CANADA LIFE LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Registered Number: 00973271

CANADA LIFE LIMITED

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CANADA LIFE LIMITED

Directors and advisers

Directors	K Abercromby M Campbell S Cronin D Harney P Mahon S McArthur L Rix S Vanaselja A Watson
Company secretary	L Rodriguez
Registered office	Canada Life Place Potters Bar Hertfordshire EN6 5BA
Independent auditor	Deloitte LLP Hill House 1 Little New Street London United Kingdom EC4A 3TR

Strategic report for the year ended 31 December 2022

Canada Life Limited ("the Company") is a wholly-owned subsidiary of The Canada Life Group (U.K.) Limited ("CLG") incorporated in England. The Company is ultimately wholly owned by Great-West Lifeco Inc.

The company strategy is to be a leader in its chosen markets: retirement, investments and protection.

Business Review, Financial Performance and Key Performance Indicators

The company profits decreased by 24% in 2022 to £187.9m (2021: £247.9m), largely due to one-off expense items and adverse market impacts.

New business from pensions (mainly annuities) decreased by 44% to £859.9m (2021: £1,543.3m) primarily driven by lower bulk annuity sales in a highly competitive market. Bulk annuities, where the Company takes on the liability of a number of pensions in payment of a defined benefit pension scheme, were significantly lower at £343m (2021: £1,007m).

Group insurance performed strongly driven by scheme retention, with gross written premiums increasing by 8% to £635.6m (2021: £590.9m).

Gross claims have remained broadly stable year on year at £1,912.1m (2021: £1,901.2m), with less favourable morbidity experience largely offset by positive mortality experience.

Investment return was significantly lower than the prior year at a £3,299.5m loss (2021: £174.7m gain). Interest rate increases during the year resulted in unrealised losses on the investment portfolio, which are largely offset by the changes in technical provisions.

Dividends received from subsidiary undertakings in 2022 were £226.3m (2021: £77.7m).

Total assets and total liabilities including equity have decreased by 19% to £27.7bn (2021: £34.4bn) primarily due to a decrease in value of financial investments and technical provisions.

Business Review, Financial Performance and Key Performance Indicators (continued)

Included in the table below are the Key Performance Indicators used by the business.

	2022	2021
Gross written premiums	**£m**	**£m**
Insurance products	1,530.0	2,152.2
Investment products*	132.5	172.8
Investment assets		
Investments held to meet policyholder obligations	18,161.4	22,812.4
Investments for the benefit of policyholders who bear the investment risk	2,346.7	2,954.3

Number of Policies/Lives covered		
Insurance products	3,520,000	3,430,000

*As per the requirements of FRS103 A2.20 the premiums relating to investment products are recognised as an increase to financial liabilities rather than as revenue.

Outlook

Financial markets continue to be volatile, in part due to Russia's military invasion of Ukraine, the continued economic uncertainty as a result of the challenging inflationary environment and the recent events that have impacted the international banking sector.

The outlook for financial markets and real estate markets over the short and medium-term remains highly uncertain and the Company actively monitors events and information globally. To date, net impacts have been modest, reflecting the Company's diversified business and portfolio investments. The Company continues to manage risks of changes to mortality and longevity rates and monitor financial market conditions, heightened cyber and global supply chain risks which could negatively affect the Company's financial outlook, results and operations.

The Company's business strength, resilience and expertise, puts the Company in a strong position in the current environment to leverage opportunities for the future. Canada Life's strategies are flexible, positioning the Company to navigate current market conditions and continue to identify and pursue opportunities. These include organic growth and acquisition activities, while supporting customers and employees in an evolving environment.

Company employees, respect for human rights and social matters

The Company's workforce is employed by a service company within the wider Canada Life group of companies.

The People Strategy is to nurture a high-performance organisation, united in purpose and committed to delivering positive outcomes for customers. The Company does this by employing great people, who work in an inspiring culture and are focused on delivery.

The Company seeks to attract, retain, and reward colleagues who are passionate about our future and contribute to the Company's business success.

The Company is an equal opportunities employer. The Equal Opportunities and Diversity at Work Policy and Anti-Discrimination Policy sets out the Company's aims to ensure that all individuals are treated equally and fairly and decisions on recruitment, selection, training, promotion and every other aspect of employment are based solely on objective and job-related criteria. It is the Company's policy to treat all employees and job applicants fairly and equally regardless of their sex, sexual orientation, gender reassignment, marital/civil partnership status, race, religion or belief, age or disability, pregnancy or parental leave.

The Company believes that enhancing diversity, equality and inclusion will make the Company stronger and deliver superior results. The Company has made progress towards gender equality and inclusivity and is committed to driving initiatives across all aspects.

This includes:

- How the Company attracts the best candidates from all backgrounds for roles at all levels of our organisation;
- How the Company develops and engages with our colleagues to give everyone the opportunity to fulfil their potential;
- How the Company creates a flexible working culture which supports a diverse workforce;
- How the Company engages with and retains the people the Company needs to drive future success.

The Company trains and develops its employees to perform their roles to a high standard and to encourage them to reach their potential. Internal and external training is offered to employees on skills related to their current and possible future roles, this includes technical and softer skills training. The trainee schemes offer financial subsidies and study leave to support relevant professional qualifications, for example actuarial and accountancy bodies.

The Company's approach taken to remuneration is based on four guiding principles. The Company designs remuneration programmes, develops policies and practices and makes remuneration decisions. These support the Company's objective of generating value for shareholders and policyholders, as well as delivering positive outcomes for customers, over the long term seeking to:

Company employees, respect for human rights and social matters (continued)

- Attract, retain and reward qualified and experienced employees who contribute to the success of the Company;
- Motivate employees to meet annual corporate, divisional and individual performance goals;
- Promote the achievement of goals in a manner consistent with the Code of Conduct; and
- Align with regulatory requirements and sound risk management practices.

The Company's Wellbeing policy demonstrates its duty of care in maintaining the positive health and wellbeing of all our employees. It aims to establish a culture that educates, raises awareness and ensures effective processes are in place to enable employees to feel empowered and positively flourish whilst at work. It encourages and facilitates working practices and services which support the health and wellbeing of our employees, reducing health risks and ensuring that individuals are appropriately supported whilst at work.

WeCare is part of our employee benefits offering a 24/7 online GP, mental health support service, get fit programme and more. It gives colleagues and their immediate family 24/7 access to experts, all from the comfort of their own home. Throughout the year we have maintained colleague engagement and support services to ensure colleagues look after their physical, mental and emotional wellbeing.

During 2022 the Company further demonstrated its commitment to supporting its colleagues and became a member of the Living Wage Foundation, signed the Workplace Menopause Pledge and the Women in Finance Charter. The Company also recognised Black History Month and offered bias awareness training to all colleagues.

In 2022 the Company conducted a number of formal and informal colleague surveys. This included a global engagement survey and regular pulse check-ins. The Company takes all the feedback seriously and the Executive team reviews it, identifying and actioning areas for improvement as well recognising the strengths which are highlighted.

The Company has an Employee Consultation Forum which provides the Company's workforce, through their elected representatives, the opportunity to work collectively and collaboratively with leaders to understand, support and influence proposals which may impact our workforce and the wider business. They represent and communicate the views of colleagues and provide feedback on key issues. It enables regular and effective consultation between management and employees, where issues of mutual interest and concerns can be freely discussed. Opinion and feedback is gathered and fed back to management to consider and implement changes to improve the way we work together.

Great-West Lifeco Inc., our parent company, set a global Code of Conduct 'Building Trust by Doing What's Right'. It requires all employees to act ethically and in accordance with our core values. Each year every employee is required to complete a mandatory training module on the Code and to acknowledge that they are in compliance with the Code.

Company employees, respect for human rights and social matters (continued)

The Company has a range of policies which ensure it promptly and thoroughly investigates any reports of unlawful discrimination. Where the Company determines that unlawful discrimination has occurred, it will take appropriate disciplinary action against those responsible. The Harassment and Bullying at Work Policy states the Company's commitment to providing a working environment for its entire staff that is comfortable and free from all forms of bullying and harassment.

The Company encourages employees to immediately report any such issues confidentially and, if preferred, anonymously. It is committed to the implementation of these policies and to a programme of action to ensure that they are fully effective.

Following the introduction of the Modern Slavery Act 2015, the Company first published its Modern Slavery Act Statement in 2016. The statement, which is updated annually, sets out the steps that have been taken to ensure the detection and prevention of modern slavery across the Company's operations and supply chain.

The Company takes its charitable giving responsibilities seriously and supports important causes, both in the local communities it operates in and at a national level. During the year, it provided regular financial support to charity by enabling colleagues to donate through a payroll deduction scheme and then matching this corporately. Sixty local charities also benefited from a colleague-nominated community grants programme which allowed colleagues to nominate a charity important to them. The Company continued to support grass roots football in its local communities, with a particular focus on providing opportunities for girls' teams. The Group's Service Company made donations to support foodbanks in its local communities. On an international level, the Company joined sister companies in Ireland and Germany to donate to UNICEF's Ukraine appeal.

Anti-Corruption and Anti-Bribery matters

The Company is committed to integrity and ethical behaviour in all its activities. High standards of conduct are important in maintaining the trust and confidence of our customers, shareholders, people with whom the Company do business and the communities in which we live and work. The Company is committed to maintaining the highest standards of ethics and does not tolerate any form of Financial Crime.

The Company has a Financial Crime Operating Policy which sets out the key requirements to ensure that areas where there is high risk of financial crime are identified and effective internal controls and processes are in place to prevent these. The Company has a number of standards in place to support the Financial Crime Operating Policy, these include:

Company employees, respect for human rights and social matters (continued)

- Anti-corruption and Anti-bribery standard – this standard sets out the Company's approach against making or accepting bribes inducements, kick-backs, facilitation payments or other improper payments and provides guidance of what activity constitutes bribery and corruption;
- Raising a Concern Policy – This policy outlines the Company's approach to support employees in being able to raise concerns in a safe and constructive way.

To ensure that all employees are aware of the Policies a number of mandatory training exercises are carried out each year. Colleagues pass a test at the end of each training session to demonstrate an appropriate level of understanding of the requirements.

Environmental matters

The Task Force for Climate Related Financial Disclosures (TCFD) was established in December 2015 by the Financial Stability Board (FSB) to develop climate-related disclosures. The TCFD produced a framework which is built around disclosures in four core recommended areas: Governance, Strategy, Risk Management and Metrics and Targets.

The Company produced its first climate disclosure (jointly with Canada Life Asset Management Limited) aligned to the TCFD's recommended disclosures in 2022 in respect of the financial year ended 31 December 2021.

The table below summarises the Company's voluntary climate related financial disclosures as per the requirements of sections 414CA and 414CB of the Companies Act 2006, which the Company will report against on a mandatory basis for the year ended 31 December 2023. We are voluntarily disclosing against each requirement and over the course of 2023 we will continue to develop and embed climate considerations into our business and operations to support future disclosure:

a) governance arrangements in relation to assessing and managing climate-related risks and opportunities	Our Board and Executive governance structure provides clear oversight and ownership of the Sustainability Strategy and management of climate risk. The Board approved our first climate disclosure in 2022 and received training in April and July 2022 to continue to develop their understanding of climate-related risk. The Board reviewed the Climate Strategy in February 2022 and input into the wider Sustainability Strategy and the Steering Committee approved the Sustainability Strategy in H2 2022. In 2022, we reviewed our Governance structures, including the formal committee's roles and responsibilities and began to work towards our target model.

b) how the company identifies, assesses, and manages climate related risks and opportunities	Our Risk Management Framework follows five processes to allow us to identify, measure, manage, monitor, and report risks (IMMMR); incorporating risk models, stress testing and scenario analysis to enable dynamic risk-based decision-making. There is ongoing development of climate risk assessment tools and methodologies, for example, we have started to tier our investments to monitor how our portfolio aligns with our targets. We ran a series of workshops to assess the potential for climate-related opportunities and we will continue to develop our propositions in this area through 2023.
c) how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company	Using our established risk management processes, the Company has continued to further integrate climate risk into our business-as-usual risk frameworks and developed our understanding of the materiality and nature of these risks. Board Risk Committee (BRC) approved initial phases of, and plan for a wider piece of work to determine our sustainability risk appetite building on our emerging Sustainability Strategy and enhanced climate data.
(d) **(i) the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and** **(ii) the time periods by reference to which those risks and opportunities are assessed;**	We have described the key climate-related risks identified to date and defined our short, medium and long-term time horizons.
e) the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company	We have focused on our Sustainability Strategy over the course of 2022 with a strong climate focus within two of our pillars, Responsible Investing (RI) and Sustainable Operations (SO). We have provided granular detail on how we identify and manage the risks at an asset level and the potential impact on our business strategies for each area.
(f) analysis of the resilience of the business model and strategy of the company, taking into consideration of different climate-related scenarios	In 2022, we leveraged the PRA's Climate Biennial Exploratory Scenario (CBES) exercise for our scenario specification, and we continue to take actions to further embed climate into our risk management processes. This included adding an Early Policy Action scenario, the results of our analysis are summarised below.

(g) targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets	We have set targets that articulate our ambition to achieve net zero in our own operations by 2030 and for the activities of those we finance by 2050, with interim ambitions set for 2025 and 2030.
(h) the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based	We have set our preferred metric to monitor the performance of our portfolio Weighted Average Carbon Intensity (WACI). We have included details of our operational emissions covering scope 1, 2 and 3 emissions. We have published our initial 2021 financed emissions baseline to track progress against our commitments.

Governance

Board oversight of climate risk and the role of our committees

We have placed a priority on climate change and the transition to net zero, and good corporate governance is essential to executing our strategy. The Board is ultimately responsible for the oversight of climate change-related risks and opportunities, however; there are sub-committees that oversee the embedding of the Company's climate change plan. During 2022, we reviewed our Governance Structure and began the transition to the structure shown in Figure 1 to increase the agility of our organisation while ensuring that we retain sufficient governance and oversight.

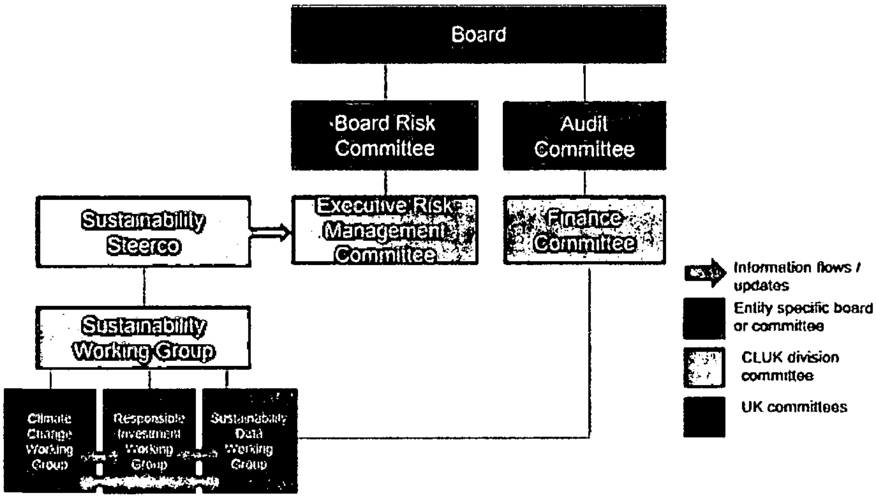


Figure 1 CLL Board Oversight Structure

The below table summarises the various responsibilities of the Board and its committees and the role they played in 2022.

Board or Committee	**Purpose**	**Role in 2022**
Board	Overseeing and setting our climate change strategy, as well as the management of climate risks and opportunities	Board meets quarterly and received an update on our 2022 Climate Roadmap in February 2022 Reviewed, commented on and approved our first TCFD Report, and reviewed and commented on our emerging Sustainability Strategy in July 2022 Received training in April and July 2022 on climate metrics and disclosures
Sustainability Steering Committee	Drive our climate and wider Sustainability Strategy and decision making forward Ensure alignment of activities across the Company	Committee met 8 times in 2022 and reviewed, commented on and approved 2022 Climate Roadmap, approved decision to prepare first TCFD Report and appointed consultants to assist with this Reviewed, commented on, and approved Sustainability Strategy Approved our first TCFD Report

Board Risk Committee (BRC)	Primarily responsible for the monitoring and management of the risks associated with our business activities, including climate risk	Received quarterly updates on our progress against our 2022 Climate Roadmap, including our reputational key risk indicators (KRI) Met 9 times in 2022 including a training session and a joint meeting with Audit Committee Approved the scope of our proposed climate scenarios in June 2022 and results of our climate scenarios in October 2022 Approved initial phases of, and plan for, a wider piece of work to determine our sustainability risk appetite building on our emerging Sustainability Strategy and enhanced climate data
Climate Change Working Group (CCWG)	Drive the implementation of the climate change strategy and management of climate risks in our insurance business	Responsible for delivery of the 2022 Climate Roadmap including our TCFD report and climate scenarios
Responsible Investment Working Group (RIWG)	Accountable for delivering our Responsible Investment Strategy, including stewardship activities and reporting	Worked to define the Responsible Investment Strategy including developing a tiering of all our investments to reflect climate alignment Involved in the preparation of the TCFD and Stewardship Report
Sustainability Data Working Group (SDWG)	Developing and delivering accurate and timely Sustainability data for management information, risk monitoring, client, regulatory and internal needs	New group formed in 2022 to improve the quality, timeliness, and assurance of our climate data

Senior management level responsibility for climate risks

As well as having the oversight of the Board and Sub-Committees, delivering on our climate change strategy requires our senior managers to provide strong leadership, acting as role models for the rest of our business. We have therefore assigned individual climate change responsibility to three senior management positions whose remuneration is linked to successfully achieving these goals.

The Chief Executive Officer has strategic climate responsibility to establish our ambition in ESG and Climate Change and deliver on our Sustainability Strategy.

The Chief Risk Officer has Senior Management Function responsibility for managing the financial risks relating to climate change, as required by the Prudential Regulation Authority (PRA). They are also responsible for facilitating strategic decision-making regarding the financial impacts of climate change by ensuring that there is a plan and reporting in place.

The Chief Investment Officer at CLL has responsibility for ensuring that ESG factors are considered in our investment activities.

Significant potential climate risks are escalated to the Chief Investment Officer, and where they may have a material impact on financial results, to the Chief Financial Officer and Chief Executive Officer.

Embedding Sustainability through training

Our aim is to integrate climate change and ESG considerations into the way we work at all levels of our business. Each of our colleagues plays an important role in achieving this goal and we have a responsibility to provide the right resources and tools to allow them to develop their understanding of climate risks and opportunities.

Our board members receive ongoing climate training to ensure that they can provide effective and informed leadership on our climate change strategy and risk management. This training has included understanding climate metrics and disclosure. We also ensure that new Board appointments understand the importance of these matters, with climate change, ESG and stewardship activities included in induction plans.

In 2022, we expanded climate training to all colleagues through socialisation sessions and in 2023 we plan to build upon this.

Embedding sustainability into performance assessments

Our bonus scheme aligns individual contribution and behaviours to the achievement of our business's financial and long-term strategic objectives. We reviewed our performance assessment structure to strengthen the connection between the values we are encouraging, and the incentives provided. To achieve this, a significant proportion of all relevant individuals' available bonuses in 2022 were set up to reward activities meeting a variety of non-financial objectives. These objectives ensure that:

• care, expertise, and clarity are central to decision-making.

• integrity and responsibility are rewarded; and

• the perspective and needs of the customer are prioritised.

While the core objectives of the performance assessments are not specifically climate-focused, by evidencing that they have embedded sustainability into their daily activities, an employee could demonstrate how they have met them. In 2023, colleagues will be asked to demonstrate how they are living the Company purpose which includes being a sustainable business.

Future developments for considering and monitoring progress of climate related issues

We are working to develop our processes for considering climate-related issues when reviewing and guiding annual budgets and business plans and in 2023, we are developing and enhancing our scorecards to incorporate climate more strongly.

We have set risk tolerances which are monitored through KRIs and provided to the Board Risk Committee on a quarterly basis. This includes exposure to the sectors we have identified as being most sensitive to climate risk and limiting exposure to high-risk sectors within our corporate bond portfolio. We will continue to develop this approach during 2023.

Strategic report for the year ended 31 December 2022 (continued)

During 2022, we reviewed our cover sheet for Board and Committee reports to specifically highlight relevant sustainability considerations (including climate considerations) to allow boards and committees to ensure explicit consideration of these factors, where relevant.

Strategy

Several strategic actions have been undertaken over the past year to embed the management of climate-related risks and opportunities into our strategic plans. These included establishing a better understanding of our 'carbon footprint' measurement for portfolios and operations, building on existing capabilities and data, and developing our scenario analysis.

During 2022 we developed our wider Sustainability Strategy and identified four areas of focus:

- Responsible Investing
- Sustainable Operations
- Diversity, Equity & Inclusion
- Culture & Community Impact

We set our net zero targets covering financed emissions and operational emissions and became a supporter of the TCFD, whilst publishing our first set of disclosures.

Of the four areas of our Sustainability Strategy, the most direct climate impact will likely come from our approach to Responsible Investing and Sustainable Operations and as such, the key developments in 2022 in respect of these areas are summarised in the table below:

We have assessed our risks and opportunities and the impact on our strategy by business line rather than by sector or by geography as this is most appropriate for our business structure.

Responsible Investment	Canada Life Asset Management Limited received Stewardship Code signatory status in 2022 and set out our approach to responsible investing in our annual stewardship report. Developed our methodologies and tools for understanding climate risks including through scenario analysis. Developed our understanding of the emissions generated by the assets we own or manage. Introduced thermal coal screening to support our commitment to emissions reduction. Developed and invested in our stewardship capabilities including our approach to collaborative engagement. Undertaken a preliminary analysis of the opportunities that climate change could offer for our customers.

Sustainable Operations	We developed our Environmental Management System (EMS) to align to our Net Zero targets. We have reduced the size of our occupied corporate estate by moving to a new smaller office in Bristol. The building has an energy performance certificate (EPC) A-rating (which shows it is highly energy efficient by design) and is a Building Research Establishment Environmental Assessment Method (BREEAM) excellent rated, newly constructed building. Our fit-out has received a RICS SKA Gold accreditation. We implemented a number of steps at the properties we still occupy and own to make them more efficient, including entering into a contract for the supply of renewable electricity to our owned offices occupied by Canada Life UK. We have added additional consideration to sustainability factors in our Procurement Outsourcing & Supplier Risk Management Policy. We have adopted blended ways of working and have calculated our homeworking emissions. We have run a series of workshops across our organisation to identify areas where we believe we can make a difference for our customers and employees.

Responsible Investment

The Company recognises that we are not simply the stewards of our own and our customers' assets, but also of the wider financial system in which we operate and minimising its environmental footprint is the right thing to do for the benefit of its stakeholders and the wider community.

The Company manages and owns a wide range of investments for our customers and clients, and these investments are at risk of being impacted by climate change and the transition to net zero. We are taking action by adopting an investment strategy that considers climate change in our decision-making process and engaging with the companies that we invest in to drive meaningful change. By doing so, we can influence the climate-related impacts on investment portfolios and move towards delivering on our financed emissions targets which apply to our shareholder funds where we have control and influence. A summary of some of the steps we are taking, reflecting the different characteristics of each asset class, is set out in the following table.

Asset Class	Identified Risks	Impacts and Risk Management Strategies
Fixed Income	**Transition risks** - arise through the risk that the companies we invest in do not set a successful business strategy for the net zero transition **Physical risks** - arise through severe climate change impacting companies' infrastructure and operations The risks could manifest through interest rate risk or probably more materially through credit risk, specifically the risk of possible credit rating downgrades and defaults which would devalue some of our fixed income holdings	**Research:** We perform a fundamental ESG analysis through our proprietary internal ESG assessment identifying ESG indicators that could either positively or negatively impact the issuer's creditworthiness over time We exclude certain companies and sectors for their involvement in specific industries and activities that do not align with our ESG objectives, we employ thermal coal screening the details of which are set out in our full TCFD Report Key climate metrics, sourced from our data providers, are used as a starting point to inform our analysis. We consider several factors, such as the issuer's absolute carbon emissions, carbon intensity and emissions reporting quality along with detailed research into the issuer's ESG strategy, targets, and progress against them, to form our own in-house view. This feeds into a tiering of our issuers into climate leaders, follower and laggards which reflects the level of alignment an issuer has with our own net zero goals **Integration:** The research is considered by the portfolio management team as an input into our investment decision-making **Engagement:** We identify engagement targets using our prioritisation and engagement framework which we developed in 2022 to ensure we reach the most material issuers. We use our membership of the Institutional Investors Group on Climate Change and Climate Action 100+ and CDP to amplify our climate engagement work **Monitoring & Reporting:** We continue to develop internal measures to monitor the success of our actions

Equity Whilst these are not held on our balance sheet to meet our liabilities, investment in equities managed by CLAM form the building blocks of some of our wealth products	**Transition risk** - the companies we invest in may experience regulatory pressure, a reduction in sales and, ultimately, a decrease in their share price. This has the potential to decrease the value of our equity portfolio **Physical risks** - these could also affect the value of our equity portfolio if the companies we invest in fail to protect their assets and operations against increasingly frequent extreme weather conditions or natural disasters	**Research:** Identifying and assessing ESG factors and risk using tools and research provided by external data providers and industry initiatives to which we belong. This research is used to assess and potentially exclude certain companies and sectors for their involvement in specific industries and activities that do not align with our ESG objectives, such as thermal coal as outlined in Fixed Income above **Integration:** Consider internal and external research for material ESG risks and adjust active positions accordingly when constructing portfolios. Review overall fund level scores and ESG performance at a quarterly portfolio review **Engagement:** We identify engagement targets using our prioritisation and engagement framework which we developed in 2022 to ensure we reach the most material issuers, including the use of membership of the Institutional Investors Group on Climate Change and Climate Action 100+ and CDP to amplify our climate engagement work. In 2022 we continue our climate thematic campaign this time considering the link between executive incentives and climate targets **Monitoring and Reporting**: We continue to develop internal measures to monitor the success of our actions

Property	**Transition risks:** primarily arise through increasingly strict energy efficiency requirements and changing occupier sentiments **Physical risks:** primarily arise through an increased risk of flooding, extreme temperatures, and rising sea levels	**Research:** We developed our Environmental Management System (EMS) to align to our Net Zero targets and assess risks and opportunities to inform our decision-making processes and identify areas for additional scrutiny and action **Integration:** Our EMS helps us embed our assessment of the risks and opportunities into our decision-making. As a result, we acquire assets only where we are confident that they can be decarbonised in line with our net zero strategy and screen for high flood risk. Standards for new build and major refurbishment projects ensure prompt implementation of net zero design strategies, including an energy rating under Building Research Establishment Environmental Assessment Method (BREEAM) of 'very good' or higher and an Energy Performance Certificate (EPC) rating of at least 'C' **Engagement:** We encourage tenants to materially reduce their scope 1 and 2 emissions, through engagement and negotiating green lease clauses into our contracts Managing agents regularly engage with tenants and prioritise sustainability **Monitoring & Reporting:** We produce reporting aligned with the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) guidelines and ISO14001. We monitor our progress against our targets in quarterly KPI reports and submit all our funds to Global Real Estate Sustainability Benchmark (GRESB)

Real Estate Finance	**Physical risk:** Primarily arising through flood risk **Transition risk:** Arising through the energy efficiency of the property and changing occupier sentiment Whilst these risks initially fall on the borrower the long-term nature of our loans means that it is crucial, we consider these risks to ensure our portfolios are resilient to climate change	**Research:** Our lending property due diligence process is key to our climate risk assessment providing information on the energy efficiency of the building, flood risk, contamination, and ground conditions, as well as the condition of the building itself through independent environmental assessments and building surveys **Integration:** Our underwriting criteria integrate the results of our due diligence into our investment decision-making, removing high risk properties and identifying where borrowers can implement credible plans to improve energy efficiency **Engagement:** Dialogue with our borrowers on ESG issues allows us to target improvements in the energy efficiency characteristics of mortgaged properties or tackle issues identified by the building and environmental surveys **Monitoring & Reporting:** Ongoing data collation and reporting on energy efficiency characteristics and environmental standards allows us to monitor progress throughout the life of the loan
Equity Release Mortgages (ERMs)	**Physical risk:** Our current risk management approach focuses on the flood and subsidence risk to properties, which we currently identify as the most material short-term risk to our portfolio **Transition risk:** Arising through the energy efficiency characteristics of the property	**Research:** For the underwriting process we investigate historical flood and subsidence risk and insurance **Integration:** Our lending criteria exclude properties subject where flooding and/or subsidence risk exceeds our appetite **Engagement:** We are currently developing our engagement plan with respect to ERMs **Monitoring & Reporting:** We produce quarterly flood risk reporting and annual energy efficiency data

Resilience of our strategy in multiple climate scenarios

To effectively protect our customers and business, it is important that we understand the potential size and scope of the impact of climate change on our investment portfolio in its entirety. We can achieve this by assessing the impact of potential scenarios on our portfolio. The Company has undertaken climate change scenario analysis in 2022 to provide insight into the 'size' of the financial risks of climate change to the Company's balance sheet. As a result, the Company has considered investment actions which could be undertaken to mitigate the impacts. The Company leveraged the PRA's CBES exercise for its scenario specification. The scenario analysis looked at the financial impacts on the assets, and the liabilities by stressing longevity.

This exercise considered the financial impact (to Solvency II Own Funds) of three scenarios:

- Early Policy Action – where an orderly transition to a low carbon economy occurs with ambitious climate policy through the 2020s, with a gradual intensification of carbon taxes and other policies over time. This scenario provides insight into the Company's exposure to 'transition risks' in a less than 2-degree world.

- Late Policy Action Scenario - where the global transition to a low carbon economy is delayed - leading to a more severe and disorderly policy action from the governments to compensate for the late start. This provides insight into the Company's exposure to the 'transition risks' of climate change.

- No Additional Policy Action - where no policy action is delivered beyond that which has already been enacted. This provides insight into the Company's exposure to the 'physical risks' of climate change.

The scenario analysis allowed the Company to consider the impact on its assets of different climate change scenarios. Overall, in the climate change scenarios, the Own Funds impacts were less than the solvency buffer the Company currently holds over SCR, indicating this is less severe than a '1-in-10 year' event across all risks. The analysis indicates that the Company's investment portfolio is resilient to the financial impacts of climate change, with relatively low exposure to sectors which are most severely impacted, or to residential and commercial properties with high flood risk.

The scenario analysis was a helpful exercise in developing the Company's thinking in relation to climate-related risks. This exercise helps to further articulate the risks of our holdings to different climate change risks and help inform future investment decision making. The addition of the Early Policy Action scenario shows how the Company continues to develop its climate change analysis capabilities and further incorporate this type of analysis in its risk management processes to align to the UK Government's net zero ambitions and ensure readiness for future regulatory expectations.

Sustainable Operations

In addition to integrating ESG considerations and climate-related risks into our investment portfolios, we are also aiming for net zero in our operations. Our operational emissions arise through our office use, our wider real estate holdings, delivering our products and services and our employees' workplace, as well as the suppliers and third parties that we work with.

We focus our Operational Strategy on four key areas:

- Property (in relation to our owned and leased offices)
- People
- Procurement
- Products

We aim to reduce carbon emissions in the offices that we occupy for our operations, which includes owned and leased offices. We currently occupy three offices in the United Kingdom – in Bristol, Potters Bar and London. Of these three offices, we own two buildings and lease one building. The key difference between owning and leasing the property is the level of control that we have over the emissions of the building, and therefore the approach we take to improving its sustainability.

A summary of the key strategic initiatives for each of the four areas of our operations is shown in the table below:

Core Operational Area	Strategic Initiatives
Property	**Owned Office:** The refurbishments undertaken in 2020 and 2021 of our London and Potters Bar buildings continue to deliver energy efficiency and workspaces to inspire collaboration, agility and efficiency which underpin our strategic focus on integrating sustainability into how we work throughout our business. **Leased Offices:** We have less control over the operation of the buildings, and therefore, to make substantial progress towards our net zero targets, we either need to change offices or engage the landlord to deliver change. In the first half of 2022, we took the decision to move offices in Bristol to an EPC A-rated, BREEAM excellent, newly constructed building. **Waste:** By the end of 2023, we intend to divert 100% of our waste from landfill both in our occupied offices and wider property portfolio, where we have control over waste operations and where infrastructure allows.

People	**Blended working:** In 2022, we engaged with our employees to understand their homeworking carbon emissions reflecting that we have formalised our blended working model. **Decision-making:** We are integrating a culture of sustainability and every colleague is encouraged to show climate leadership and consider climate change in their decision-making. Examples of this include decisions colleagues make on how they decide to travel or whether they decide to print. We have removed many printers from our offices as we have implemented our corporate property strategy and supported further reductions in unnecessary printing through systems and process improvements which we believe will lead to tangible reductions in printing volumes in 2023. Our blended working model and the technology that supports this allows us to make more choices about whether to travel. In 2022, we reviewed our travel policy to encourage sustainable choices more strongly, both in terms of whether to travel (only where there is a business benefit to meeting face-to-face) and to select more efficient modes of transport. Currently, we measure business travel emissions from our very limited fleet (scope 1) and business mileage (scope 3).
Procurement	**Supply chain:** Climate change has the potential to cause disruption to our supply chain, due to increasingly frequent flooding of production sites and disrupted raw material supplies. Our Procurement and Supplier Governance Team identifies our key suppliers and establishes a business resilience plan should any fail. We have also established a Procurement Outsourcing & Supplier Risk Management Policy, which include sustainability principles.
Products	**Insurance:** Climate-related longevity risk primarily arises in our insurance division through our annuity business. To investigate the impact of climate change on longevity risk and ensure we can pay our customers, we have developed our longevity scenarios to include scenarios where climate change leads to a range of potential impacts on life expectancy. **Wealth Proposition:** We offer more than 2,000 funds to financial advisers in our Wealth proposition. Risks facing investments made through this side of our business are similar to those faced by our own investments. In the short-term, they typically reflect the transition risks of climate change and in the long-term they reflect the physical risks. We protect customers by helping advisers to understand the risks by providing climate-related information, offer a range of solutions that have a positive climate impact and hold external managers to account for the climate impact of the external funds offered.

Risk Management

Climate change presents financial risks which impact the Company's business. While the full effects of climate change will materialise over the longer term, some are also becoming apparent now. The Company believes it is important to move from managing the financial risks from climate change to a strategic approach that considers how the actions taken today will affect both wider society and the Company in the future.

Using our established risk management processes, the Company has continued to further integrate climate risk into our business-as-usual risk frameworks and developed our understanding of the materiality and nature of these risks.

Integration into our overall risk management

The Enterprise Risk Management Framework allows the board and management to set our risk strategy and risk appetite. Our risk strategy is designed to ensure the resilience of our business operations and sustainable growth.

Our Risk Management Framework follows five processes to allow us to identify, measure, manage, monitor, and report risks (IMMMR); incorporating risk models, stress testing and scenario analysis to enable dynamic risk-based decision-making. This is summarised below:

- **Identification** - We have processes designed to identify new and emerging risks. We understand and control the risks we face through regular reviews of the risk categories in our risk strategy
- **Measurement** - The quantification of our risk profile compared to our risk appetite and risk limits
- **Monitoring** - Monitoring our risk profile
- **Management** - Managing the risks we face, e.g. through reinsurance and hedging
- **Reporting** - Reporting on the existing and emerging risks we face and our exposures to these risks. Risk reports are presented to senior management and provide information on changes in the risks faced and risk management

Climate change risk is incorporated into our risk strategy and risk appetite framework as a risk driver rather than a risk itself. This reflects how climate risks are likely to drive changes in other risks, such as longevity risk and credit risk. The impacts of climate change will vary depending on the timing and effectiveness of the net zero transition.

Identified climate risks

Both climate change, and the global response to it, have the potential to impact our business. Climate-related risks may adversely affect invested assets, tenants, customers, reinsurance counterparties and suppliers, which in turn may negatively impact the Company's operations and financial condition. These impacts arise through two main categories of climate risk, transition risk and physical risk.

Transition risks are risks relating to the transition to a low-carbon economy and a net zero world. The drivers of these risks include:

- Changes in policy and regulation

- Shifting sentiment and societal preferences

- Disruptive technology and business models

The Company's exposure to transition risk consists primarily of exposure to credit risks arising from its investment portfolio, as industries adjust to legal and policy changes, changing business models and consumer behaviour. Through debt investments or supplier relationships, the Company may also become subject to the negative impacts of transition risks on third parties. The Company's financial condition may be negatively impacted by costs associated with changes in environmental laws and regulations and regulatory enforcement. Further, the Company's reputation, financial performance and ability to generate business may suffer if the Company fails to meet stakeholder expectations on environmental risk mitigation practices and carbon reporting.

Physical risks are risks relating to the increased frequency and severity of climate related events such as heatwaves, floods, wildfires and storms or long-term shifts in climate patterns that lead to rising sea levels or chronic heatwaves. These risks are driven by climate change itself and may negatively impact the Company's insurance liabilities, the Company's assets, for example the value of the Company's corporate and investment properties and their ability to generate income, and business continuity. The Company may experience direct or indirect financial, operational, or reputational impact stemming from environmental risk events. For example, liability under environmental protection laws resulting from the Company's commercial mortgage loan portfolio and real estate investments may impact the Company's financial strength and reduce its profitability.

Transition and physical risks can also manifest by causing shifts in mortality and morbidity rates over the short and long terms. The Company's results may be adversely affected if mortality and morbidity rates deviate from management's assumptions.

We also consider a third risk factor – litigation risks – arising from the failure of the business to correctly include climate risk in decision-making and disclosures. Litigation risks result from liabilities or litigation arising from inaccurate or misleading disclosures leading to a direct liability for the Company or indirect liability for the Company as a result of investing in businesses which are found to have made inaccurate or misleading disclosures. The Company's exposure to litigation risk is generated by exposure to credit risks arising from its investment portfolio. The Company is also exposed to litigation risk through the commitments and promises it makes in relation to climate change. These losses can arise from either physical or transition risks and are considered under both.

Typically, due to their nature, transition risks are more likely to occur over the short to medium-term as the economy transitions to net zero, and physical risks are more likely to increase in severity over the medium to long-term as the impacts of climate change materialise.

The climate risks impacting our business and stakeholders are outlined in the table below. These risks were identified through a series of workshops hosted by our insurance and operational business-units. Risks relating to our investments were identified through our standard risk management processes.

In the table we have used the following time horizons which we have assessed as appropriate to reflect the crystallisation of climate related risks:

- Short term: 1-10 years
- Medium term: 10-30 years
- Long term: 30+ years

Type	Identified risk	Detail	Our approach
Transition & Physical Time Horizon: Short, medium, and long-term	Changing nature of the risks that underlie our insurance products and services • Longevity risk • Mortality & morbidity risk • Reinsurance counterparty risk • Market risk	We have considered the risk to our insurance business posed by climate change, which could impact: • how long our customers live • how likely our customers are to suffer from serious disease • how able our reinsurers are to meet their obligations to us and • the value of our liabilities to customers	We have established risk management processes for measuring, monitoring, and managing each of those risk types We also have a range of products that will not all react to those risks in the same way, which will mitigate the overall impact We are enhancing our scenario analysis to develop a better understanding of how climate change might impact how long our customers live

Transition Time Horizon: Short, medium, and long-term	Changing nature of reputational risks that we face • Reputation • Strategic • Customer	We have considered reputational risk and the negative impacts on customers', advisors', employees', and partners' perceptions of us if we: • fail to adapt our business model appropriately • fail to achieve our climate ambitions	Our Sustainability Strategy, strategic objectives, and evolving approach help mitigate reputational risks that may arise We use our reputational risk monitoring framework to monitor these risks We are adapting our business to climate change, continuing to demonstrate our commitment to a low carbon world and exploring potential climate-related products that we could offer to our customers
Transition Time Horizon: Short, medium, and long-term	Changing policy environment • Litigation • Regulatory • Strategic • Operational • Customer	We have considered the risks to our business posed by shifts in climate related regulation which may result in: • our business becoming more expensive to operate in the short-to medium- term • assets becoming harder to sell or prematurely losing value We have also considered the risks to our business as a result of litigation against us and our investee companies increasing if our current business practices, or those of companies we are invested in, are seen to be damaging to the climate, fail to align with current regulation or are misleading	We are actively monitoring regulatory developments, reducing the risk of changing regulatory requirements negatively impacting our business We believe that our Sustainability Strategy and climate commitments, alongside our regular cycle of risk identification, monitoring and management processes, will mitigate climate-related litigation risk
Transition Time Horizon: Short, medium, and long-term	Changing demand for our products and services • Strategic	As well as impacting how we assess the risks associated with our products, climate change may impact the products our customers need and desire	We have started to consider potential opportunities for developing our customer proposition to reflect these changing preferences

Transition & Physical Time Horizon: Short, medium, and long-term	Impacts on our assets, assets under administration or management • Credit risk • Market risk • Strategic	We have considered the risk to the assets that back our liabilities and the customer assets we administer and manage posed by climate change. This could impact: • whether the companies we invest in can meet their obligations to us, such as by paying back money they owe us • demand and supply for certain goods and products, triggered by transition impacts such as switching away from high carbon technologies. Supply and demand may be impacted by physical risks, causing disruption to supply chains which may impact prices and therefore impact: - whether the assets we hold generate the returns we need to meet our obligations to customers - our ability to competitively price our insurance and investment products	We have existing risk management techniques for managing these risks in our business. For example, investment processes that identify and manage the climate risks to our assets We have established processes for managing large swings in prices which include closely matching assets and liabilities and contractual protections such as caps on price increases We believe that our Sustainability Strategy and climate commitments, which include our net zero targets and our engage, grow, reduce approach (set out in detail in our TCFD report) will mitigate these risks

Transition & Physical Time Horizon: Short, medium and long-term	Impacts on our business operations • Operational risk • Supply chain disruption • Technological risks	We have considered the risks to our business posed by climate change; these impacts could affect: • our operations, by disrupting our ability to safely open our buildings or for employees to travel to our buildings, as floods and heatwaves become more common • our supply chain - through physical impacts such as more extreme weather affecting key suppliers • the technology we use; we may need to invest in new technologies which could increase our costs base	We continually monitor and adapt our disaster recovery and business continuity management processes to ensure that they remain sufficient and appropriate in the event of a climate-related emergency. These processes monitor the resilience and ability of our buildings, systems, and staff to adapt to extreme climate situations We are actively identifying key suppliers and building a business resilience plan to put into action if any area of supply should fail We are integrating technological innovations into our business operations and property portfolio; we view technological innovation and integration as key to reducing long-term costs and increasing productivity

Metrics and Targets

We use a number of metrics within our organisation to track and assess our Sustainability Strategy. While we have made significant progress this year in expanding the climate data that we collect, we acknowledge that the data we have used to calculate our climate metrics is ultimately incomplete, as many industry participants are discovering. At present there is no widespread disclosure of climate metrics across the economy and the industry approach to calculating metrics is still evolving.

The metrics we have calculated should be used to indicate our trajectory to net zero and to understand the progress that we are making towards our targets, rather than the exact carbon emissions of our portfolio and operations. We are committed to improving our data coverage and evolving our methodologies in the coming years as the tools and data become more widely available.

The targets we have set for finance emissions (for our shareholder funds where we can exercise control and influence) are:

- 20% reduction in carbon intensity (measured by WACI) by 2025 against a 2021 baseline
- 50% reduction in carbon intensity (measured by WACI) by 2030 against a 2021 baseline
- Net zero by 2050

The targets for our Property Portfolio are:

- 25% reduction in like-for-like scope 1 & 2 emissions in the ACS by 2024 against a 2019 baseline
- 25% reduction in like-for-like scope 1 & 2 emissions in the IA fund by 2023 against a 2020 baseline
- Operational net zero (scopes 1 & 2) by 2030
- Net zero by 2050

Within our operations, which includes our owner-occupied properties as well as our investment property portfolios, we have the following overall targets:

- Operational net zero (scopes 1 & 2 emissions) by 2030
- Net zero by 2050 (including scope 3 emissions arising from our tenants)

Our investment portfolio

The table below shows the carbon emissions associated with the shareholder funds for CLL using 2021 data reported in our TCFD report. We used our preferred metric of Weighted Average Carbon Intensity (WACI) and this metric shows us a portfolio's exposure to carbon-intensive assets. It is a measure of carbon intensity and so the lower the WACI, the better. Due to certain key differences between some of our asset classes, we have decided not to aggregate the WACI metric across the entire portfolio and instead have shown this for each asset class. The Appendix of our TCFD report contains information on our climate metrics, as well as the data sources and the methodologies used to calculate them. Note that, as property is considered under operational emissions, as opposed to financed emissions, WACI is not disclosed for our property investments.

The table below sets out the WACI by Asset Class for CLL Shareholder funds for 2021.

Units	**(tCO2e per $m revenue/achievable rent[1]/PPP-adjusted GDP[2])**
Listed bonds	270.51
Private placements	39.96
Sovereigns	123.22
Real Estate Finance	226.19
ERMs	295.59

[1]For Real Estate Finance and ERM
[2]For sovereigns

Figure 2 below sets out data coverage by asset class split between reported data, estimated data and where it was not possible for us to obtain data for certain assets. As discussed in the Strategy and Risk Management sections, we are taking a number of actions to reduce the carbon emissions of our portfolio including improving the EPC ratings of our property-related assets, shifting our fixed income and equity portfolios towards sector-leaders, and increasing active engagement with our investees.

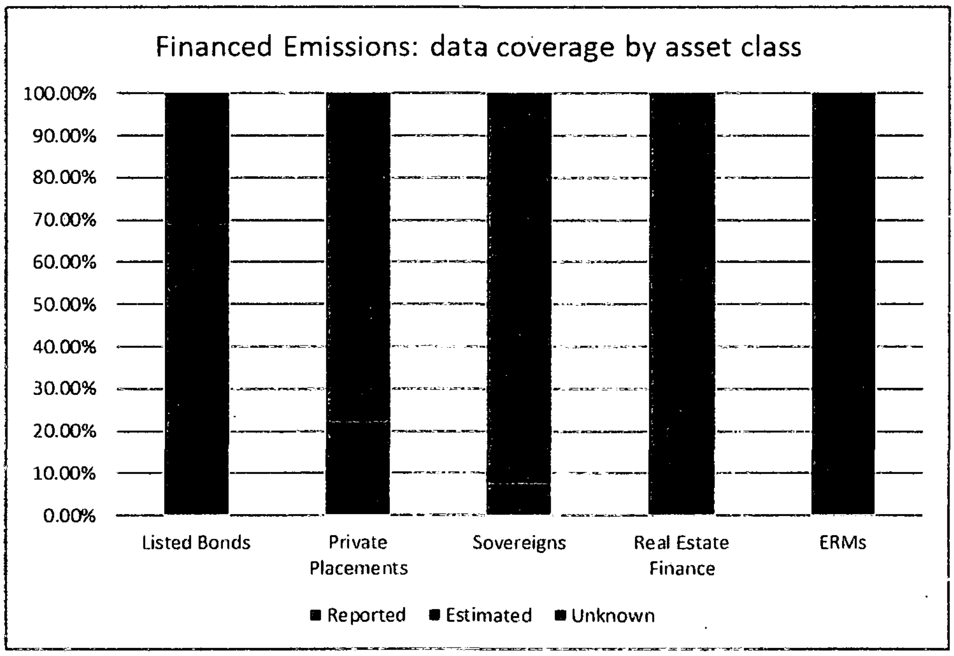


Figure 2: Financed Emissions: Data coverage by asset class

Property portfolio

To track our progress against the like-for-like operational carbon emission reduction targets for our Annuity Fund (IA) and Property Fund (ACS), the table below sets out the carbon emissions of these funds for our baseline of 2021.

Fund	Total Emissions metric t(Co2)	
	Emissions	2021
IA	Scope 1 & 2	681
	Scope 3	33,147
ACS	Scope 1 & 2	640
	Scope 3	3,312

Our operational emissions

Greenhouse gas emissions – Streamlined Energy Carbon Reporting

Our operational emissions data include those of our property investment portfolio. Where we have control over energy procurement, these emissions are included in our scope 1 and 2 emissions. If our tenants have control over energy procurement, then the emissions are included in our scope 3, category 13 emissions. The metrics we disclose in this section are estimated using the 2022 emission factors provided by The Department for Environment, Food and Rural Affairs ("DEFRA")

The Company's Scope 1, 2 and 3 emissions for the year to 31 December 2022 are set out in the table below. Scope 1 is predominantly gas consumption. Actual gas consumption went up slightly during 2022 however the emission factor issued by DEFRA decreased by 24%. Scope 2 relates to electricity usage and has decreased during the year due to energy saving initiatives. The impact of updating the emission factor for 2022 decreased by 8% for Scope 2.

In order to provide an intensity ratio for our emissions disclosure, we have calculated our greenhouse gas emissions per employee. The number of employees used is the average headcount of employees over the measurement period.

	Tonnes of CO_2	Tonnes of CO_2
Emissions (after application of DEFRA conversion factor)	**2022**	**2021**
Scope 1 – Direct emissions Combustion of gas & fuel use from transport	548	641
Scope 2 – Indirect emissions Electricity purchased or own use	1,099	1,333
Scope 3 – Other indirect emissions Business travel where fuel purchased by company	10	6
Intensity Tonnes of CO_2 per employee[1]	1.26	1.55[2]
Energy Consumption (MWh)	8,158	8,963

[1] All staff contracts of employment with the Company are with a service company within the group. The associated costs are recharged back to the Company where appropriate so, for the purposes of this disclosure, we have used the CLFIS employee numbers for our calculations. The average staff numbers for the reporting period were 1,315 (2021: 1,275).

[2] A revision was made to the 2021 staff numbers disclosed. As such an adjustment has been made to the amounts for "Intensity" and "average staff numbers" which were previously disclosed in the prior period before restatement as 1.34 and 1,418 respectively. There is no impact on any balances within the Statement of Financial Position or Income Statement since the adjustment is limited entirely to this disclosure in the financial statements.

Principal risks, uncertainties and financial risk management objectives

As a life insurance company, the Company's business is to take on and manage life insurance and its associated risks effectively, in line with its business strategy. The Company manages these risks in accordance with the Company's risk appetite.

The current geo-political and economic uncertainty due to the war in Ukraine, high inflation and potential recessionary pressures increase the exposure to some of the risks already identified in this section, but particularly market and credit risk. The Covid-19 pandemic had modest impacts on these risks, and also did not have a material impact on either mortality/longevity or operational risk. Management continues to monitor and manage these risks in order to conduct its business activities effectively.

The Company's strong capital position, combined with a high quality and well diversified investment portfolio, means that it is able to withstand the financial impacts of credit deterioration in credit markets. Stress and scenario testing shows the Company can withstand a range of events including pandemics, climate change and significant economic uncertainty. Management is also monitoring developments for any further deterioration. Further details are disclosed in Note 30.

The Company is exposed to financial risk through its assets, liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of this financial risk are market risk (primarily interest rate risk and property risk), credit risk and insurance risk. The Company is also exposed to a range of risks from climate change.

The Company manages many of these risks through its asset liability management (ALM) approach that has been developed to ensure that the assets are sufficient to meet the liabilities arising from insurance contracts under a wide range of financial conditions. A separate portfolio of assets is maintained for each distinct category of liabilities.

The significant risks of the business are outlined below.

Interest rate risk

Interest rate risk is the potential loss or volatility of earnings or capital arising from the effect of the volatility and uncertainty of future interest rates on asset cash flows relative to liability cash flows and on surplus assets.

Principal risks, uncertainties and financial risk management objectives (continued)

This also includes changes in the amount and timing of cash flows related to asset and liability optionality including interest rate guarantees and book value surrender benefits. Furthermore, by considering the impact on liabilities as well as assets, this covers the impact of any ALM mismatching.

The Company manages interest rate risk by matching closely the cash flows of the investment portfolio and the policyholder liabilities. Assets of the appropriate quality and duration are managed to maintain this matched position which is regularly monitored and reported to management. The Company also holds capital to protect its financial position from adverse interest rate movements.

Property risk

Property risk is defined as the potential loss or volatility of earnings or capital arising from the sensitivity of the values of assets direct property, equity release mortgages and commercial real estate loans, liabilities and financial instruments, when those shares are considered to be held for the purposes of backing specified liabilities.

The key areas where this risk could result in a loss are as follows:

- default or void periods on property tenancy agreements and mortgage repayments resulting in the reduction of the income stream; and
- adverse movements in property values.

The Company manages this risk by holding additional capital to protect itself from a significant fall in property values, close monitoring of its property exposures and careful selection of properties and limiting exposure to properties in aggregate and by geography, industry and type of property. Exposures are regularly monitored, reported and managed to ensure compliance with the Company's investment policy.

Credit risk

Credit risk is the risk of potential loss or volatility of earnings or capital arising from the inability or unwillingness of a counterparty to meet its on-balance sheet and off-balance sheet contractual obligations. Financial losses are attributed to:

- the default of that security in its financing obligations;
- the downgrade of a security's creditworthiness;
- a change in the yield premium required by the market in respect of credit risk on risky assets;
- an internal or external reinsurance counterparty failing to maintain its contractual obligations; and
- failure of the derivative counterparty to meet their financial obligations.

Principal risks, uncertainties and financial risk management objectives (continued)

Key areas where the Company is exposed to credit risk are:

- exposure to corporate bonds and privately placed bonds (as well as finance leases and other financing arrangements);
- exposure to mortgages;
- exposure to financial derivatives; and
- exposure to the reinsurers' share of insurance liabilities.

The Company's investment policy sets limits on the Company's exposure (which are linked to credit rating) to a single counterparty and geographical and industry segments. These exposures are monitored and reported regularly to senior management in order to ensure compliance with the Company's exposure limits. Regular reviews of counterparties are performed in order to identify the most appropriate opportunities for managing the Company's credit exposures more efficiently.

Reinsurance is used to manage insurance and certain financial risks. The Company cedes insurance risk to reinsurance counterparties in order to mitigate insurance risk. Reinsurance counterparty risk represents the potential loss or volatility of earnings or capital arising from a reinsurance counterparty failing to maintain its contractual obligations in relation to payments under the reinsurance contract. The creditworthiness of reinsurers is considered when treaties are entered into and monitored on an ongoing basis.

Currency risk

Currency risk is the potential loss or volatility of earnings or capital arising from adverse changes in the value of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

Currency risk arises principally from the Company's investment in Irish Life, a Company that conducts the majority of its operations in Euros. A devaluation of the Euro against Sterling that is considered to be permanent could trigger an impairment of the carrying value of this investment.

The Company holds a currency hedge in place for commercial reasons; this will partially mitigate the impact of adverse currency fluctuations. Movements in the market value of these contracts are taken through the income statement in the period they arise.

Insurance risk

Insurance risk is the risk of loss due to the inherent uncertainties as to the occurrence, amounts and timing of insurance liabilities. Key areas where the Company is exposed to insurance risk are:

- mortality/longevity risk – the potential loss or volatility of earnings or capital arising from an adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates.

Principal risks, uncertainties and financial risk management objectives (continued)

- morbidity risk – the potential loss or volatility of earnings or capital arising from an adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of disability, health, critical illness and other sickness rates, where an increase in the incidence rate or a decrease in the disability recovery rate leads to an increase in the value of insurance liabilities.

- catastrophe risk - the potential loss or volatility of earnings or capital arising from adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular mortality or morbidity events.

The details on other risks such as market risk, operational risk and conduct risk are discussed in note 30.

The Company manages its insurance risks by including a margin in its pricing and reserving bases, holding additional capital for insurance risks and where appropriate, entering into reinsurance arrangements to reduce the risks to an appropriate level.

Environmental, Social and Governance (ESG) Risks

ESG-related risks are the environmental, social, and governance-related risks and/or opportunities that may impact on the company. Environmental criteria consider how the company performs with regards to climate change and carbon emissions, as well as wider environmental impact considerations. Social criteria examine how the company manages factors that affect people's lives. Governance deals with the way in which a company operates and is structured. Governance criteria consider how and by whom decisions are made within a company, as well the control environment around those decisions.

A key subset of the environmental risks is climate change related risks. Climate change has the potential to drive a wide range of risks to the company's business. The impact of climate change will emerge over a long-time horizon and the impact will depend upon the speed, effectiveness and orderliness of the global transition to a low carbon economy. For further details please see the Environmental Matters section above.

Section 172(1) Statement

The directors of the Company must act in the way 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 regard to (amongst other matters) those laid out in Section 172 of the Companies Act 2006.

The Board is collectively responsible for the long-term success of the Company and its subsidiaries. It sets Company values and culture and ensures that obligations to its shareholder, customers and other stakeholders are understood and met.

The Company's workforce is employed by a service company within the Group. The Company has an Employee Consultation Forum which meets regularly. The aim of the forum is to represent the views of the workforce, communicate with the Board, provide feedback to the workforce and consult with them on key issues. In 2022, the Company conducted a number of formal and informal colleague surveys. This included a global engagement survey and regular pulse check-ins. The Company takes all the feedback seriously and the Executive team review the feedback, identifying and actioning areas for improvement as well recognising the strengths which are highlighted.

The Company's customers are at the core of its business and at the forefront of its strategy and service. The Company's strategies are subject to an increasing number of regulatory initiatives such as those from the Financial Conduct Authority (FCA), which for 2023 focus on increasing consumer protection in the financial services sector. The Company is committed to dealing with customers honestly, fairly and delivering good outcomes. This is embedded in the culture, values and Code of Business Conduct. Our culture is unique and incredibly important to us. We care about doing the right thing for our people, customers and community and helping others to build better futures. Our behaviours shape and influence how we work and are central to the relationships we have with others. Every day we are encouraged to be more curious, own the outcome, face into things together and find a way forward.

The Company recognises that it has a varied customer base and different customers will inevitably have different and specific needs. A great deal of time and effort is taken to fully understand all our different customers, by reaching out through surveys and conducting market research, so that we can deliver an excellent level of service. The Company plans to deliver higher standards of consumer care and protection, along with an outcomes-focused approach, in line with the FCA's new Consumer Principle coming into effect in July 2023. The Company is well progressed with the implementation of the new Consumer Duty regulations and will develop capability to monitor the impact these will have on its customers.

The Company understands the importance of strong supervision and fosters open and transparent relationships with both its UK and overseas regulators. Proactive engagement ensures we stay ahead of any new regulations and can react and implement changes effectively.

The Company makes every effort to ensure it works with suppliers in line with our Code of Conduct and the supply chain is assessed with regard to the Modern Slavery Act 2015. Outsourcing arrangements and professional service contracts are governed by an Outsourcing and Supplier Risk Operating Policy and Standard. As with customers, suppliers are treated fairly with regular communication and timely financial payments. Vital suppliers are assigned a relationship manager to maintain open dialogue and implement regular monitoring and assessment to ensure the continued effectiveness of the arrangement.

Section 172(1) Statement (continued)

The Company takes its charitable giving responsibilities seriously – both in the communities it operates in and also at a national level to support important causes throughout the year. Donations are carried out through the Group's Service Company. During the year donations were made through the workforce nominated charity scheme with further amounts being raised through fundraising. In addition, donations were made to charities and to support foodbanks in its local communities. The Company also has a Sustainability Group, which has launched a number of initiatives to encourage the Company to be more environmentally friendly.

Climate Change and ESG are evolving areas. The understanding of the risks, the strategies that may be required to manage them, the national and international political responses, the developments within our market space, and the developments of tools and techniques to quantify and to manage this spectrum if risks are all evolving rapidly. The Company's response is expected to continue to develop and change over the coming years.

The Board have developed a strategic direction for the Company's response to managing climate change risk. The approach is focused on continuing to build a strong foundation of capability - to understand, measure and report against this risk, and to inform our ongoing management of the risks to the business. This allows a strong continued focus on managing any risk to the business or its customers from the investments we hold. The Company's response to the Streamlined Energy and Carbon Reporting are included in the strategic report. The Company has made a voluntary disclosure in respect of the climate related financial disclosure requirements as per Companies Act, for further detail see the Environmental Matters section above.

During the year the Board have taken a number of strategic decisions, including the exit from the onshore individual protection market. This will enable the Company to focus on key priority areas of the business including its transformation programme to modernise its IT infrastructure. The Company has also entered into another external reinsurance arrangement enabling it to further diversify its risk.

The Company is pleased to have won many prestigious awards within the financial services industry over the year. These include the Best Investment Bond & Group Protection Provider at the Investments, Life & Pensions Moneyfacts awards. This recognition demonstrates Canada Life's strengths within the market and commitment to high standards of business conduct.

The Company is a subsidiary of CLG, the sole shareholder. Communications take place regularly with both Great-West Lifeco Inc and CLG, the parent company.

Approved by the Board of Directors
and signed on behalf of the Board

A Watson	K Abercromby	L Rix
Director	**Director**	**Director**

4 April 2023

Directors' report for the year ended 31 December 2022

The directors of the Company present their annual report and financial statements for the year ended 31 December 2022.

1 Principal activity and future developments

The Company's principal activity is the transaction of ordinary long-term life assurance and this will continue to be the main activity for the foreseeable future.

2 Dividends

Interim dividends of £540.0m (2021: £255.0m) were approved and paid during the year (Note 27). Further dividends of £130m were approved and paid after the end of the year.

3 Directors

The names of the persons who were directors during the year and up to the date of this report are set out below.

K Abercromby	
M Campbell	
S Cronin	
D Harney	
P Mahon	
S McArthur	
D Netherton	Resigned 31 August 2022
L Rix	Appointed 4 April 2022
S Vanaselja	
A Watson	

4 Political contributions

During the year the Company made no political donations (2021: £nil).

5 Charitable contributions

During the year the Company made no charitable donations (2021: £nil). Donations were made through the Group's Service Company.

6 Directors' indemnities

The Company has made third party indemnity provision for the benefit of the directors of Irish Life Group Limited and Irish Life Assurance Plc. These have been in force throughout the year and remain in force at the date of this report.

7 Financial instruments

Details of financial instruments are included in the Strategic Report and form part of this report by cross-reference.

8 Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(2) the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as the auditor in the absence of an Annual General Meeting.

9 Corporate Governance

The Company has adopted the Wates Principles of Corporate Governance.

Purpose and Leadership
The Board has a well-developed purpose to ensure and promote the success of the Company. Clearly defined corporate values are integrated across all functions and form the basis of each business area's operating model, whilst informing the expected behaviour and practices of the organisational culture. Effective monitoring through a variety of methods, including employee engagement surveys, ensures a healthy culture is embedded throughout the organisation. The Board sets and promotes a collective vision when developing its strategy to generate long-term sustainable value. The Company has established a transparent code of conduct and has systems in place for raising a concern which are reviewed regularly to maintain their effectiveness in supporting the Company's long-term goals.

Board Composition
The Board is chaired by a nominated non-executive director who is responsible for facilitating constructive discussion and ensures all directors have the appropriate information and sufficient time to be able to perform effectively. Appointments to the Board promote a balance of expertise, diversity and objectivity and training is provided to enable directors to discharge their responsibilities with ample knowledge and skill. The Board size and structure is appropriate to meet the strategic needs of the organisation and consists of non-executive directors and the Chief Executive Officer ('CEO') enabling effective decision-making.

Directors' report for the year ended 31 December 2022 (continued)

Director Responsibilities
The Board has established a framework of corporate governance policies setting out clear lines of accountability and responsibility to safeguard the long-term future of the Company. A Conflict of Interest policy operates to identify and manage any conflicts that may arise to avoid compromising objective decision-making. Fit and Proper and Code of Conduct policies are in place to ensure persons act with due care and an appropriate level of skill for their role and for the organisation as a whole. The Board makes use of committees to help with matters relating to financial reporting, risk, audit and remuneration while the responsibility for the final decision lies with the Board. A robust system of controls operates to enable the Board to rely on the integrity of the information provided so they can monitor and challenge the performance of the company and make informed decisions. Controls are regularly reviewed and tested to maintain their effectiveness and safeguard the integrity of operations.

Going Concern
The directors confirm that having taken into regard the Company's financial position and its expected performance in the future, they are satisfied that the Company has adequate resources to continue in operation for the foreseeable future, that being 12 months from the date of approval of this report. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Opportunity and Risk
Enterprise Risk Management identifies potential events or emerging issues that may affect the Company, manages risks within agreed risk appetite limits and provides reasonable assurance regarding the achievement of organisational objectives. The Board has oversight of all aspects of risk and accountability to stakeholders. Responsibility is delegated to a Risk Committee to monitor and review processes designed to determine the nature and extent of principal risks, the appropriate response in line with the accepted level of risk, and the internal and external communication channels. Risk is embedded in every part of the organisation and the 2nd Line Risk Team oversee and report on the effectiveness of the risk framework, both by design and in its operation within each of the business areas.

Remuneration
The Company has a Remuneration Operating Policy providing effective governance of compensation (including the salary and bonus programmes and the Executive Remuneration programme) and the management of risks associated with how it remunerates its staff. The policy promotes the achievement of goals in a manner consistent with the objectives of the Board of Directors, fair customer outcomes, regulatory requirements, and the Company's Code of conduct, vision and values, risk culture and Risk Appetite Framework. Incentives are designed to attract and retain competent, experienced and skilled people as an essential part of the business strategy. Executive remuneration includes Long Term Incentives linked to the Performance Share Unit Plan and Stock Option Plan to align with the long-term sustainable success of the Company.

Stakeholder Relationships and Engagement

The Board has regard for all its stakeholders including its workforce, customers, suppliers, regulators and the wider community and environment in which it operates. Consideration is given to how company activities may impact both current and future stakeholders including impacts on the environment. The strategic report provides more detail on stakeholder engagement and initiatives that the Company has launched to ensure a sustainable future for the Company, its stakeholders and the environment.

Approved by the Board of Directors
and signed on behalf of the Board

A Watson	K Abercromby	L Rix
Director	**Director**	**Director**

4 April 2023

CANADA LIFE LIMITED

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Canada Life Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Canada Life Limited (the 'Company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Financial Position;
- the Statement of Changes in Equity; and
- the related notes 1 to 33, excluding the capital disclosures in note 29 calculated in accordance with the Solvency II regime which are marked as unaudited.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Basis for 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 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 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 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:

- Valuation of equity release mortgages
- Significant assumptions used for actuarial liabilities
- Complex modelling used in the valuation of actuarial liabilities
- Complex asset valuation

Independent auditor's report to the members of Canada Life Limited (continued)

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 in the current year was £58.4m which was determined on the basis of 2.25% of total equity.

Scoping
Audit work to respond to the risks of material misstatement was performed directly by the audit team together with internal specialists.

Significant changes in our approach
As part of our ongoing risk assessment process, we no longer identify loan loss provisioning as a key audit matter given the history of low level of defaults and loan to value (LTV) levels. In addition, our key audit matter relating to complex assets is focussed on valuation in the current year. The classification of complex assets no longer form part of this key audit matter given the limited number of new complex assets.

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 company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating management's method to assess the company's ability to continue as a going concern, and determining if the method selected is appropriate in the context of the applicable financial reporting framework and our understanding of the entity;
- Challenging the reasonableness of the 5-year earnings forecasts by evaluating the historical accuracy of forecasts prepared by management, and evaluating against our understanding of the nature of the company, its business model and related risks including the requirements of the applicable financial reporting framework and the systems of internal control; and
- Evaluating the Company's current year performance including ongoing liquidity and solvency monitoring by inspecting the own risk and solvency assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Canada Life Limited (continued)

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.

Valuation of equity release mortgages

Key audit matter description

The financial assets held by the company described in Note 11 Investments include a portfolio of equity release mortgages ("ERMs"). As at 31 December 2022, the ERMs amounted to £1,002.7m (2021: £904.4m).

The fair value of the ERMs is calculated by discounting future cash flows using a risk-free rate plus a spread. The cash flow analysis considers a number of assumptions as detailed in Note 30 Risk management objectives and policies for mitigating risks, which include the valuation interest rate, house price inflation, house price volatility and voluntary early redemption assumptions. In addition, there is a no-negative equity guarantee embedded in the loan product, which is stochastically modelled.
Considering the level of judgement, complexity and sensitivity of the assumptions to the fair value of the ERMs, our key audit matter relates to the following assumptions:

- Valuation interest rate; and
- House pricing inflation; and
- Voluntary early redemption

A change in these assumptions can have a significant impact on the valuation of the ERMs. A sensitivity analysis of the change in these assumptions on the fair valuation of the ERMs portfolio is provided in Note 30 Risk management objectives and policies for mitigating risks.

There is complexity in the modelling used as management uses a discounted cash flow model that uses multiple data inputs (such as property valuations and policyholder data), stochastic approximations and assumptions as described. We have therefore also identified the risk that the ERM model is not functioning as intended as a key audit matter.

Due to the judgement involved in setting the assumptions and the complexity of the valuation model we have identified this key audit matter as an area of potential fraud.

How the scope of our audit responded to the key audit matter
In respect of the valuation of ERMs, with the involvement of actuarial specialists, we performed the following procedures:

- We obtained an understanding of the relevant controls over the valuation process, including the company's review and approval of the key judgements and assumptions used to value the ERMs;

Independent auditor's report to the members of Canada Life Limited (continued)

- We inspected management's basis papers and challenged the assumptions applied, in particular the valuation interest rate, house pricing inflation and voluntary early redemption assumptions, by comparison with those used by peers and in industry studies, and benchmarked these to industry data including Land Registry indices, and using our real estate specialists where appropriate; and
- To assess the model used to value ERMs is functioning as intended, we recalculated the fair value of a sample of ERM policies using our independent ERM valuation model.
- We also assessed the fair value level 3 methodology used to value ERMs.

Key observations
Based on the work performed and the evidence obtained, we consider the valuation of ERMs to be reasonable.

Significant assumptions used for actuarial liabilities

Key audit matter description
The assumptions for annuitant mortality (both base mortality assumptions and mortality improvements) and interest rates are fundamental in ensuring that appropriate insurance contract liabilities are held for this business. The technical provisions balance as at 31 December 2022 amounted to £17,001m (2021: £21,405m) and is detailed in Note 15 Technical Provisions to the financial statements.

Significant assumptions used for actuarial liabilities require a high degree of judgement due to the number of factors which may influence mortality experience. The differing factors which affect the assumptions are underlying mortality experience, industry and management views on the future rate of mortality improvements and external factors arising from developments in the annuity market. As detailed in note 18, the company uses interest rates under a Canadian International Financial Reporting Standards ("CIFRS") basis to calculate UKGAAP liabilities. There is less judgement in the interest rate assumption but the scenario based CIFRS methodology is complex and the assumption is quantitatively material. We have therefore identified the significant assumptions used for actuarial liabilities as a key audit matter.

The assumptions used for actuarial liabilities detailed in Note 18 are derived for each block of business on the basis of past experience, adjusted for a best estimate of how experience may develop in the future, for example, for expected future mortality improvements. Given the judgement inherent in the assumption-setting process, this is an area susceptible to fraud.

How the scope of our audit responded to the key audit matter
In respect of significant assumptions used for actuarial liabilities, with the involvement of actuarial specialists, we performed the following procedures:

- We obtained an understanding of the relevant controls over the assumption-setting process;
- For annuitant mortality, where experience studies have been performed we substantively tested (including recalculation) a sample of in-year experience studies relating to the significant assumptions identified above. This included testing the data and calculations used in the experience study, assessing the appropriateness of the experience study methodology for each sample selected, and assessing the resulting conclusions with respect to the revised assumptions. Where judgement has been applied by management to not perform an experience study, we challenged management by inspecting supporting analysis and comparing the approach to industry;

Independent auditor's report to the members of Canada Life Limited (continued)

- For interest rates, we test the complex calculation by performing recalculations on a sample basis of the asset cashflow projections under the various interest rate scenarios. This includes testing that the cashflows allow for asset default, testing the interest rate scenarios have been developed in line with CIFRS, and testing underlying asset data for accuracy and completeness.
- Where the timing and amount of an assumption change, or a decision not to make a change required significant management judgement, we examined on a sample basis the supporting documentation to assess the reasonableness of the assumption change, including consideration of possible management bias;
- Where externally available models or data are used in the assumption setting-process, we assessed, on a sample basis, management's use of this information in the assumption setting process and its relevance; and,
- Where appropriate, we compared the assumptions selected by management to those used by peer companies i.e. those with significant exposure to similar risks.

Key observations
Based on the work performed and the evidence obtained, we consider the significant assumptions used for actuarial liabilities to be reasonable.

Complex modelling used in the valuation of actuarial liabilities

Key audit matter description
The modelling used in the reserving process is inherently complex with a number of inputs (policyholder data, economic data and assumptions) together with model changes made during the year, which gives rise to a risk that the particular model is not functioning as intended. The method used in determining insurance contract liabilities involves projecting future annuity payments, group claims in payments and maintenance costs and discounting these cash flows, making allowance for expected future investment returns. This complex discounted cash flow modelling is carried out using actuarial modelling software. The valuation models used by management vary in complexity, and certain models, including certain annuity blocks and group health claims, represent a heightened risk of material misstatement. The total insurance contract liability balance as at 31 December 2022 amounted to £17,001m (2021: £21,405m) and is detailed in Note 15 Technical Provisions to the financial statements.

Given the complexity of the modelling used, we identify this as a key audit matter.

How the scope of our audit responded to the key audit matter
In respect of modelling used for the insurance contract liabilities, with the involvement of actuarial specialists, we performed the following procedures:

- We obtained an understanding of the relevant controls in relation to the complex models and in particular the model change process;
- We assessed the reasonableness of reserve movements following significant valuation model changes; and
- We replicated the insurance contract liabilities on a sample basis for significant risk annuity blocks and group health claims, to assess whether the models used for insurance contract liabilities were appropriate to within an acceptable tolerance threshold. The model replication procedures included the following:
  - agreeing the valuation data in the model to the underlying policyholder data including policy details and reinsurance details;
  - assessing whether the assumptions used in the models are appropriate;

Independent auditor's report to the members of Canada Life Limited (continued)

- testing the model set-up to assess whether the model is appropriately valuing the significant features of policies sampled in accordance with Canadian Standards of Practice / Solvency II Commission Delegated Regulation (EU) 2015/35; and
- independently valuing a sample of insurance contract liabilities at a policy level.

We assessed the reasonableness of the changes to the model for lines of business not subject to replication procedures.

Key observations

Based on the work performed and the evidence obtained, we consider the modelling used in the valuation of insurance contract liabilities to be appropriate.

Complex asset valuation

Key audit matter description

The financial assets of the company enable it to support its insurance contract liabilities and meet regulatory capital requirements, as well as provide returns on shareholder assets (the assets available for distribution to shareholders after taking account of policyholder liabilities, including associated guarantees, options and bonuses).

The majority of the company's financial assets are valued by reference to prices on active markets. However, some are priced by reference to unobservable data and internal valuation models as detailed in Note 11 Investments and Note 4.B. Critical accounting judgements and estimation uncertainty. The total portfolio of these financial assets amounted to £361m at the year ended 31 December 2022 (2021: £540m).

Given the valuation methodology used in the internal valuation models we identified this as a key audit matter and a potential fraud risk. The classification of complex assets no longer form part of this key audit matter given the limited number of new complex assets

How the scope of our audit responded to the key audit matter

For the valuation of complex assets:

- We obtained an understanding of relevant controls in place to monitor the valuation process;
- We assessed both the methodology and assumptions used by management in the calculation of the year end values with assistance from our financial instrument specialists;
- We determined an independent valuation for a sample of assets and assessed the results against management's value, understanding the reasons for significant differences; and

We agreed the non-market observable inputs to calculations or supporting documents and considered whether they were in line with our expectations with assistance from our financial instrument specialists.

Key observations

Based on the work performed and the evidenced obtained, we found the valuation of complex assets in the financial statements to be appropriate.

Independent auditor's report to the members of Canada Life Limited (continued)

Our application of materiality

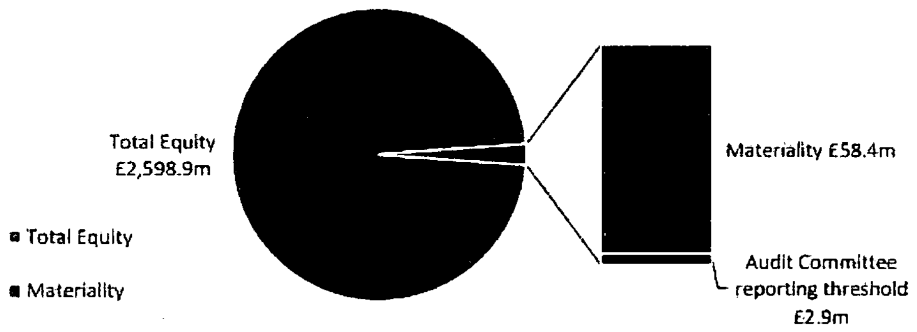
Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality
£58.4m (2021: £58.1m)

Basis for determining materiality
We determined materiality based on 2.25% (2021: 3%) of the company's total equity. We used a lower percentage when determining materiality in 2022 rather than adjusting the underlying benchmark as was done in previous years but this has had no significant impact on the materiality level.

Rationale for the benchmark applied
We consider total equity to be the most appropriate benchmark as it represents the residual interest that can be ascribed to shareholders after policyholder assets and corresponding liabilities have been accounted for and is aligned to the primary focus of the business and users of the financial statements, being the capital position.



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. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

Independent auditor's report to the members of Canada Life Limited (continued)

- We have audited the company for a number of years and so have knowledge of both the company and the environment it operates in;
- Our ability to rely on controls over a number of significant business processes;
- Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods;
- Misstatements noted in prior periods have not resulted in us having to amend our controls reliance approach.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2.9m (2021: £2.9m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Scoping

The scope of our audit was determined by obtaining an understanding of the company and its environment, including internal controls, and assessing the risks of material misstatement at the company level.

The company operates from three principal locations: the head office in Potters Bar; the investments front office in London and the group business office in Bristol. Under the direct stewardship of the company's lead audit engagement partner, the audit team performed a full-scope audit of the company's entire operations encompassing the three business locations. These three business locations represent 100% of the company's revenue (2021: 100%), 100% of profit before tax (2021: 100%) and 100% of net assets (2021: 100%).

Our consideration of the control environment

With the involvement of IT specialists, we have performed General IT Controls (GITCs) testing over nine systems and their supporting infrastructure. We identified deficiencies relating to access security and change management although none of these were considered to be significant. For all deficiencies we were able to rely on mitigating IT/business controls.

We have taken a controls-based approach for the following balances: premiums (not linked to legacy MGM Advantage Life Limited business), claims, fee income, investment income, operating expenses, bonds & equities, commercial mortgages, investment properties, derivatives and unit pricing.

For the remaining balances, we have not taken a controls-based approach.

Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements.

The company continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change. We considered management's assessment based on our understanding of the company's operating environment.

Independent auditor's report to the members of Canada Life Limited (continued)

We performed our own quantitative and qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions. As disclosed in note 30, the most significant impacts to the company was determined to be assets held within the investment portfolio.

We read the disclosures included in the strategic report and engaged our ESG specialists to consider whether they are appropriate, materially consistent with the financial statements and in line with our knowledge obtained in the audit.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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.

Independent auditor's report to the members of Canada Life Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, directors, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company'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 and relevant internal specialists, including tax, actuarial, valuations, pensions, IT, financial instruments and real estate 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: the valuation of equity release mortgages, the valuation of complex assets and significant assumptions used for actuarial liabilities. 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 company 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 (2006), pensions legislation and relevant 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 company's ability to operate or to avoid a material penalty. This included the company's regulatory solvency requirements and those imposed by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

Independent auditor's report to the members of Canada Life Limited (continued)

Audit response to risks identified

As a result of performing the above, we identified the valuation of equity release mortgages, significant assumptions used for actuarial liabilities and the valuation of complex assets 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 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 FCA and the PRA; 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 remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Opinions on other matters prescribed by 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Canada Life Limited (continued)

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.

We have nothing to report in respect of this matter.

Other matters which we are required to address

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the company at its annual general meeting in July 2004 to audit the financial statements for the year ending 31 December 2004 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the company for the year ended 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 19 years, covering the years ended 31 December 2004 to 31 December 2022.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit 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.

AHolland

Andrew Holland FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
4 April 2023

CANADA LIFE LIMITED

Income Statement
Technical account – long-term business
for the year ended 31 December 2022

	Notes	2022 £m	2022 £m	2021 £m	2021 £m
Earned premiums, net of					
Gross premiums written	5	1,530.1		2,152.2	
Outward reinsurance premiums	5	(433.5)		(537.7)	
			1,096.6		1,614.5
Net Investment return	6		(3,299.5)		174.7
Other technical income	7		19.6		21.8
Amortisation of value in force of acquired business	33		4.8		4.7
Claims incurred, net of reinsurance					
Gross amount		(1,912.1)		(1,901.2)	
Reinsurers' share		1,162.2		1,150.5	
Change in provision for claims outstanding		4.4		(23.4)	
Net claims incurred			(745.5)		(774.1)
Changes in technical provisions					
Long-term business provision, net of reinsurance					
Gross amount	8	4,404.2		229.3	
Reinsurers' share		(1,449.8)		(613.9)	
		2,954.4		(384.6)	
Technical provisions for linked liabilities net of reinsurance	8	320.5		(182.6)	
Net changes in technical provisions			3,274.9		(567.2)
Net operating expenses	9		(340.9)		(219.6)
Interest (payable)/receivable			(1.2)		(0.7)
Investment expenses and charges			(47.2)		(40.0)
Tax attributable to the long-term business	10		49.7		(42.3)
Balance on the technical account - long-term business			11.3		171.8

CANADA LIFE LIMITED

Income Statement
Non-technical account
for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Balance on the technical account - Long-term business		11.3	171.8
Tax attributable to balance on technical account			
- Long-term business	**10**	2.7	40.3
Shareholders' pre-tax profit from long-term business		14.0	212.1
Investment income	**6**	236.4	87.9
Unrealised (losses) on investments	**6**	(52.4)	(3.1)
Realised gains on investments	**6**	0.1	0.5
Interest payable and similar charges		(16.5)	(13.4)
Operating profit on ordinary activities before tax		181.6	284.0
Tax charge on profit on ordinary activities	**10**	6.3	(36.1)
Profit for financial year attributable to shareholders		187.9	247.9

All amounts are derived from continuing operations.

The notes on pages 60 to 133 form an integral part of these financial statements.

The Company has not recognised gains or losses other than those included in the income statement above for the current or the preceding year and consequently no separate statement of other comprehensive income is presented.

CANADA LIFE LIMITED

Statement of Financial Position
at 31 December 2022

	Notes	2022 £m	2021 £m
Investments			
Land and buildings	**11**	1,538.4	1,635.1
Other financial investments	**11**	16,622.9	21,180.3
Investments in group undertakings and participating interests	**11, 32**	1,453.3	1,453.3
Assets held to cover linked liabilities	**14**	2,346.7	2,954.3
Reinsurers' share of technical provisions			
Long-term business provisions	**18**	4,711.2	6,161.0
Debtors			
Debtors arising out of direct insurance operations		115.8	87.3
Other debtors	**12**	402.9	388.8
Other assets			
Cash at bank and in hand		164.9	190.4
Assets under construction	**13**	54.0	57.7
Derivative financial instruments	**30**	11.4	25.0
Deferred taxation	**19**	35.2	—
Prepayments and accrued income			
Accrued interest and rent		175.6	183.3
Deferred acquisition costs		22.1	27.4
Other prepayments and accrued income		15.6	18.0
Total assets		27,670.0	34,361.9

CANADA LIFE LIMITED

Statement of Financial Position
at 31 December 2022 (continued)

	Notes	2022 £m	2021 £m
Capital and reserves			
Called up share capital	16	342.2	342.2
Share premium account		811.8	811.8
Capital contribution		397.4	397.4
Retained earnings		1,047.5	1,399.6
Shareholders' funds		2,598.9	2,951.0
Financial liabilities	17	330.0	330.0
Technical provisions			
Long-term business provision	15	17,000.6	21,404.7
Claims outstanding		79.6	84.1
		17,080.2	21,488.8
Technical provision for linked liabilities	15	2,346.7	2,954.3
Deposits received from reinsurers	18	4,851.0	6,233.3
Provisions for other risks and charges			
Other provisions	21	0.5	6.3
Deferred taxation	19	-	13.1
Creditors - due within one year			
Creditors arising out of direct insurance operations		6.3	2.5
Other creditors including taxation	20	274.1	236.5
Derivative financial instruments	30	105.9	58.0
Deferred income reserve		28.7	35.6
Value in force of acquired business	33	47.7	52.5
Total equity and liabilities		27,670.0	34,361.9

The notes on pages 60 to 133 form an integral part of these financial statements.

CANADA LIFE LIMITED

Statement of Financial Position at 31 December 2022 (continued)

The financial statements of Canada Life Limited (registered number 00973271) were approved by the Board of Directors and authorised for issue on

They were signed on its behalf by:

A Watson **Director**	K Abercromby **Director**	L Rix **Director**

4 April 2023

CANADA LIFE LIMITED

Statement of Changes in Equity
for the year ended 31 December 2022

	Ordinary share capital	Share premium account	Capital contribution	Retained earnings	Total
	£m	£m	£m	£m	£m
Balance at 1 January 2021	342.2	811.8	397.4	1,406.7	2,958.1
Profit and total comprehensive income attributable to shareholders	—	—	—	247.9	247.9
Dividend paid (Note 27)	—	—	—	(255.0)	(255.0)
At end of the year	342.2	811.8	397.4	1,399.6	2,951.0
Balance at 1 January 2022	342.2	811.8	397.4	1,399.6	2,951.0
Profit and total comprehensive income attributable to shareholders	—	—	—	187.9	187.9
Dividend paid (Note 27)	—	—	—	(540.0)	(540.0)
At end of the year	342.2	811.8	397.4	1,047.5	2,598.9

All shareholders' funds are attributable to equity shareholders.

1 Principal accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

1A General information

Canada Life Limited ("the Company") is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is Canada Life Place, Potters Bar, Hertfordshire EN6 5BA. The Company is a wholly-owned subsidiary of The Canada Life Assurance Company (incorporated in Canada).

The Company's principal activity is the transaction of ordinary long-term life insurance and this will continue to be the main activity for the foreseeable future.

The functional currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2 Statement of Compliance

The Financial Statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102, FRS 103 and the Companies Act 2006.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements. Exemptions have been taken in relation to presentation of cash flow statement, intra-group transactions and remuneration of key management personnel.

Notes to the Financial Statements (continued)

3 Principal accounting information

The principal accounting policies applied in the preparation of these Financial Statements are summarised below. These polices have been consistently applied to all the years presented, unless otherwise stated.

A. Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention, modified to include certain items at fair value, and in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

The Company financial statements have been prepared in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) related to insurance companies and with FRS 102 and FRS 103.

The Company applies a modified Canadian Asset Liability Method ("CALM") as a basis to calculate its long term business provision. CALM is the prescribed valuation method for life insurers under Canadian regulation for submissions to the Office of the Superintendent of Financial Institutions (OSFI) and is described in the Consolidated Standards of Practice of the Canadian Institute of Actuaries. Further details of the approach and modifications are given in Accounting policy I 'Long-term business provision' below.

Basis of consolidation
The financial statements present information about the Company as an individual undertaking as it is exempt from the obligation to prepare consolidated financial statements under section 401 of the Companies Act 2006. The Company's results are included in the consolidated financial statements of The Canada Life Assurance Company, a company incorporated in Canada.

Going concern
The Strategic Report outlines the Company's activities, performance, principal risks, uncertainties and financial risk management objectives. Note 30 to the financial statements sets out the Company's policies and procedures for managing insurance and financial risk and Note 29 sets out the Company's available capital resources. The Company has taken into consideration the current economic uncertainty when undertaking its Going Concern assessment.

Sensitivity analysis to significant variables is presented in Notes 18, 29 and 30. Having regard to the Company's financial position, its expected performance in the future and having made appropriate enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of this report. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement
Advantage has been taken of the exemption under FRS 102, 1.12(b), Cash Flow Statements, not to present a cash flow statement, as the Company is 100% controlled within the Great-West Lifeco Inc group of companies. The consolidated financial statements which contain the cash flow statement in which the subsidiary undertakings are included are publicly available.

Notes to the Financial Statements (continued)

A. Basis of preparation (continued)

Transactions with related parties
Advantage has been taken under FRS 102 33.1A, Related Party Disclosures, not to disclose transactions between entities, 100% of whose voting rights are controlled within the Great-West Lifeco Inc group of companies.

Key Management Personnel
Advantage has been taken under FRS 102 33.7, not to disclose key management personnel compensation in total. The directors' emoluments are disclosed as per Companies Act 2006.

B. Contract classification

The Company issues insurance contracts and investment contracts.

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event would cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts may also transfer financial risk. A contract that is classified as an insurance contract continues to be treated as such until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

Any contracts not considered to be insurance contracts are classified as investment contracts.

Unit-linked contracts written by the Company, where the liability under the contract is dependent on the value of the underlying financial assets, derivatives and/or investment property, are classified as investment contracts unless the contracts also contain features that transfer significant insurance risk.

The terms and conditions of these contracts, together with the principles and practices of financial management (PPFM), set out the basis for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policy holders.

C. Insurance contracts

Premiums
Premiums are accounted for when due. Premiums are stated gross of commissions, taxes and premium levies.

Claims and benefits paid
Claims payable on maturity are recognised when the claim becomes due for payment and those payable on death are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or when the policy ceases to be included within the long-term business provision or the provision for linked liabilities. Where claims are payable and the contract remains

C. Insurance contracts (continued)

in force, the claim or instalment is accounted for when due for payment. Claims payable include the costs of settlement.

Funds at retirement under individual pension contracts left with the Company as opposed to being transferred to third party providers are classified as new business single premiums and for accounting purposes are included in both claims incurred and as single premiums within gross premiums written.

Policyholder liabilities under insurance contracts and with-profits contracts
See Accounting policies I 'Long-term business provision' and J 'Technical provisions for linked liabilities'.

Reinsurance
Long-term business is ceded to reinsurers under contracts to transfer part or all of one or more of the following risks: mortality, morbidity, investment, persistency and expenses.

Such contracts are accounted for as insurance contracts provided the risk transfer is significant. Some contracts which provide for the transfer of significant risk are also structured to provide financing. When, under such contracts, financing components are to be repaid in future accounting periods, the amount outstanding under the contract at the balance sheet date is classified as a liability to the reinsurer and included in 'deposits received from reinsurers'.

The amounts that will be recoverable from reinsurers are estimated based upon the gross provisions, having due regard to collectability. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies.

The reinsurers' share of claims incurred, in the income statement, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the income statement as 'Outwards reinsurance premiums' when due.

Reinsurance recoveries are accounted for in the same period as the related claim.

D. Investment contracts

Amounts received and paid out in respect of unit-linked investment contracts are accounted for using deposit accounting, under which amounts collected and paid out are taken directly to the balance sheet, as an adjustment to the liability to the policyholder and invested assets. Financial liabilities in respect of investment contracts are carried in the statement of financial position as 'Technical provisions for linked liabilities' (Accounting policy K 'Technical provisions for linked liabilities').

Notes to the Financial Statements (continued)
D. Investment contracts (continued)

Fees receivable from investment contracts (included in 'Other technical income') and investment income and interest payable on contract balances are recognised in the income statement in the year they are assessed unless they relate to services to be provided in future years, in which case they are deferred and recognised as the service is provided.

Incremental costs and income that are directly attributable to securing investment contracts are deferred and recognised in the balance sheet as deferred acquisition costs and within the deferred income reserve respectively. Such deferred acquisition costs and deferred income reserves are amortised uniformly over the effective lifetime of the policy, which is generally defined as the policy term, subject to a maximum of twenty years. A check is carried out to confirm that the deferred acquisition costs net of deferred income reserve is recoverable.

E. Investment income

Investment return comprises all investment income (which includes the interest income for financial assets carried at amortised cost, using the effective interest method), realised investment gains and losses and movements in unrealised gains and losses. Investment returns on unit linked assets accrue to the unit-linked policyholder funds.

Dividends are included as investment income on the date that the shares are quoted ex-dividend and include the imputed tax credits. Interest, rent and expenses are accounted for on an accruals basis.

Realised gains and losses on investments
Realised gains and losses on investments carried at fair value are calculated as the difference between net sales proceeds and purchase price. In the case of investments included at amortised cost, realised gains and losses are calculated as the difference between sale proceeds and their latest carrying value.

Unrealised gains and losses on investments
Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price or their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

F. Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets
Basic financial assets, including trade and other receivables, cash and cash equivalents (cash at bank and in hand, as well as short term deposits), loans and receivables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at present value of future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Notes to the Financial Statements (continued)

F. Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. See note 4B for further details.

Loans and receivables
Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Loans are measured on initial recognition at the fair value of the consideration given plus incremental costs that are incurred on the acquisition of the investment. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest rate method. The Company accounts for its commercial mortgage portfolio on this basis.

The amortised cost is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Any resulting impairment loss is recorded in the income statement.

Other financial assets
Other financial assets, including investment in equity instruments, which are not subsidiaries, associates or Joint Ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in the Income Statement.

The Company classifies its other financial assets into the following categories:

- Shares and other variable yield securities and units in unit trusts – at fair value through profit and loss;
- Equity release mortgages – at fair value through profit and loss;
- Debts and other fixed income securities – at fair value through profit and loss; and
- Deposits with credit institutions – at fair value through profit and loss.

The fair value of other financial assets is calculated based on paragraph 11.27 of FRS 102:

- Level 1 - The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs are unobservable for the asset or liability.

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the Company commits to purchase or sell the asset. Purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

A financial asset is derecognised when the contractual right to receive cash flows expires or when the asset, together with substantially all the risks and rewards of ownership, has been transferred.

Notes to the Financial Statements (continued)

F. Financial instruments (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow group companies are initially recognised at transaction price.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses will not be offset in the income statement account unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years, which have been realised during the year and are reported as realised gains and losses in the current income statement. All gains and losses arising in relation to investment connected with the carrying on of the long-term insurance business are reflected initially in the technical account – long-term business. Investment gains and losses arising in relation to other investments (those investments directly attributable to shareholders) are taken to the non-technical account.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the income statement. Fair values are obtained from the respective derivative counterparty. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

G. Investments

Land and buildings

Land and buildings are measured at cost at initial recognition. The cost of purchased land and buildings comprises their purchase price and any directly attributable expenditure such as legal and brokerage fees, property transfer taxes and other transaction costs. Land and buildings are subsequently revalued every quarter at open market value, by qualified external valuers, in accordance with the guidance notes issued by the Royal Institution of Chartered Surveyors. All changes in market value are recorded as investment income in the income statement.

Investments in group undertakings

Investments in subsidiaries are held at carrying value which is defined as cost less accumulated impairment losses.

Notes to the Financial Statements (continued)

H. Finance leases

Amounts receivable under finance leases are recognised on the balance sheet as a debtor at the amount of the net investment in the lease; represented by the remaining minimum lease payments payable by the lessee, less cash payments received that are attributable to future gross earnings. Finance income is recognised in the technical account on a basis that reflects a constant periodic rate of return on the net cash investment in the lease. Over the lease term rentals will be apportioned between a reduction in the net investment in the lease and gross earnings.

I. Long-term business provision

Insurance contracts are measured in line with FRS 103. The valuation uses a gross premium method in respect of the Company's business. The approach is a modified Canadian Asset Liability Method (CALM), as noted in Accounting Policy A 'Basis of preparation' above.

The key modification to CALM is that the Asset Default Provision (ADP) for Bonds, Finance leases and other financing arrangements and Commercial mortgages has been strengthened to allow for long-term unexpected default losses.

The insurance contract liabilities are determined using assumptions approved by the Board of Directors. The insurance contract liabilities are based on a best estimate assessment of the future liabilities plus additional margins for adverse deviation.

The valuation basis adopted reflects the value of related assets as per sections F - Financial instruments, G - Investments and H - Finance leases above, and the yield derived therefrom, together with a prudent assessment of future rates of return on new monies receivable as income from existing business (premiums and investment income). Other assumptions reflect a best estimate assessment of future experience of mortality, morbidity and other relevant factors, together with additional prudent margins sufficient to ensure that there is no foreseeable risk that liabilities to policyholders in respect of long-term insurance contracts will not be met as they fall due.

The Company carries out an annual liability adequacy test on its insurance liabilities less related deferred acquisition costs and other related intangible assets to ensure that the carrying amount of its liabilities is sufficient in the light of estimated future cash flows. Where a shortfall is identified, an additional provision is made.

Although the process for the establishment of technical provisions follows generally accepted actuarial practice, the provisions that result from the process remain uncertain. As a consequence of this uncertainty, the eventual value of claims could vary from the amounts provided to cover such future claims. The Company seeks to provide appropriate levels of technical provisions taking known facts and experience into account but nevertheless such provisions remain uncertain.

J. Technical provisions for Unit-linked liabilities

Liabilities under unit-linked contracts are recognised as and when the units are created and are dependent on the value of the underlying financial assets, derivatives and/or investment property. Unit-linked contracts are carried in the balance sheet at an amount determined by the valuation of the related units on the valuation date.

K. Current taxation

The current tax expense is based on the taxable profits for the year, at rates that have been enacted at the balance sheet date after any adjustments in respect of prior years.

L. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, but only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The long-term business result shown in the non-technical account is grossed up by a notional amount representing the overall effective rate of tax attributable to shareholders' profits.

M. Foreign currencies

Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. Non-monetary items at historical cost are translated using the exchange rate at the date of transaction, and non-monetary assets measured at fair value are translated using the exchange rate when the fair value was determined. All differences are taken to the income statement.

N. Operating leases

Rentals payable under operating leases are charged to the income statement as incurred over the lease term.

O. Dividends

Interim dividends are recognised when paid and final dividends are booked as a liability when they are approved by the Board of Directors passing a written resolution.

Notes to the Financial Statements (continued)

P. Assets under construction

Assets under construction are stated at cost less impairment losses. Cost comprises direct costs of construction, such as materials, labour, overheads and any other costs directly attributable to bringing the assets to a working condition for their intended use. Capitalisation of these costs ceases and the asset concerned is transferred to the appropriate category when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided on the assets under construction.

Q. Provisions

Provisions are recognised when the Company has a present obligation, either legal or constructive, resulting from a past event, and in management's judgment, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount. The amount recognised for provisions is based on management's best estimate at the year-end date.

The Company recognises a provision for restructuring when a detailed formal plan for the restructuring has been established and the plan has raised a valid expectation in those affected that the restructuring will occur.

R. Value in force of acquired business

Value in force of acquired business is recognised on the Part VII transfer of portfolios of insurance contracts when the fair value of the net assets acquired exceeds the value of the consideration paid for it. The amount is subsequently amortised over the weighted average duration of the technical provisions acquired at the date of transfer which the Company estimates to be 13 years.

4. Critical accounting judgements and estimation uncertainty

A. Critical judgements in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Contract classification

An assessment is made as to the significance of insurance risk transferred to the Company when deciding whether to classify and account for a contract as an insurance or investment contract. The Company policy on this is disclosed in more detail in Note 3B.

Classification of financial instruments

The Company has chosen to adopt sections 11 (Basic Financial Instruments) and 12 (Other Financial Instruments) of FRS 102 in respect of financial instruments. A judgement is made when deciding how to appropriately classify and account for these instruments, including the application of the fair value option. The Company policy on this is disclosed in more detail in Note 3F.

B. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company does not believe that climate change risk is currently a key source of estimation uncertainty with respect to those carrying amounts.

Impairment

The Company assesses at each balance sheet date whether there is objective evidence that any financial asset or subsidiary undertaking not carried at fair value is impaired. Such an asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the asset that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement for the period. If an investment carried at amortised cost has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

4. Critical accounting judgements and estimation uncertainty (continued)

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the income statement for the period.

The Company's policies for assessing impairment are disclosed in Notes 3F and 3G. The values are disclosed in Note 11.

Measurement of insurance contract liabilities

Insurance contract liabilities and reinsurance assets are based on appropriate valuation assumptions. The setting of assumptions considers past experience and requires significant judgement with particular emphasis paid to longevity, catastrophe, morbidity and credit risk assumptions where variances in the level of assumptions set can have a significant effect on the overall valuation.

The Company's policies for measuring insurance contract liabilities are disclosed in Notes 3C and 3I. The methodologies and assumptions used in calculating and measuring these liabilities are discussed in detail in Note 18.

Fair value of unquoted financial instruments

Where quoted bid values are not available, the fair value of financial instruments is determined from a model price based upon market observable data. The valuation techniques and inputs for these models involve judgement, specifically around the choice of a suitable index of external bonds and the application of a spread to reflect any additional risk inherent to the specific deal.

The Company's policies for measuring the fair value of these assets are disclosed in Note 3F. The valuation techniques employed by the Company are disclosed in Note 11.

5 Premium analysis

In the opinion of the Directors, the Company operates in one business segment only, long-term business.

5A Gross premiums written

	2022 £m	2021 £m
Life		
Non-participating contracts	175.5	153.5
	175.5	153.5
Pension		
Non-participating contracts	1,162.9	1,817.4
	1,162.9	1,817.4
Permanent Health	191.7	181.3
Total direct insurance written premiums	1,530.1	2,152.2
Periodic premiums	650.4	603.1
Single premiums	879.7	1,549.1
Total gross direct insurance premiums	1,530.1	2,152.2
Reinsurance premiums	(433.5)	(537.7)
Net written premiums	**1,096.6**	**1,614.5**

Included in gross written premiums is £894.5m (2021: £1,561.3m) in respect of annuity and other individual business and £635.6m (2021: £590.9m) in respect of group contracts.

Notes to the Financial Statements (continued)

5 Premium analysis (continued)

5B New business premiums

	2022 Gross £m	2021 Gross £m
Life		
Individual and group		
Non-participating	64.0	53.8
	64.0	53.8
Pension		
Individual and group		
Non-participating	859.9	1,543.3
	859.9	1,543.3
Permanent Health		
Group	16.7	15.1
	16.7	15.1
Total new business premiums	**940.6**	**1,612.2**
Periodic premiums	56.6	55.3
Single premiums	884.0	1,556.9
New business premiums	**940.6**	**1,612.2**

All new business premiums represent direct business and are written in the United Kingdom. Incremental increases on existing policies are classified as new business premiums.

Notes to the Financial Statements (continued)

6 Net Investment return

	Technical account long-term business		Non-technical account	
	2022	**2021**	**2022**	**2021**
	£m	**£m**	**£m**	**£m**
Income from land and buildings	75.6	80.5	—	—
Dividends received from subsidiaries	—	—	226.2	77.6
Income from financial instruments at fair value through profit and loss				
• Designated as such on initial	516.2	522.6	7.8	9.9
Income from loans and receivables valued at amortised cost	99.9	99.2	2.4	0.4
Investment income	691.7	702.3	236.4	87.9
Unrealised (losses)/gains from land and buildings	(76.7)	179.8	—	—
Unrealised (losses) from financial instruments at fair value through profit and loss				
• Designated as such on initial	(4,223.9)	(761.1)	(52.4)	(3.1)
Unrealised (losses)/gains on investments	(4,300.6)	(581.3)	(52.4)	(3.1)
Realised gains/(losses) from land and buildings	8.2	(3.8)	—	—
Realised (losses)/gains from financial assets at fair value through profit and loss				
• Designated as such on initial recognition	(189.0)	200.3	0.1	0.5
Realised (losses)/gains from loans and receivables valued at amortised cost	(0.3)	10.1	—	—
Realised losses/gains on investments	(181.1)	206.6	0.1	0.5
Reinsurers' share	490.5	(152.9)	—	—
Net Investment return	**(3,299.5)**	**174.7**	**184.1**	**85.3**

The note provides information on the gross investment income and the reinsurers' share in relation to investment income. The note has been presented to show the investment income, unrealised and realised gains/(losses) at a gross level with a separate line at the bottom of the note to add back the reinsurers' share.

Notes to the Financial Statements (continued)

7 Other technical income

	2022 £m	2021 £m
Fees from investment contracts	9.5	9.5
Movement in deferred income reserve	6.8	7.9
Other fee income	3.3	4.4
	19.6	21.8

8 Changes in technical provisions

Changes in long-term business provision

	2022 £m	2021 £m
Decrease in insurance contract liabilities	(4,404.2)	(229.3)
Decrease in investment contract liabilities	0.0	0.0
Decrease in long-term business provision	(4,404.2)	(229.3)

Changes in technical provision for unit-linked liabilities

	2022 £m	2021 £m
Increase/(Decrease) in insurance contract liabilities	(9.6)	0.7
Increase/(Decrease) in investment contract liabilities	(310.9)	181.8
Increase/(Decrease) in technical provision for unit-linked liabilities net of reinsurance	(320.5)	182.5

Notes to the Financial Statements (continued)

9 Net operating expenses

	2022 £m	2021 £m
Acquisition costs	62.2	53.1
Changes in deferred acquisition costs	5.4	6.2
Other expenses	273.3	160.3
	340.9	219.6

Net operating expenses include:

	2022 £m	2021 £m
Technical account		
Commission in respect of direct insurance	48.0	41.1
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.9	0.8
Fees payable to the Company's auditor for audit related assurance services to the Company	0.8	0.7
Fees payable to the Company's auditor for other services to the Company	—	—
	1.7	1.5

Notes to the Financial Statements (continued)

10 Taxation

(a) Long-term business

Tax charged in the long-term business technical account comprises:

	2022	2021
	£m	£m
Current tax		
UK Corporation Tax	(11.2)	11.3
Losses carried back	—	(23.8)
Transfer to deferred tax	—	(8.0)
Overseas tax	0.5	—
Prior year adjustments	(3.5)	5.3
	(14.2)	(15.2)
Deferred tax		
Origination and reversal of timing differences	(35.5)	25.8
Losses carried back	—	23.8
Transfer from current tax	—	8.0
	(35.5)	57.6
Total tax charged/ (credited) in the long-term business technical account	(49.7)	42.4

Notes to the Financial Statements (continued)

10 Taxation (continued)

(b) Tax on profit on ordinary activities

Tax charged in the non-technical account comprises:

	2022 £m	2021 £m
Current tax		
UK corporation tax	(9.0)	(4.2)
Tax charged attributable to balance on long-term business technical account	2.7	40.3
Total current tax	(6.3)	36.1
Total tax charged in the non-technical account	(6.3)	36.1

The standard rate of tax applied to reported profit on ordinary activities is 19% (2021: 19%).

(c) Factors affecting current tax charge for the year

The tax assessed in the non-technical account is lower than the standard UK corporation tax rate, because of the following factors:

	2022 £m	2021 £m
Profit on ordinary activities before tax	181.6	284.0
Current tax charge at standard UK corporation tax rate of 19% (2021: 19%)	34.6	54.1
Effects of:		
Non-taxable dividend income	(43.0)	(14.8)
Non-deductible expenses	(4.6)	—
Non-taxable income	(6.4)	(27.7)
Prior year adjustments and uncertain tax provisions	(3.8)	(31.1)
Tax in the non-technical account	9.0	4.3
Current tax charge for the year (note 10(a))	(14.2)	(15.2)

11 Investments

Financial Assets

Other financial investments

Financial assets designated at fair value through profit and loss

	2022 £m	2021 £m
Designated as such on initial recognition:		
• Shares and other variable yield securities and units in unit trusts - Listed	136.5	119.7
• Equity release mortgages	1,002.7	904.4
• Debts and other fixed income securities	12,272.0	16,975.6
• Deposits with credit institutions	539.0	630.1
	13,950.2	18,629.8
Loans and receivables:		
• Loans secured by mortgages	2,555.9	2,433.7
• Loans due from group companies	116.8	116.8
	2,672.7	2,550.5
Total other financial investments	16,622.9	21,180.3

For listed financial assets at fair value through profit and loss, fair value is by reference to quoted bid-values or where not available on a model price based upon market observable data. These model prices are derived by choosing a suitable index of external bonds and applying a spread to reflect any additional risk inherent to the specific deal.

For units in unit trusts and shares in open ended investment companies, fair value is by reference to published bid-values.

For equity release mortgages, there are no market observable prices; therefore, an internal valuation model is used discounting expected future cash flows. The cash flow analysis considers future expenses, discount rates, house price growth and volatility, assumed mortality and redemption experience and also a stochastic assessment of the no negative equity guarantee (NNEG) embedded in the loan product. The NNEG feature means that the loan redemption proceeds will not be greater than the value (at the time of loan redemption) of the property, on which the loan is secured. Stochastic modelling is used to capture the expected cost of this feature, which will depend on the expected rate and volatility of future house price growth. The discount rate used reflects the risk free interest rate term structure plus a spread above the risk free rate. The spread includes a market related element and a further element to include allowance for the high illiquidity arising from a non-trading asset.

Notes to the Financial Statements (continued)

11 Investments (continued)

To the extent that observable inputs are not available, a number of unobservable inputs are used. The unobservable inputs, used in the measurement of equity release assets are:

- Rates of mortality and the risk of customers going into long term care;
- Rates of voluntary loan redemption;
- Rates of interest cessation (i.e. switching from interest paying to interest roll-up);
- Expenses;
- Property dilapidation;
- House price inflation (relative to retail price inflation); and
- House price volatility.

The above assumptions are set after analysing historic experience and allowing for expected future trends. The mortality assumptions are based on appropriate standard industry tables, with allowance for future improvements based on the CMI (Continuous Mortality Investigations).

Voluntary redemption and interest cessation assumptions take account of the Company's recent experience analyses.

Observable inputs used in the measurement of the equity release assets are:

- Future retail price inflation;
- Risk free rates; and
- The initial loan balances.

Included in the investments portfolio are the following impaired investments:

	2022 £m	2021 £m
Mortgage loans	—	—
	—	—

The impaired mortgages had a gross value of £nil (2021: £nil) reduced by an impairment loss of £nil (2021: £nil). There are no other impaired assets in the current year (2021: £nil).

The table below shows financial assets carried at fair value through profit and loss by valuation method. The net derivative liabilities of £94.5m (2021: £33.1m) are disclosed below within level 2 analysis and gross amounts are disclosed in Note 30:

	2022 £m	2021 £m
Quoted prices in active markets (level 1)	675.5	749.8
Valuation technique		
Market observable data (level 2)	12,177.3	16,942.5
Non-market observable (level 3)	1,002.7	904.4

Notes to the Financial Statements (continued)

11 Investments (continued)

Land and buildings

Land and buildings at current market value:

	Freehold	Leasehold	Total	Freehold	Leasehold	Total
	2022	**2022**	**2022**	**2021**	**2021**	**2021**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January	1,590.6	44.5	1,635.1	1,439.8	48.00	1,487.8
Transfer between categories	—	—	—	—	—	—
Additions	3.1	—	3.1	0.8	0.8	1.6
Disposals	(32.2)	—	(32.2)	(25.8)	—	(25.8)
Revaluation	(63.8)	(3.8)	(67.6)	175.8	(4.3)	171.5
At 31 December	1,497.7	40.7	1,538.4	1,590.6	44.5	1,635.1
Land and buildings at cost:						
At 31 December	1,275.5	84.1	1,359.6	1,299.3	84.1	1,383.4

All properties held by Canada Life Limited were valued as at 20 December 2022. The valuation of different parts of the portfolio was conducted by Savills and Knight Frank, acting in the capacity of independent external valuers.

Investment properties were valued on the basis of open market value, being the estimated amount at which an investment property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion.

The properties in owner occupation for the purposes of the Company's business were valued assuming vacant possession. All valuations were carried out in accordance with the RICS Valuation and Appraisal Standards.

Included in the figures shown for current market value is £8.1m (2021: £8.3m) in respect of buildings which are owned and occupied by the Company.

Notes to the Financial Statements (continued)

11 Investments (continued)

Investments in group undertakings and participating interests

	2022 £m	2021 £m
Shares in group undertakings	1,453.3	1,453.3

12 Other debtors

	2022 £m	2021 £m
Due in less than one year		
UK corporation tax	50.6	23.9
Other debtors	28.6	18.2
Amounts due from group companies	100.8	195.4
	180.0	237.5
Due in more than one year		
Amounts receivable under finance leases	222.9	151.3
Total	402.9	388.8

The cost of assets held for the purpose of letting under finance leases is £222.9m (2021: £151.3m). The aggregate rentals receivable in the accounting period in respect of finance leases is £8.0m (2021: £6.2m).

13 Assets under construction

	2022 £m	2021 £m
Assets under construction	54.0	57.7

Notes to the Financial Statements (continued)

14 Assets held to cover linked liabilities

	2022		2021	
	Market Value £m	Historical Cost £m	Market Value £m	Historical Cost £m
Assets held to cover linked liabilities	2,346.7	2,320.9	2,954.3	2,556.6

15 Technical provisions

Long-term business provision

	2022 £m	2021 £m
Insurance contract liabilities	17,000.3	21,404.5
Investment contract liabilities	0.3	0.2
Long-term business provision	17,000.6	21,404.7

Technical provision for linked liabilities

	2022 £m	2021 £m
Insurance contract liabilities	52.6	62.2
Investment contract liabilities	2,294.1	2,892.1
Technical provision for linked liabilities	2,346.7	2,954.3

16 Called up share capital

	2022 £m	2021 £m
Allotted, called up and fully paid		
Equity interest		
342.2m (2021: 342.2m) ordinary shares of £1 each	342.2	342.2

Notes to the Financial Statements (continued)

17 Financial liabilities

In 2002 the Company entered into two subordinated loan agreements with other Canada Life group companies. One agreement, for a loan of £70m, is for a term of thirty years. The other agreement, for a loan of £40m, is for an undated term. In 2005, the Company borrowed £25m for a term of thirty years, under a new subordinated loan facility with a Canada Life group company, in connection with the acquisition of the Phoenix & London Assurance Limited annuity book.

In February 2006 the Company made an additional £65m drawdown under the subordinated loan facility established in 2005. This was part of a refinancing arrangement under which the Company paid a £65m 2006 interim dividend on 20 February 2006 to its parent undertaking The Canada Life Group (U.K.) Limited.

The above loans were exposed to LIBOR which was discontinued at the end of 2021. During 2021 the company agreed the replacement reference interest rate would be Sterling Overnight Index Average ("SONIA") with effect from no later than 31 December 2021. All of the above loans were amended to reflect this change.

In May 2006 the Company borrowed an additional £130m under two new subordinated loan agreements with other Canada Life group companies, in connection with the reinsurance agreement with The Equitable Life Assurance Society. One agreement, for a loan of £50m, is for a term of thirty years. The other agreement, for a loan of £80m, is for an undated term.

Interest was payable in respect of the 2002 thirty year term loan at 2.25% per annum above London Inter-bank Offer Rate (LIBOR) for the first ten years, at which time the Company had the option to fully repay the loan. On 25 September 2012, no repayment was made and the ongoing liability was subject to interest at 2.90% per annum above LIBOR for the remaining term. The loan agreement was amended in February 2016 and the interest rate was updated to be in line with prevailing market rates. The loan was then subject to interest at 4.20% per annum above LIBOR for the remaining term. The loan agreement was further amended at the end of 2021 and the interest rate was updated to 4.20% above SONIA and Credit Adjustment Spread ("CAS") of 0.2766%. Any amount which falls due for payment under the terms of the agreement shall be suspended if, in the opinion of the Company's Chief Actuary (or such other person as the PRA shall approve), this would result in a breach of its required margin of solvency. The loan is immediately repayable in the event of any step being taken to wind up the Company. The lender may only petition for the winding up of the Company following the second anniversary of the default of the terms of the agreement by the Company. In a winding up no amount will be paid in respect of the subordinated debt until all policyholders and other creditors have been paid in full. Other than in these circumstances the lender cannot call for repayment of the loan within the term. Repayment of the subordinated debt is subject to no objection to such repayment being received from the Prudential Regulation Authority.

17 Financial liabilities (continued)

The terms of the 2002 undated subordinated debt are similar to the above. This loan was also amended in 2016 and was subject to interest at 4.20% per annum above LIBOR. The loan agreement was further amended at the end of 2021 and the interest rate was updated to 4.20% above SONIA and CAS of 0.2766% In addition, repayment is subject to a minimum of five years' notice to the Prudential Regulation Authority.

The terms of the 2005 and February 2006 subordinated debts are similar to the above 2002 thirty year term loan with the exception of the applicable interest rates which were originally 0.8% and 1.05% per annum above LIBOR for the first ten years and subsequent years respectively. The loan agreements were amended at the end of 2021 and the interest rates were updated to 1.05% above SONIA and CAS of 0.2766%.

The terms of the £50m May 2006 thirty year term subordinated debt are similar to the previous thirty year loans other than in respect of the interest rate, which is fixed at 5.65% per annum for the first ten years, and 5.9% in subsequent years.

The terms of the £80m May 2006 undated subordinated debt are similar to the 2006 thirty year term loan, with the exception that the Company can elect to defer payment of interest. Deferred interest may be paid by the Company in whole or part at any time, but would become payable on cancellation of the facility as a consequence of any steps having been taken to wind up the Company.

Total interest expense of £16.5m (2021: £13.4m) has been recognised in the non-technical account in respect of subordinated liabilities.

The following table provides information about the maturity periods of the Company's subordinated liabilities as at 31 December 2022:

Subordinated liabilities	**< 1yr £m**	**1-5 yrs £m**	**5-15 yrs £m**	**15 yrs + £m**	**Total £m**
SONIA + CAS + 4.20% £70 million 2032 loan **(a)**	—	—	70.0	—	70.0
SONIA + CAS + 4.20% £40 million undated loan **(a)**	—	—	—	40.0	40.0
SONIA + CAS + 1.05% £25 million 2035 loan **(b)**	—	—	25.0	—	25.0
SONIA + CAS + 1.05% £65 million 2035 loan **(b)**	—	—	65.0	—	65.0
Fixed 5.90% £50 million 2036 loan **(c)**	—	—	50.0	—	50.0
Fixed 5.90% £80 million undated loan **(c)**	—	—	—	80.0	80.0
	—	—	210.0	120.0	330.0

Notes to the Financial Statements (continued)

17 Financial liabilities (continued)

The following table provides information about the maturity periods of the Company's subordinated liabilities as at 31 December 2021:

Subordinated liabilities	< 1yr £m	1-5 yrs £m	5-15 yrs £m	15 yrs + £m	Total £m
SONIA + CAS + 4.20% £70 million 2032 loan **(a)**	—	—	70.0	—	70.0
SONIA + CAS + 4.20% £40 million undated loan **(a)**	—	—	—	40.0	40.0
SONIA + CAS + 1.05% £25 million 2035 loan **(b)**	—	—	25.0	—	25.0
SONIA + CAS + 1.05% £65 million 2035 loan **(b)**	—	—	65.0	—	65.0
Fixed 5.90% £50 million 2036 loan **(c)**	—	—	50.0	—	50.0
Fixed 5.90% £80 million undated loan **(c)**	—	—	—	80.0	80.0
	—	—	210.0	120.0	330.0

(a) The interest rate changed to SONIA + 0.2766% CAS + 4.20% at the end of 2021 from GBP LIBOR + 4.20%.

(b) The interest rate changed to SONIA + 0.2766% CAS + 1.05% at the end of 2021 from GBP LIBOR + 1.05%.

(c) The interest rate changed to 5.90% from 5.65% during 2016.

18 Long-term business provision

The methodologies used to calculate the long-term business provision (LTBP) are as follows:

The Canadian Asset Liability Method (CALM) is used for the determination of policy liabilities for most lines of business. For non-participating business the actuarial liabilities are computed using a stable interest rate track which is based on the discount rate derived at the time the business was written. A Fair Value Adjustment, which is the difference between the market value and amortised value of the assets, is added to convert the actuarial liability valuation from a stable interest rate track to a market consistent valuation.

For non-linked business, the calculation of the long-term business provision is based on the discounted value of future benefits less future premiums and the value of future expenses of maintaining the policy.

For unit linked business, the provision is equal to the cancellation value of units (i.e. the value of the assets to which the contracts are linked) together with, where appropriate, a provision in respect of future expenses, mortality and other risks.

The principal assumptions used to calculate the long-term business provision at 31 December 2022 are as follows:

Valuation interest rates[1] (net of tax) for material product groups:

[1] Rates reported throughout this section are on a Canadian IFRS basis: amortised cost yields representing the average of the yields at the time the business was written less an amount in respect of asset defaults (ADP), interest mismatch risk (IRP) and investment expenses. A fair value adjustment is applied to convert actuarial liabilities to a market consistent basis. An adjustment is then made to the CIFRS actuarial liabilities to reflect the UK GAAP ADP basis.

18 Long-term business provision (continued)

Annuities in Payment (Non-linked)				
Product group	This valuation		Last valuation	
	Pre-2022 Business	2022 Business	Pre-2021 Business	2021 Business
Purchase Life Annuities (PLA)	2.19%	3.45%	2.46%	1.57%
CL Pensions Annuities (Non MA fund) – CPA business incl Ex-PALAL & Ex-Equitable business[2]	4.39%	n/a	4.20%	n/a
CL Pensions Annuities (Non-MA fund[2])	5.71%	4.11% (Non Linked) / 2.36% (Index Linked)	5.68%	2.28% (Non Linked) / 0.79% (Index Linked)
CL Pensions Annuities (MA fund[2])	4.64%	4.11% (Non Linked) / 2.36% (Index Linked)	4.93%	2.28% (Non Linked) / 0.79% (Index Linked)
Enhanced Annuities	3.94%	3.87% (Non Linked) / 2.08% (Index Linked)	3.48%	2.17% (Non Linked) / 0.75% (Index Linked)
Bulk Annuities	2.48%	Scheme dependent rate: 1.62% to 4.22% (Non Linked) / 1.62% to 4.26% (Index Linked)	2.65%	Scheme dependent rate: 1.32% to 2.38% (Non Linked) / 1.61% to 2.07% (Index Linked)
Death in Service (DIS)	4.46%	2.67% (Non Linked) / 2.02% (Index Linked)	4.50%	1.00% (Non Linked) / 0.72% (Index Linked)
Annuities (Acquired from MGMA) (Non-MA Fund[2])	2.73%	4.32% (Non Linked)/2.58% (Index Linked)	2.73%	2.28% (Non Linked)/0.81% (Index Linked)
Annuities (Acquired from MGMA) (MA Fund[2])	3.15%	4.32% (Non Linked)/2.58% (Index Linked)	2.73%	2.28% (Non Linked)/0.81% (Index Linked)

[2] Canada Life Pension Annuities have been split into Matching adjustment (MA) and Non-Matching adjustment (Non MA) funds for the purposes of the Solvency II valuation.

Notes to the Financial Statements (continued)

18 Long-term business provision (continued)

(PHI) claims in payment[3]				
	This valuation		Last valuation	
Claim Type	Existing claims (pre 2022)	New claims (2022)	Existing claims (pre 2021)	New claims (2021)
Non-linked	2.53%	2.90%	2.73%	1.55%
Index-linked	2.07%	1.41%	2.24%	0.42%

The interest rate assumptions in the valuation are amortised cost interest rates reflecting yields on assets at the time the business was written. They vary from year to year as they reflect the yields on assets backing the new business written each year.

Bond, finance lease, financing arrangements and commercial mortgage asset default provisions (ADP) for expected default losses are derived using ADP factors. The ADP factors vary by the company's internal rating for each asset and by cash flow term. The factors allow for the risk of costs arising from default and downgrade, calibrated to a specified percentile conditional tail expectation of internal risk models. Bonds, commercial mortgages, finance leases and financing arrangements are calibrated to the 80th percentile. They are applied as reductions to the asset cash flows to quantify the impact of defaults, the ADP for each asset being the present value of these asset default cash flows.

Bond, finance lease, financing arrangement and commercial mortgage ratings are determined by using CLL's internal rating models.

An additional allowance for long-term unexpected default losses on credit assets is made by applying an uplift to the ADP for bonds, finance leases, financing arrangements and commercial mortgages.

[3]Some classes of index-linked business are subject to a cap on the annual increases applied and are treated as non-linked for valuation purposes. The valuation interest rates for non-linked and index-linked business reflect this reallocation.

18 Long-term business provision (continued)

Mortality assumptions (inclusive of prudent margins) for material blocks of business are set out below:

Product group	This valuation	Last valuation
IPP Term Assurances	Males: 90.0% of the Reinsurer's Rates plus an addition of (0.01 / expectation of life) at each age Females: 90.0% of the Reinsurer's Rates plus an addition of (0.01 / expectation of life) at each age	Males: 90.0% of the Reinsurer's Rates plus an addition of (0.01 / expectation of life) at each age Females: 90.0% of the Reinsurer's Rates plus an addition of (0.01 / expectation of life) at each age
Annuities in payment (PLA)	Males: 73.6% LML08 tapering from age 100 to 92% LML08 at age 120 with improvements basis (1) Females: 91.1% LFL08 tapering from age 100 to 92% LFL08 at age 120 with improvements basis (1)	Males: 73.6% LML08 tapering from age 100 to 92% LML08 at age 120 with improvements basis (2) Females: 91.1% LFL08 tapering from age 100 to 92% LFL08 at age 120 with improvements basis (2)
Annuities in payment (Canada Life Pensions Annuities (excluding Compulsory Purchase Annuities) & Fixed Term Income Plan) [4]	Males: 95% CLELM13 tapering from age 94 to 96% CLELM13 at age 110 with improvements basis (1)	Males: 97% CLELM13 tapering from age 94 to 96% CLELM13 at age 110 with improvements basis (2)
	Females: 92.2% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (1)	Females: 93.1% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (2)
	Both with select adjustments S1 Both with postcode adjustments (where applicable) Both with lifestyle factors (where applicable)	Both with select adjustments S1 Both with postcode adjustments (where applicable) Both with lifestyle factors (where applicable)
Annuities in payment (Canada Life Pensions - Compulsory Purchase Annuities) Annuities in payment	Males: 98.4% CLELM13 tapering from age 94 to 96.5% CLELM13 at age 110 with improvements basis (1) Females: 92.2% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (1) Both with select adjustments S1 Both with postcode adjustments (where applicable) Both with lifestyle factors (where applicable)	Males: 100.4% CLELM13 tapering from age 94 to 96.5% CLELM13 at age 110 with improvements basis (2) Females: 93.1% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (2) Both with select adjustments S1 Both with postcode adjustments (where applicable) Both with lifestyle factors (where applicable)

[4] The underlying mortality tables for main blocks (i.e. excluding PLAs and DIS) use Canada Life's own graduated tables. The tables were graduated from data covering 2010 to 2016 including data from the two main blocks of annuitants in the UK (ex-PALAL and ex-ELAS).

Notes to the Financial Statements (continued)

18 Long-term business provision (continued)

Product group	This valuation	Last valuation
Annuities in payment (Ex – PALAL)	Males: 97.9% SLPLM13 tapering from age 95 to 96% SLPLM13 at age 110 with improvements basis (1) Females: 92.2% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (1)	Males: 98.9% SLPLM13 tapering from age 95 to 96% SLPLM13 at age 110 with improvements basis (2) Females: 93.1% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (2)
Annuities in payment (Ex-Equitable 2006)	Males: 99.4% CLELM13 tapering from age 94 to 96.5% CLELM13 at age 110 with improvements basis (1) Females: 92.2% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (1)	Males: 100.4% CLELM13 tapering from age 94 to 96.5% CLELM13 at age 110 with improvements basis (2) Females: 93.1% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (2)
Annuities in payment (Ex-Equitable 2015)	Males: 98.4% CLELM13 tapering from age 94 to 96.5% CLELM13 at age 110 with improvements basis (1) Females: 92.2% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (1) Both with select adjustments S1 (without year of entry factors)	Males: 100.4% CLELM13 tapering from age 94 to 96.5% CLELM13 at age 110 with improvements basis (2) Females: 93.1% ALLF13 tapering from age 97 to 96% ALLF13 at age 110 with improvements basis (2) Both with select adjustments S1 (without year of entry factors)
Annuities in payment (Bulk – Annuities)	All Schemes reserved under Club Vita Basis Males: 95.0% S3PMA with improvement basis (1) Females: 95.0% S3PFA with improvement basis (1) Some schemes use scheme specific base mortality factors derived from their own experience No select adjustments apply Both with bulk adjustments B1	All Schemes reserved under Club Vita Basis Males: 95.0% S3PMA with improvement basis (2) Females: 95.0% S3PFA with improvement basis (2) Some schemes use scheme specific base mortality factors derived from their own experience No select adjustments apply Both with bulk adjustments B1
Annuities in payment (DIS)	Males: 92% S3DMA with improvements basis (1) Females: 92% S3DFA with improvements basis (1) No select adjustments apply	Males: 92% S3DMA with improvements basis (2) Females: 92% S3DFA with improvements basis (2) No select adjustments apply

Notes to the Financial Statements (continued)

18 Long-term business provision (continued)

Product group	This valuation	Last valuation
Annuities in payment (Standard Lives, Acquired from MGMA)	Males: 92% PNMA00 with no tapering and improvements basis (1) Females: 92% PNFA00 with no tapering and improvements basis (1) Both with postcode adjustments (where applicable)	Males: 92% PNMA00 with no tapering and improvements basis (2) Females: 92% PNFA00 with no tapering and improvements basis (2) Both with postcode adjustments (where applicable)
	No Select adjustments apply	No Select adjustments apply
Annuities in payment (Impaired Lives, Acquired from MGMA)	Males: 70% PNMA00 (POS1)/60% PNMA00 (POS 2-6) with no tapering and improvements basis (1) Females: 70% PNFA00 (POS1)/60% PNFA (POS2-6) with no tapering and improvements basis (1) Both with postcode adjustments (where applicable) No select adjustments apply	Males: 70% PNMA00 (POS1)/60% PNMA00 (POS 2-6) with no tapering and improvements basis (2) Females: 70% PNFA00 (POS1)/60% PNFA (POS2-6) with no tapering and improvements basis (2) Both with postcode adjustments (where applicable) No select adjustments apply
Annuities in payment (Canada Life Enhanced)[4]	Males: 85.6% PNMA00 with improvements basis (1) Females: 73.6% PNFA00 with improvements basis (1) Both with postcode adjustments (where applicable) Impairment factors apply[5]	Males: 85.6% PNMA00 with improvements basis (2) Females: 73.6% PNFA00 with improvements basis (2) Both with postcode adjustments (where applicable) Impairment factors apply[5]

[5] Enhanced annuities use additional adjustments for specific medical conditions for impaired lives, applied on a case-by-case basis.

18 Long-term business provision (continued)

Improvements Basis (1)
Males:

- CMI_2019_M, smoothing parameter Sk = 7.25
- A blended set of improvements based on 3 projections using data split by socio-economic group.
- No cohort effects are fitted for those aged 40 and younger in 2019.
- Long term rate of improvement =
    - 2000-2022: 1.5% up to age 80 reducing to 0% at age 110
    - 2023+: 1.5% up to age 80 reducing to 0% at age 110 plus the following additions, which are 150% of the prescribed Canadian Actuarial Standards Board (ASB) rates, in each year of projection:

Age	Addition
0-40	1.5% p.a.
41-60	Linearly reducing
61-90	0.75% p.a.
91-104	Linearly reducing
105-115	0.3% p.a.
116+	0%

Females:

- CMI_2019_F, smoothing parameter Sk = 7.25
- A blended set of improvements based on 3 projections using data split by socio-economic group.
- No cohort effects are fitted for those aged 40 and younger in 2019.
- Long term rate of improvement =
    - 2000-2022: 1.5% up to age 80 reducing to 0% at age 110
    - 2023+: 1.5% up to age 80 reducing to 0% at age 110 plus the following additions, which are 150% of the prescribed Canadian Actuarial Standards Board (ASB) rates, in each year of projection:

Age	Addition
0-40	1.5% p.a.
41-60	Linearly reducing
61-90	0.75% p.a.
91-104	Linearly reducing
105-115	0.3% p.a.
116+	0%

18 Long-term business provision (continued)

Improvements Basis (2)

Males:

- CMI_2019_M, smoothing parameter Sk = 7.5
- An addition of 0.3% p.a., tapering to nil between ages 90 and 100, is applied to initial rates of improvement to adjust for the socioeconomic profile of CLL annuitants. This adjustment reduces over time in line with the age-period convergence assumption.
- No cohort effects are fitted for those aged 40 and younger in 2019.
- Long term rate of improvement =
    - 2000-2021: 1.5% up to age 80 reducing to 0% at age 110
    - 2022+: 1.5% up to age 80 reducing to 0% at age 110 plus the following additions, which are 150% of the prescribed Canadian Actuarial Standards Board (ASB) rates, in each year of projection:

Age	Addition
0-40	1.5% p.a.
41-60	Linearly reducing
61-90	0.75% p.a.
91-104	Linearly reducing
105-115	0.3% p.a.
116+	0%

Females:

- CMI_2019_F, smoothing parameter Sk = 7.5
- An addition of 0.3% p.a., tapering to nil between ages 90 and 100, is applied to initial rates of improvement to adjust for the socioeconomic profile of CLL annuitants. This adjustment reduces over time in line with the age-period convergence assumption.
- No cohort effects are fitted for those aged 40 and younger in 2019.
- Long term rate of improvement =
    - 2000-2021: 1.5% up to age 80 reducing to 0% at age 110
    - 2022+: 1.5% up to age 80 reducing to 0% at age 110 plus the following additions, which are 150% of the prescribed Canadian Actuarial Standards Board (ASB) rates, in each year of projection:

Age	Addition
0-40	1.5% p.a.
41-60	Linearly reducing
61-90	0.75% p.a.
91-104	Linearly reducing
105-115	0.3% p.a.
116+	0%

18 Long-term business provision (continued)

Details of the adjustments referred to in the table are as follows:

Adjustments S1:

30 year select factors apply for each year of entry from 1997 to 2022, which are combined with residual select factors for the first 10 years of the annuity. The following residual factors apply for both sexes for the first 10 years of the annuity (i.e. the mortality rate is multiplied by the factor below):

Year 1: 53%	Year 5: 80%	Year 9: 93%
Year 2: 70%	Year 6: 83%	Year 10: 97%
Year 3: 73%	Year 7: 87%	Year 11 onwards: 100%
Year 4: 77%	Year 8: 90%	

Adjustments B1:

The mortality rates are calculated using factors that depend on postcode grouping, geographic region, annuity size band and pensioner retirement status, varying by age and sex. According to the mapping of an individual life to the above mentioned factors, corresponding adjustments will be selected to be applied to the base mortality assumption.

Morbidity:

Non-Profit Fund: product group	This valuation	Last valuation
Group income protection claims in payment (termination rates)	Recoveries: 61.2% of CMIR12 in the first year 105.3% of CMIR12 in the second year 102.0% for the next three years 62.9% for the next five years 34.0% thereafter. Deaths: 207% of CMIR12 in the first year 235.8% of CMIR12 in the second year 123.3% for the next three years 65.5% for the next five years 27.2% thereafter.	Recoveries: 61.2% of CMIR12 in the first year 105.3% of CMIR12 in the second year 102.0% for the next three years 62.9% for the next five years 34.0% thereafter. Deaths: 207% of CMIR12 in the first year 235.8% of CMIR12 in the second year 123.3% for the next three years 65.5% for the next five years 27.2% thereafter.

Expenses:

The UKGAAP expense valuation assumptions for material lines are shown below, these are inclusive of a 10% margin.

18 Long-term business provision (continued)

Expense Assumptions	This valuation		Last valuation	
	Maintenance	**Investment**	**Maintenance**	**Investment**
Annuities	£22.37	9.8 bps	£21.76	9.8 bps
Group Health	£160 - £4600	9.8 bps	£160 - £4450	9.8 bps

Material Sensitivities:

The significant sensitivities are as follows:

- A decrease of 10% in our annuity mortality assumptions would increase net annuity reserves by approximately 1.4% (2021: 2.2%), while a decrease of 0.1% in valuation rate of interest would increase net annuity reserves by about 1% (2021:1.2%).

- A decrease of 10% in our Group Income Protection (IP) termination and mortality assumptions would increase Group IP claims in payment net reserves by approximately 2.8% (2021: 2.8%).

Reinsurance Arrangements:

During 2006 the Company acquired an annuity block of The Equitable Life Assurance Society ("ELAS"). As part of this acquisition the Company entered into a reinsurance agreement where the Company ceded 15% of this acquired book to Canada Life International Re Limited ("CLIRe"), a fellow group undertaking, on a funds withheld basis. This arrangement changed in 2008. Two new arrangements were put in place and currently 25% of longevity risk is ceded to Royal Bank of Canada (RBC) under a reinsurance treaty, and 13.3% of the longevity risk is passed to J.P. Morgan Ventures Corporation ("JPM") under an analogous non-reinsurance financing arrangement. In addition, the treaty with CLIRe was extended so that 25% (instead of the 15% previously) of the remaining liabilities for this business was reassured with CLIRe.

In July 2011 the agreement with CLIRe was novated to Canada Life Assurance Company Barbados Branch ("CLACBB"), and effective 1 July 2012 the treaty with CLACBB was extended so that 40% (previously 25%) of the remaining liabilities for this business is reassured with CLACBB. During 2015 the treaty with CLACBB was further extended so that 90% of the remaining liabilities for this business is reassured, effective 1 January 2015.

During 2005 the Company acquired the annuity book of Phoenix & London Assurance Limited ("PALAL"). As part of this acquisition the Company entered into a reinsurance agreement where the Company ceded 40% of this acquired book to CLIRe, a fellow group undertaking, on a funds withheld basis. In July 2011 this agreement with CLIRe was novated to CLACBB. During 2015 the treaty with CLACBB was extended so that 90% of the remaining liabilities for this business is reassured, effective 1 January 2015.

Notes to the Financial Statements (continued)

18 Long-term business provision (continued)

During 2008 the Company entered into a 50% quota share agreement with Hannover Rueckversicherung AG & Hannover Life Reassurance (UK) Ltd (following a business transfer, the entire agreement is now with Hannover Rueckversicherung AG) to reinsure its impaired life annuities. The impact of this treaty on the end of 2022 balance sheet is to reduce gross technical provisions by £222.8m (2021: £264.5m).

During 2015 the Company reassured a £850m block of pension and general payout annuities from Equitable Life (effective 1 January 2015) ("Highgate"). The Company acquired this business from Equitable Life in February 2016 via a Part VII transfer. The block consists of Sterling as well as three US dollar denominated policies. The Company has entered into a reinsurance agreement where the Company ceded 90% of the Sterling denominated pension and general payout annuities within this block to CLACBB on a funds withheld basis.

In 2019, a new amended and restated agreement was signed with CLACBB which consolidated the three arrangements for the PALAL, ELAS and Highgate blocks into one consolidated arrangement.

During 2016, the Company ceded 50% of the longevity risk from Canada Life Pension annuities originally sold by the Company before 2010 to CLACBB. 100% of the longevity risk from Group Death-in-service Annuities in force at 31 December 2015 was also ceded to CLACBB.

The 50% longevity risk reinsurance arrangement included CPA block of annuities. Effective 1st of April 2020, the CPA block of annuity policies (c£2.2bn) was further included under the consolidated PALAL, ELAS and Highgate treaty under a 90% quota share arrangement. The total impact of the above combined arrangements on the end of 2022 balance sheet is to reduce gross technical provisions by £4,098.3m (2021: £5,236.6m)

The impact of the remaining reinsurance arrangements for non-CPA pension annuities and Group Death-in-service annuities on the end of 2022 balance sheet is to increase gross technical provisions by £10.8m (2021: £67.3m reduction.).

During 2018, the Company ceded 90% of the longevity risk from bulk annuities sold by the Company since 2015 to Canada Life Annuity Reinsurance Ltd ("CLAR"). This arrangement was carried out as four transactions, with the first tranche effective in January 2018, the second in October 2018, the third in October 2019 and the fourth in January 2021. The impact of this reinsurance on the end of 2022 balance sheet is to increase gross technical provisions by £42m (2021: £39.5m).

Following the part VII transfer of the MGMA liabilities effective 1 January 2020, the existing reinsurance arrangements with Hannover Re also novated across to Canada Life. These arrangements include a 50% quota share arrangements for non-linked annuity business written prior to 1 January 2016 and 75% longevity swap arrangement for non-linked annuity business written after 1 January 2016. The impact of this reinsurance on the end of 2022 balance sheet is to reduce gross technical provisions by £358.6m (2021: £544.4m).

18 Long-term business provision (continued)

During 2022, the Company ceded 100% of longevity risk from a bulk annuity scheme written by the Company in 2021 to Metropolitan Tower Life Insurance Company ("MetLife"). The impact of this reinsurance on the end of 2022 balance sheet reduced gross technical provisions by £25m.

Additional reinsurance arrangements are in place for group income protection, group life and individual life. The cumulative impact of these treaties on the end of 2022 balance sheet is to reduce gross technical provisions by £59.4m (2021: £87.8m).

19 Deferred taxation

(i) The deferred tax asset, and for the prior year liability, included within provisions for other risks and charges comprises:

	2022 £m	2021 £m
Unrealised gains on investments	3.8	27.7
Current tax held in deferred tax balance	(6.6)	(8.0)
Provisions and other timing differences	(32.4)	(6.6)
Deferred tax (asset)/liability	(35.2)	13.1

(ii) Movements in the deferred tax balances are analysed as follows:

	2022 £m	2021 £m
At 1 January	13.1	(18.6)
Income statement	(35.5)	55.7
Non-technical account	(1.4)	—
Losses transferred to current tax	(11.4)	(23.8)
Other deferred tax movements	—	(0.2)
At 31 December	(35.2)	13.1

The tax attributes which are recognised do not have an expiry date.

Deferred tax is calculated at 25%, in respect of shareholder timing differences. The rate is 20% for policyholder attributes. A UK shareholder tax rate increase to 25% from 1 April 2023 was enacted in the Finance Act 2021.

20 Other creditors including taxation

	2022 £m	2021 £m
Due in less than one year		
UK corporation tax	—	—
Amounts owed to group companies	83.6	75.6
Other creditors	190.5	160.9
Total	274.1	236.5

For other creditors, the fair value approximates to the book value due to their short maturity.

21 Other provisions

In 2018, the Company recorded a restructuring provision in respect of activities aimed at achieving planned expense reductions and an organisational realignment. The Company has achieved most of the planned benefits and the restructuring has been substantially completed.

	£m
At 1 January 2022	6.3
Amounts used	(5.8)
At 31 December 2022	0.5

22 Staff costs

The Company had no employees during the year (including directors) (2021: none).

With effect from 1 April 2005, all staff contracts of employment with the Company were transferred to CLFIS (U.K.) Limited ("CLFIS"), a fellow subsidiary of its parent undertaking CLG. The associated costs are recharged back to the Company, where appropriate.

23 Directors' emoluments

Certain directors of this Company have served during the year as directors of other companies within the Great-West Lifeco Inc. group of companies, and their remuneration has been paid by other group companies. These directors do not apportion their remuneration between their services as directors of the Company and their services as directors of entities within the group; as such no disclosure is made in relation to their emoluments.

Certain directors of this Company have their remuneration paid by CLFIS, a fellow subsidiary of CLG. It is not considered practicable to apportion the emoluments between their services as directors of the Company and their services as directors of other group undertakings. In respect of these directors the aggregate amount of emoluments and fees paid during the year was as follows:

	2022	2021
	£'000	£'000
Fees	560	566
Emoluments	1,050	—
Highest paid director		
Emoluments	1,050	—

The Company had one director employed within the UK group of companies in 2022 (2021: none). During the year, CLFIS made contributions on behalf of no directors (2021: no directors) into the defined contribution pension scheme.

As at 31 December 2022 one (2021: none) of the Company's directors who was employed within the UK group of companies had share options. No director who was employed within the UK group of companies exercised share options during year (2021: no director).

24 Finance leases receivable

Amounts receivable under Finance leases relate to assets held for the purpose of letting:

	2022	
	Minimum lease payments £m	**Present value of minimum lease payments £m**
Within one year	9.0	8.0
Second to fifth years inclusive	41.0	33.0
More than five years	394.0	181.9
	444.0	222.9
Less: unearned finance lease income	(221.1)	
Total finance leases receivable	**222.9**	**222.9**

	2021	
	Minimum lease payments £m	**Present value of minimum lease payments £m**
Within one year	7.0	5.0
Second to fifth years inclusive	29.0	21.0
More than five years	272.3	125.3
	308.3	151.3
Less: unearned finance lease income	(157.0)	
Total finance leases receivable	**151.3**	**151.3**

Notes to the Financial Statements (continued)

25 Operating leases receivable

The future minimum lease payments receivable under non-cancellable operating leases as follows:

	2022 £m	2021 £m
No later than one year	78.4	73.6
Later than one year and not later than five years	280.4	286.1
Later than five years	451.7	468.3
	810.5	828.0

Operating lease receivable is related to rental income from the Company's property investment portfolio.

26 Related party transactions

No contracts of significance existed at any time during the year in which a director or key manager was materially interested or which requires disclosure as a related party transaction as defined under FRS 102 section 33 Related Party Disclosures. No other contracts of significance existed at any time during the year between the Company and other related parties that similarly require disclosure under FRS 102 section 33. Advantage has been taken under FRS 102 33.1A, Related Party Disclosures, not to disclose transactions between entities, 100% of whose voting rights are controlled within the Great-West Lifeco Inc group of companies.

27 Dividend paid

	2022 £m	2021 £m
Dividends paid in the year	540.0	255.0
	540.0	255.0

28 Capital Commitments

Authorised and contracted commitments not provided for in respect of investment properties, finance leases and other financial assets' developments, payable after 31 December 2022: £146.6m (2021: £232.3m). Of the amount due, £139.3m is expected to be provided for in the next 12 months (2021: £141.3m). Of the amount due, £17.8m is in respect of investment properties (2021: £19.2m), of which £10.4m (2021: £11.8m) is expected to be provided for in the next 12 months.

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited)

In March 2014, the FRC issued FRS 103 on Insurance contracts. In summary, FRS 103 largely permits entities to continue with existing accounting policies for insurance contracts.

The Company is regulated by the Prudential Regulation Authority ("PRA") and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities.

The Solvency II regime has been effective from 1 January 2016 and establishes capital requirements, risk management and disclosure standards for insurance companies within the UK. The Company is required to meet a Solvency Capital Requirement ("SCR") which is calibrated to seek to ensure a 99.5% confidence of the ability to meet obligations over a 12 month time horizon. Following regulatory approval in December 2019 the company uses a Partial Internal Model for the calculation of the Credit, Longevity and Catastrophe components of the SCR. All other components of the SCR are calculated using the Standard Formula.

The capital statement in respect of the Company's life and pensions business is set out below. This statement shows an analysis of available capital resources calculated on a Solvency II basis. It also shows the regulatory capital requirements and, in total, the overall surplus capital over regulatory requirements.

2022 Capital statement table	**2022 Total £m**
Shareholders' funds	2,599
	2,599
Other qualifying capital	
Subordinated Debt	330
Ancillary Own Funds	200
	530
Adjustments to statutory basis	
Adjustment to assets and liabilities	444
Fair value of Subordinated Debt	(10)
Own Funds	**3,563**
Solvency Capital Requirement	**1,764**
UK Capital Resources Requirement	**1,764**
Overall surplus capital over regulatory requirements	**1,799**

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

2021 Capital statement table

	2021 Total £m
Shareholders' funds	2,951
	2,951
Other qualifying capital	
Subordinated Debt	330
Ancillary Own Funds	200
	530
Adjustments to statutory basis	
Adjustment to assets and liabilities	387
Fair value of Subordinated Debt	129
Own Funds	**3,998**
Solvency Capital Requirement	**2,341**
UK Capital Resources Requirement	**2,341**
Overall surplus capital over regulatory requirements	**1,657**

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Movement in the year

	Total £m
Own Funds 2021	**3,998**
Expected surplus emerging over 2022	98
New business contribution	34
Interest Rates	399
Other Market Movements	(86)
Net dividends paid out	(314)
Changes in Transitional Measure on technical provisions	(575)
Tax	37
Model, methodology & basis changes	71
Trading & linked fund experience	43
Capital & business actions	(67)
Life & expense experience	(62)
Other items	(12)
Own Funds 2022	**3,563**

The Transitional Measure on Technical Provisions included under the Solvency II regime allows companies to smooth the transition from Solvency I to Solvency II over 16 years. The Transitional Measure on Technical Provisions can be recalculated every 24 months or more frequently if there is a material change in risk profile. The Transitional Measure on Technical Provisions was reduced to zero over 2022.

The movements in Own Funds are detailed below:

- **Expected surplus, +£98m**
  The expected increase in own funds arises from the expected release of Risk Margin of £58m as in-force business runs off, plus expected investment returns in excess of the valuation discount rate used in calculating the liabilities of £40m.

- **New Business, +£34m**
  During 2022, there is a small positive impact on own funds which is largely due to premiums received being in excess of initial expenses and solvency II technical provisions required over 2022.

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Movement in the year (continued)

- **Interest Rates, +£399m**
  Swap based risk-free rates have increased materially over 2022, with the 11-year risk free rate increasing by c.2.75%. This leads to leads to a significant decrease in risk margin of £428m which increases own funds. There is an additional impact from asset values falling c.£30m more than the reduction in BEL to give the total increase in own funds of £399m.

- **Other Market Movements, -£86m**
  The decrease in own funds from market movements is driven by the decrease in value of the Irish Life Participation and the impact of spreads widening. The decrease in own funds is partially offset by the impact of high inflation in 2022. Published inflation rates were high over 2022 which led to an increase in own funds as inflation linked asset values generally increased to reflect the total RPI increase, whereas a significant portion of inflation linked liabilities have a cap which limits exposure.

- **Dividends in/out of CLL, -£314m**
  CLL received dividends of £226m from Irish Life Group. Dividends of £540m were paid by the Company to The Canada Life Group (U.K.) Limited leading to a reduction in Own Funds.

- **TMTP recalculation and run-off, -£575m**
  A recalculation of the TMTP was performed at 30 June 2022, decreasing the TMTP to £120m. The Q2 2022 recalculation was triggered by the rise in risk free rates.

  In December 2022, the PRA invited firms to apply to recalculate the TMTP in response to ongoing rises in risk free rates. the Company expect any recalculation of the TMTP to give a result below zero. Therefore, the Company informed the PRA that it intends to take a voluntary reduction of the TMTP and report a nil TMTP at year end 2022.

- **Tax, +£37m**
  For own funds, the tax impact is the sum of the changes in Deferred and Current Tax Provisions. Over 2022, tax generated a positive impact on own funds, this was largely due to tax credits in response to the large market movements

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Movement in the year (continued)

- **Model, Methodology & Basis changes, +£71m**
  Updates to models and assumptions have resulted in an increase in own funds mainly due to the update to longevity assumptions and an update to the ERM basis to revise the pre-payment and property assumptions.

- **Trading & linked fund experience, +£43m**
  Trading activity led to higher yielding assets moving into the Matching Adjustment Fund which increased own funds.

- **Capital & Business Actions, -£65m**
  There was a £104m reduction in own funds due to a one-off recharge from its service company to the Company to cover historical contributions to the staff pension plan.

  The Company signed a reinsurance treaty to reinsure the longevity risk of a bulk annuity. The reduction in longevity risk reduces the risk margin by £34m.

- **Life & Expense Experience, -£62m**
  A decrease in own funds mainly driven by negative expense experience, higher redemptions of equity release mortgages, partially offset by positive mortality experience.

There was a trivial "other" impact on Own Funds.

Basis of calculating available capital resources in life and pensions business

The available capital (Own Funds) of the UK business has been determined in accordance with Solvency II regulations and amounts to £3,563m (2021: £3,998m).

The Own Funds include £330.0m face value of subordinated debt (2021: £330.0m) which had a market value of £320m at 31 December 2022 (2021: £459m).

It is the Company's policy to ensure that it is adequately capitalised to support its life business and exceed Solvency II regulatory capital requirements.

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Basis of calculating the Solvency II regulatory capital requirement in life and pensions business

Each life assurance Company must retain sufficient capital to meet the Solvency II regulatory capital requirements under the Solvency II regulations. The company uses its approved Partial Internal Model for the calculation of the Credit, Longevity and Catastrophe components of the SCR. All other components of the SCR are calculated using the Standard Formula. The SCR is deducted from Own Funds to give the overall surplus capital over regulatory requirements.

Constraints over available capital resources

The Matching Adjustment fund under Solvency II is ring fenced but there is flexibility, subject to certain rules, to withdraw assets in excess of the liabilities if certain criteria are met. Otherwise, there are no constraints on the utilisation of assets between funds to meet the solvency requirements.

Sensitivity analysis

The Company's capital position is sensitive to changes in market conditions, both due to changes in the value of the assets and the effect that changes in investment conditions may have on the value of the liabilities. It is also sensitive to assumptions and experience relating to mortality and morbidity and to a lesser extent, expenses and lapses.

The most significant sensitivities arise from the following risks:

- Longevity risk – Longevity risk is the potential loss or volatility of earnings or capital arising from an adverse change in the value of assets (i.e. Equity Release Mortgages) or insurance liabilities, resulting from changes in the level, trend, or volatility of mortality rates, where a decrease in the mortality rate leads to a decrease in the value of assets or an increase in the value of insurance liabilities.

- Market risk – the risk of loss arising from changes in the values of, or income from, assets, or interest or exchange rates. A risk of loss also arises from changes in the volatility of asset prices, interest rates or exchange rates.

- Credit risk – this is the potential loss or volatility of earnings or capital arising from the inability or unwillingness of a counterparty to meet its on-balance sheet and off-balance sheet contractual obligations. Financial losses are attributed to:

  - the default of that security in its financing obligations;
  - the downgrade of a security's creditworthiness; and
  - a change in the yield premium required by the market in respect of credit risk on risky assets.

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Sensitivity analysis (continued)

- Expense risk – this is the potential loss or volatility of earnings or capital arising from variability of expenses incurred with a fee for services associated with maintaining insurance, savings, or reinsurance contracts (e.g. the variability in expense liability cash flows due to the variation of the in-force policies, excess claims, lapses and surrenders, asset management, new business decrease or other circumstances that could have an impact on unit expenses);

- Operational risk – this is the potential loss or volatility of earnings or capital arising from potential problems due to inadequate or failed internal processes, people and systems or from external events;

- Lapse risk – this is the potential loss or volatility of earnings or capital arising from adverse change in the value of insurance liabilities and Equity Release Mortgages, resulting from changes in the level or volatility of the rates of policy lapses, terminations, renewals and/or surrenders. For lapse supported products, a decrease in the lapse rate leads to an increase in the value of the insurance liabilities. For lapse sensitive products, an increase in the lapse rate leads to an increase in the value of the insurance liabilities. A specific lapse assumption is for equity release mortgages which requires an assumption about how many customers will repay the loan early. The impact of this assumption is sensitive to changes in interest rates. If 10% more customers repay their loan early, then the equity release mortgage value increases by £0.3m (31 December 2021 equivalent: reduction in equity release mortgage value of £15.6m). The different economic environment is the main driver of the year-on-year differential.

- Mortality risk – this is the potential loss or volatility of earnings or capital arising from an adverse change in the value of insurance liabilities or in the value of assets (e.g. Equity Release Mortgages) resulting from changes in the level, trend, or volatility of mortality rates, where an increase in the mortality rate leads to an increase in the value of insurance liabilities;

- Morbidity risk – this the potential loss or volatility of earnings or capital arising from an adverse change in the value of insurance liabilities resulting from changes in the level, trend, or volatility of disability, health, dental, critical illness and other sickness rates, where an increase in the incidence rate or a decrease in the disability recovery rate leads to an increase in the value of insurance liabilities; and

- Catastrophe risk – two sources of catastrophe risk arise through mortality and morbidity risk:
    - Mortality catastrophe risk is the potential loss or volatility of earnings or capital arising from adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular mortality events; and

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Sensitivity analysis (continued)

- Morbidity catastrophe risk is the potential loss or volatility of earnings or capital arising from adverse change in the value of insurance liabilities, resulting from the significant uncertainty of pricing and provisioning assumptions related to extreme or irregular morbidity events.

The timing of any impact on capital would depend on the interaction of past experience and assumptions about future experience. In general, if experience had deteriorated or was expected to deteriorate and management actions were not expected to reduce the future impact then assumptions relating to future experience used in determining the appropriate levels of technical provisions would be changed to reflect it. In this way, liabilities would be increased to anticipate the future impact on the capital position. Examples of possible management actions include changes to discretionary surrender terms.

Options and guarantees

Options and guarantees are features of life assurance and pensions' contracts that confer potentially valuable benefits to policyholders.

Some annuity payments are linked to inflation though subject to a maximum cap and minimum floor, which are taken into account to project the liability cash flows used in the valuation. The caps and floors are a common feature for inflation linked benefits for the bulk annuity business.

Assumptions

The assumptions that have the greatest effect on the measurement of liabilities, including options and guarantees are:

- economic assumptions;
- mortality;
- morbidity; and
- expenses.

Economic assumptions

For the purposes of the determination of liabilities, economic assumptions are based on the prevailing market rates and current asset mix of each fund and include a margin for prudence.

Mortality

These assumptions are calculated in line with standard actuarial methodology, on the basis of past experience adjusted for a best estimate of how the various factors affecting the parameters may worsen in future – for example mortality improvements for annuity business.

29 Supplementary information in respect of Financial Reporting Standard 103 Insurance contracts (unaudited) (continued)

Options and guarantees (continued)

Morbidity

These assumptions are calculated in line with standard actuarial methodology, on the basis of past experience.

Expenses

Expenses are based on past experienced levels allowing for inflation and other foreseeable significant adverse changes in future years.

30 Risk management objectives and policies for mitigating risks

The risk management objective is to manage risks in accordance with the Company's risk appetite, risk strategy and business strategy. The Company's risk management policies and the processes for identifying risks include identification, management, mitigation, monitoring and reporting of financial, insurance and other risks. The key components are:

- **Market risk** – the potential loss of earnings or capital arising from the changes in market rates, prices or liquidity.

- **Credit risk** – the potential loss of earnings or capital arising from the inability or unwillingness of a counterparty to meet its on- and off-balance sheet contractual obligations. Financial losses are attributed to:

  - the default of that security in its financing obligations;
  - the downgrade of a security's credit worthiness; and
  - a change in the yield premium required by the market in respect of credit risk on risky assets.

- **Insurance risk** – the potential loss or volatility of earnings or capital resulting from adverse changes in experience associated with contractual promises and obligations made under insurance contracts.

The Company also monitors other categories of risk which are:

- **Liquidity risk** – the potential loss or volatility of earnings or capital arising from a company's inability to generate the necessary funds to meet its on- and off-balance sheet obligations as they fall due.

- **Operational risk** – the potential loss or volatility of earnings or capital resulting from problems relating to internal processes, people and systems or from external events.

- **Conduct risk** - the risk of unfair outcomes for customers as a result of inadequate or failed processes or inappropriate behaviours, offerings or interactions by the Company, its subsidiaries, employees or its Agents.

For each of the risks above, the Company determines it's risk appetite and sets its investment and underwriting policies accordingly. Risk policy is documented in each of the above areas, including the actions to mitigate those risks. A summary of how each risk is mitigated is provided below with quantitative information on the exposure to that risk, where appropriate.

Risk owners are assigned to manage these risks and there are key process controls to identify, assess, report, monitor and mitigate these risks.

30 Risk management objectives and policies for mitigating risks (continued)

Market risk

The most important components of market risk are:

- interest rate risk
- inflation risk
- property risk
- equity risk; and
- currency risk.

The Company is exposed to market risk through its financial assets and financial liabilities.

The Company is also exposed to market risk through the reinsurance assets and policyholder liabilities. In particular, the key risk is that adverse market movements impact the proceeds from financial assets which are not sufficient to fund the obligations arising from policies as they fall due.

The Company manages these positions through its asset liability management (ALM) approach that has been developed to ensure that the assets are sufficient to meet the liabilities arising from insurance contracts under a wide range of financial conditions. A separate portfolio of assets is maintained for each distinct category of liabilities. The assets chosen are of a similar nature to those liabilities, such that the impact of any change in the value of the assets will be reduced by a change in the value of the liability.

Earnings are exposed to market risk to the extent that the income from policyholder funds is based on the value of assets held within unit-linked funds and also to the extent that shareholder assets have been invested.

There remains ongoing volatility in the UK and Global economy from geo-political uncertainty. The Company is most sensitive to market risks, which could be adversely impacted by uncertain changes in the future environment. Stress tests are carried out taking into account changes to a number of key economic factors. These tests demonstrate that the Company has a robust process for managing the market risks it faces. Solvency ratios calculated for regulatory purposes show that the company retains adequate capital to meet PRA requirements.

(i) Interest rate risk

Interest rate risk is the potential loss or volatility of earnings or capital arising from the effect of the volatility and uncertainty of future interest rates on asset cash flows relative to liability cash flows and on surplus assets. This also includes changes in the amount and timing of cash flows related to asset and liability optionality including interest rate guarantees and book value surrender benefits included within the liabilities. Furthermore, by considering the impact on liabilities as well as assets, this covers the impact of any ALM mismatching.

30 Risk management objectives and policies for mitigating risks (continued)

Fair value interest rate risk

This is the specific risk where the value of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is based on interest rates, liabilities to policyholders are exposed to interest rate risk.

Interest rate risk is managed by cash flow matching the investment portfolio and the policyholder liabilities. Assets of the appropriate duration are bought and sold to maintain this match which is regularly monitored.

The value of the Company's assets that are exposed to fair value interest rate risk is £9,647.4m (2021: £13,190.8m). There is an offsetting liability impact of interest rate changes. The sensitivities to changes in interest rates are shown below (see (iv) Sensitivity to market risk).

Cash flow interest rate risk

This is the specific risk where the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's investments in variable interest rate bonds are exposed to cash flow interest rate risk.

The value of the Company's maximum assets that are exposed to cash flow interest rate risk is £3,205.3m (2021: £4,501.5m). There is an offsetting liability impact of interest rate changes. Sensitivities to changes in interest rates are shown below (see (iv) Sensitivity to market risk).

(ii) Inflation risk

Inflation risk is the potential loss or volatility of earnings or capital arising from the volatility and uncertainty of future inflation rates on asset cash flows relative to liability cash flows and on assets backing surplus. Furthermore, by considering the impact on liabilities as well as assets, this covers the impact of any ALM mismatching.

Inflation rate risk arises primarily from annuity benefits linked to an inflation index, with a significant proportion constrained by caps and floors (e.g. typically liabilities are linked to the retail prices index (RPI) for inflation), capped and collared between 0% and 5%.

Inflation risk is managed by cash flow matching the investment portfolio and the policyholder liabilities. Assets, including derivatives, linked to the appropriate index and at an appropriate duration are bought and sold to maintain this match which is regularly monitored.

The Company has c.£4bn of inflation-linked annuity liabilities at 31 December 2022.

30 Risk management objectives and policies for mitigating risks (continued)

(iii) Property risk

Property risk is the potential loss or volatility arising from the sensitivity of the values of assets direct property, equity release mortgages, commercial real estate loans and finance leases, liabilities and financial instruments, when such investments are considered to be held for the purposes of backing specified liabilities.

Exposure arises from the Company's investment in properties, mortgages and finance leases that back the annuity portfolio. The key areas where this risk could result in a loss are as follows:

- default on property tenancy agreements and mortgage repayments resulting in the reduction of the income stream; and
- adverse movements in property values.

The Company manages this risk by holding additional capital to protect itself from a significant fall in property values, close monitoring of its property exposures and careful selection of properties and limiting exposure to properties in aggregate and by geography, industry and type of property. Exposures are regularly monitored, reported and managed to ensure compliance with the Company's investment policy.

(iv) Equity risk

Equity risk is the potential loss or volatility of earnings or capital arising from the equity exposure as it relates to fee income (unit-linked) business and therefore is a by-product of one of the Company's core business activities.

Equity risk can also arise through the potential loss or volatility of earnings or capital arising from the equity exposure as it relates to fee income (unit linked) business and as a by-product of one of its core business activities. This includes the risk related to equity guarantee features and acquisition expense recovery and recognises this as a requirement to maintain a competitive product offering.

For unit-linked policies, the policyholder bears the majority of the investment risk. Any change in asset values is closely matched by a change in the liability although fee income which is expressed as a percentage of fund value is also affected. Shareholder funds also invest in equities and are subject to risk from fluctuation in their value.

Notes to the Financial Statements (continued)

30 Risk management objectives and policies for mitigating risks (continued)

(v) Currency risk

Currency risk is the potential loss or volatility of earnings or capital arising from adverse changes in the value of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

Currency risk arises principally from the Company's investment in ILG, a Company that conducts the majority of its operations in Euros. A devaluation of the Euro against Sterling that is considered to be permanent could trigger an impairment of the carrying value of these investments.

The Company has a currency hedge in place for commercial reasons; this will mitigate the impact of adverse currency fluctuations. Movements in the market value of these contracts are taken through the income statement in the period they arise.

The risk arising from the Company's investments in foreign currency denominated securities of £364.0m (2021: £333.9m) is mitigated using foreign currency swaps. The nominal value of the foreign currency denominated securities is £370.9m (2021: £266.2m). The net derivative assets and liabilities relating to currency risk are disclosed as other debtors of £11.4m (2021: £25.0m) and other creditors of £105.9m (2021: £58.0m).

For unit-linked contracts, currency risk is borne by the policyholder. As noted above, the Company is subject to currency risk only to the extent that income from policyholder funds is based on the value of the foreign-denominated financial assets held in those funds, and also to the extent that shareholder assets have been invested.

(vi) Sensitivity to market risk

Results of sensitivity testing on the long-term business fund and shareholder funds on an FRS 102 basis to market risk are set out below:

Sensitivity factors

- ***Interest rates*** – the impact of an increase or decrease of 100 basis points in market interest rates (nominal yield) as at the balance sheet date

- ***Equity/property market values*** – the impact of a 10% decrease in equity / property market values as at the balance sheet date

30 Risk management objectives and policies for mitigating risks (continued)

Sensitivities as at 31 December 2022:

	Interest rates +200bps	Interest rates -200bps	Equity / Property -10%
Profit before tax (£m)	(37)	67	(47)
Profit after tax / Equity (£m)	(30)	54	(38)

Sensitivities as at 31 December 2021:

	Interest rates +100bps	Interest rates -100bps	Equity / Property -10%
Profit before tax (£m)	(16)	25	(15)
Profit after tax / Equity (£m)	(13)	20	(12)

Credit risk

Credit risk is the risk of potential loss or volatility of earnings or capital arising from the inability or unwillingness of a counterparty to meet its on- and off-balance sheet contractual obligations.

Credit risk can be broken down into:

- **Credit risk on investments** - where financial losses are attributed to:
  - the default of that security in its financing obligations;
  - the downgrade of a security's credit worthiness; and
  - a change in the yield premium required by the market in respect of credit risk on risky assets.
- **Non-investment counterparty risk** - where financial losses are attributed to:
  - an external reinsurance counterparty failing to maintain its contractual obligations
  - an internal reinsurance counterparty failing to maintain its contractual obligations
  - failure of the derivative counterparty to meet their financial obligations

Key areas where the Company is exposed to credit risk are:

- exposure to corporate bonds and privately placed bonds (as well as finance leases and other financing arrangements);
- exposure to mortgages;
- exposure to financial derivatives; and
- exposure to the reinsurers' share of insurance liabilities.

Notes to the Financial Statements (continued)

30 Risk management objectives and policies for mitigating risks (continued)

Credit risk (continued)

The Company's investment policy sets limits on the Company's exposure (which are linked to credit rating) to a single counterparty and geographical and industry segments. These exposures are monitored and reported regularly to senior management in order to ensure compliance with the Company's exposure limits. Regular reviews of counterparties are performed in order to identify the most appropriate opportunities for managing the Company's credit exposures more efficiently.

Reinsurance is used to manage insurance risk. The Company cedes insurance risk to reinsurance counterparties in order to mitigate insurance risk. Reinsurance counterparty risk represents the potential loss or volatility of earnings or capital arising from a reinsurance counterparty failing to maintain its contractual obligations in relation to payments under the reinsurance contract. The creditworthiness of reinsurers is considered when treaties are entered into and monitored on an ongoing basis.

The following table provides information regarding the carrying value of financial assets and the ageing of financial assets:

As at 31 December 2022:

Balance sheet category	Not past due	(£m) Past due 0-3 mths	3-6 mths	6-12 mths	12 mths +	Impaired assets	Gross carrying value	Less provision	Net carrying value
Other financial investments									
Financial assets designated at fair value through profit and loss	13,950.2	—	—	—	—	—	13,950.2	—	13,950.2
Loans and receivables	2,672.7	—	—	—	—	—	2,672.7	—	2,672.7
Assets held to cover linked liabilities	2,346.7	—	—	—	—	—	2,346.7	—	2,346.7
Debtors arising from direct insurance operations	32.8	57.1	15.1	6.1	4.6	—	115.8	—	115.8
Other debtors	402.9	—	—	—	—	—	402.9	—	402.9
Assets Under Construction	54.0	—	—	—	—	—	54.0	—	54.0
Accrued interest and rent	169.4	4.8	0.6	0.6	0.6	—	176.0	(0.4)	175.6

Notes to the Financial Statements (continued)

30 Risk management objectives and policies for mitigating risks (continued)

As at 31 December 2021:

Balance sheet category	Not past due	Past due (£m) 0-3 mths	3-6 mths	6-12 mths	12 mths +	Impaired assets	Gross carrying value	Less provision	Net carrying value
Other financial investments									
Financial assets designated at fair value through profit and loss	18,629.8	—	—	—	—	—	18,629.8	—	18,629.8
Loans and receivables	2,550.5	—	—	—	—	—	2,550.5	—	2,550.5
Assets held to cover linked liabilities	2,954.3	—	—	—	—	—	2,954.3	—	2,954.3
Debtors arising from direct insurance operations	14.2	51.8	13.7	6.2	1.4	—	87.3	—	87.3
Other debtors	364.9	—	—	—	—	—	364.9	—	364.9
Assets Under Construction	57.7	—	—	—	—	—	57.7	—	57.7
Accrued interest and rent	162.8	17.2	1.2	1.1	2.8	—	185.1	(1.9)	183.2

The impaired assets are as follows:

	2022 £m	2021 £m
Mortgage loans	—	—
	—	—

The following table gives an indication of the level of creditworthiness of those categories of assets which are most exposed to credit risk. The ratings used are derived from the ratings published by three external ratings agencies (Standard and Poor's, Moody's Investors Service and Fitch Ratings) where we rate the instrument no higher than the highest published rating.

Mortgage Loans are excluded from the table below as these are not rated by the external agencies. Instead, the company uses an internal credit rating model to determine a credit score for each Mortgage Loan and considers a material proportion of the portfolio to be investment grade.

Assets held within unit-linked funds have been excluded from the table below as the credit risk on these assets is borne by the policyholders rather than the shareholders.

30 Risk management objectives and policies for mitigating risks (continued)

As at 31 December 2022

	AAA	AA	A	BBB	BB	B	CCC	D	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Corporate Bonds	619.7	2,693.9	3,889.5	2,117.0	66.8	11.8	9.5	2.4	9,410.6
Gilts	—	2,861.3	—	—	—	—	—	—	2,861.3
Total Gross Assets	**619.7**	**5,555.2**	**3,889.5**	**2,117.0**	**66.8**	**11.8**	**9.5**	**2.4**	**12,271.9**
Less: Reinsured portion	(124.3)	(1,154.6)	(765.9)	(627.8)	(53.2)	(8.9)	(1.9)	—	(2,736.6)
Total as at 31 December 2022 Net of Reinsurance	**495.4**	**4,400.6**	**3,123.6**	**1,489.2**	**13.6**	**2.9**	**7.6**	**2.4**	**9,535.3**
%	5%	46%	33%	16%	0%	0%	0%	0%	100%

As at 31 December 2021

	AAA	AA	A	BBB	BB	B	C	D	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Corporate Bonds	697.9	3,907.6	5,347.9	2,794.6	96.5	10.8	13.2	2.5	12,871.0
Gilts	—	4,104.6	—	—	—	—	—	—	4,104.6
Total Gross Assets	**697.9**	**8,012.2**	**5,347.9**	**2,794.6**	**96.5**	**10.8**	**13.2**	**2.5**	**16,975.6**
Less: Reinsured portion	(187.1)	(1,588.1)	(934.9)	(790.9)	(75.6)	(9.6)	(2.9)	—	(3,589.1)
Total as at 31 December 2021 Net of Reinsurance	**510.8**	**6,424.1**	**4,413.0**	**2,003.7**	**20.9**	**1.2**	**10.3**	**2.5**	**13,386.5**
%	4%	48%	33%	15%	0%	0%	0%	0%	100%

There is one defaulted bond of £2.4m (2021: £2.5m) in the portfolio.

Collateral is held in the form of cash or marketable securities.

In respect of the longevity insurance contracts that the Company has entered into:

- The value of deposited cash collateral with the Counterparty was £53.2m (2021: £68.7m)
- The value of deposited marketable securities (UK Gilts) was £75.0m (2021: £131.6m)
- The value of deposited marketable securities (corporate bonds) was £12.2m (2021: £63.1m)

The UK gilts are held in a segregated client account at Royal Bank of Canada with the Counterparty approving the quality of the collateral and any movements into or out of the custody account. The corporate bonds have been transferred to the Counterparty and are held in three segregated client custody accounts at RBC over which we have a charge.

All of the over-the-counter ("OTC") derivative contracts that have been entered into are fully collateralised as per the Credit Support Annex, and with each Counterparty there is an agreed Minimum Transfer Amount.

The net cash collateral value and the value of deposited cash collateral with Counterparties was £50.6m (2021: £62.5m). The value of marketable securities deposited as collateral with Counterparties was £53.1 (2021: £nil). The value of cash received from a Counterparty within the nominated custody account was £5.0m (2021: £nil).

30 Risk management objectives and policies for mitigating risks (continued)

Insurance risk

Insurance risk and other policy cash flow risk consists of the following three main areas, where these are as defined in Note 29:

Insurance risks:
- mortality risk
- morbidity risk
- catastrophe risk

Other policy cash flow risk:
- lapse risk
- expense risk

The Company actively pursues mortality risk, morbidity risk and catastrophe risk in those areas where it considers it has a competitive advantage in managing these risks to generate shareholder value without compromising the interests of policyholders and the need to treat customers fairly. Lapse risk and expense risk are taken on as a consequence of meeting strategic objectives, and where it is deemed financially beneficial for the organisation to do so.

Underpinning the management of insurance risk is:

- adherence to an approved underwriting policy that takes into account the level of risk the Company is prepared to accept;
- controls around the development of products and their pricing; and
- regular analysis of actual mortality, morbidity and lapse experience which feeds into the development of products and policies.

Risks in excess of agreed underwriting limits may be accepted if they can be reinsured at a reasonable rate.

(i) Mortality, morbidity and catastrophe risk

Payout annuities

Payout or lifetime annuities are contracts that, in return for a lump sum, pay a regular amount (usually monthly or annually and sometimes increasing at a fixed or index-linked rate), until the death of the policyholder. As a result, if annuitants live longer than expected on average, profits will reduce. In many cases the annuity is guaranteed payable for a fixed term (usually five years) even in the event of death. Many policies are written on joint lives so that when the first life dies the benefit continues, sometimes at a reduced level. These features tend to reduce the volatility of results to random fluctuations in experience but not the impact of a general increase in longevity.

30 Risk management objectives and policies for mitigating risks (continued)

Life assurance

Most of the Company's insurance policies other than annuities include life assurance, mainly through Group protection policies. When pricing policies, an assumption is made as to the likelihood of death and this assumption is reviewed as part of the annual valuation of policies. To the extent that actual mortality experience is worse than that anticipated in pricing and subsequently in the insurance liability valuation a loss will be made. The risk is greater for those policies such as Group Life and term assurance where the maturity or surrender benefit is small (or zero) in relation to the death benefit.

Income protection

Income protection policies pay a regular level of benefit if the policyholder is unable to work due to incapacity for more than a specified period. The two main risks involved are an increase in the frequency of claims (the inception rate) and an increase in the average length of the claim (a reduction in recovery rate). Most income protection policies are regular premium with the premium and cover fixed at inception. Some Company policies allow premiums to be reviewed but the premium rates are usually guaranteed for two or more years.

Critical illness

The Company has written a number of critical illness policies that pay out in the event of a group scheme member suffering a defined critical illness. As for life assurance, the amount payable on these events can be significantly higher than the amount payable (if any) if the policy is surrendered.

Equity Release Mortgages

The Company writes Equity Release Mortgages (ERMs) which allow homeowner(s) (aged over 55) to borrow against the equity in their home to supplement retirement income or pay for one-off costs/purchases. The ERM is repaid on death of the policyholder or entry into long term care through sale of the home. All ERMs have a No Negative Equity Guarantee ("NNEG") which limits the loan repayment to the net sale proceeds of the home.

(ii) Lapse risk

Lapse experience varies over time as well as from one type of contract to another. Factors that will cause lapse and surrender rates to vary over time include changes in investment performance of the assets underlying the contract where appropriate changes that make alternative products more attractive, customer perceptions of the insurance industry in general and the Company in particular, and the general economic environment. There are some additional factors, such as property prices, which affect persistency for ERMs.

(iii) Expense risk

Expense risk is an area where value can be generated by efficient expense risk management.

30 Risk management objectives and policies for mitigating risks (continued)

Liquidity risk

Liquidity risk is the potential loss or volatility of earnings or capital arising from a company's inability to generate the necessary funds to meet its on- and off-balance sheet obligations as they fall due.

For policyholder funds liquidity risk could potentially arise from:

- a short-term mis-match between assets and liabilities;
- having to realise assets to meet liabilities when asset values are depressed; and
- an unexpectedly high level of claims or surrenders.

The Company's exposure to liquidity risk is limited due to more than adequate holdings in liquid assets and to an extent through the nature of its liabilities.

The Company manages these positions through its asset liability management (ALM) approach that has been developed to ensure that the assets match the liabilities arising from insurance contracts under a wide range of financial conditions. It also has implemented a liquidity policy.

As at 31 December 2022

	< 1yr £m	1-5 yrs £m	5-15 yrs £m	15 yrs + £m	Total £m
Technical provision for linked liabilities	2,346.7	—	—	—	2,346.7
Derivative financial liabilities	—	13.6	34.1	58.2	105.9
	2,346.7	13.6	34.1	58.2	2,452.6

As at 31 December 2021

	< 1yr £m	1-5 yrs £m	5-15 yrs £m	15 yrs + £m	Total £m
Technical provision for linked liabilities	2,954.3	—	—	—	2,954.3
Derivative financial liabilities	4.7	0.9	21.4	31.0	58.0
	2,959.0	0.9	21.4	31.0	3,012.3

30 Risk management objectives and policies for mitigating risks (continued)

Liquidity risk (continued)

The following table shows a maturity analysis of the financial assets:

As at 31 December 2022

	< 1yr £m	1-5 yrs £m	5-15 yrs £m	15 yrs + £m	Total £m
Other financial investments	1,640.6	3,082.5	5,887.8	6,012.0	16,622.9
Assets held to cover linked liabilities	2,346.7	—	—	—	2,346.7
Derivative financial assets	10.9	—	0.2	0.3	11.4
	3,998.2	3,082.5	5,888.0	6,012.3	18,981.0

As at 31 December 2021

	< 1yr £m	1-5 yrs £m	5-15 yrs £m	15 yrs + £m	Total £m
Other financial investments	1,942.4	3,337.4	7,024.8	8,875.7	21,180.3
Assets held to cover linked liabilities	2,954.3	—	—	—	2,954.3
Derivative financial assets	8.9	12.6	1.1	2.4	25.0
	4,905.6	3,350.0	7,025.9	8,878.1	24,159.6

A maturity analysis of subordinated liabilities is presented in Note 17.

Operational risk

Operational Risk is the risk of loss resulting from potential problems relating to internal processes, people and systems or from external events. Exposure to operational risks results from either normal day-to-day operations or a specific unanticipated event, and can have material financial and/or reputational consequences. Examples of potential scenarios are:

- breakdown of the policy administration system resulting in the inability to service policyholder claims and requests over a period of time;
- sudden changes in regulation resulting in additional compliance costs;
- external cyber attack compromises system security leading to data loss, loss of client funds and reputational damage;
- control failures enable external fraudsters to illegally access customer funds.

30 Risk management objectives and policies for mitigating risks (continued)

Operational risk (continued)

The Company maintains a comprehensive Risk Management Framework. The 1st Line business units are responsible for identifying, measuring and monitoring their risks and the 2nd Line Risk Team provide challenge and oversight to these assessments. Risks outside of appetite have action plans put in place to remediate any control weaknesses which are monitored through to closure.

Severe yet plausible scenarios are used to estimate the level of operational risk capital that should be held. The risk assessments noted above, as well as internal and external risk event data, are a key input when quantifying the potential impact of these scenarios.

Conduct risk

The Company recognises the importance of good outcomes for customers and takes a balanced and sustainable approach to conducting business, thereby enabling it to deliver on its promises to customers no matter how far into the future.

Conduct risk is the risk of unfair outcomes for customers as a result of inadequate or failed processes or inappropriate behaviours, offerings or interactions by the Company, its employees or its Agents. The Company has defined the following sources of Conduct risk:

- Product design and ongoing governance

This risk that processes, behaviours, offerings or interactions by the Company, its employees or its Agents threaten customers' fair treatment in relation to, but not limited to, the failure to consider customer vulnerability, failure to identify appropriate target markets, designing products that do not meet customer needs, use of inappropriate distribution channels, poor or opaque product design including excessive fees and charges, inadequate product management and ineffective ongoing review of product performance.

- Disclosure and product sales

This risk that processes, behaviours, offerings or interactions by the Company, its employees or its Agents threaten customers' fair treatment in relation to, but not limited to, product manufacturer issues such as unclear marketing or product literature and failure to provide product distributors with sufficient information on the benefits, features and target market of the product or product distributor issues where the Company or its agents are acting as product distributor such as inappropriate sales or advice including negligent or malicious intent, failure to consider potential customer vulnerabilities, failure to clearly explain product features, risks and terms, fees, commission and charges and failure to assess suitability of the product.

30 Risk management objectives and policies for mitigating risks (continued)

<u>Conduct risk (continued)</u>

- Post-sales service

This risk that processes, behaviours, offerings or interactions by the Company, its employees or its Agents threaten customers' fair treatment in relation to, but not limited to, failure to consider potential customer vulnerabilities, poor customer communications and interactions, inadequate complaint resolution and claims handling processes, and unreasonable barriers to customers seeking to switch products or end their relationship with the Company.

Conduct Risk may directly or indirectly have a potential impact on the customer. Customer detriment does not actually have to occur for a Conduct risk to exist, it may be that there is potential for customer detriment to occur. Conduct risk is assessed by business lines and shared service functions in line with the risk framework. The Company's Risk and Compliance teams work with the business to provide challenge and oversight of these assessments and action plans are put in place for unacceptable levels of risk and/or remediation of control weaknesses and are managed through to closure.

Climate change risk

Climate change has the potential to drive a wide range of risks to the company's business. The impact of climate change will emerge over a long term horizon and the impact will depend upon the speed, effectiveness and orderliness of the global transition to a low carbon economy. The financial risks arise from climate change through three primary risk factors:

- Physical risks arising from the increased frequency and severity of climate-related risks such as heatwaves, floods, wildfires and storms.
- Transition risks arising from the process of adjustment towards a lower-carbon economy, which encompasses:
    - Climate related changes in policy and regulation
    - Shifting sentiment and societal preferences
    - Disruptive technology and business models

- Litigation risk arising from liabilities or litigation from inaccurate or misleading disclosures as a result of investing in businesses which are found to have made inaccurate or misleading disclosures.

All of the above could impact the value of assets and create credit exposures as costs and opportunities become apparent. The most significant impacts to Canada Life will be for assets held within the investment portfolios.

Notes to the Financial Statements (continued)

31 Parent company and controlling party

As at the balance sheet date the immediate parent company is The Canada Life Group (U.K.) Limited a company incorporated in the UK. The controlling party and ultimate parent company, which is also the parent company of the largest group of companies for which consolidated financial statements are drawn up and of which the Company is a member, Power Corporation of Canada, is incorporated in Canada. The parent company of the smallest group for which consolidated financial statements are drawn up and of which the Company is a member, The Canada Life Assurance Company, is incorporated in Canada. Copies of the group financial statements for both The Canada Life Assurance Company (330 University Avenue, Toronto, Ontario, Canada, M5G 1R8) and Power Corporation of Canada (751 Victoria Square Montréal, Québec, Canada, H2Y 2J3) can be obtained from the Company's registered office.

Notes to the Financial Statements (continued)

32 Group undertakings

At the balance sheet date, the Company directly or indirectly held investments in the issued ordinary share capital of the following undertakings.

Company	Registered office address	Country of incorporation	Principal activity	Holding %
Irish Life Ark Dublin dac	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Life insurance	100%
Canada Life (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Holding company	100%
Canada Life Fund Managers (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Fund management	100%
Canada Life Group Services (U.K.) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Ancillary services	100%
Canada Life Irish Operations Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Ancillary services	100%
Cornmarket Insurance Services Limited	1st Floor, Boucher Plaza, 4-6 Boucher Road, Belfast, BT12 6HR	United Kingdom	Insurance brokerage	100%
Canada Life Home Finance Trustee Limited	Canada Life Place, High Street, Potters Bar, England, EN6 5BA	United Kingdom	Ancillary Services	100%
Synergy Sunrise (Wellington Row) Limited	Canada Life Place, Potters Bar, Hertfordshire, EN6 5BA	United Kingdom	Property Management	100%
APTFS Nominees Ltd	Unit A, 1st Floor, Apex Business Centre, Blackthorn Road, Sandyford, D18 N2T6 Dublin, Ireland	Ireland	Wealth Management	75%
APT Wealth Management Limited	Block B, Apex Business Centre, Blackthorn Road, Sandyford, Dublin 18, Ireland	Ireland	Wealth Management	75%

Canada Life Ireland Holdings Limited	Ernst & Young, Block 1, Harcourt Centre, Harcourt Street, Dublin 2, D02 YA40, Ireland	Ireland	Ancillary services	100%
Clearview Investments & Pensions Ltd	The Gallery, 13 Bedford Row, Limerick, V94 VY47, Ireland	Ireland	Insurance broker, financial planning company	100%
Cornmarket Group Financial Services Limited	Liberties House, Christchurch Square, Dublin 8, D08FP21	Ireland	Insurance brokerage holding company	100%
GD (2,3 & 4) Basement Company Limited	Saint Stephen's Green House, Earlsfort Terrace Dublin 2, Dublin, D02PH42	Ireland	Property Management	100%
Irish Life Associate Holdings Unlimited Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Holding Company	100%
Irish Life Assurance Public Limited Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Life assurance	100%
ILGAPT Limited	Irish Life Centre, Lower Abbey Street, Dublin 1	Ireland	Wealth Management Consulting Services	75%
ILGWM Limited	Irish Life Centre, Lower Abbey Street, Dublin 1, Ireland	Ireland	Holding Company	100%
ILHAWK Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Holding company	100%
Irish Life Financial Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Insurance intermediary, investment business, mortgage intermediary, life assurance service provider	100%
Irish Life Group Limited	Irish Life Centre, Lower Abbey Street, Dublin 1	Ireland	Holding company	100%

Notes to the Financial Statements (continued)

Irish Life Group Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Administrative service provider	100%
Irish Life Health Designated Activity Company	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Health Insurance	100%
Irish Life Irish Holdings Unlimited Company	BDO, Beaux Lane House, Mercer Street Lower, Dublin, Dublin 2, D02 DH60	Ireland	Holding company	100%
Irish Life Trustee Services Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Management Services	75%
Irish Life Wellbeing Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Other Personal Service Activities	100%
Stephen Court Limited	Irish Life Centre, Abbey Street Lower, Dublin 1	Ireland	Property Management	100%
Vestone Limited	Liberties House, Christchurch Square, Dublin 8, D08FP21	Ireland	Insurance brokerage holding company	100%
Ilona Financial Group Inc.	Corporation Trust Centre, 1209 Orange Street, 19801, Wilmington, US	USA	Management Services	100%
APT Workplace Pension Ltd	Block B, Apex Business Centre, Blackthorn Road, Sandyford, Dublin 18, Ireland	Ireland	Wealth Management	75%
EIS Financial Services Limited	6 Clairmont Gardens, Glasgow, G3 7LW	United Kingdom	Activities of insurance agents and brokers	100%
Harvest Trustees Limited	Block 3 The Oval, Shelbourne Road, Dublin 4, Dublin, D04T8F2	Ireland	Trustee Company	90%

Notes to the Financial Statements (continued)

Harvest Financial Services Limited	Block 3 The Oval, Shelbourne Road, Dublin 4, Dublin, D04T8F2	Ireland	Trustee Company	90%
Radial Park Management Limited	The Brampton, Newcastle-Under-Lyme, Staffordshire, ST5 0QW	United Kingdom	Dormant	76%
1939 ILIV Consulting Limited	Irish Life Centre, Lower Abbey Street, Dublin 1	Ireland	Holding company	75%
Acumen & Trust DAC	BDO, Beaux Lane House, Mercer Street Lower, Dublin, Dublin 2, D02 DH60	Ireland	Wealth Management	75%
Acumen & Trust Pension Trustees DAC	4a Sandyford Business Centre, Burton Hall Road, Sandyford, D18	Ireland	Wealth Management	75%
BCRM Financial Holdings (Ireland) DAC	4A Sandyford Business Centre, Burton Hall Road, Sandyford, D18 K656 Dublin, Ireland	Ireland	Wealth Management	75%
Invesco Limited	2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, D18XK37	Ireland	Wealth Management and Pensions Consulting Services	75%
Invesco Trustees Designated Activity Company	2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, D18XK37	Ireland	Pension Trustee for Revenue Approved Pension Schemes	75%
ILP Pension Trustees Designated Activity Company	2 Sandyford Business Centre, Burtonhall Road, Sandyford, Dublin 18, D18XK37	Ireland	Corporate Trustee for Revenue Approved Pension Schemes	75%
City Life Limited	BDO, Beaux Lane House, Mercer Street Lower, Dublin, Dublin 2, D02 DH60	Ireland	Insurance brokerage	75%
City Gate Park Administration Company Limited	4th Floor, Beresford Court, Beresford Place, Dublin	Ireland	Property Management	66.66%

Notes to the Financial Statements (continued)

Conexim Advisors Limited	97 Haddington Road, D04 YK79 Dublin, Ireland	Ireland	Wealth Management	52.8%
Platform Capital Holdings Limited	97 Haddington Road, D04 YK79 Dublin, Ireland	Ireland	Wealth Management	52.8%
Dakline Company Limited by Guarantee	c/o Savills commercial (Ireland) Limited, 33 Molesworth Street, Dublin 2	Ireland	Property Management	50%
Vigo Health Limited	Irish Life Centre, Abbey St Lower, Dublin 1, Ireland	Ireland	Financial Advisory Company	50%
Springvale Management Company Limited	6th Floor, 55 Colmore Row, Birmingham, England, B3 2AA	United Kingdom	Property Management	28%
Earlsfort Centre (Atrium) Limited	Aramark Property, 5th Floor Saint Stephen's Green house, Earlsfort Terrace Dublin 2, D02PH42	Ireland	Property Management	50%
ILP Master Trustee dac	2 Sandyford Business Centre, Burton Hall Road	Ireland	Trustee Company	75%
Multiply.AI Limited	Rise London, 41 Luke Street, London, England, EC2A 4DP	United Kingdom	Business and domestic software development	49.7%
Navigate Master Trustee Designated Activity Company	2 Sandyford Business Centre, Burton Hall Road	Ireland	Trustee Company	75%
Cornmarket Civil and Public Sector Master trust dac	Liberties House,1/2 Christchurch Square, Back Lane, Dublin, D08 FP21	Ireland	Trustee Company	100%

32 Group undertakings (continued)

The investments in subsidiary undertakings are as follows:

		2022 £m	2021 £m
Carrying value:	At 1 January	1,453.3	1,453.3
	Additions	-	0
	At 31 December	1,453.3	1,453.3
Valuation adjustment:	Movement during year	-	-
	At 31 December	-	-
Carrying value:	At 31 December	1,453.3	1,453.3

33 Value in force of acquired business

	2022 £m	2021 £m
Carrying amount at the beginning of the period	52.5	57.2
Additions during the year	—	—
Amortisation for the year	(4.8)	(4.7)
	47.7	52.5

The amount will be amortised over the weighted average duration of the technical provisions acquired at the date of transfer which the Company estimates to be 13 years.