	(2.3)
Later than one year and not later than two years	7.5	(2.1)
Later than two years and not later than three years	6.9	(2.0)
Later than three years and not later than four years	6.3	(1.9)
Later than four years and not later than five years	5.7	(1.7)
Later than five years and not later than ten years	21.1	(6.9)
Later than ten years	24.0	(8.0)
Total	**79.6**	**(24.9)**

31 December 2022	Insurance contracts £m	Reinsurance contracts £m
Not later than one year	8.8	(3.8)
Later than one year and not later than two years	8.1	(1.1)
Later than two years and not later than three years	7.4	(2.2)
Later than three years and not later than four years	6.8	(2.0)
Later than four years and not later than five years	6.2	(1.9)
Later than five years and not later than ten years	22.8	(7.2)
Later than ten years	23.3	(8.0)
Total	**83.4**	**(26.2)**

SECTION G – BALANCE SHEET LIABILITIES

G1 Other provisions

	2023 £m	2022 £m
Balance at I January	**8.7**	**1.7**
Additions – Arising on acquisition	12.3	9.8
Charge in the year	7.1	0.2
Amounts utilised during the year	(4.8)	(3.0)
Foreign exchange translation difference	(0.1)	–
Balance at 31 December	**23.2**	**8.7**

The increase other provisions during the year is as a result of the following items:

(iii) Liabilities acquired as part of the Conservatrix acquisition
The contracts acquired in the acquisition of Conservatrix by Waard Leven (see Note I8) included £12.6m of liabilities relating to obligations to former employees of Conservatrix under a now closed defined benefit pension scheme. The liabilities are valued under IAS 19. The pension scheme is closed to new entrants with no further benefits accruing and as such the exposure for Waard Leven is limited to the longevity risk of the contracts. Waard Leven is regulated by De Nederlandsche Bank (DNB) and the Netherlands Authority for financial markets. As such, there is no requirement to hold plan assets against these liabilities, instead the liabilities are assessed as part of the SII requirements and as a result of this assessment there are considered to be sufficient general account assets to meet the obligation related to these pension policies.

(iv) Provision established for the costs associated with outsourced UK administration services
During 2023, Chesnara initiated a 'Transition and Transformation' programme in respect of its UK business. This programme includes activities related to both (i) the integration of the recently acquired CASLP and Canada Life businesses into the standard UK model and (ii) the restructure of the administration outsourcing arrangements for the UK business including the migration of most of the policies onto a new platform architecture with SS&C.

An assessment of the proposed project costs has been conducted in accordance with the requirements of IAS 37 and as a result of this assessment a provision of £4.6m was established during the year.

There are also provisions at the year end relating to the mis-selling of contracts in the UK £2.7m (31 December 2022: £5.2m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION G – BALANCE SHEET LIABILITIES

G2 Lease liabilities

The group leases several assets including office buildings and an immaterial amount of office and IT equipment and motor vehicles.

Maturity analysis
31 December 2023

	Carrying value £m	0-1 year £m	1-2 years £m	2-5 years £m	Total £m
Non-investment property	1.2	0.6	0.3	0.3	1.2
Total	**1.2**	**0.6**	**0.3**	**0.3**	**1.2**
Current	0.6				
Non-current	0.6				
Total	**1.2**				

Maturity analysis
31 December 2022

	Carrying value £m	0-1 year £m	1-2 years £m	2-5 years £m	Total £m
Non-investment property	1.2	0.6	0.6	–	1.2
Total	**1.2**	**0.6**	**0.6**	**–**	**1.2**
Current	0.6				
Non-current	0.6				
Total	**1.2**				

G3 Borrowings

Group
31 December

	2023 £m	2022 £m
Tier 2 debt	200.6	200.4
Amount due in relation to financial reinsurance	5.3	11.6
Term finance	2.0	–
Total	**207.9**	**212.0**
Current	203.4	204.3
Non-current	4.5	7.7
Total	**207.9**	**212.0**

In 2022, an existing bank loan was fully repaid and replaced by Tier 2 Subordinated Notes Debt. The fair value of amounts due in relation to Tier 2 debt at 31 December 2023 was £148.4m (31 December 2022: £148.0m).

The fair value of amounts due in relation to financial reinsurance at 31 December 2023 was £5.1m (31 December 2022: £9.0m).

Term finance comprises capital amounts outstanding on mortgage bonds taken out over properties held in the unit-linked policyholder funds in the UK. The mortgage over each such property is negotiated separately, varies in term from 5 to 20 years, and bears interest at fixed or floating rates that are agreed at the time of inception of the mortgage. The fair value of the term finance is not materially different to the carrying value shown above.

G4 Deferred tax assets and liabilities

Deferred tax assets and liabilities comprise:

31 December	2023 £m	2022 £m
Net deferred tax liabilities:		
UK and other group activities	(8.3)	(28.9)
Movestic	–	(0.2)
Waard Group	35.0	4.1
Scildon	3.6	4.9
Total	**30.3**	**(20.1)**
Current	–	(0.1)
Non-current	30.3	(20.0)
Total	**30.3**	**(20.1)**

(a) CA and other group activities: Recognised deferred tax assets and liabilities

31 December	2022 Assets/ (liabilities) £m	Credit/ (charge) in year £m	2023 Assets/ (liabilities) £m
Profit arising on transition to new tax regime	–	–	–
Deferred acquisition costs	1.5	(0.5)	1.0
Deferred income	0.5	(0.1)	0.4
Acquired value in-force	(33.6)	19.6	(14.0)
Property, plant and equipment	0.1	–	0.1
Tax losses on pensions business	1.2	(0.1)	1.1
Unrealised and deferred investment gains	(13.7)	(9.5)	(23.2)
Excess expenses of management	12.5	14.4	26.9
Share-based payments	0.9	0.1	1.0
Right-of-use assets/lease liabilities	0.1	(0.1)	–
Tax losses	4.7	(4.5)	0.2
Difference in IFRS 4 and IFRS 17 reserves	(3.1)	1.3	(1.8)
Total	**(28.9)**	**20.6**	**(8.3)**
Comprising:			
Net deferred tax liabilities	(28.9)	20.6	(8.3)
Total	**(28.9)**	**20.6**	**(8.3)**

On 31 December 2023, the long-term business of CASLP, along with the majority of the assets of the company were transferred into CA via a Business Transfer Scheme under Part VII of the Financial Services and Markets Act 2000. Consequently, previously unrecognised losses of CA have been recognised as deferred tax assets at 31 December 2023. This has resulted in a £11.9m additional deferred tax asset being recognised at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION G – BALANCE SHEET LIABILITIES

G4 Deferred tax assets and liabilities (continued)

(a) CA and other group activities: Recognised deferred tax assets and liabilities (continued)

31 December	2021 Assets/ (liabilities) £m	Credit/ (charge) in year £m	Arising on acquisition £m	2022 Assets/ (liabilities) £m
Profit arising on transition to new tax regime	(0.3)	0.3	–	–
Deferred acquisition costs	(0.2)	0.2	1.5	1.5
Deferred income	0.5	–	–	0.5
Acquired value in-force	–	6.9	(40.5)	(33.6)
Property, plant and equipment	–	–	0.1	0.1
Tax losses on pensions business	–	0.5	0.7	1.2
Unrealised and deferred investment gains	(15.3)	13.8	(12.2)	(13.7)
Excess expenses of management	15.3	(2.9)	0.1	12.5
Share-based payments	0.7	0.2	–	0.9
Right-of-use assets/lease liabilities	–	0.1	–	0.1
Tax losses	–	4.7	–	4.7
Difference in IFRS 4 and IFRS 17 reserves	(5.6)	2.5	–	(3.1)
Total	**(4.9)**	**26.3**	**(50.3)**	**(28.9)**
Comprising:				
Net deferred tax liabilities	(4.9)	26.3	(50.3)	(28.9)
Total	**(4.9)**	**26.3**	**(50.3)**	**(28.9)**

The Finance Act 2021 increased the rate of corporation tax from 19% to 25% from 1 April 2023. The future enacted tax rate of 25% has been used in the calculation of UK deferred tax assets and liabilities where relevant, being the rate of corporation tax that is expected to apply when the majority of those deferred tax balances reverse.

Deferred tax balances have been updated to reflect changes to equity on transition to IFRS 17. The tax rate applied is that which is expected at the time of realisation. At 31 December 2022, the rate applied to the transitional tax provisions recognised on transition to IFRS 17 for the UK division reflects the spreading of the profits arising over the following 10 years. At 31 December 2021, these spreading provisions were not enacted so the rates applied did not reflect them.

The deferred tax credit to the Consolidated Statement of Comprehensive Income for the year is classified as follows:

Year ended 31 December	2023 £m	2022 £m
Income tax credit	**20.7**	**26.3**

(b) CA and other group activities: Items for which no deferred tax asset is recognised

31 December	2023 £m	2022 £m
Tax losses on pensions business	20.7	17.8
Transitional losses on non-pension business	–	–
Unrelieved expenses	–	94.8
Realised and unrealised investment losses	–	9.1
BLAGAB trade losses	28.7	2.2
Total	**49.4**	**123.9**

A deferred tax asset has not been recognised in respect of unrelieved expenses, because it is not probable that there will be a sufficient level of taxable income arising from income and gains on financial assets, so that the group can utilise the benefits therefrom. The movement in this balance reflects an increase in deferred deemed gains on Collective Investment Schemes in the period, which has decreased the unrelieved expenses at the balance sheet date.

There are no aggregate temporary differences arising on the acquisition of subsidiaries or associated undertakings, for which deferred tax has not been recognised.

(c) Movestic: Recognised deferred tax assets and liabilities

As at the balance sheet date, Movestic had a recognised deferred tax liability of £Nil (31 December 2022: £Nil), in respect of fair value adjustments arising upon acquisition. Unrecognised deferred tax assets were £Nil at the balance sheet date in respect of corporation tax recoverable (31 December 2022: £Nil).

(d) Waard Group: Recognised deferred tax assets and liabilities

31 December	2022 Assets/ (liabilities) £m	Arising on acquisition £m	Credit/ (charge) in year £m	Foreign exchange translation difference £m	2023 Assets/ (liabilities) £m
Fair value adjustments on acquisition	2.1	28.9	(3.8)	(0.1)	27.1
Defined benefit scheme obligations	–	1.1	0.1	–	1.2
Valuation differences	2.0	–	(0.9)	(0.1)	1.0
Valuation differences on investments	–	5.8	(0.1)	–	5.7
Total	**4.1**	**35.8**	**(4.7)**	**(0.2)**	**35.0**
Comprising:					
Net deferred tax asset	4.1	35.8	0.1	–	40.0
Net deferred tax liabilities	–	–	(4.8)	(0.2)	(5.0)
Total	**4.1**	**35.8**	**(4.7)**	**(0.2)**	**35.0**

31 December	2021 Assets/ (liabilities) £m	Arising on acquisition £m	Credit/ (charge) in year £m	Foreign exchange translation difference £m	2022 Assets/ (liabilities) £m
Valuation differences	0.2	2.2	1.6	0.1	4.1
Total	**0.2**	**2.2**	**1.6**	**0.1**	**4.1**
Comprising:					
Net deferred tax asset	0.2	2.2	1.6	0.1	4.1
Total	**0.2**	**2.2**	**1.6**	**0.1**	**4.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION G – BALANCE SHEET LIABILITIES

G4 Deferred tax assets and liabilities (continued)

(e) Scildon: Recognised deferred tax assets and liabilities

31 December	2022 Assets/ (liabilities) £m	(Charge)/ credit in year £m	Foreign exchange translation difference £m	2023 Assets/ (liabilities) £m
Deferred acquisition costs	6.1	0.1	(0.1)	6.1
LAT reserve	(1.8)	1.8	–	–
Revaluation of buildings and investment properties	(0.8)	(0.1)	0.2	(0.7)
Valuation differences on technical provisions	(35.5)	4.3	0.8	(30.4)
Valuation differences on investments at fair value through profit and loss	36.9	(13.0)	(0.9)	23.0
Property, plant and equipment	–	–	5.6	5.6
Total	**4.9**	**(6.9)**	**5.6**	**3.6**
Comprising:				
Net deferred tax assets	4.9	–	5.6	10.5
Net deferred tax liabilities	–	(6.9)	–	(6.9)
Total	**4.9**	**(6.9)**	**5.6**	**3.6**

31 December	2021 Assets/ (liabilities) £m	(Charge)/ credit in year £m	Foreign exchange translation difference £m	2022 Assets/ (liabilities) £m
Deferred acquisition costs	5.8	–	0.3	6.1
LAT reserve	(3.6)	1.9	(0.1)	(1.8)
Revaluation of buildings and investment properties	(0.6)	(0.2)	–	(0.8)
Valuation differences on technical provisions	(3.2)	(30.8)	(1.5)	(35.5)
Valuation differences on investments at fair value through profit and loss	(1.5)	36.9	1.5	36.9
Total	**(3.1)**	**7.8**	**0.2**	**4.9**
Comprising:				
Net deferred tax liabilities	(3.1)	7.8	0.2	4.9
Total	**(3.1)**	**7.8**	**0.2**	**4.9**

G5 Deferred income

31 December	2023 £m	2022 £m
Balance at 1 January	**3.5**	**4.5**
Release to income	(0.6)	(1.1)
Foreign exchange translation difference	(0.1)	0.1
Balance at 31 December	**2.8**	**3.5**
Current	0.2	1.8
Non-current	2.6	1.7
Total	**2.8**	**3.5**

The release to income is included in fees and commission income (see Note D3). These are initial fees that relate to future provision of services that are deferred and amortised over the anticipated period.

G6 Other current liabilities

31 December	2023 £m	2022 £m
Reinsurance payables		
Payables in respect of investment contracts	0.9	1.2
Liabilities for assets withheld	45.5	47.8
Reinsurers share of deferred acquisition costs and claims deposits	0.1	0.1
Sub-total	**46.5**	**49.1**
Payables related to investment contracts		
Accrued claims	19.9	18.1
Policyholder liabilities	2.6	1.5
Sub-total	**22.5**	**19.6**
Other payables		
Accrued expenses	13.9	13.3
VAT	0.2	1.0
Employee tax	2.1	3.2
Other	27.7	31.8
Sub-total	**43.9**	**49.3**
Income taxes	18.8	5.3
Total	**131.7**	**123.3**
Current	131.7	123.3
Non-current	–	–
Total	**131.7**	**123.3**

The carrying value of other payables is a reasonable approximation of fair value.

SECTION H – SHAREHOLDER EQUITY

H1 Share capital and share premium

Group 31 December	2023		2022	
	Number of shares issued	Share capital £m	Number of shares issued	Share capital £m
Share capital	**150,849,587**	**7.5**	**150,369,603**	**7.5**
		Share premium £m		Share premium £m
		142.5		**142.3**
		Merger reserve £m		Merger reserve £m
		36.3		**36.3**

The number of shares in issue at the balance sheet date included Nil shares held in treasury (31 December 2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION H – SHAREHOLDER EQUITY

H2 Other reserves

Group 31 December	2023 £m	2022 £m
Capital redemption reserve	0.1	0.1
Foreign exchange translation reserve	6.4	14.8
Balance at 31 December	**6.5**	**14.9**

H3 Retained earnings

Group Year ended 31 December	2023 £m	2022 £m
Retained earnings attributable to equity holders of the parent company comprise:		
Balance at 1 January	**183.1**	**250.2**
Profit/(loss) for the year	18.7	(33.7)
Share-based payment	0.7	0.9
Dividends		
Final approved and paid for 2021	–	(22.1)
Interim approved and paid for 2022	–	(12.2)
Final approved and paid for 2022	(22.8)	–
Interim approved and paid for 2023	(12.6)	–
Balance at 31 December	**167.1**	**183.1**

The interim dividend in respect of 2022, approved and paid in 2022, was paid at the rate of 8.12p per share. The final dividend in respect of 2022, approved and paid in 2023, was paid at the rate of 15.16p per share so that the total dividend paid to the equity shareholders of the parent company in respect of the year ended 31 December 2022 was made at the rate of 23.28p per share.

The interim dividend in respect of 2023, approved and paid in 2023, was paid at the rate of 8.36p per share to equity shareholders of the parent company registered at the close of business on 29 September 2023, the dividend record date.

A final dividend of 15.16p per share in respect of the year ended 31 December 2023 payable on 28 May 2024 to equity shareholders of the parent company registered at the close of business on 12 April 2024, the dividend record date, was approved by the directors after the balance sheet date. The resulting total final dividend of £23.5m has not been provided for in these financial statements and there are no income tax consequences.

The following summarises dividends per share in respect of the year ended 31 December 2022 and 31 December 2023:

Year ended 31 December	2023 p	2022 p
Interim – approved and paid	8.36	8.12
Final – proposed/paid	15.61	15.16
Total	**23.97**	**23.28**

SECTION I – ADDITIONAL DISCLOSURES

I1 Employee benefit expense, including directors

Year ended 31 December	UK £0m	Movestic £m	Waard Group £m	Scildon £m	Other group activities £m	2023 £m	2022 £m
Wages and salaries	3.8	7.8	4.2	8.8	6.4	31.0	28.6
Social security costs	0.5	2.9	0.4	1.1	0.9	5.8	5.1
Pension costs-defined contribution plans	0.3	1.8	0.4	1.3	0.6	4.4	4.2
Pension costs-defined benefit plans	–	–	–	–	–	–	–
Total	**4.6**	**12.5**	**5.0**	**11.2**	**7.9**	**41.2**	**37.9**
Monthly average number of employees							
Company						62	52
Subsidiaries						325	362
Total						**387**	**414**

Directors
The Directors' Remuneration Report and Note I2 provides detail of compensation to directors of the company.

UK
UK-based employees are all employed by Chesnara plc.

At the end of May 2005, the group allowed eligible employees to enter a pension scheme known as the Chesnara plc Stakeholder Scheme, on a basis where employer contributions are made to the Scheme at the same rate as would be payable had their membership of their predecessor scheme continued, provided that employee contributions also continued to be made at the same rate. The employee may opt to request the company to pay employer contributions into a personal pension plan, in which instance, employer contributions will be made on the same terms as for the Chesnara plc Stakeholder Scheme.

The group has, for the period covered by these financial statements, only made contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

The group has established frameworks for approved and unapproved discretionary share option plans which may, at the discretion of the Remuneration Committee, be utilised for granting options to executive directors and to other group employees. Options have been granted to executive directors in the period, in relation to the share-based payment components of the new executive incentive schemes that was introduced under the 2014 terms. Further details can be found in the Directors' Remuneration Report section and in Note I2 – share-based payments.

Waard
The Waard business participates in a defined contribution scheme. As a result of the Conservatrix acquisition, Waard Leven assumed the obligations under a defined benefit pension scheme for a small number of former Conservatrix employees. This scheme is closed to new entrants with no further benefits accruing and as such the exposure for Waard Leven is limited to the longevity risk of the contracts. The liability is valued under IAS 19 and reported under 'Other provisions' in the balance sheet.

Scildon
Scildon operated a defined benefit pension scheme for the benefit of its present and past employees. This scheme was closed during 2019 and transferred into a defined contribution scheme. From 1 October 2019, Scildon no longer bears any risks relating to the funding of the plan and all pension assets transferred to another administrator in 2020. Until that point, Scildon continued to bear only the fund administration costs.

Under the company's new defined contribution scheme, Scildon pays a contribution to the scheme and subsequently has no further financial obligations with respect to this part of the scheme. This contribution is recognised as an expense when paid.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I – ADDITIONAL DISCLOSURES

I1 Employee benefit expense, including directors (continued)

Movestic

The Swedish business participates in a combined defined benefit and defined contribution scheme operated by Försäkringsbranschens Pensionskassa, 'FPK'. (the Scheme). The Scheme is a multi-employer scheme with participants including other Swedish insurance companies not related to the group. The Scheme provides, for those born in 1971 or earlier, benefits to employees which are linked to their final salary and to the amount of time working for companies which are members of the Scheme. For those employees born in 1972 or later, the Scheme operates on a defined contribution basis.

Assets and liabilities are held on a pooled basis and are not allocated by the Trustee to any individual company. Consequently, reliable information is not available to account for the Scheme as a defined benefit scheme and therefore, in accordance with IAS 19 Employee Benefits, the Scheme is accounted for as a defined contribution scheme.

Contributions to the Scheme are based on the funding recommendations of the independent qualified actuary: the contributions paid to the Scheme subsequent to the acquisition of the Swedish business on 23 July 2009 and up to 31 December 2022, totalled £5.6m.

During 2022 further contributions of £5.2m were made.

The employers within the Scheme are collectively responsible for the funding of the Scheme as a whole and therefore in the event that other employers exit from the Scheme, remaining employers would be responsible for the ongoing funding. The collective nature of the Scheme results in all participating entities sharing the actuarial risk associated with the Scheme.

Försäkringsbranschens Pensionskassa, 'FPK', issues an audited Annual Report (under Swedish law-limited IFRS) each year. The last available published report was as at 31 December 2022.

The Annual Report states that the Scheme's surplus is £339.3m (£408.2m as at 31 December 2021).

As at 31 December 2022, the fund had assets under management of £1.3bn (31 December 2021: £1.5bn). During 2022 there have been 95 (97) employer insurance companies participating in the Scheme and 22,000 (31 December 2021: 26,000) insured individuals. From the available information, it cannot be determined with certainty as to whether there would be a change in the required employer funding rate, although there is currently no deficit in the Scheme.

I2 Share-based payments

The group issues equity-settled share-based payments to the executive directors and members of the senior management team based on the 2014 terms. Equity settled share-based payments are measured at fair value at the date of the grant, and expensed on a straight-line over the vesting period, based on the group's estimate of shares that will eventually vest. The bonus scheme consists of two components:

(a) Short-Term Incentive Scheme (STIS)

(b) Long-Term Incentive Plan (LTIP)

The STIS is based upon a 1 year performance period measured against cash generation, EcV earnings and strategic group objectives. In relation to 2023, upon meeting the necessary performance targets, the company granted an award in the form of a right to receive a cash amount of up to 100% of the gross salary. In the event that the gross cash payment due is greater than £20,000, a mandatory 35% of the cash award was deferred into shares, which had a vesting period of 3 years. Therefore the award was 65% settled in cash and 35% settled by a share option award, which cannot be exercised for 3 years.

Under the LTIP, options are granted with a vesting period of 3 years. These awards are subject to performance conditions tied to the company's financial performance in respect of growth in EcV, commercial cash generation and Total Shareholder Return (TSR).

For schemes with market performance criteria, the number of options expected to invest is adjusted only for expectations of leavers prior to vesting. Fair value of the options is measured by use of the Monte Carlo model at the issuing date.

The LTIP also contains a target of EcV growth and commercial cash generation. As these are non-market performance conditions, the number of options expected to vest is recalculated at each balance sheet date based on expectations of performance against target. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in reserves.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the group before options vest and is deemed to be a 'Bad Leaver'.

(a) 2023 award made under the Short-Term Incentive Scheme (STIS)

Details of the short-term incentive awards made in the year are as follows:

2023 Short-Term Incentive Scheme (STIS) Awards made in year	2023 £m	2022 £m
Amount paid as cash bonus through the income statement (65%)	0.5	0.4
Amount deferred into shares for 3 years and subject to forfeiture (35%)	0.3	0.2
Total bonus award for the year	0.8	0.6
Amount of deferred expense recorded in the current year	0.1	0.1

The deferred share award will be made following the end of the performance period by the Remuneration Committee. The deferred amount will be divided by the share price on the award date and the number of share awards will be awarded. The share awards will be accounted for per IFRS 2, under Equity Settled share-based payments.

(b) 2023 award made under the Long-Term Incentive Plan (LTIP)

In 2023, the group granted 571,645 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value, commercial cash generation and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 154.53p, which was the average weighted share price as at the grant date of the options.

Details of the share options outstanding during the year are as follows:

2023 Long-Term Incentive Plan (LTIP)	2023	
	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–
Granted during the year	572	–
Lapsed during the year	–	–
Outstanding at the end of the year	572	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	268.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	154.53
Expected volatility	29.39
Expected life	3 years
Risk free rate	5.70%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised total expense of £88,222 related to equity-settled share-based payments transactions in 2023.

(c) 2022 award made under the Short-Term Incentive Scheme (STIS)

The group has recorded an expense of £59,319 with regards to the 35% element that has been deferred over the vesting period.

(d) 2022 award made under the Long-Term Incentive Plan (LTIP)

In April 2022, the group granted 253,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 284.00p, which was the share price as at 28 April 2022, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2022 Long-Term Incentive Plan (LTIP)	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	253	–	–	–
Granted during the year	–	–	253	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	253	–	253	–

The weighted average contractual life is 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I – ADDITIONAL DISCLOSURES

I2 Share-based payments (continued)

(d) 2022 award made under the Long-Term Incentive Plan (LTIP) (continued)

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	284.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	162.50
Expected volatility	29.04
Expected life	3 years
Risk free rate	2.24%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised total expense of £55,714 related to equity-settled share-based payments transactions in 2023.

(e) 2021 award made under the Short-Term Incentive Scheme (STIS)

The group has recorded an expense of £76,913 with regards to the 35% element that has been deferred over the vesting period.

(f) 2021 award made under the Long-Term Incentive Plan (LTIP)

In April 2021, the group granted 260,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 278.50p, which was the share price as at 28 April 2021, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2021 Long-Term Incentive Plan (LTIP)

	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	532	–	702	–
Exercised during the year	(123)	2.78	(99)	2.66
Lapsed during the year	(67)	–	(71)	–
Outstanding at the end of the year	342	–	532	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	278.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	160.56
Expected volatility	30.01
Expected life	3 years
Risk free rate	0.48%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised total expense of £45,085 related to equity-settled share-based payments transactions in 2023.

(g) 2020 award made under the Short-Term Incentive Scheme (STIS)

The group has recorded an expense of £59,099 with regards to the 35% element that has been deferred over the vesting period.

(h) 2020 award made under the Long-Term Incentive Plan (LTIP)

In April 2020, the group granted 224,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 323.50p, which was the share price as at 28 April 2020, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2020 Long-Term Incentive Plan (LTIP)

	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	192	–	192	–
Exercised during the year	(28)	2.82	–	–
Lapsed during the year	(126)	–	–	–
Outstanding at the end of the year	38	–	192	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	323.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	184.04
Expected volatility	28.51
Expected life	3 years
Risk free rate	0.42%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised total expense of £18,750 related to equity-settled share-based payments transactions in 2023.

(i) 2019 award made under the Short-Term Incentive Scheme (STIS)

The group has recorded an expense of £14,289 with regards to the 35% element that has been deferred over the vesting period.

(j) 2019 award made under the Long-Term Incentive Plan (LTIP)

In April 2019, the group granted 196,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 358.50p, which was the share price as at 28 April 2019, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2019 Long-Term Incentive Plan (LTIP)

	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–	196	–
Lapsed during the year	–	–	(196)	–
Outstanding at the end of the year	–	–	–	–

The weighted average contractual life is 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I – ADDITIONAL DISCLOSURES

I2 Share-based payments (continued)

(j) 2019 award made under the Long-Term Incentive Plan (LTIP) (continued)

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	358.50
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	202.74
Expected volatility	25.35
Expected life	3 years
Risk free rate	1.110%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised no expense related to equity-settled share-based payments transactions in 2023.

(k) 2018 award made under the Short-Term Incentive Scheme (STIS)

The group has recorded no expense with regards to the 35% element that has been deferred over the vesting period.

(l) 2018 award made under the Long-Term Incentive Plan (LTIP)

In April 2018, the group granted 168,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 410.00p, which was the share price as at 28 April 2018, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2018 Long-Term Incentive Plan (LTIP)

	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	–	–	168	–
Lapsed during the year	–	–	(168)	–
Outstanding at the end of the year	–	–	–	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	410.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	229.78
Expected volatility	25.77
Expected life	3 years
Risk free rate	1.190%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised no expense related to equity-settled share-based payments transactions in 2023.

(m) 2017 award made under the Long-Term Incentive Plan (LTIP)

In April 2017, the group granted 174,000 Nil priced share options with a vesting period of 3 years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 382.75p, which was the share price as at 28 April 2017, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2017 Long-Term Incentive Plan (LTIP)

	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	26	–	26	–
Exercised during the year	(26)	2.63	–	–
Outstanding at the end of the year	–	–	26	–

The weighted average contractual life is 10 years.

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	382.75
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	211.73
Expected volatility	26.97
Expected life	3 years
Risk free rate	0.70%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised no expense related to equity-settled share-based payments transactions in 2023 and 2022.

(n) 2016 award made under the Long-Term Incentive Plan (LTIP)

In April 2016, the group granted 255,000 Nil priced share options with a vesting period of three years. These awards were subject to performance conditions tied to the company's financial performance in respect of growth in Economic Value and Total Shareholder Return (TSR).

The fair value of the non-market base condition was determined to be 312.00p, which was the share price as at 28 April 2016, the grant date of the options.

Details of the share options outstanding during the year are as follows:

2016 Long-Term Incentive Plan (LTIP)

	2023		2022	
	Options number 000	Weighted average exercise price £	Options number 000	Weighted average exercise price £
Outstanding at the beginning of the year	90	–	90	–
Exercised during the year	(90)	2.63	–	–
Outstanding at the end of the year	–	–	90	–

The weighted average contractual life is 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I – ADDITIONAL DISCLOSURES

I2 Share-based payments (continued)

(n) 2016 award made under the Long-Term Incentive Plan (LTIP) (continued)

The inputs into the Monte Carlo model are as follows:

Valuation method	Monte Carlo
Weighted average share price (pence)	312.00
Weighted average exercise price (pence)	Nil
Weighted average fair value of options granted (pence)	179.72
Expected volatility	28.07
Expected life	3 years
Risk free rate	0.86%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 10 years.

The group recognised no expense related to equity-settled share-based payments transactions in 2023 and 2022.

I3 Earnings per share

Earnings per share are based on the following:

Year ended 31 December	2023	2022
(Loss)/profit for the year attributable to shareholders (£m)	18.7	(33.7)
Weighted average number of ordinary shares	150,528,597	150,239,599
Basic earnings per share	12.41p	(22.40)p
Diluted earnings per share	12.29p	(21.13)p

The weighted average number of ordinary shares in respect of the year ended 31 December 2023 is based upon 150,849,587 shares. No shares were held in treasury.

There were 1,537,582 share options outstanding at 31 December 2023 (2022: 1,815,601). Accordingly, there is dilution of the average number of ordinary shares in issue in respect of 2022 and 2023.

I4 Contingencies

Past sales

The group has made provision for the estimated cost of settling complaints in respect of past sales of endowment mortgages. Although the provisions are regularly reviewed, the final outcome could be different from the provisions established as these costs cannot be calculated with certainty and are influenced by external factors beyond the control of management, including future regulatory actions. In the UK division £2.5m is held in respect of non-pension mis-selling, of which £1.8m is expected to be recoverable under a pecuniary loss cover with Allianz. No complaints reserves are held in Movestic, Scildon or the Waard Group.

I5 Capital commitments

There were no capital commitments as at 31 December 2023 or as at 31 December 2022.

I6 Related parties

(a) Identity of related parties

The shares of the company were widely held and no single shareholder exercised significant influence or control over the company.

The company has related party relationships with:

(i) key management personnel who comprise the directors (including non-executive directors) of the company;

(ii) its subsidiary companies;

(iii) other companies over which the directors have significant influence; and

(iv) transactions with persons related to key management personnel.

(b) Related party transactions

(i) Transactions with key management personnel.

Key management personnel comprise of the directors of the company. This is on the basis that the group's governance map requires all strategically significant decisions to be approved by the group board. As such, they have the authority and responsibility for planning, directing and controlling the activities of the group. Key management compensation is as follows:

	2023 £m	2022 £m
Short-term employee benefits	2.1	1.2
Post-employment benefits	0.1	0.1
Share-based payments	0.6	0.8
Total	**2.8**	**2.1**

The share-based payments charge comprises £0.3m (2022: £0.3m) of Short-Term Incentive Scheme (STIS), and £0.2m (2022: £0.2m) related to Long-Term Incentive Plan (LTIP), which is determined in accordance with IFRS 2 'Share-based Payment'. Further details on the share-based payment are disclosed in Note I2.

In addition to their salaries the company also provides non-cash benefits to directors and contributes to a post-employment defined contribution pension plan on their behalf, or where regulatory contribution limits are reached, pay an equivalent amount as an addition to base salary.

The following amounts were payable to directors in respect of bonuses and incentives:

	2023 £m	2022 £m
Annual bonus scheme (included in the short-term employee benefits above)	**0.7**	**0.5**

These amounts have been included in Accrued Expenses as disclosed in Note G6. The amounts payable under the annual bonus scheme were payable within 1 year. The terms and conditions attached to the annual bonus scheme can be found in the Remuneration section of the Corporate Governance section of the Annual Report and Accounts.

(ii) Transactions with subsidiaries

The company undertakes centralised administration functions, the costs of which it charges back to its operating subsidiaries. The following amounts which effectively comprised a recovery of expenses at no mark-up were credited to the Statement of Comprehensive Income of the company for the respective periods:

Year ended 31 December	2023 £m	2022 £m
Recovery of expenses	**5.4**	**4.8**

(iii) Transactions between subsidiaries

In the Netherlands, Scildon owns a commercial property that has been occupied by its fellow Dutch subsidiary Waard since October 2022. The following amounts of rental income were received from Waard by Scildon during the respective periods:

Year ended 31 December	2023 £m	2022 £m
Rental income	**0.1**	**–**

(iv) Transactions with persons related to key management personnel

During the year, there were no transactions with persons related to key management personnel (31 December 2022: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION I – ADDITIONAL DISCLOSURES

I7 Group entities

Control of the group

The issued share capital of Chesnara plc, the group parent company, is widely held, with no single party able to control 20% or more of such capital or of the rights which such ownership confers.

Group subsidiary companies

Name	Country of incorporation	Ownership interest 31 December 2023	Ownership interest 31 December 2022	Functional Currency
Countrywide Assured plc	United Kingdom	100% of all share capital (1)	100% of all share capital (1)	Sterling
Countrywide Assured Life Holdings Limited	United Kingdom	100% of all share capital	100% of all share capital	Sterling
Countrywide Assured Services Limited	United Kingdom	100% of all share capital (1)	100% of all share capital (1)	Sterling
Countrywide Assured Trustee Company Limited	United Kingdom	100% of all share capital (1)	100% of all share capital (1)	Sterling
Registered address 2nd Floor, Building 4, West Strand Business Park, West Strand Road, Preston, Lancashire PR1 8UY				
CASLP Limited	United Kingdom	100% of all share capital	100% of all share capital	Sterling
CASFS Limited	United Kingdom	100% of all share capital (2)	100% of all share capital (2)	Sterling
CASLPTS Limited	United Kingdom	100% of all share capital (2)	100% of all share capital (2)	Sterling
Registered address Third Floor, One Temple Quay, 1 Temple Back East, Bristol, England, BS1 6DZ				
Movestic Livförsäkring AB	Sweden	100% of all share capital	100% of all share capital	Swedish krona
Movestic Fonder AB	Sweden	100% of all share capital (3)	100% of all share capital (3)	Swedish krona
Registered address Box 7853, S-103 99 Stockholm, Sweden				
Movestic Fund Management S.A. (6)	Luxembourg	–	–	Swedish krona
Registered address 12 Rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg				
Chesnara Holdings B.V.	Netherlands	100% of all share capital (4)	100% of all share capital (4)	Euro
Waard Leven N.V.	Netherlands	100% of all share capital	100% of all share capital	Euro
Waard Schade N.V.	Netherlands	100% of all share capital	100% of all share capital	Euro
Waard Verzekeringen B.V.	Netherlands	100% of all share capital (5)	100% of all share capital (5)	Euro
Robein Leven N.V.	Netherlands	100% of all share capital (5)	100% of all share capital (5)	Euro
Robein Effectendienstveriening N.V.	Netherlands	100% of all share capital (5)	100% of all share capital (5)	Euro
Registered address Geert Scholtenslaan II 1687 CL Wognum, Netherlands				
Scildon N.V	Netherlands	100% of all share capital	100% of all share capital	Euro
Registered address Laapersveld 68 Hilversum, Netherlands				

(1) Held indirectly through Countrywide Assured Life Holdings Limited.
(2) Held indirectly through CASLP Limited.
(3) Held indirectly through Movestic Livförsäkring AB.
(4) Company formed on 25 November 2014.
(5) Held indirectly through Waard Leven N.V.
(6) Company formed in March 2017. It was liquidated on 5 September 2022.

I8 Business combination and portfolio acquisition

Conservatrix

On 22 July 2022, Chesnara announced the acquisition of the insurance portfolio of Nederlandsche Algemeene Maatschappij van Levensverzekering 'Conservatrix' N.V. ('Conservatrix'), a specialist provider of life insurance products in the Netherlands that was declared bankrupt on 8 December 2020. The acquisition was completed on 1 January 2023, following Court and Regulatory approvals.

The acquisition was effected through the transfer of the insurance portfolio (together with other assets and liabilities as set out in the table below) into Waard Leven N.V., Chesnara's Dutch closed-book subsidiary. In order to support the solvency position of the Conservatrix insurance portfolio, a capital contribution of £35m was provided by Chesnara, consisting of a £21.4m contribution from Chesnara and £14m of existing Waard resources. The cash consideration for the acquisition was €1.

The acquisition is classed as a Business Combination under IFRS 3 and the fair value of the assets and liabilities recognised on 1 January 2023 are as follows:

	Fair value £m
Assets	
Financial investments	366.9
Other assets	1.3
Deferred tax asset	36.5
Cash	30.8
Total assets	**435.5**
Liabilities	
Insurance contracts	346.2
Other provisions	12.6
Investment contracts	70.0
Total liabilities	**428.8**
Fair value of net assets	**6.7**
Net assets acquired	**6.7**
Total consideration paid	**–**
Profit arising on business combination and portfolio acquisitions	**6.7**

A profit of £6.7m has been recognised on acquisition. This has been recorded as a 'Profit arising on business combinations and portfolio acquisitions' on the face of the statement of comprehensive income. This day one gain has arisen as by applying the pricing model that we generally adopt, we offered a purchase price which was at a discount to our own assessment of the value of the net assets to be acquired.

The CSM on acquisition has been calculated as the difference between the fair value of the insurance liabilities and the fulfilment cash flows. This has resulted in a CSM of £46.2m being recognised as at 1 January 2023. This amount forms part of the CSM value for 'Contracts initially recognised in the year' in Note F2(ii) and is included in the 'insurance contracts' balance within the table above.

The group determined that a significant number of the contracts acquired did not have any significant insurance risk at the acquisition date and have therefore been classed as investment contracts, to be accounted for under IFRS 9.

The assets and liabilities acquired are included within the respective line items on the face of the cash flow statement.

The results of Conservatrix have been included in the Consolidated Financial Statements of the group with effect from 1 January 2023, within Waard Group.

Canada Life

On 16 May 2023, Chesnara announced it had reached an agreement to acquire the onshore UK individual protection business of Canada Life Limited, representing approximately 47,000 life insurance and critical illness policies. The transaction is initially in the form of a reinsurance agreement with the liabilities 100% ceded by Canada Life Limited and accepted by CA, with the effective date being 1 January 2023. From this date all risks and rewards relating to the policies were transferred to CA along with the economic benefit of those risks and rewards.

The initial commission paid by CA to Canada Life Limited for this reinsurance inwards transaction was £9.0m and was funded from internal group resources. The CSM on initial recognition has been calculated as £11.0m as at 1 January 2023.

Customers' policies are expected to transfer to CA in the future via a Part VII transfer, following Court approval.

I9 Post balance sheet event

The directors are not aware of any significant post balance sheet events that require disclosure in the financial statements.

COMPANY FINANCIAL STATEMENTS

COMPANY BALANCE SHEET

31 December	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Investments in subsidiaries	**J1**	399.6	414.0
Deferred tax asset		0.9	5.8
Total non-current assets		**400.5**	**419.8**
Current assets			
Property and equipment		–	0.1
Financial investments	**J2**	114.6	106.3
Other assets		6.0	4.0
Cash and cash equivalents	**J4**	5.7	1.4
Total current assets		**126.3**	**111.8**
Total assets		**526.8**	**531.6**
Current liabilities			
Lease contract liabilities		–	0.1
Derivative financial instruments	**J3**	4.4	3.5
Other current liabilities	**J6**	4.4	2.5
Total current liabilities		**8.8**	**6.1**
Non-current liabilities			
Borrowings	**J5**	200.6	200.4
Total non-current liabilities		**200.6**	**200.4**
Total liabilities		**209.4**	**206.5**
Net assets		**317.4**	**325.1**
Shareholders' equity			
Share capital	**J7**	7.5	7.5
Share premium	**J7**	142.5	142.3
Other reserves	**J8**	0.1	0.1
Retained earnings	**J9**	167.3	175.2
Total shareholders' equity		**317.4**	**325.1**

The Notes and information on pages 257 to 261 form part of these financial statements.

Approved by the board of directors and authorised for issue on 27 March 2024 and signed on its behalf by:

Luke Savage
Chair

Steve Murray
Chief Executive Officer

Company number: 04947166

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the company has not presented its own income statement or statement of other comprehensive income. The company reported a profit of £20.8m (2022: loss £16.4m) during the year. The retained profits of the company at 31 December 2023 was £161.3m (31 December 2022: £175.2m).

COMPANY STATEMENT OF CASH FLOWS

Year ended 31 December	2023 £m	2022 £m
Profit/(loss) for the year	**26.8**	**(16.4)**
Adjustments for:		
Tax expense/(recovered)	0.2	(5.4)
Interest expense	10.3	9.5
Share-based payment	0.7	0.9
Dividends receivable	(71.3)	(30.6)
Depreciation on right-of-use assets	0.1	0.1
Impairment on investment in subsidiary	14.4	25.0
Fair value (gains)/losses on financial assets	(7.2)	(66.6)
Adjustment total	**(52.8)**	**(67.1)**
Changes in operating assets and liabilities:		
Increase in other assets	(4.0)	(0.1)
Decrease/(increase) in prepayments	–	0.1
Decrease/(increase) in financial assets and investment properties	(1.0)	–
Increase in other current liabilities	9.4	1.7
Net cash (utilised by)/generated from operations	**(21.6)**	**(81.8)**
Income tax paid	–	3.9
Net cash (utilised by)/generated from operating activities	**(21.6)**	**(77.9)**
Cash flows from investing activities		
Business combinations	–	(37.9)
Capital contribution paid to subsidiary	–	(46.5)
Dividends received from subsidiary companies	71.3	30.6
Net cash (utilised by)/generated from investing activities	**71.3**	**(53.8)**
Cash flows from financing activities		
Net proceeds from the issue of share capital	0.2	0.3
Proceeds of Tier 2 debt	–	196.5
Repayment of borrowings	–	(31.2)
Repayment of principal under lease liabilities	(0.1)	(0.1)
Dividends paid	(35.4)	(34.3)
Interest paid	(10.1)	(4.8)
Net cash (utilised by)/generated from financing activities	**(45.4)**	**126.4**
Net decrease in net cash and cash equivalents	**4.3**	**(5.3)**
Net cash and cash equivalents at beginning of period	1.4	6.7
Net cash and cash equivalents at end of the period	**5.7**	**1.4**

Note. Net cash and cash equivalents includes overdrafts.

The Notes and information on pages 257 to 261 form part of these financial statements.

COMPANY FINANCIAL STATEMENTS

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2023	**7.5**	**142.3**	**0.1**	**175.2**	**325.1**
Profit for the year	–	–	–	26.8	26.8
Issue of share capital	–	–	–	–	–
Issue of share premium	–	0.2	–	–	0.2
Dividends paid	–	–	–	(35.4)	(35.4)
Share-based payment	–	–	–	0.7	0.7
Equity shareholders' funds at 31 December 2023	**7.5**	**142.5**	**0.1**	**167.3**	**317.4**

Year ended 31 December 2022	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Equity shareholders' funds at 1 January 2022	**7.5**	**142.1**	**0.1**	**225.0**	**374.7**
Loss for the year	–	–	–	(16.4)	(16.4)
Issue of share capital	–	–	–	–	–
Issue of share premium	–	0.2	–	–	0.2
Dividends paid	–	–	–	(34.3)	(34.3)
Share-based payment	–	–	–	0.9	0.9
Equity shareholders' funds at 31 December 2022	**7.5**	**142.3**	**0.1**	**175.2**	**325.1**

The Notes and information on pages 257 to 261 form part of these financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

SECTION J – NOTES TO THE FINANCIAL STATEMENTS

J1 Investment in subsidiary

Company

Year ended 31 December	Note	2023 £m	2022 £m
Cost			
Balance at 1 January		**439.0**	**354.7**
Additions – Arising on acquisition	**I8**	–	37.9
Capital contribution		–	46.4
Balance at 31 December		**439.0**	**439.0**
Impairment			
Balance at 1 January		**(25.0)**	**–**
Impairment for the year		(14.4)	(25.0)
Balance at 31 December		**(39.4)**	**(25.0)**
Carrying amounts			
At 1 January		**414.0**	**354.7**
At 31 December		**399.6**	**414.0**

During the year the company carried out a review of the recoverable amount of its subsidiaries and concluded that its investment in Countrywide Assured plc was impaired. As a result an impairment loss of £14.4m (31 December 2022: £25.0m) has been recognised in the year. The impairment, which was expected, has primarily arisen as a result of Countrywide Assured plc's policy of distributing its surplus capital up to Chesnara plc as it becomes available over time.

J2 Financial investments

(a) Financial investments by classification

The carrying amounts of the financial investments and other financial assets and liabilities held by the group at the balance sheet date are as follows:

31 December 2023	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Holdings in collective investment schemes	–	–	114.6	114.6
Total	**–**	**–**	**114.6**	**114.6**
Derivatives and other financial assets				
Other assets	6.0	–	–	6.0
Cash and cash equivalents	–	5.7	–	5.7
Total financial investments and financial assets	**6.0**	**5.7**	**114.6**	**126.3**
Financial liabilities				
Borrowings	200.6	–	–	200.6
Derivative financial instruments	–	–	4.4	4.4
Other current liabilities	4.4	–	–	4.4
Total financial liabilities	**205.0**	**–**	**4.4**	**209.4**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

SECTION J – NOTES TO THE FINANCIAL STATEMENTS

J2 Financial investments (continued)

(a) Financial investments by classification (continued)

31 December 2022	Amortised cost £m	FVTPL – designated £m	FVTPL – mandatory £m	Total £m
Financial investments				
Holdings in collective investment schemes	–	–	106.3	106.3
Total	**–**	**–**	**106.3**	**106.3**
Derivatives and other financial assets				
Other assets	4.0	–	–	4.0
Cash and cash equivalents	–	1.4	–	1.4
Total financial investments and financial assets	**4.0**	**1.4**	**106.3**	**111.7**
Financial liabilities				
Borrowings	200.4	–	–	200.4
Derivatives	–	–	3.5	3.5
Other current liabilities	2.5	–	–	2.5
Total financial liabilities	**202.9**	**–**	**3.5**	**206.4**

The directors consider that the carrying value amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

(b) Financial investment fair values

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. The tables below show the determination of fair value according to a three-level valuation hierarchy. Fair values are generally determined at prices quoted in active markets (Level 1). However, where such information is not available, the group applies valuation techniques to measure such instruments. These valuation techniques make use of market-observable data for all significant inputs where possible (Level 2), but in some cases it may be necessary to estimate other than market-observable data within a valuation model for significant inputs (Level 3).

Fair value measurement at 31 December 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Holdings in collective investment schemes	114.6	–	–	114.6
Total	114.6	–	–	114.6
Current	114.6	–	–	114.6
Non-current	–	–	–	–
Total	**114.6**	**–**	**–**	**114.6**
Financial liabilities				
Derivative financial instruments	–	4.4	–	4.4
Total	**–**	**4.4**	**–**	**4.4**

Fair value measurement at 31 December 2022

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Holdings in collective investment schemes	106.3	–	–	106.3
Total	**106.3**	**–**	**–**	**106.3**
Current	106.3	–	–	106.3
Non-current	–	–	–	–
Total	**106.3**	**–**	**–**	**106.3**
Financial liabilities				
Derivative financial instruments	–	3.5	–	3.5
Total	**–**	**3.5**	**–**	**3.5**

J3 Derivative financial instruments

Chesnara entered into a foreign currency hedge which was rolled forward and slightly extended in 2023 as noted in the Financial Risk section.

31 December

	2023		2022	
	Asset £m	Liability £m	Asset £m	Liability £m
Foreign currency hedge	–	4.4	–	3.5
Exchange traded futures	–	–	–	–
Financial reinsurance embedded derivatives	–	–	–	–
Total	**–**	**4.4**	**–**	**3.5**
Current	–	4.4	–	3.5
Non-current	–	–	–	–
Total	**–**	**4.4**	**–**	**3.5**

J4 Cash and cash equivalents

31 December

	2023 £m	2022 £m
Bank and cash balances	5.7	1.3
Call deposits due within 1 month	–	0.1
Total cash and cash equivalents	**5.7**	**1.4**
Cash and cash equivalents in the statement of cash flows	**5.7**	**1.4**

Short-term bank deposits are subject to a combination of fixed and variable interest rates, with an average maturity of 1 day (2022: 1 day). All deposits included in cash and cash equivalents were due to mature within 1 month of their acquisition. All balances are current and available on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SECTION J – NOTES TO THE FINANCIAL STATEMENTS

J5 Borrowings

31 December	2023 £m	2022 £m
Tier 2 debt	200.6	200.4
Total	**200.6**	**200.4**
Current	200.6	200.4
Non-current	–	–
Total	**200.6**	**200.4**

In 2022, the bank loan was fully repaid and replaced by Tier 2 Subordinated Notes Debt. The notes have a 10½ year maturity. The fair value of amounts due in relation to Tier 2 debt at 31 December 2023 was £148.4m (31 December 2022: £148.0m).

J6 Other current liabilities

31 December	2023 £m	2022 £m
Other payables		
Accrued expenses	4.4	2.5
Total	**4.4**	**2.5**
Current	4.4	2.5
Non-current	–	–
Total	**4.4**	**2.5**

The carrying value of other payables is a reasonable approximation of fair value.

J7 Share capital and share premium

31 December	2023		2022	
	Number of shares issued	Share capital £m	Number of shares issued	Share capital £m
Authorised				
Ordinary shares of 5p each	201,000,000	10.1	201,000,000	10.1
Issued				
Ordinary shares of 5p each	150,849,587	7.5	150,369,603	7.5
		Share premium £m		**Share premium £m**
		142.5		**142.3**

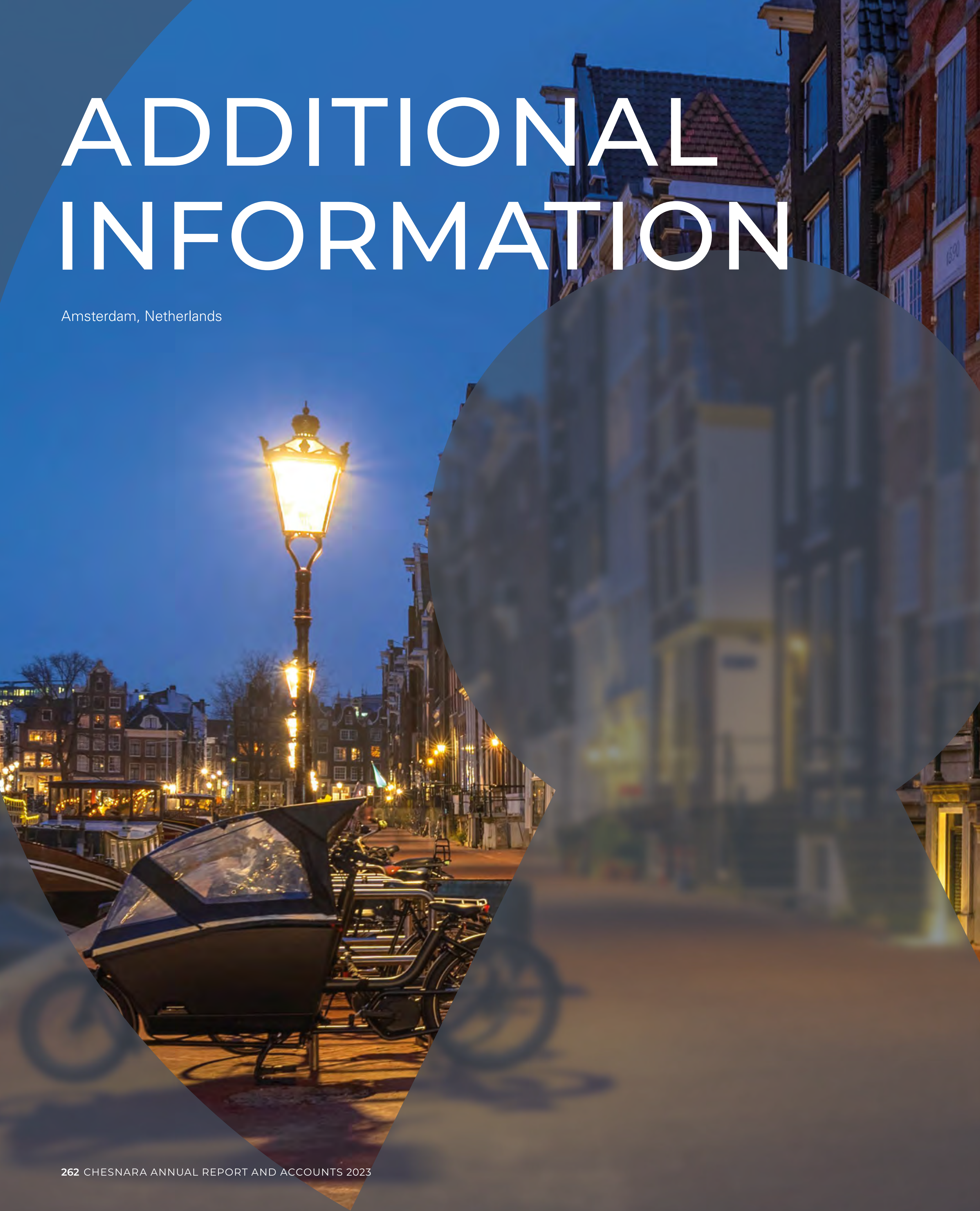
The number of shares in issue at the balance sheet date included Nil shares held in treasury (31 December 2022: Nil).

J8 Other reserves

31 December	2023 £m	2022 £m
Capital redemption reserve	0.1	0.1
Balance at 31 December	**0.1**	**0.1**

J9 Retained earnings

Year ended 31 December	2023 £m	2022 £m
Retained earnings attributable to equity holders of the parent company comprise:		
Balance at 1 January	**175.2**	**225.0**
Profit/(loss) for the year	26.8	(16.4)
Share-based payment	0.7	0.9
Dividends		
Final approved and paid for 2021	–	(22.1)
Interim approved and paid for 2022	–	(12.2)
Final approved and paid for 2022	(22.8)	–
Interim approved and paid for 2023	(12.6)	–
Balance at 31 December	**167.3**	**175.2**



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FINANCIAL CALENDAR

28 March 2024
Results for the year ended
31 December 2023 announced

11 April 2024
Ex-dividend date

12 April 2024
Dividend record date

29 April 2024
Last date for dividend reinvestment
plan elections

14 May 2024
Annual General Meeting

28 May 2024
Dividend payment date

September 2024
Half year results for the 6 months
ending 30 June 2024 announced

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NOTICE OF THE ANNUAL GENERAL MEETING

This document is important and requires your immediate attention

If you are in any doubt as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional advisor authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial advisor.

If you have sold or otherwise transferred all of your shares in Chesnara plc, please pass this document (together with the accompanying proxy form) as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Chesnara plc has a policy of not paying to have access to governance and sustainability analysts' databases on which voting recommendations and reports are produced. We encourage early, open and timely engagement to ensure the accuracy of the information contained in any analysis and reports issued in respect of Chesnara plc.

Company No. 4947166

Notice is given that the 2024 Annual General Meeting of Chesnara plc will be held at the offices of Panmure Gordon, 40 Gracechurch Street, London, EC3V 0BT on 14 May 2024 at 11am, for the business set out below. Shareholders will be kept informed via the Regulatory News System (RNS) should arrangements need to be changed for any reason.

Resolutions 1 to 15 inclusive and 19 will be proposed as ordinary resolutions and Resolutions 16 to 18 inclusive, 20 and 21 will be proposed as special resolutions.

1. To receive and adopt the audited accounts for the financial year ended 31 December 2023, together with the reports of the directors and auditor thereon.

2. To approve the Directors' Remuneration Report for the year ended 31 December 2023.

3. To declare a final dividend of 15.61 pence per ordinary share for the financial year ended 31 December 2023.

4. To re-appoint Steve Murray as a director.

5. To re-appoint Carol Hagh as a director.

6. To re-appoint Karin Bergstein as a director.

7. To re-appoint Jane Dale as a director.

8. To re-appoint Luke Savage as a director.

9. To re-appoint Mark Hesketh as a director.

10. To re-appoint Eamonn Flanagan as a director.

11. To appoint Tom Howard as a director.

12. To reappoint Deloitte LLP as auditor of the company to hold office until the conclusion of the next general meeting of the company at which accounts are laid before shareholders.

13. To authorise the directors to determine the auditor's remuneration.

14. That, from the passing of this Resolution 14 until the earlier of the close of business on 30 June 2025 and the conclusion of the company's next Annual General Meeting, the company and all companies which are its subsidiaries at any time during such period are authorised:

(a) to make donations to political parties or independent election candidates;

(b) to make donations to political organisations other than political parties; and

(c) to incur political expenditure up to an aggregate total amount of £50,000,

with the individual amount authorised for each of (a) to (c) above being limited to £50,000. Any such amounts may comprise sums paid or incurred in one or more currencies. Any sum paid or incurred in a currency other than sterling shall be converted into sterling at such rate as the board may decide is appropriate. Terms used in this resolution have, where applicable, the meanings that they have in Part 14 of the Companies Act 2006.

15. That, from the passing of this resolution until the earlier of the close of business on 30 June 2025 and the conclusion of the company's next Annual General Meeting, the directors be and they are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the company, to allot shares in the company and/or to grant rights to subscribe for or to convert any security into shares in the company (Allotment Rights):

(a) up to an aggregate nominal amount of £2,514,260 such amount to be reduced by the aggregate nominal amount of any equity securities allotted pursuant to the authority in paragraph (b) below in excess of £2,514,260; and

(b) up to an aggregate nominal amount of £5,028,520 (such amount to be reduced by the aggregate nominal amount of any shares allotted or rights granted pursuant to the authority in paragraph (a) above) in connection with an offer:

i) to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

ii) to holders of other equity securities as required by the rights of those securities or as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange, provided that this authority shall, unless renewed, varied or revoked by the company, expire at the conclusion of the company's next Annual General Meeting (or, if earlier, at the close of business on 30 June 2025) save that the company may, before such expiry, make offers or agreements which would or might require securities to be allotted or Allotment Rights to be granted after such expiry and the directors may allot securities or grant Allotment Rights in pursuance of such offer or agreement notwithstanding the expiry of the authority conferred by this resolution.

NOTICE OF THE ANNUAL GENERAL MEETING

16. That, subject to the passing of Resolution 15 in this notice, the directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them by Resolution 15 of this notice or by way of a sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power is limited to:

(a) the allotment of equity securities in connection with any rights issue or open offer (each as referred to in the Financial Conduct Authority's listing rules) or any other pre-emptive offer that is open for acceptance for a period determined by the directors to the holders of ordinary shares on the register on any fixed record date in proportion to their holdings of ordinary shares (and, if applicable, to the holders of any other class of equity security in accordance with the rights attached to such class), subject in each case to such exclusions or other arrangements as the directors may deem necessary or appropriate in relation to fractions of such securities, the use of more than one currency for making payments in respect of such offer, any such shares or other securities being represented by depositary receipts, treasury shares, any legal or practical problems in relation to any territory or the requirements of any regulatory body or any stock exchange; and

(b) the allotment of equity securities (other than pursuant to paragraph (a) above) with an aggregate nominal value of £754,278,

and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the directors by Resolution 15 of this notice, save that, before the expiry of this power, the company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

17. That, subject to the passing of Resolution 15 of this notice and, in addition to the power contained in Resolution 16 of this notice, the directors be and are hereby empowered pursuant to Section 570 of the Companies Act 2006 (the Act) to allot equity securities (as defined in Section 560 of the Act) for cash, pursuant to the authority conferred on them by Resolution 15 of this notice or by way of sale of treasury shares as if Section 561 of the Act did not apply to any such allotment, provided that this power is:

(a) limited to the allotment of equity securities up to an aggregate nominal value of £754,278; and

(b) used only for the purposes of financing (or refinancing, if the power is to be exercised within 12 months after the date of the original transaction) a transaction which the directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the notice of this meeting,

and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the directors by Resolution 15 of this notice save that, before the expiry of this power, the company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

18. That the company be and is hereby generally and unconditionally authorised for the purposes of Section 701 of the Companies Act 2006 (the Act) to make one or more market purchases (as defined in Section 693(4) of the Act) of ordinary shares in the capital of the company, provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is £15,058,559;

(b) the minimum price (exclusive of expenses) which may be paid for such ordinary shares is its nominal value;

(c) the maximum price (exclusive of expenses) which may be paid for such ordinary shares is the maximum price permitted under the Financial Conduct Authority's listing rules or, in the case of a tender offer (as referred to in those rules), 5% above the average of the middle market quotations for those shares (as derived from the Daily Official List of London Stock Exchange plc) for the 5 business days immediately preceding the date on which the terms of the tender offer are announced;

(d) the authority hereby conferred shall expire at the conclusion of the company's next Annual General Meeting (or, if earlier, at the close of business on 30 June 2025); and

(e) the company may enter into contracts or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

19. That, in addition to the authority granted pursuant to Resolution 15 (if passed), the directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the Act), to exercise all the powers of the company to allot shares in the company and/or grant rights to subscribe for or to convert any security into shares in the company:

(a) up to an aggregate nominal value of £2,514,260 in relation to any issues of Restricted Tier 1 (RT1) Instruments where the directors consider that such an issuance of RT1 Instruments would be desirable, including in connection with, or for the purposes of, complying with or maintaining compliance with the regulatory requirements or targets applicable to the company and its subsidiaries from time to time;

(b) subject to applicable law and regulation, at such allotment, subscription or conversion prices (or such maximum or minimum allotment, subscription or conversion price methodologies) as may be determined by the directors from time to time, and unless previously renewed, varied or revoked by the company, this authority shall apply in addition to all other authorities under Section 551 of the Act until the conclusion of the company's next Annual General Meeting (or, if earlier, at the close of business on 30 June 2025), save that the company may, before such expiry, make offers or agreements which would, or might, require securities to be allotted or rights to be granted after such expiry and the directors may allot securities or grant such rights in pursuance of such offer or agreement notwithstanding the expiry of the authority conferred by this resolution.

20. That, subject to the passing of Resolution 19 in this notice, the directors be and are hereby generally empowered, pursuant to Section 570 of the Companies Act 2006 (the Act), to allot equity securities (as defined in Section 560 of the Act and is to be interpreted in accordance with Section 560(2) of the Act) for cash, pursuant to the authority conferred on them by Resolution 19 of this notice up to an aggregate nominal value of £2,514,260 in relation to any issues of RT1 Instruments, as if Section 561 of the Act did not apply to any such allotment, and shall expire on the revocation or expiry (unless renewed) of the authority conferred on the director by Resolution 19 of this notice save that, before the expiry of this power, the company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities under any such offer or agreement as if the power had not expired.

This authority is in addition to the authorities conferred by Resolutions 16 and 17 in this notice.

21. That a general meeting of the company (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.

By order of the board

Amanda Wright
Group General Counsel and Company Secretary

2nd Floor, Building 4
West Strand Business Park
West Strand Road
Preston
Lancashire
PR1 8UY

27 March 2024

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

Arrangements for the 2024 AGM

The company is pleased to be able to invite members to attend the AGM in person in May where a presentation on business progress will be given. A results presentation will also be recorded on 28 March 2024 and made available on the corporate website.

The company continues to strongly encourage shareholders to vote electronically. Instructions on voting are attached to the Notice of AGM sent out to shareholders and can also be found on the company's website. Shareholders may also wish to submit questions in advance via email to **info@chesnara.co.uk**. We will endeavour to respond to questions raised directly, or by publishing responses on our website.

1. Any member who is entitled to attend and vote at this Annual General Meeting is entitled to appoint another person, or two or more persons in respect of different shares held by the shareholder, as their proxy to exercise all or any of their rights to attend and to speak and to vote at the Annual General Meeting. Members who wish to appoint a proxy are encouraged to appoint the Chair of the meeting as their proxy and give your instructions on how you wish the Chair of the meeting to vote on the proposed resolutions. Appointing the Chair as your proxy will not prevent you from attending and voting in person at the AGM but will ensure that your vote is able to be cast in accordance with your wishes should you (or any other person who you might otherwise choose to appoint as your proxy) be unable to attend for any reason. Members are strongly encouraged to vote electronically.

2. You will not receive a form of proxy for the AGM in the post. Instead, you will receive instructions to enable you to vote electronically and how to register to do so. You may request a physical copy proxy form directly from the registrars, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL (telephone number: 0371 664 0300). If you request a physical copy proxy form, it must be completed in accordance with the instructions that accompany it and then delivered (together with any power of attorney or other authority under which it is signed, or a certified copy of such item) to Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL so as to be received by 11am on Friday 10 May 2024.

3. Any member wishing to vote at the Annual General Meeting without attending in person or (in the case of a corporation) through its duly appointed representative, must appoint a proxy to do so. A proxy need not be a member of the company, but as noted above members should appoint the Chair of the meeting as their proxy to ensure that their vote is able to be cast in accordance with their wishes should they (or any other persons who members might otherwise choose to appoint as their proxy) be unable to attend for any reason. Members may appoint a proxy online by following the instructions for the electronic appointment of a proxy at **www.signalshares.com** by entering the company name 'Chesnara plc' and following the on-screen instructions. To be a valid proxy appointment, the member's electronic message confirming the details of the appointment completed in accordance with those instructions must be transmitted so as to be received by 11am on Friday 10 May 2024. Members who hold their shares in uncertificated form may also use the 'CREST' voting service to appoint a proxy electronically, as explained below.

4. Proxymity Voting – if you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the company and approved by the registrar. For further information regarding Proxymity, please go to **www.proxymity.io**. Your proxy must be lodged by 11am on Friday 10 May 2024 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

5. CREST members who wish to appoint one or more proxies through the CREST system may do so by using the procedures described in 'the CREST voting service' section of the CREST Manual.

   CREST personal members or other CREST sponsored members, and those CREST members who have appointed one or more voting service providers, should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or a proxy instruction made using the CREST voting service to be valid, the appropriate CREST message (a 'CREST proxy appointment instruction') must be properly authenticated in accordance with the specifications of CREST's operator, Euroclear UK & International Limited ('Euroclear'), and must contain all the relevant information required by the CREST Manual. To be valid, the message (regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by Link Group (ID RA10), by 11am on Friday 10 May 2024, which is acting as the company's 'issuer's agent'. After this time, any change of instruction to a proxy appointed through the CREST system should be communicated to the appointee through other means. The time of the message's receipt will be taken to be when (as determined by the timestamp applied by the CREST Applications Host) the issuer's agent is first able to retrieve it by enquiry through the CREST system in the prescribed manner. Euroclear does not make available special procedures in the CREST system for transmitting any particular message. Normal system timings and limitations apply in relation to the input of CREST proxy appointment instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or a CREST sponsored member or has appointed any voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as is necessary to ensure that a message is transmitted by means of the CREST system by any particular time. CREST members and, where applicable, their CREST sponsors or voting service providers should take into account the provisions of the CREST Manual concerning timings as well as its section on 'Practical limitations of the system'. In certain circumstances, the company may, in accordance with the Uncertificated Securities Regulations 2001 or the CREST Manual, treat a CREST proxy appointment instruction as invalid.

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

6. Copies of (i) directors' service contracts and letters of appointment; and (ii) a copy of the company's articles of association are available for inspection at the registered office of the company during normal business hours each business day subject to prevailing public health measures. They will also be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.

7. The time by which a person must be entered on the register of members in order to have the right to vote at the Annual General Meeting (and for the purpose of the determination by the company of the votes they may cast) is close of business on Friday 10 May 2024. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Annual General Meeting.

8. The right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Companies Act 2006; as such rights can only be exercised by the member concerned. Any person nominated to enjoy information rights under Section 146 of the Companies Act 2006 who has been sent a copy of this notice of Annual General Meeting is hereby informed, in accordance with Section 149(2) of the Companies Act 2006, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this Annual General Meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

9. As at 20 March 2024 (being the last practicable date prior to the publication of this document), the company's issued share capital consisted of 150,855,587 ordinary shares, carrying one vote each. No shares were held by the company in treasury. Therefore, the total voting rights in the company as at 20 March 2023 (being the last practicable date prior to the publication of this document) were 150,855,587.

10. Information regarding this Annual General Meeting, including information required by Section 311A of the Companies Act 2006, is available at **www.chesnara.co.uk**. Any electronic address provided either in this notice or any related documents may not be used to communicate with the company for any purposes other than those expressly stated.

11. In accordance with Section 319A of the Companies Act 2006, any member attending the Annual General Meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the Annual General Meeting, but no such answer need be given if (a) to do so would interfere unduly with the preparations for the Annual General Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question or (c) it is undesirable in the interests of the company or the good order of the Annual General Meeting that the question be answered. The company encourages shareholders to submit their questions electronically in advance of the meeting via **info@chesnara.co.uk**.

12. Under Section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the company to publish on a website a statement in accordance with Section 528 of the Companies Act 2006 setting out any matter relating to (i) the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting or (ii) any circumstances connected with an auditor of the company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the company has been required under Section 527 of the Companies Act 2006 to publish on a website.

13. Members meeting the threshold requirements in Sections 338 and 338A of the Companies Act 2006 have the right to require the company (i) to give to members entitled to receive notice of the meeting notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or (as applicable) the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the company not later than 11am on 2 April 2024, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

The notes on the following pages give an explanation of the proposed resolutions:

Resolution 1

Report and Accounts
The Companies Act 2006 requires the directors of a public company to lay its Annual Report and Accounts before the company in general meeting, giving shareholders the opportunity to ask questions on the contents. The Annual Report and Accounts comprise the audited financial statements, the Auditor's Report, the Directors' Report, the Directors' Remuneration Report, and the Directors' Strategic Report.

Resolution 2

Approval of the Directors' Remuneration Report
In accordance with the Companies Act 2006, the company proposes ordinary Resolution 2 to approve the Directors' Remuneration Report for the financial year ended 31 December 2023. The Directors' Remuneration Report can be found on pages 105 to 119 of the 2023 Report and Accounts and, for the purposes of this resolution, does not include the parts of the Directors' Remuneration Report containing the Directors' Remuneration Policy. The vote on this resolution is advisory only and the directors' entitlement to remuneration is not conditional on it being passed. The Companies Act 2006 requires the Directors' Remuneration Policy to be put to shareholders for approval annually unless the approved policy remains unchanged, in which case it need only be put to shareholders for approval at least every 3 years. The company is not proposing any changes to the Directors' Remuneration Policy approved at the Annual General Meeting in 2023.

Resolution 3

Final dividend
The declaration of the final dividend requires the approval of shareholders in general meeting. If the 2024 Annual General Meeting approves Resolution 3, the final dividend of 15.61 pence per share will be paid on 28 May 2024 to ordinary shareholders who are on the register of members at the close of business on 12 April 2024 in respect of each ordinary share.

Resolutions 4 – 11 inclusive

Appointment and re-appointment of directors
The company's Articles of Association provide that all directors retire at each Annual General Meeting and that those wishing to continue to serve shall submit themselves for re-appointment or appointment by the shareholders. In line with this, all directors will be retiring at this year's AGM and will be standing for re-appointment, with the exception of David Rimmington who will step down from the board at the end of the AGM. Tom Howard will stand for appointment at this year's AGM, following his appointment as Chief Financial Officer, subject to regulatory approval (announced to shareholders on 7 December 2023). Biographical details of each director detailed in Resolutions 4 to 11 are set out in Appendix 1 to this AGM Notice on pages 271 and 272. The board is satisfied that the performance of each of the directors proposed continues to be effective and important to the company's long-term sustainable success and demonstrates commitment to their responsibilities. This is supported by the annual performance evaluation that was undertaken recently. The board unanimously recommend that each of these directors be appointed or re-appointed as a director of the company.

In accordance with the Code, the board has reviewed the independence of its non-executive directors and has determined that they remain fully independent of management.

Resolutions 12 and 13

Re-appointment and remuneration of auditor
The company is required to appoint an auditor, at each general meeting before which accounts are laid, to hold office until the end of the next such meeting. The board (through its Audit & Risk Committee) has recommended the re-appointment of Deloitte LLP and has confirmed that such recommendation is free from influence by a third party and that no restrictive contractual terms have been imposed on the company. Deloitte LLP has indicated that it is willing to continue to act as the company's auditor.

Resolution 12, therefore, proposes Deloitte's reappointment as auditor to hold office until the next general meeting at which the company's accounts are laid before shareholders. Resolution 13 authorises the directors to determine the auditor's remuneration.

Resolution 14

Political donations
It has always been the company's policy that it does not make political donations. This remains the company's policy.

Part 14 of the Companies Act 2006 (the Act) imposes restrictions on companies making political donations to any political party or other political organisation or to any independent election candidate unless they have been authorised to make donations at a general meeting of the company. Whilst the company has no intention of making such political donations, the Act includes broad and ambiguous definitions of the terms 'political donation' and 'political expenditure' which may apply to some normal business activities which would not generally be considered to be political in nature.

The directors therefore consider that, as a purely precautionary measure, it would be prudent to obtain the approval of the shareholders to make donations to political parties, political organisations and independent election candidates and to incur political expenditure up to the specified limit. The directors intend to seek renewal of this approval at future Annual General Meetings but wish to emphasise that the proposed resolution is a precautionary measure for the above reason and that they have no intention of making any political donations or entering into party political activities.

Resolution 15

Power to allot shares
The Companies Act 2006 provides that the directors may only allot shares if authorised by shareholders to do so. The directors' current allotment authority is due to lapse at the 2024 Annual General Meeting. The board is, therefore, seeking to renew its authority over shares having an aggregate nominal amount of £2,514,260, representing approximately one-third of the issued ordinary share capital of the company (excluding treasury shares) as at 20 March 2024 (being the latest practicable date prior to the publication of this document). The board is also seeking authority to allot shares having an aggregate nominal amount of £5,028,520, representing approximately two-thirds of the issued share capital of the company (excluding treasury shares) as at 20 March 2024 by way of pre-emptive offer to existing shareholders.

The allotment authority sought is in line with the Share Capital Management guidelines issued by the Investment Association. For the avoidance of doubt, the authority sought pursuant to this resolution will give the directors the ability to allot shares (or grant rights to shares) up to a maximum aggregate nominal amount of £5,028,520.

As at 20 March 2024, the company held no treasury shares.

The authority will expire at the earlier of the conclusion of the company's next Annual General Meeting and the close of business on 30 June 2025.

Passing Resolution 15 will ensure that the directors have flexibility to take advantage of any appropriate opportunities that may arise in pursuit of the company's strategic objective of acquiring life and pensions businesses.

Resolutions 16 and 17 (special resolution)

Disapplication of statutory pre-emption rights
If the directors wish to allot shares, or grant rights to subscribe for, or convert securities into, shares, or sell treasury shares for cash (other than pursuant to an employee share scheme) they must first offer them to existing shareholders in proportion to their existing shareholdings. In order to give directors flexibility to finance business opportunities by allotting shares without making a pre-emptive offer to existing shareholders and, in accordance with the updated Statement of Principles (PEG Statement of Principles) published by the Pre-Emption Group in November 2022, Resolutions 16 and 17 ask shareholders to grant a limited waiver of their pre-emption rights as referenced below. If the directors elect to exercise powers granted under Resolutions 16 and 17 in relation to a non-pre-emptive offer, they shall follow the shareholder protections in Part 2B of the PEG Statement of Principles.

Resolutions 16 and 17 will be proposed as special resolutions.

EXPLANATORY NOTES TO THE NOTICE OF THE ANNUAL GENERAL MEETING

Resolution 16, if passed, will allow the directors to (a) allot shares in the company for cash in connection with a rights issue or other pre-emptive offer; and (b) otherwise allot shares in the company for cash up to a maximum aggregate nominal value of £754,278, in each case as if the pre-emption rights of Section 561 of the Companies Act 2006 did not apply. This aggregate nominal amount equates to approximately 10% of the issued ordinary share capital of the company (excluding treasury shares) as at 20 March 2024 (being the latest practicable date prior to the publication of this Notice of Annual General Meeting).

In line with the PEG Statement of Principles, the company is seeking authority, under Resolution 17, to issue up to an additional 10% of its issued ordinary share capital for cash without pre-emption rights applying. In accordance with the Statement of Principles, the company will only allot shares under this additional authority in connection with an acquisition or specific capital investment (within the meaning given in the Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding 12 month period and is disclosed in the announcement of the allotment.

The authority granted under Resolutions 16 and 17 will expire at the earlier of the conclusion of the company's next Annual General Meeting and the close of business on 30 June 2025.

Resolution 18 (special resolution)

Authority to purchase own shares
This resolution, which will be proposed as a special resolution, seeks to renew the company's authority to purchase its own shares. It specifies the maximum number of shares which may be acquired as 10% of the company's issued ordinary share capital (excluding treasury shares) as at 20 March 2024, being the latest practicable date prior to the publication of this document, and specifies the minimum and maximum prices at which shares may be bought.

The directors will only use this authority if, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be (where such shares are to be purchased for cancellation) to increase earnings per share, and that taking into account other investment opportunities, purchases will be in the best interests of the shareholders generally. Any shares purchased in accordance with this authority will be cancelled or held in treasury for subsequent transfer to an employee share scheme. The directors have no present intention of exercising this authority, which will expire at the earlier of the conclusion of the company's next Annual General Meeting and the close of business on 30 June 2025.

The company has options and awards outstanding under existing share schemes over an aggregate of 1,531,582 ordinary 5p shares, representing 1.02% of the company's issued ordinary share capital (excluding treasury shares) as at 20 March 2024 (the latest practicable date prior to the publication of this document). This would represent approximately 1.13% of the company's issued share capital (excluding treasury shares) if the proposed authority being sought at the Annual General Meeting to buy back 15,085,559 ordinary shares was exercised in full (and all the repurchased ordinary shares were cancelled).

Resolution 19

Authority to allot new ordinary shares in relation to an issue of Restricted Tier 1 (RT1) Instruments
Resolution 19, will, if passed, grant authority to directors to allot ordinary shares in the company or grant rights to subscribe for, or to convert any security into, ordinary shares in the company, in accordance with Section 551 of the Companies Act 2006, up to an aggregate nominal amount of £2,514,260 in connection with the issue of RT1 Instruments (as defined in Appendix 2) which is, in aggregate, equivalent to approximately one-third of the issued ordinary share capital of the company as at 20 March 2024 (being the latest practicable date prior to the publication of this notice of Annual General Meeting).

The directors believe that it is in the best interests of the company to have the flexibility to issue RT1 Instruments from time to time and the authority sought in Resolution 19 may be used if, in the opinion of the directors, at the relevant time, such an issuance of RT1 Instruments would be desirable to improve the capital structure of the company and its subsidiaries. However, the request for authority in Resolution 19 should not be taken as an indication that the company will or will not issue any, or any given amount of, RT1 Instruments.

This authority is in addition to the authority proposed in Resolution 15, which is the usual authority sought on an annual basis in line with the guidance issued by the Investment Association.

This authority will expire at the earlier of the conclusion of the company's next Annual General Meeting and the close of business on 30 June 2025. The directors may seek a similar authority in the future.

Resolution 20 (special resolution)

Disapplication of pre-emption rights in relation to an issue of Restricted Tier 1 (RT1) Instruments
Resolution 20, which will be proposed as a special resolution, proposes that, in addition to any authority conferred by Resolution 16, the directors be empowered to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash up to a nominal value of £2,514,260 in relation to the issue of RT1 Instruments, which is equivalent to one-third of the issued ordinary share capital of the company as at 20 March 2024 (being the latest practicable date prior to the publication of this notice of Annual General Meeting), as if Section 561 of the Companies Act 2006 did not apply to any such allotment.

Resolution 20, if passed, would permit the company the flexibility necessary to allot equity securities pursuant to any proposal to issue RT1 Instruments without the need to comply with the pre-emption rights of Section 561 of the Companies Act 2006 did not apply. Resolution 20 is intended to provide the directors with the continued flexibility to issue RT1 Instruments which may convert into ordinary shares. This will enhance the company's ability to manage its capital. Further information on the Restricted Tier 1 Instruments is given in Appendix 2.

This authority will expire at the earlier of the conclusion of the company's next Annual General Meeting and the close of business on 30 June 2025. The directors may seek a similar authority in the future.

Any exercise of the authorities in Resolutions 15, 16 and 17 (if passed) would be separate from and in addition to the exercise of any powers under Resolutions 19 and 20 and would also have a dilutive effect on existing shareholdings.

Resolution 21 (special resolution)

Notice of general meetings
The Companies Act 2006 requires the notice period for general meetings of the company to be at least 21 days, but, as a result of a resolution which was passed by the company's shareholders at last year's Annual General Meeting, the company is currently able to call general meetings (other than an Annual General Meeting) on not less than 14 clear days' notice. In order to preserve this ability, shareholders must once again approve the calling of meetings on not less than 14 clear days' notice. Resolution 21 seeks such approval. The approval will be effective until the company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. The company will also need to meet the statutory requirements for electronic voting before it can call a general meeting on less than 21 days' notice.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Directors' recommendation
The directors recommend all shareholders to vote in favour of all of the above resolutions, as the directors intend to do in respect of their own shares (save in respect of those matters in which they are interested), and consider that all resolutions are in the best interests of the company and its shareholders as a whole.

APPENDIX 1 TO AGM NOTICE

BOARD KNOWLEDGE, SKILLS AND EXPERIENCE SUMMARY

KEY	KNOWLEDGE/SKILL/EXPERIENCE	SUMMARY
A	Chesnara company knowledge	
B	Industry knowledge – UK	
C	Industry knowledge – Sweden/Netherlands	
D	Governance – actuarial	
E	Governance – financial	
F	Audit and risk management	
G	Investment management	
H	M&A and business development	
I	Commercial management	
J	Operational change management	
K	Customer operational/management	
L	Information technology	
M	Environmental, social and governance (ESG)	

Annual assessment confirms that our board continues to hold significant experience in the insurance sector and also have a range of specialisms which ensure all aspects of our competency profile are well covered.

LUKE SAVAGE
CHAIR

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

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

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

Current directorships/business interests:
- Numis Corporation plc, Chair

Skills and experience: A B C D E F G H I J L M

STEVE MURRAY
GROUP CHIEF EXECUTIVE OFFICER

Appointment to the board: Appointed as a director of Chesnara on 2 August 2021 and as Group CEO on 19 October 2021.

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

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

Skills and experience: A B C D E F G H I J K L M

APPENDIX 1 TO AGM NOTICE

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

Appointment to the board: Appointed to the Chesnara plc board in May 2016 and as Chair of the Audit & Risk Committee in December 2016. Appointed as the board's Senior Independent Non-Executive Director in October 2018.

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

Current directorships/business interests:
- Countrywide Assured plc, Chair of the Audit & Risk Committee
- CASLP Ltd, Chair of the Audit & Risk Committee
- Covea Insurance plc and Covea Life Limited, NED and Chair of the Audit Committee
- Novia Financial plc, NED and Chair of the Audit Committee; and Novia Financial Holdings Limited, NED
- Brown & Brown (Europe) Holdco Limited, NED and Brown & Brown (Europe) Limited, NED and Chair of the Risk & Compliance Committee and Chair of the Remuneration Committee.

Skills and experience: A B C D E F G H I J K M

KARIN BERGSTEIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointment to the board: Appointed to the Chesnara plc board on 14 February 2022.

Committee membership: Nomination & Governance and Audit & Risk.

Current directorships/business interests:
- Movestic Livförsäkring AB, NED
- Van Lanschot Kempen N.V., NED
- Bank Nederlandse Gemeenten N.V., NED
- University Medical Center Groningen, NED
- Bergstein Advies B.V., General Manager
- Foundation for Continuity of NN Group, NED
- Foundation for Preference Shares Wereldhaven, NED

Skills and experience: A C D E F H I J K L M

CAROL HAGH
NON-EXECUTIVE DIRECTOR AND DESIGNATED WORKFORCE NED

Appointment to the board: Appointed to the Chesnara plc board on 14 February 2022.

Committee membership: Nomination & Governance and Remuneration.

Current directorships/business interests:
- Countrywide Assured plc, NED
- CASLP Ltd, NED
- Old Game New Rules Ltd, Director and Founder
- Direct Line Insurance Group plc, NED (with effect from 1 April 2024)

Skills and experience: A B C D E F H I J K L M

TOM HOWARD
CHIEF FINANCIAL OFFICER DESIGNATE (subject to regulatory approval) from April 2024

Appointment to the board: Not yet appointed to the board.

Career, skills and experience: Tom is a highly experienced CFO with over 25 years of industry experience, most recently as CFO of Aviva Investors, the asset management division of Aviva plc. Over a 14-year period, he has held a variety of senior roles within Aviva plc, including Director of Mergers & Acquisitions for Aviva Group and CFO for Aviva's Life and General Insurance business in Ireland. He brings an extensive leadership track-record in strategy, M&A, capital management and financial reporting in UK and European insurance businesses. Tom is a fellow of the Institute and Faculty of Actuaries.

Skills and experience: A B C D E F G H I J K L M

EAMONN FLANAGAN
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE REMUNERATION COMMITTEE

Appointment to the board: Appointed to the Chesnara plc board in July 2020 and as Chair of the Remuneration Committee in January 2022.

Committee membership: Audit & Risk and Remuneration (Chair).

Current directorships/business interests:
- Movestic Livförsäkring AB, NED and Chair of the Audit & Risk Committee
- Movestic Fonder AB. Chair
- AJ Bell, NED
- Randall & Quilter Investment Holdings Ltd (Bermuda), NED

Skills and experience: A B C D E F G H I J K L M

MARK HESKETH
INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIR OF THE NOMINATION & GOVERNANCE COMMITTEE

Appointment to the board: Appointed to the Chesnara plc board in December 2018 and as Chair of the Nomination & Governance Committee in January 2022.

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

Current directorships/business interests:
- Countrywide Assured plc, NED
- CASLP Ltd, NED
- Bethany Christian Trust, Treasurer and NED
- Bethany Enterprises Ltd, NED

Skills and experience: A B C D E F G H I J K

APPENDIX 2 TO AGM NOTICE

Further information on restricted Tier 1 instruments

What are 'Restricted Tier 1 Instruments'?
Solvency II-compliant Restricted Tier 1 Instruments, structured as contingent convertible securities, the terms of which will provide that, upon the occurrence of certain trigger events, the securities will be irrevocably converted into ordinary shares.

Why is the company seeking authorities in connection with the issuance of Restricted Tier 1 Instruments?
The group is subject to the Solvency II regulatory framework which came into force on 1 January 2016 and which has been retained in the United Kingdom following the end of the Brexit implementation period on 31 December 2020. Under Solvency II, the group is required to hold sufficient capital to absorb losses in periods of stress and to provide a buffer to increase resilience against unexpected losses, thereby protecting the interests of policyholders. At least half of the group's overall capital requirements may only be met with certain types of high-quality capital (referred to as 'Tier 1 Capital'), including share capital, retained profits and, for up to 20% of Tier 1 Capital, instruments that are written down, or, in the case of Restricted Tier 1 Instruments, instruments that are converted into ordinary shares, in the event that the group's capital position falls below defined levels (referred to as a 'Trigger Event'). The group may issue Restricted Tier 1 Instruments to satisfy part of its Tier 1 Capital requirements. Any issue of Restricted Tier 1 Instruments would form part of the group's overall strategy to maintain a strong capital base from which it can achieve its objectives.

What is a 'Trigger Event' and what will happen if a Trigger Event occurs?
A Trigger Event will occur if the group determines, in consultation with the Prudential Regulation Authority, that it has ceased to comply with its capital requirements under Solvency II in a significant way. This may occur if the amount of capital held by the group falls below 75% of its capital requirements, if the group fails to comply with its capital requirements for a continuous period of 3 months or more or if the group fails to comply with other minimum capital requirements applicable to it. Only if a Trigger Event occurs (and not under any other circumstances) will any Restricted Tier 1 Instruments issued by the group convert into new ordinary shares. The holders of any Restricted Tier 1 Instruments will not have the option to require conversion of the Restricted Tier 1 Instruments at their discretion. The group may, if permitted by law and regulation and if considered appropriate at the relevant time, issue Restricted Tier 1 Instruments that include in their terms and conditions a mechanism through which the group may elect to give existing shareholders the opportunity to purchase the ordinary shares issued on conversion of the Restricted Tier 1 Instruments in proportion to their existing shareholdings in the company (subject to legal, regulatory or practical restrictions).

What steps can the group take on or before a Trigger Event?
If the group's capital position were to deteriorate, a number of steps are available to the group to improve its capital position before the occurrence of a Trigger Event. These could include reducing the group's liabilities or raising extra share capital from investors by way of a rights issue. If the company were, in the future, to launch a rights issue, the company's existing shareholders would be offered the opportunity to acquire new ordinary shares in proportion to their existing shareholding.

How can the issue of Restricted Tier 1 Instruments provide a more efficient capital structure?
The group can satisfy its Tier 1 Capital requirements through, among other things, the issue of ordinary shares, retention of profits and the issue of Restricted Tier 1 Instruments. Satisfying the group's Tier 1 Capital requirements in part through the issue of Restricted Tier 1 Instruments could be a cost-effective means of raising capital, therefore enabling the group to reduce its overall cost of capital. This would, in turn, be expected to be more beneficial for existing shareholders than if the group were to satisfy its Tier 1 Capital requirements through the issue of ordinary shares or the retention of profits alone.

At what price will Restricted Tier 1 Instruments be converted into or exchanged for ordinary shares?
The terms and conditions of any Restricted Tier 1 Instruments issued will specify a conversion price or a mechanism for setting a conversion price, which is the rate at which the Restricted Tier 1 Instruments will be exchanged into ordinary shares. The resolutions enable the directors to set the specific terms and conditions of the Restricted Tier 1 Instruments (including a conversion price or mechanism for setting a conversion price) after considering market conditions at the time of issuance. Given the nature of the Trigger Events and the implications on the group's business at the time any Trigger Event occurs, the group's expectation is that the conversion price at the time of conversion would exceed the market price of the ordinary shares at such time.

How have you calculated the size of the authorities you are seeking?
These authorities are set at a level which, based on the share price of the group as at 20 March 2024 (being the latest practicable date prior to the publication of this document) corresponds approximately to the group's regulatory headroom for Restricted Tier 1 Instruments as at the same date (limited to 20% of Tier 1 Capital).

ALTERNATIVE PERFORMANCE MEASURES

Throughout our Report and Accounts we use Alternative Performance Measures (APMs) to supplement the assessment and reporting of the performance of the group. These measures are those that are not defined by statutory reporting frameworks, such as IFRS or Solvency II.

The APMs aim to assess performance from the perspective of all stakeholders, providing additional insight into the financial position and performance of the group and should be considered in conjunction with the statutory reporting measures such as IFRS and Solvency II.

The following table identifies the key APMs used in this report, how each is defined and why we use them. Further information can be found throughout the Overview section, with detailed reference within the Financial Review on pages 48 to 58.

APM	WHAT IS IT?	WHY DO WE USE IT?	REF
Group cash generation	Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Group cash generation is calculated as the movement in the group's surplus Own Funds above the group's internally required capital, as determined by applying the group's Capital Management Policy, which has Solvency II rules at its heart.	Cash generation is a key measure, because it is the net cash flows to Chesnara from its life and pensions businesses which support Chesnara's dividend-paying capacity and acquisition strategy. Cash generation can be a strong indicator of how we are performing against our stated objective of 'maximising value from existing business'.	See cash generation on page 50 and reconciliation on page 277
Divisional cash generation	Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Divisional cash generation represents the movement in surplus Own Funds above local capital management policies within the three operating divisions of Chesnara. Divisional cash generation is used as a measure of how much dividend potential a division has generated, subject to ensuring other constraints are managed.	It is an important indicator of the operating performance of the business before the impact of group level operations and consolidation adjustments.	See cash generation on page 50
Commercial cash generation	Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Commercial cash generation excludes the impact of technical adjustments, modelling changes and corporate acquisition activity; representing the inherent commercial cash generated by the business.	Commercial cash generation aims to provide stakeholders with enhanced insight into cash generation, drawing out components of the result relating to technical complexities or exceptional items. The result is deemed to better reflect the group's view of commercial performance, showing key drivers within that.	See cash generation on page 51
Economic Value (EcV)	EcV is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group. We define EcV as being the Own Funds adjusted for contract boundaries, risk margin and restricted with-profit surpluses. As such, EcV and Own Funds have many common characteristics and tend to be impacted by the same factors.	EcV aims to reflect the market-related value of in-force business and net assets of the non-insurance business and hence is an important reference point by which to assess Chesnara's value. A life and pensions group may typically be characterised as trading at a discount or premium to its Economic Value. Analysis of EcV provides additional insight into the development of the business over time. The EcV development of the Chesnara group over time can be a strong indicator of how we have delivered to our strategic objectives.	See EcV analysis on page 53

APM	WHAT IS IT?	WHY DO WE USE IT?	REF
Economic Value (EcV) earnings	The principal underlying components of the EcV earnings are: – The expected return from existing business (being the effect of the unwind of the rates used to discount the value in-force); – Value added by the writing of new business; – Variations in actual experience from that assumed in the opening valuation; – The impact of restating assumptions underlying the determination of expected cash flows; and – The impact of acquisitions.	By recognising the market-related value of in-force business (in-force value), a different perspective is provided in the performance of the group and on the valuation of the business. EcV earnings are an important KPI as they provide a longer-term measure of the value generated during a period. The EcV earnings of the group can be a strong indicator of how we have delivered against all three of our core strategic objectives.	See EcV earnings analysis on page 52
EcV operating earnings	This is the element of EcV earnings (see above) that are generated from the company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future.	EcV operating earnings are important as they provide an indication of the underlying value generated by the business. It can help identify profitable activities and also inefficient processes and potential management actions.	See EcV Earnings Analysis on page 52
EcV economic earnings	This is the element of EcV earnings (see above) that are derived from investment market conditions in the period and any economic assumption changes in the future.	EcV economic earnings are important in order to measure the additional value generated from investment market factors.	See EcV Earnings Analysis on page 52
Commercial new business profit	A more commercially relevant measure of new business profit than that recognised directly under the Solvency II regime, allowing for a modest level of return, over and above risk-free, and exclusion of the incremental risk margin Solvency II assigns to new business.	This provides a fair commercial reflection of the value added by new business operations and is more comparable with how new business is reported by our peers, improving market consistency.	See Business Review section on pages 40 to 43
Solvency	Solvency is a fundamental financial measure which is of paramount importance to investors and policyholders. It represents the relationship between the value of the business as measured on a Solvency II basis and the capital the business is required to hold – the Solvency Capital Requirement (SCR). Solvency can be reported as an absolute surplus value or as a ratio.	Solvency gives policyholders comfort regarding the security of their provider. This is also the case for investors together with giving them a sense of the level of potential surplus available to invest in the business or distribute as dividends, subject to other considerations and approvals.	See Capital Management section on pages 45 to 47
Funds Under Management (FuM)	FuM reflects the value of the financial assets that the business manages, as reported in the IFRS Consolidated Balance Sheet.	FuM is important as it provides an indication of the scale of the business, and the potential future returns that can be generated from the assets that are being managed.	See Consolidated Balance Sheet on page 143
Acquisition value gain (incremental value)	Acquisition value gains reflect the incremental Economic Value added by a transaction, exclusive of any additional risk margin associated with absorbing the additional business.	The EcV gain from acquisition will be net of any associated increase in risk margin. The risk margin is a temporary Solvency II dynamic which will run off over time.	
Leverage/ gearing	A financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, presented as a ratio. It is defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.	It is an important measure as it indicates the overall level of indebtedness of Chesnara, and it is also a key component of the bank covenant arrangements held by Chesnara.	See IFRS Balance Sheet on page 56
IFRS capital base	This is the IFRS net equity for the group plus the consolidated CSM net of reinsurance and tax.	It is a better measure of the value of the business than net equity as it takes into account the store of deferred profits held in the balance sheet, as represented by the CSM, including those as yet unrecognised profits from writing new business and acquisitions.	See IFRS Income Statement on page 57
Policies/policy count	Policy count is the number of policies that the group manages on behalf of customers.	This is important to show the scale of the business, particularly to provide context to the rate at which the closed book business is maturing. In our open businesses, the policy count shows the net impact of new business versus policy attrition.	See Introduction to Chesnara page 7

RECONCILIATION OF METRICS

The diagram below shows the interaction between the IFRS metrics and the Alternative Performance Measures used by the group.

As shown above, the key interaction between our statutory reporting rules under IFRS and the Alternative Performance Measures is with the Solvency II valuation and the Own Funds balance. A reconciliation from IFRS net assets to Solvency II Own Funds is shown below:

£m	31 Dec 2023	31 Dec 2022	Rationale
Group IFRS net assets	**359.9**	**333.1**	
Removal of intangible assets; AVIF, DAC and DIL	(94.9)	(166.3)	Intangible assets that cannot be sold separately have no intrinsic value under Solvency II rules.
Removal of IFRS reserves, net of reinsurance	11,071.0	10,316.0	Actuarial reserves are calculated differently between the two methodologies and hence IFRS reserves are replaced with Solvency II technical provisions. The main differences in methodology are discussed further below.
Inclusion of SII technical provisions, net of reinsurance	(10,853.3)	(10,020.3)	
Other valuation differences	0.4	2.2	Other immaterial valuation differences.
Mortgage loan valuation difference	32.3	–	Valuation difference of the Mortgage debt between IFRS and SII.
Deferred tax valuation differences	(8.1)	9.9	These are the deferred tax impacts as a result of the adjustments above.
Foreseeable dividends	(23.5)	(22.8)	Under Solvency II rules, future 'foreseeable dividends' are required to be recognised within Own Funds. Under IFRS rules, dividends are recognised when paid.
Tier 2 debt valuation differences	52.2	–	Valuation difference of Tier 2 debt between IFRS and SII.
Tier 2 debt under SII	148.4	200.0	Tier 2 capital plus the restriction placed on the subordinated debt within Own Funds under Solvency II requirements.
Tier 2/3 restrictions	(0.3)	(46.7)	
Ring-fenced surpluses	(0.5)	–	Solvency II requires that Own Funds are reduced by any surpluses that are restricted. For Chesnara this relates to surpluses within the two S&P with-profits funds, which are temporarily restricted. These restrictions are removed through periodic capital transfers.
Group SII Own Funds	**683.7**	**605.1**	

The main differences between the two methodologies for calculating actuarial reserves are as follows:

- Under IFRS 9 the value of investment contracts is taken as the unit liability whilst under Solvency II a non-unit reserve and Risk Margin are required.
- Best estimate assumptions are used for both IFRS 17 and Solvency II, however the former requires the CSM to be held for which there is no equivalent under Solvency II.
- Both bases require a margin for adverse deviation, respectively the Risk Adjustment and the Risk Margin, but whilst the approach used is very similar the cost of capital applied is different.
- For the most part the yield curves adopted for discounting under IFRS 17 are very similar to those used in Solvency II, the exception being that for certain Dutch 'savings mortgage' products the IFRS 17 liabilities use a yield curve derived from mortgage rates available in the market.
- The reserve for future expenses held in Chesnara plc under Solvency II is not permitted under IFRS.
- Other valuation differences relate to the definition of contract boundary and the allowability, or otherwise, of certain expenses such as investment management expenses on products where no investment service is provided.

Solvency II position

Solvency II is the solvency regime that applies to the group. Over and above IFRS, Solvency II imposes a capital requirement on the group.

A summary of the solvency position of the group at 31 December 2023 and 31 December 2022 is as follows:

£m	31 Dec 2023	31 Dec 2022
Group SII Own Funds (OF)	665.7	605.1
Solvency Capital Requirement (SCR)	332.7	306.7
Solvency surplus	351.0	298.4
Solvency ratio	205%	197%

Cash generation

Cash generation is used by the group as a measure of assessing how much dividend potential has been generated, subject to ensuring other constraints are managed. Group cash generation is calculated as the movement in the group's surplus Own Funds above the group's internally required capital, as determined by applying the group's Capital Management Policy, which has Solvency II rules at its heart. For further information on cash generation please refer to page 274 and the Financial Review section.

Cash generation can be derived from the opening and closing solvency positions as follows:

	£m
Opening Solvency II surplus:	
Own Funds – 31 Dec 2022	605.1
Remove Tier 2 impact on Own Funds	(153.3)
SCR – 31 Dec 2022	(306.7)
Add back Own Funds Restriction	–
Additional capital to meet normal internal operating range (40% of SCR)	(122.7)
Surplus available for distribution – 31 Dec 2022	**22.4**
Closing Solvency II surplus:	
Own Funds – 31 Dec 2023	683.7
Remove Tier 2 debt at book value	(200.0)
SCR – 31 Dec 2023	(332.7)
Add back Own Funds Restriction	0.5
Additional capital to meet normal internal operating range (40% of SCR)	(133.1)
Surplus available for distribution – 31 Dec 2023	**18.4**

The closing Solvency II position at 31 December 2023 reflects the payment of an interim dividend of £12.6m paid during the year and reflects a foreseeable dividend of £23.5m due to be paid in 2024. As these are distributions to shareholders, akin to IFRS profit reporting, these do not form part of the cash generation metric and should be excluded. Consequently, group cash generation can be derived as follows:

	£m
Closing surplus available for distribution less opening available surplus for distribution	(4.1)
Add back: Movement in Tier 3 asset and restrictions	–
Add back: Interim dividend paid	12.6
Add back: Foreseeable year end dividend	23.5
Add back: acquisition impact	0.6
Group cash generation	**32.5**

GLOSSARY

AGM	Annual General Meeting.
ALM	Asset Liability Management – management of risks that arise due to mismatches between assets and liabilities.
APE	Annual Premium Equivalent – an industry wide measure that is used for measuring the annual equivalent of regular and single premium policies.
BAU cash generation	This represents divisional cash generation plus the impact of non-exceptional group activity.
BLAGAB	Basic life assurance and general annuity business.
CA	Countrywide Assured plc.
CALH	Countrywide Assured Life Holdings Limited and its subsidiary companies.
CASLP	Sanlam Life & Pensions UK
Cash generation	This represents the operational cash that has been generated in the period. The cash generating capacity of the group is largely a function of the movement in the solvency position of the insurance subsidiaries within the group and takes account of the buffers that management has set to hold over and above the solvency requirements imposed by our regulators. Cash generation is reported at a group level and also at an underlying divisional level reflective of the collective performance of each of the divisions prior to any group level activity.
Commercial cash generation	Cash generation excluding the impact of technical adjustments, modelling changes and exceptional corporate activity; the inherent commercial cash generated by the business.
Core surplus emergence	Absolute surplus movement of the divisions including Chesnara entity but adjustments will be made for the impact of items such as FX, T2/T3 restrictions, acquisition impacts and shareholder dividends as deemed appropriate. Note: Any adjustments will be subject to board approval (and Remco approval if they impact remuneration) and will be transparently reported.
CSM	Contractual Service Margin (CSM) represents the unearned profit that an entity expects to earn on its insurance contracts as it provides services.
Divisional cash generation	This represents the cash generated by the three operating divisions of Chesnara (UK, Sweden and the Netherlands), exclusive of group level activity.
DNB	De Nederlandsche Bank is the central bank of the Netherlands and is the regulator of our Dutch subsidiaries.
DPF	Discretionary Participation Feature – A contractual right under an insurance contract to receive, as a supplement to guaranteed benefits, additional benefits whose amount or timing is contractually at the discretion of the issuer.
Dutch business	Scildon and the Waard Group, consisting of Waard Leven N.V., Waard Schade N.V. and Waard Verzekeringen B.V.
Economic profit	A measure of pre-tax profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance measure – APM).
EcV	Economic Value is a financial metric that is derived from Solvency II Own Funds. It provides a market consistent assessment of the value of existing insurance businesses, plus adjusted net asset value of the non-insurance business within the group.
FCA	Financial Conduct Authority.
FI	Finansinspektionen, being the Swedish Financial Supervisory Authority.
Form of proxy	The form of proxy relating to the General Meeting being sent to shareholders with this document.
FSMA	The Financial Services and Markets Act 2000 of England and Wales, as amended.
GMM	General measurement model – the default measurement model which applies to insurance contracts with limited or no pass-through of investment risks to policyholders.
Group	Chesnara plc and its existing subsidiary undertakings.
Group cash generation	This represents the absolute cash generation for the period at total group level, comprising divisional cash generation as well as both exceptional and non-exceptional group activity.
Group Own Funds	In accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the group in those capital resources.
Group SCR	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
Group solvency	Group solvency is a measure of how much the value of the company exceeds the level of capital it is required to hold in accordance with Solvency II regulations.
HCL	HCL Insurance BPO Services Limited.
IFRS	International Financial Reporting Standards.
IFA	Independent Financial Advisor.
KPI	Key Performance Indicator.
LACDT	Loss Absorbing Capacity of Deferred Tax.
Leverage (gearing)	A financial measure that demonstrates the degree to which the company is funded by debt financing versus equity capital, usually presented as a ratio, defined as debt divided by debt plus equity, with the equity denominator adding back the net of tax CSM liability, as measured under IFRS.
London Stock Exchange	London Stock Exchange plc.
LTIP	Long-Term Incentive Plan – A reward system designed to incentivise executive directors' long-term performance.
Movestic	Movestic Livförsäkring AB.
Modernac	Modernac SA, a previously associated company 49% owned by Movestic.
New business	The present value of the expected future cash inflows arising from business written in the reporting period.
Official List	The Official List of the Financial Conduct Authority.
Operating profit	A measure of the pre-tax profit earned from a company's ongoing core business operations, excluding any profit earned from investment market conditions in the period and any economic assumption changes in the future (alternative performance metric – APM).
Ordinary shares	Ordinary shares of 5 pence each in the capital of the company.
ORSA	Own Risk and Solvency Assessment.
Own Funds	Own Funds – in accordance with the UK's regulatory regime for insurers it is the sum of the individual capital resources for each of the regulated related undertakings less the book-value of investments by the company in those capital resources.
PAA	Premium allocation approach – a simplified measurement model which can be applied to short-term contracts.
PRA	Prudential Regulation Authority.
QRT	Quantitative Reporting Template.
RA	Risk adjustment is the additional reserve held for non-financial risks.
RCF	3 year Revolving Credit Facility of £100m (currently unutilised) put in place in July 2021.
Resolution	The resolution set out in the notice of General Meeting set out in this document.
RMF	Risk Management Framework.
Robein Leven	Robein Leven N.V.
Scildon	Scildon N.V.
Shareholder(s)	Holder(s) of ordinary shares.
Solvency II	A fundamental review of the capital adequacy regime for the European insurance industry. Solvency II aims to establish a set of EU-wide capital requirements and risk management standards and has replaced the Solvency I requirements.
Standard Formula	The set of prescribed rules used to calculate the regulatory SCR where an internal model is not being used.
STIS	Short-Term Incentive Scheme – A reward system designed to incentivise executive directors' short-term performance.
SCR	In accordance with the UK's regulatory regime for insurers it is the sum of individual capital resource requirements for the insurer and each of its regulated undertakings.
Swedish business	Movestic and its subsidiaries and associated companies.
S&P	Save & Prosper Insurance Limited and Save & Prosper Pensions Limited.
TCF	Treating Customers Fairly – a central PRA principle that aims to ensure an efficient and effective market and thereby help policyholders achieve fair outcomes.
Tier 2	Term debt capital (Tier 2 Subordinated Notes) issued in February 2022 with a 10.5 year maturity and 4.75% coupon rate.
Transfer ratio	The proportion of new policies transferred into the business in relation to those transferred out.
TSR	Total Shareholder Return, measured with reference to both dividends and capital growth.
UK or United Kingdom	The United Kingdom of Great Britain and Northern Ireland.
UK business	CA, S&P and CASLP.
VA	The Volatility Adjustment is a measure to ensure the appropriate treatment of insurance products with long-term guarantees under Solvency II. It represents an adjustment to the rate used to discount liabilities to mitigate the effect of short-term volatility bond returns.
VFA	Variable fee approach – the measurement model that is applied to insurance contracts with significant investment-related pass-through elements.
Waard	The Waard Group.

NOTE ON TERMINOLOGY

As explained in Note C to the IFRS financial statements, the principal reporting segments of the group are:

CA	which comprises the original business of Countrywide Assured plc, the group's original UK operating subsidiary; City of Westminster Assurance Company Limited, which was acquired by the group in 2005, the long-term business of which was transferred to Countrywide Assured plc during 2006; S&P which was acquired on 20 December 2010. This business was transferred from Save & Prosper Insurance Limited and Save & Prosper Pensions Limited to Countrywide Assured plc on 31 December; and Protection Life Company Limited which was acquired by the group in 2013, the long-term business of which was transferred into Countrywide Assured plc in 2014, as well as the portfolio of policies acquired from Canada Life on 16 May 2023 and reinsured into Countrywide Assured plc;
CASLP – 'SLP'	Sanlam Life & Pensions UK which was acquired 28 April 2022 and includes subsidiaries CASFS Limited and CASLPTS Limited;
Movestic	which was purchased on 23 July 2009 and comprises the group's Swedish business, Movestic Livförsäkring AB and its subsidiary and associated companies;
The Waard Group	which was acquired on 19 May 2015 and comprises two insurance companies; Waard Leven N.V. and Waard Schade N.V.; and a service company, Waard Verzekeringen; Robein Leven NV acquired on 28 April 2022; and the insurance portfolio of Conservatrix acquired on 1 January 2023
Scildon	which was acquired on 5 April 2017; and
Other group activities	which represents the functions performed by the parent company, Chesnara plc. Also included in this segment are consolidation adjustments.

Cautionary and forward looking statements
This document has been prepared for the members of Chesnara plc and no one else. Chesnara plc, its directors or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. Nothing in this document should be construed as a profit forecast or estimate.

This document may contains, and we may make other statements (verbal or otherwise) containing, forward-looking statements with respect to certain of the plans and current expectations relating to the future financial condition, business performance, and results, strategy and/or objectives (including without limitation, climate-related plans and goals) of Chesnara plc.

Statements containing the words 'believes', intends', 'will', 'expects', plans', 'aims', 'seeks', 'targets', 'continues' and 'anticipates' or other words of similar meaning are forward looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Chesnara plc including, amongst other things, UK domestic, Swedish domestic, Dutch domestic and global economic, political, social, environmental and business conditions, market-related risks such as fluctuations in interest rates, currency exchange rates, inflation, deflation, the impact of competition, changes in customer preferences, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, the policies and actions of regulatory authorities, the impact of tax or other legislation and other regulations in the jurisdictions in which Chesnara plc and its subsidiaries operate. As a result, Chesnara plc's actual future condition, business performance and results may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements.

No representation is made with regard to forward-looking statements, including that any future results will be achieved. As a result, you are cautioned not to place undue reliance on such forward-looking statements contained in this document. Chesnara undertakes no obligation to update any of the forward-looking statements contained within this document or any other forward-looking statements we make. Forward-looking statements in this report are current only as of the date on which such statements are made.

The climate metrics used in this document should be treated with special caution, as they are more uncertain than, for example, historical financial information and given the wider uncertainty around the evolution and impact of climate change. Climate metrics include estimates of historical emissions and historical climate change and forward-looking climate metrics (such as ambitions, targets, climate scenarios and climate projections and forecasts). Our understanding of climate change and its impact continue to evolve. Accordingly, both historical and forward-looking climate metrics are inherently uncertain and Chesnara expects that certain climate disclosures made in this document are likely to be amended, updated, recalculated or restated in the future.

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