Sheffield Mutual
Est. 1892

SOLVENCY & FINANCIAL CONDITION REPORT (SFCR)

FOR THE YEAR ENDED 31 DECEMBER 2024

Chapter	Contents	Page

Summary

This is the Society's Solvency & Financial Condition Report (SFCR) based on the financial position as at 31 December 2024.

Business and Performance

- Net promoter score (NPS) score of 82% (excellent)
- 5.0 rating on reviews.co.uk
- 91% of members are likely to recommend us to a friend or relative
- Asset base increased to a record £223m
- Including the CTF we now have 79,951 policies and accounts

The Society seeks to attract members by demonstrating higher potential investment returns than traditional savings accounts over the life of a policy and aims to retain them through a combination of performance, following high standards of ethics and principles, and delivering consistently high levels of personal service.

The Society's key strategic priorities are as follows:

- Meet its contractual obligations to policyholders
- Deliver higher potential returns than traditional savings accounts over the life of a policy
- Maintain a healthy free asset ratio

As the Society is a mutual, and has no shareholders to satisfy, any surplus profits achieved are redistributed to our members by way of bonuses, ensuring that our members remain our sole focus.

System of Governance

Authorised by the Prudential Regulation Authority, and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, the Society recognises the importance of strong corporate governance, ensuring that a well-established governance framework, internal controls, and committee structure are maintained at all times. The Society seeks to adopt the highest standards of corporate governance for its size and complexity and has applied the AFM Corporate Governance Code for Mutual Insurers (the "Code").

The Society's governing body is its Board of Director's (the "Board"). The Board is appointed and elected in accordance with the Society's Rules. The Rules also set out the provisions to appoint a Chair of the Governing Body Senior Independent Director, Chief Executive and other Officers, as set out in the Society's Management Responsibilities Map.

Risk Profile

The Society's principal activity is the provision of long-term savings, investment and protection policies to its members, with over 18,700 policies (excluding CTF) in force at the end of 2024. The risk profile of the Society has not materially changed over the past 12 months.

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and the Board seeks to adopt a low-to-medium risk appetite in accordance with the scale and nature of the Society's business. The main risks to the Society are insurance, market, liquidity, operational risk and climate change, which are discussed in greater detail in section C. These risks are quantified and accounted for within the Society's Solvency Capital Requirement (SCR), as detailed in Section E.

Valuation for Solvency Purposes

The Society's valuation as at 31 December 2024 was calculated in line with Solvency UK rules, which were largely the same as those from the previous Solvency II regime and were carried over into the PRA Rulebook on 31 December 2024.

For Solvency UK purposes, the asset valuation differs to that as shown in the annual report and accounts using UK accounting standard FRS 102 and this can be summarised as follows:

Reconciliation of assets (£000)	2024	2023
Total value of assets for S-UK purposes	222,523	214,857
Add property acquisition expenses	30	13
Add website development costs	367	341
Add tangible fixed assets on a cost basis	81	69
Add prepayments and recharges	120	110
Add software development	172	81
Total assets shown in the report & accounts	223,293	215,471

Capital Management

The Society's capital management plan extends to having appropriate procedures in place to correctly identify and manage the components of its funds and to maintain sufficient capital to ensure long term solvency and the protection of members' investments. The Society reviews, as part of its regular ORSA process, the current and likely future capital position of the business and whether there is a material risk that its solvency may be threatened. In the event that the Society's projected solvency position is at risk, defined as not having sufficient capital resources to cover the SCR, then the Society will implement plans to restore solvency.

The Society's Solvency UK capital position can be summarised as follows:

	2024	2023
Own funds	22,193	21,438
Less: SCR	(12,710)	(12,808)
Surplus funds	**9,483**	**8,630**
Solvency Ratio	*175%*	*167%*

Section E covers the Society's Capital Management in more detail.

Overview of 2024

The uncertainty around the Bank of England base rate throughout 2024 and a new UK government led to an understandably cautious approach to savings and investments. In January the rate was 5.25% but fell to 4.75% by December which was still higher than anticipated when we started the year. Many providers reduced their savings rates in line with the base rate, whilst the Society, due to strong investment performance, was able to increase its rates across all products in 2024.

Our tax-exempt savings product continued to perform well, contributing to over half of new policies opened. Lump sum investments started the year slowly for reasons mentioned above but enjoyed a strong finish to the year. During the year we launched the unit-linked Sustainable ISA product and revised the Investment Bond by increasing the guaranteed return, with both products proving popular.

The UK economy has shown signs of resilience amidst a challenging global environment. Inflation has fallen back closer to the Bank of England's target, providing some relief to households and businesses, however, the economy still faces a subdued growth outlook. Many analysts expect the rise in employer's National Insurance to trigger another stint of increased inflation. The Society tackles inflation by implementing cost control measures through its budgetary process and regular oversight meetings. This approach ensures that operational expenses are kept in check, thereby helping to mitigate the impact on our members.

Before the close of the year we carried out our strategic review, setting out our ambitions for the next three years. We have two main aims: continued growth and financial strength. These objectives tie into our vision of being the standard bearer for excellent service. Our excellent online reviews and satisfaction surveys are evidence of our achievements so far through the great work that the team are doing, and we aspire to build on this momentum.

A. Business and Performance

A.1 Business

The address of the registered office is:

3 Maple Park, Maple Court
Wentworth Business Park
Tankersley, Barnsley
South Yorkshire
S75 3DP

Sheffield Mutual Friendly Society Limited is an incorporated registered friendly society, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

The PRA can be contacted at:

Prudential Regulation Authority
Bank of England
Threadneedle Street
London
EC2R 8AH

The FCA can be contacted at:

Financial Conduct Authority
24 The North Colonnade
London
E14 5HS

The Society's mission statement is: "To support members' long-term financial stability by maximising investment returns, delivering a personable service and offering trusted products.

The Society's vision is: "To set the benchmark in delivering a reliable, member focused service".

Sheffield Mutual is a member-owned mutual, providing long-term largely with-profits insurance products predominantly to middle market customers residing in the UK. This core activity is supplemented by the provision of unit linked CTF accounts to a mainly HMRC allocated customer base.

The Society strives to be efficient relative to its scale and this is achieved through robust cost management. The pursuit of controlled growth and consistent investment yields are seen as key drivers of sustainability and stability in terms of ongoing financial strength. This financial strength is augmented by a mutual model, which allows the Society to distribute surplus profit to members by way of policy bonuses. The Society has a three-strand distribution model, which can be summarised as follows:

- Intermediaries - Financial Adviser advised and non-advised sales and non-advised referrals
- Direct - Internet applications, local heartland advertising and newspaper editorials
- Social - Member referrals (Tell-a-Friend), advocates, community fund, social media

The Society's business strategy is fully reviewed and re-defined on a three yearly basis. The strategy review is facilitated by an expert third party and is approved by the Board. An interim review and reaffirmation of the strategy takes place on an annual basis.

The external auditors for the Society are Royce Peeling & Green (The Copper Room Deva Centre, Manchester M3 7BG).

A.2 Underwriting Performance

The Society received £11.3 million of premium income in 2024. Premium income levels were lower than in previous years as members were more cautious over rising day to day costs, which also led to a higher level of claims. As we've seen historically at the Society, premium income and policy claims levels can fluctuate depending on economic conditions.
Subscriptions and external transfers to the Investment ISA and Junior ISA generated circa £5.7 million (49%) of the total. Our Investment Bond and Income Bond received £3.0 million over the year, making up around 26% of premium income. Contributions to our regular savings products, including the Tax-Exempt Savings Plan, amounted to £2.6 million and, therefore, accounted for around 23% of the total.

The Society launched the unit-linked Sustainable ISA in March which achieved over £240,000 in earned premiums.

The Society's unit-linked Stakeholder Child Trust Fund attracted premium income of £0.75 million during the year, made up of transfers from other providers and additional subscriptions to existing accounts. We also carried out an internal review during the year and reduced the ongoing CTF management charge to 1.4% (from 1.5%) in October 2024.

The Board declared annual policy bonuses worth in excess of £5.6 million for members in 2024 and all with-profits bond, ISA and endowment policies had their interim bonus rates declared in full. We also paid terminal bonuses on qualifying investments for the Investment ISA, bonds and maturing regular premium endowments.

A summary of the transfer to the fund for future appropriations is provided below:

	2024 £	2023 £
Single premium income	8,847,046	10,247,902
Regular premium income	2,452,652	3,491,607
Investment and other income	7,152,658	6,539,650
Realised investment gains	1,023,905	3,169,120
Unrealised investment gains	9,197,730	8,420,332
Total Income	28,673,991	31,868,611
Claims incurred	(16,371,262)	(14,322,688)
Acquisition, administrative expenditure and taxation	(3,356,487)	(3,383,315)
Unrealised losses on investments	(741,091)	-
Change in long term business provision	(7,294,772)	(9,959,935)
Transfer (to) / from Fund for Future Appropriations	(910,379)	(4,202,673)

Members and Policies

The following tables show how membership has developed in recent years:

Year Ending	Number of Members (Excl. CTF)	Number of Policies (Excl. CTF)
31.12.22	12,738	18,978
31.12.23	12,645	19,002
31.12.24	12,497	18,734

The number of Child Trust Fund accounts fell slightly due to the product no longer being available for new business and maturities commencing from September 2020:

Year Ending	Number of CTF Accounts
31.12.22	62,429
31.12.23	61,725
31.12.24	61,217

A.3 Investment Performance

The Society maintains a diversified portfolio, which is well positioned to deal with the market risks and volatility, whilst also benefiting from any future gains. The year end balances of the Society's investment assets are as follows:

	2024 £	2023 £
Land and buildings	51,024,857	49,441,483
Listed investments (excluding CTF)	108,506,622	100,659,556
Mortgages on land and buildings	1,776,000	2,001,000
Bank and money market deposits	3,235,761	5,662,242
	164,543,240	157,764,281
Unit linked assets - CTF	53,127,401	52,976,099
Unit linked assets – Sustainable ISA	1,148,877	1,060,003
	218,819,518	**211,800,383**

Positive investment performance contributed to a 3.6% increase in total assets in 2024. They ended the year at a record of £223.3 million (2023: £215.5 million, 2022: £201.1 million).

Investment and other income received for 2024 was as follows:

	2024 £	2023 £
Rental income receivable	3,272,043	3,218,475
Income from listed investments	2,803,323	2,172,333
CTF Unit Linked management charges	766,429	735,556
Bank Interest Receivable	204,429	279,490
Mortgage interest receivable	105,805	133,547
Sustainable ISA Unit Linked management charges	509	-
Other Income	120	249
	7,152,658	6,539,650

The Society's listed investments are managed professionally by Russell Investments, the Outsourced Chief Investment Officer (OCIO). The Society's investment income was £8.1 million and after taking account of unrealised gains and losses the overall return on the non-CTF assets for the year was +10.3%. The Society paid a total of £342,835 relating to Russell Investments investment management fees in 2024.

Sales and disposals of investments led to a realised gain of £1.0 million for the year, as the table below illustrates:

		2024 £	2023 £
Gain on the sale of listed investments			
	-With Profits	539,966	3,086,677
	-CTF Unit Linked	395,347	27,792
	-Sustainable ISA Unit Linked	88,592	-
Gain on the sale of the UK Real Estate Fund		-	35,864
Gain on the sale of investment properties		-	18,787
		1,023,905	3,169,120

Ongoing investment performance resulted in a net unrealised gain of £8.5 million for the year as illustrated below:

		2024 £	2023 £
Net unrealised gain / (loss) on listed investments			
	-With Profits	5,458,204	4,663,310
	-CTF Unit Linked	3,739,526	3,035,763
	-Sustainable ISA Unit Linked	(229)	60,003
Net unrealised gain / (loss) on investment properties		(736,762)	611,256
Net unrealised gain / (loss) on revaluation of Society's office		(4,100)	50,000
		8,456,639	8,420,332

In 2024, global equity stock markets experienced a strong performance overall. In the US, economic growth gathered steam as the Federal Reserve lowered interest rates, with the S&P performing strongly; mainly due to the 'Magnificent 7' group of companies (Apple, Nvidia, Microsoft, Alphabet, Amazon, Meta and Tesla). The return of Donald Trump to the White House initially boosted equities and the dollar but has further complicated international relations and influenced global markets, requiring a diversified approach to navigating these uncertainties.

Emerging market stock markets had a mixed performance. The benchmark MSCI Emerging Markets (EM) index rose by 8% for the year, which was less impressive compared to the nearly 19% gain of the developed markets index. Despite this comparative underperformance there were notable pockets of strong performance in technology driven sectors.

UK equities had a modest performance overall. The FTSE 100 index rose by approximately 6% for the year, which was driven by the energy and financial sectors, although it lagged behind some other major global indices.

While equities managed to post gains, the bond markets, including corporate bonds and gilts, struggled due to rising yields and inflationary pressures. The Bloomberg Global Government Bond Index fell by 7.6%. High-yield corporate bonds performed relatively well, with returns of around 10%. These bonds benefited from higher yields and shorter maturities, making them less sensitive to interest rate changes. However, investment-grade corporate bonds struggled due to the same factors affecting global gilts, resulting in more modest returns.

Our commercial property portfolio achieves a consistent return to provide stability for our investment portfolio, achieving 4.8% in 2024, 6.5% over a three year period and 5.6% over 5 years. During 2024 the Society continued with the purchase of a new build childcare nursery in Faringdon, Oxfordshire and completed the acquisition of the Central England Co-Operative store in Scunthorpe, North Lincolnshire. The Society owns 43 geographically diversified commercial properties, with a total value of circa £51 million. The Society achieved £3.3 million and paid £131,147 in property related fees in 2024 (£93,135 in 2023).

The Board will continue to manage the potential volatility by focusing on quality, balance and diversity when making investment decisions. The Board makes investment decisions for the long-term and, whilst remaining alert to short-term market fluctuations, we are focussed on maintaining consistent returns and the security of our members' funds.

The next table shows the asset split of the Society's investment fund at the end of 2024, with previous years' figures for comparison purposes. This table excludes Child Trust Fund and Sustainable ISA investments, which are part of separately managed Unit Linked funds.

		2024	2023	2022
		%	%	%
Property		30.97	31.33	33.88
Mortgages on land and buildings		1.08	1.27	1.72
Listed investments:	- equities	30.42	29.62	32.08
	- fixed interest	33.90	32.47	28.01
	- alternative assets	1.67	1.72	0.84
Cash (excluding current account funds)		1.96	3.59	3.47
		100.00	100.00	100.00

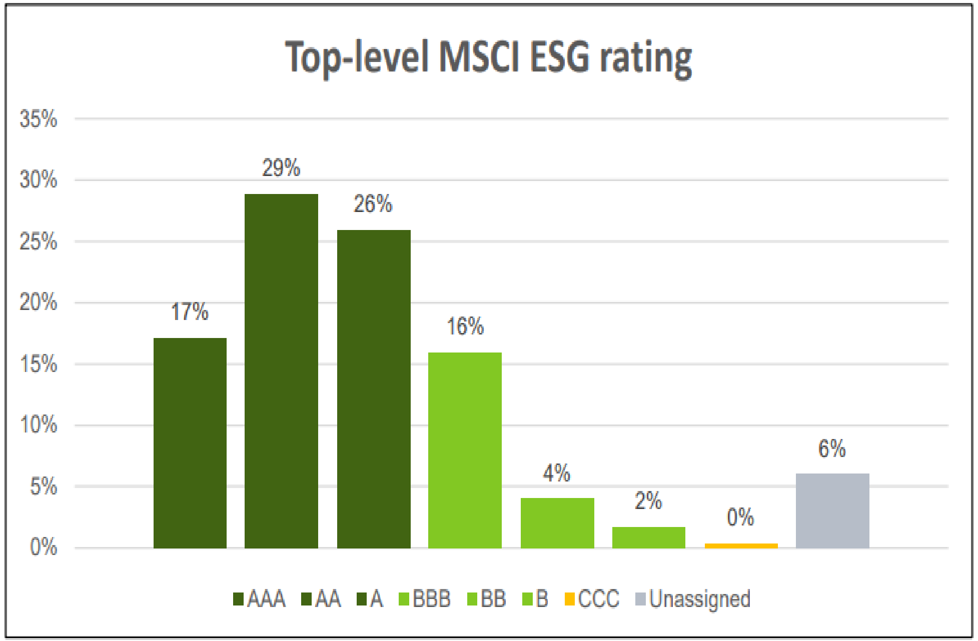
A.4 Performance of Other Activities

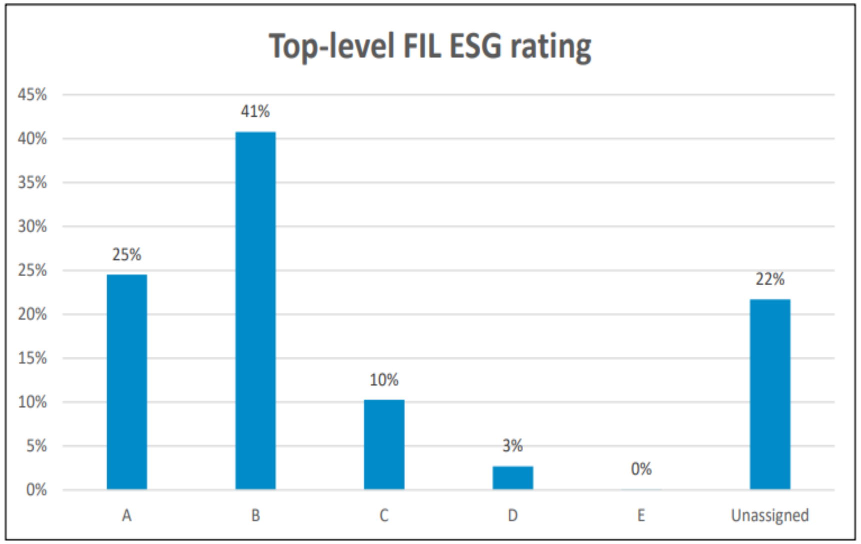
We launched our new unit-linked Sustainable ISA product in March 2024, which achieved 4.13% return over that period. We have enhanced this further in March 2025 when the fund (managed by Fidelity Investments) received the "Sustainability Mixed Goals" label. This indicates that the investments pursue or improve positive environmental or social outcomes and is aligned to strict criteria set by the FCA and their anti-greenwashing rules.

The Board sees unmitigated climate change risks posing challenge to Sheffield Mutual's financial, operational, and systemic risks in the short, medium, and long term. Climate change risks are integrated into the Society's risk management system and have been carefully monitored and discussed at the Audit and Risk Committee and at full Board where appropriate.

We work with our OCIO and commercial property consultants to ensure that our with-profits fund is transitioning to sustainable investments and to ensure that Environment, Social, and Governance considerations are embedded within investment decisions. The Responsible Investing Approach documents on our website show our commitment towards these aims.

Below we provide sample ESG metrics for the Society's unit linked Sustainable ISA:





Carbon Emissions: Scope 1+2 Intensity	Weighted Average Carbon Intensity (WACI)	Coverage
121.05	83.38	89.48

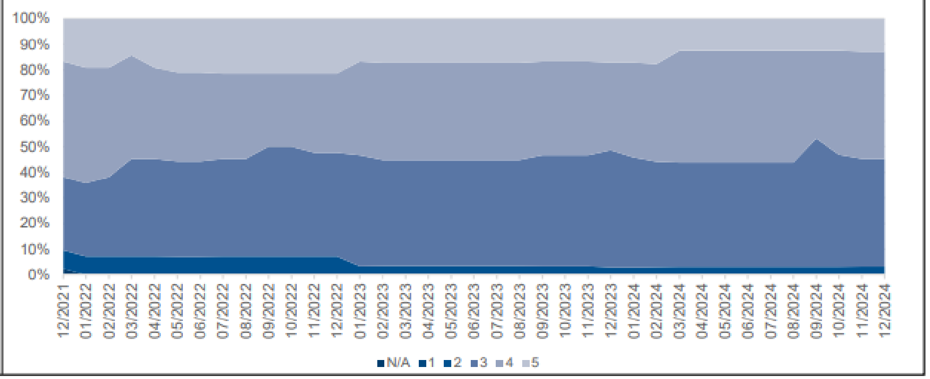
Below we provide key ESG metrics for the portfolio's equity mandate namely the portfolio's ESG risk rating and carbon footprint as at 31 December 2024:

ESG KEY METRICS & DEFINITIONS

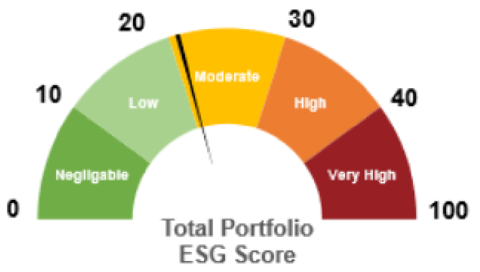
	Portfolio	Benchmark	Portfolio Coverage[1]
ESG Risk Rating[1]	20.6	20.6	61%
Carbon Footprint[2]	71.4	85.2	63%

- **Manager rank** – considers a fund's ESG commitment, implementation, consideration, and active ownership.
- **ESG score** - refers to the classification of risks and their impacts on the business regarding reputational or economic damage to an organisation or a sector.
- **Weighted Average Carbon Intensity (WACI)**[3] - assesses a company's carbon risk, driven by the transition to a low-carbon economy. The ratings are determined by evaluation of a company's material exposure to and management of carbon issues.

RUSSELL INVESTMENTS' ESG MANAGER RANKINGS (ENTIRE PORTFOLIO)



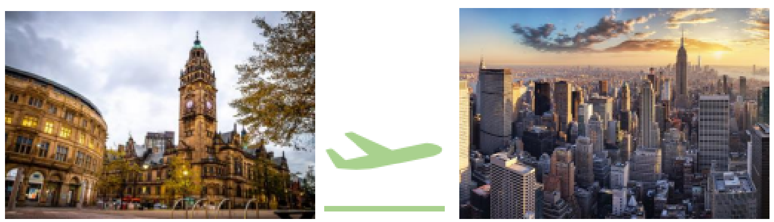
TOTAL PORTFOLIO ESG SCORE



Sample industry scores
- N/A
- Consumer services
- Healthcare
- Utilities
- Oil and Gas

TOTAL PORTFOLIO WEIGHTED AVERAGE CARBON INTENSITY

- Currently 71.4 tonnes of CO_2 per annum
- What does this look like? – an estimated 52 return flights from Sheffield to New York*
- Since inception we estimate the portfolio's carbon footprint has fallen by the equivalent of 21 return flights from Sheffield to New York.



A.5 Any Other Information

There is no other information to add.

B. System of Governance

B.1 General information on the system of governance

The Society is governed by its Rules and the main governing body is the Board, which is constituted and elected in accordance with the procedures as laid down in the Rules. The detailed procedures and policies for the Board are set out in the Society's Board Manual.

The Society seeks to adopt the highest standards of corporate governance for its size and complexity and has adopted the Association of Financial Mutuals (AFM) Corporate Governance Code incorporating the Section 172 Companies Act Statement.

As at 31 December 2024 the Board comprised of nine members in total: the Chair, Senior Independent Director (SID), five notified non-executive members and two executive members (Chief Executive and Chief Operating Officer).

The Board determines the strategic direction of the Society and reviews its operating and financial position. The Board met on six occasions during 2024 and there is a schedule of regular reports and information, which they consider at the meetings and which is agreed annually. Reports are provided to the Board in advance of each meeting. The Chief Executive is responsible for carrying out the agreed strategy and the day to day running of the Society and there is a clear division of responsibilities between the roles of the Chief Executive and Chair.

There are certain decisions that are reserved for the Board and these include:

- declaration of annual bonus rates
- acquisition/disposal of significant assets
- succession planning
- approval of the annual report and accounts
- approval of the Own Risk and Solvency Assessment (ORSA)

The Chair is responsible for ensuring that members of the Board receive accurate, timely and clear information in order to discharge their duties effectively and the Society's Secretary is responsible for ensuring good information flows within the Board and between senior management and the Board. The roles of Chief Executive and Secretary should ideally be split but the Board is confident that it received good information flows and guidance and supports the Chief Executive currently holding the Secretary title, with assistance from the Member Services Team manager and an AI system preparing the Board and subcommittee minutes. The Board and Sub-Committees can also obtain assistance from the Chief Operating Officer and other employees if required.

Senior Managers and Certification Regime (SM&CR)

The Society remained compliant to the Senior Managers & Certification Regime (SM&CR), with the responsibility of allocating the SM&CR prescribed responsibilities in line with the PRA Rulebook falling to the Chief Executive.

The Chief Executive is responsible for allocating each of the SM&CR prescribed responsibilities to one or more approved persons in accordance with the PRA Rulebook (Insurance – Allocation of Responsibilities).

The Society has appointed the following SM&CR functions in accordance with the PRA Rulebook (Solvency II Firms - Insurance - Senior Manager Functions):

SMF No.	Function
1	Chief Executive
2	Chief Finance
3	Executive Director
9	Chair of the Governing Body
10	Chair of Risk Committee
11	Chair of Audit Committee
12	Chair of Remuneration Committee
13	Chair of the Nominations Committee
14	Senior Independent Director
15	Chair of the With-Profits Advisory Arrangement
16	Compliance Officer
17	Money Laundering Reporting Officer
20	Chief Actuary
20a	With-Profits Actuary
24	Chief Operations

The above are the key functions the Board has discussed and agreed as effectively running the Society.

The Society has identified that the following are also key functions, as these are functions whose operation, if not properly managed and overseen, could potentially lead to significant losses being incurred, or to a failure in the ongoing ability of the Society to meet its obligation to policyholders:

- IT Infrastructure Support
- Investment Management

Oversight of the above key functions is carried out by one of the Society's internal SM&CR function holders.

Finance & Investments Sub-Committee – FIC

The Society has a FIC which met on 11 occasions during the year and consists of the FIC Chair, the Society's Chair, SID and one other non-executive Board member by rotation (up until December 2024), plus the Chief Executive and Chief Operating Officer. From January 2025 all Board members are invited to attend the FIC meetings on a quarterly basis, removing the need for a member by rotation.

The sub-committee's main responsibilities are:

- to review monthly Income & Expenditure and budget performance
- to review the Balance Sheet on a quarterly basis
- to consider and review recommendations from, and performance of, the Society's investment managers and agree sales, purchases and investment mandates as necessary
- to monitor the Society's property portfolio and agree sales and purchases within delegated limits

Audit & Risk Sub-Committee – ARC

This sub-committee monitors and acts as the risk management function and provides oversight of the Society's financial reporting process and internal controls. It comprises of at least four non-executive members and meets on at least four occasions during the year. Executives attend by invitation only. The sub-committee is not chaired by the Society's Chair and the position of sub-committee Chair is held by a non-executive having an accountancy qualification. The sub-committee's main responsibilities are:

- to review the external auditor's qualifications, independence and performance
- to review the integrity of the Society's financial statements
- to monitor the performance of the Society's outsourced internal audit function
- to review the Society's internal accounting and financial controls
- to review the selection and formal tendering process for internal auditor and external auditor, as required
- to oversee the Society's risk position and regularly review the risk register

Nominations Sub-Committee – NC (up to December 2024)*

The NC advise the Board on the appointment of new members and the tenure of existing members as well as the perceived skills balance required on the Board, whilst promoting equality and diversity throughout the Society. It comprises of at least three non-executive members and meets on at least two occasions during the year. Executives attend by invitation only. The sub-committee is chaired by the SID. The sub-committee's main responsibilities are:

- Review the structure, size and composition of the Board; to include skills, knowledge, experience, length of tenure, and diversity.
- Be responsible for identifying and nominating, for the approval of the Board, suitable candidates to fill Board vacancies as and when they arise or are expected to arise on retirements.
- Make recommendations to the Board in relation to drafting the Society's Board recruitment policy - covering matters such as recruitment, advertising, composition, tenure, diversity, equality and succession.

Remuneration Sub-Committee – RC (up to December 2024)*

The RC advises the Board on levels of remuneration. It comprises of at least three non-executive members and meets on at least one occasion during the year. Executives attend by invitation only. The sub-committee is chaired by the Society Chair. The sub-committee's main responsibilities are:

- Review Executive remuneration and incentive schemes
- Review NED remuneration
- Review global awards for pay increases to employees

Nominations and Remuneration Sub-Committee (NRC) (from January 2025)*

*In January 2025 the Nominations and Remuneration sub-committees were combined, carrying out the same duties and retaining the same responsibilities as above. It comprises of at least three non-executive members and meets on at least two occasions during the year. Executives attend by invitation only. The sub-committee is chaired by the SID.

Remuneration Policy

Board remuneration is reviewed in accordance with the Society's remuneration policy. The overriding principle of the policy is to ensure that remuneration is aligned to the long-term objectives of the Society and that there are no arrangements that would adversely affect the financial position of the Society or its risk profile. The Board is sensitive to pay and employment conditions elsewhere, although does not fully assess remuneration levels relative to other organisations, preferring instead to act with an element of independence. It may use remuneration data provided by the AFM or any other such organisation, as a comparable measure, to ensure salaries and fees remain attractive.

The Remuneration Committee appointed an independent consultant (Reward Risk Ltd) to review non-executive fee levels in 2021 and updated the recommendation in 2024. For 2025, the structure has been simplified to remunerate roles, rather than meeting attendance. The changes result in a total increase in 2025 of 4.9% on a like for like basis and therefore within the Society's cost control targets.

Incentives are provided to employees through discretionary bonus schemes. The policy is to ensure that the maximum pay-outs that are available under the scheme are modest in relation to basic salaries and that they are structured with a balanced set of indicators, so as not to encourage risk taking or other behaviours and conflicts of interest that are not in the best interests of the Society and its members. Up until 2024 executives were eligible for a discretionary performance related annual bonus payment. From 2025 the executive annual bonus scheme has been removed. Bonuses are an established feature of the financial services sector, however the Board has taken the opportunity to adopt a more progressive approach based on internal research and what it has observed in many other successful global mutuals. Discretionary Christmas awards will continue to be paid to the executives (and all other employees).

The remuneration of the Chief Executive, Chief Operating Officer and employees is reviewed on an annual basis, with amendments made to job descriptions as deemed appropriate. The bonus schemes are also reviewed annually against the key indicators set and amended if appropriate. The remuneration of the non-executives is reviewed on a triennial basis.

The Society has no formal redundancy policy, preferring to deal with situations individually as and when they arise. No termination payments would be made in excess of an employee's statutory or contractual rights.

Remuneration arrangements with service providers are simple and transparent, and do not encourage risk taking.

The Board believes that the current remuneration structure provides appropriate levels of remuneration sufficient to reflect the workloads and responsibilities of non-executives, whilst also ensuring we can recruit, retain and motivate executives with the required skills, experience and qualities to continue to run the Society successfully for the benefit of its members.

B.2 Fit and Proper Requirements

The aim of the fit and proper test is to prevent unsuitable people from serving on the Society's Board, holding a senior management function, performing a controlled function or performing an outsourced senior management function (actuarial, compliance and risk management). The Society carries out these tests and enquiries as part of the recruitment / appointment process.

The Society uses information from various sources to carry out the checks, including a credit agency search, DBS check and appropriate references from current and previous employers, covering at least the past six years. If any applicant fails to pass the fit and proper test, the Society will not appoint them. An existing appointment will be terminated immediately if information comes to the Society's attention which casts doubt on the person's suitability to carry out the controlled function. The Society's secretary would be responsible for notifying the regulator in these circumstances.

Newly appointed employees / Directors falling under the SM&CR will be required to complete a Fit & Proper Assessment as part of our initial due diligence and therefore prior to their start date.

Existing Board members, senior management function holders and Certification Function holders are required to complete a 'fit and proper person' declaration in July each year, which ensures that any matters that should be brought to the Society's attention are properly disclosed, in order to assess their continuing fitness and proprietary.

Where the Society replaces a Senior Manager function holder because they are considered no longer to be fit and proper, the Society's Secretary will notify the regulator as soon as reasonably practicable.

B.3 Risk Management System Including the Own Risk and Solvency Assessment

The Society aims to employ proportionate tools and techniques, for a firm of its size, to enable it to deliver its objectives in a controlled manner. The oversight and direction of the Board remains central to risk management and it ensures, through the ARC that appropriate policies, procedures and processes are implemented across the business to control and monitor both the actual and potential risk exposures which arise from the Society's operations. The Board ensures exposed risks are aligned to the Society's risk appetite and that any unacceptable risk exposures are identified and either terminated or where appropriate mitigated.

In addition to the ongoing assessment of known risk exposures, the Chief Operating Officer and Chief Executive monitor external and emerging risks within the Society's forward-looking Risk Register, which is reviewed by the ARC on a quarterly basis. The Board has an open communication culture that promotes the immediate escalation of actual or emerging risks. The Board is ultimately responsible for the Risk Management Framework and defines, through its Risk Appetite Statement, the acceptable levels and types of risk exposure that it considers likely to arise in the delivery of its strategic objectives.

If any significant risks emerge the Register will be submitted more frequently, or in extreme circumstances, a special meeting of the ARC would be convened. Risks which could threaten the Society's business model are assessed, managed and mitigated through a process known as reverse stress testing. The full Board is provided with an Annual Risk Analysis, which summarises the Society's principal risks and how they are managed and mitigated. The Board also receives all the papers and minutes from the ARC, which ensures that issues or emerging risks are communicated and discussed. The Society's Own Risk and Solvency Assessment (ORSA) is central to the risk management framework.

Whilst general risk oversight and direction is delivered through the ARC, which meets quarterly, the day-to-day risks within the business are managed by the Chief Operating Officer, supported by the Chief Executive.

The Society has adopted and is continually developing a 'Three Lines of Defence' approach to its operational implementation of the Risk Management Framework. The Three Lines of Defence approach simplifies and clarifies the varying roles and responsibilities as follows:

First line of defence – Operations

Operations are in the best position to assess risk exposures and is fully responsible for the risks our operations create. Ongoing oversight is provided through the Chief Operating Officer supported by the Chief Executive.

Second line of defence – Risk team, Compliance team, Chief Operating Officer, Chief Executive and the Chief Actuary

The second line of defence, which is independent of operations, is responsible for monitoring, quantification, analysis and assessment of all risks and internal controls. The second line's role is the four-eyes oversight of the first line of defence, against inappropriate actions or activities and to confirm adherence to policies, internal controls and the Society's risk appetite. The Risk team monitor the risks through the risk register. The Risk team, Compliance team, Chief Operating Officer and Chief Executive have some cross over due to the size of the society.

Third line of defence – Internal Audit

The third line of defence, which is independent of operations, risk and compliance and senior management, is responsible for the testing and assessment of the Society's governance and control frameworks. Internal audit reports directly to the Audit and Risk Committee.

The Risk Policy and Risk Management Framework connects with the business as follows:

- The Risk Register (Ironopolis) is maintained on a day-to-day basis by the Chief Operating Officer
- The Risk Register is updated at least quarterly by the Chief Operating Officer and, following review by the Chief Executive, presented to the Audit and Risk Committee
- Actions arising from the Risk Register are documented and, where appropriate, escalated to the Board
- The Annual Risk Analysis is prepared by the Chief Operating Officer and presented to the Board
- Actions arising from the Analysis are documented and then reflected in the ORSA document
- The Board reviews the ORSA risk appetite and tolerances at least annually, or more frequently if there is a significant change in the Society's business or external environment
- The ORSA and Risk Register is used as a framework for conducting appropriate capital stress testing for the ORSA
- Stress testing is carried out at least annually or more frequently if required – ad-hoc testing will be carried out to deal with extreme or unusual events

Own Risk and Solvency Assessment (ORSA)

The ORSA is a process led by the Society's Chief Executive, with input from the Society's actuary. The ORSA report is updated at least annually, or more frequently if business conditions require it. The ORSA considers likely changes to the risk profile and capital needs over the Society's normal three-year strategic business planning period.

The ORSA process identifies, assesses, monitors, manages and reports on the short and long-term risks the Society faces. It also determines the capital necessary to ensure that solvency needs are met at all times, under both normal and severe stress scenarios. Crucially, section 6 of the ORSA report provides an assessment of whether the Society's risks deviate materially from the assumptions underlying the SCR calculation.

The Board owns the ORSA process, and the minutes of the relevant Board meetings will record the challenges provided, the decisions made, and the feedback loops of the ORSA and FLAOR processes. The qualitative content of the ORSA report is approved annually by the Board, which serves as the Society's administrative, management, and supervisory body. The ORSA report is designed for both internal use and to act as the ORSA supervisory report.

Capital Management Policy

As a mutual organisation the Society has no easy access to external capital and no shareholders. All capital, therefore, is classified Tier 1.

The Society must ensure, therefore, that after reserving for technical provisions sufficient free capital is retained to meet regulatory requirements and to ensure that the balance sheet can withstand the impact of extreme events. Sufficient capital is also retained to enable the Society to achieve controlled growth and the investment freedom to deliver greater potential returns to members.

The Board sets a range for the management of the Society's free assets and solvency ratio. These ranges are agreed at the triennial strategy review and then re-affirmed or adjusted annually. The Chief Executive will report the free assets and solvency ratio to the Board quarterly, following the PRA quarterly capital reporting exercise. The resulting discussions will be minuted together with any management actions agreed to manage the free capital.

The Board will manage the free capital through various actions, including:

- Adjusting bonus distributions
- Changing the asset mix
- Reviewing the valuation basis within regulatory constraints
- Reducing the Society's operating costs
- Contracting the Society's balance sheet e.g. restricting new business

The Society's free capital is not held separately and is part of the Society's with-profits fund. A proportion of the free capital is derived from the mutual capital and surpluses from non-profit business, and is not attributable to the current generation of policyholders.

The surplus in relation to the Child Trust Fund is currently retained with Legal & General in an equity tracker fund, with the Sustainable ISA surplus being retained with Fidelity in a multi-asset growth fund. These surpluses are partly used to offset the Society's operating costs, resulting in lower management expenses for with-profits policyholders. It is also the Society's practice to recognise a proportion of the CTF and SISA surplus' in the with-profits asset share calculation.

Medium Term Capital Management Plan ("MTCMP")

The Society has developed a MTCMP, which considers the impact of actions or events, such as the distribution of surplus, with capital management implications. Such events may also include acquisitions, disposals, transfers of business or other forms of restructuring – none of which are envisaged over the current medium-term planning period. A number of considerations, such as capital issuance, maturity of own-fund items, limits of tiers and dividend distributions, are not relevant to Sheffield Mutual.

B.4 Internal Control System

The Society has an established framework of internal controls for the management of risk within the business and to safeguard the interests of members. The Board reviews the effectiveness of its internal control systems at least annually by receiving reports from the external Compliance Consultant and our Internal Auditors.

Compliance Function

The Society is required to allocate a director or senior manager the function of:

- Having responsibility for oversight of the Society's compliance; and
- Reporting to the Board in respect of that responsibility

The Compliance Officer for the Society is the Chief Operating Officer and is responsible for monitoring adherence to the FCA's COBS (Conduct of Business) rules. Support is provided by the Risk and Compliance teams, and external guidance is provided by Mutual Governance Ltd when required.

The Board and all employees receive annual training in relation to money laundering, data protection and complaints handling.

B.5 Internal Audit Function

The Society has an Internal Audit Function, RSM have held this role since 2019. The Chair of the Audit Committee will be responsible for overseeing the relationship with the Internal Auditor.

The Society has an annual internal audit plan, which is prepared by the Internal Auditors in accordance with industry standards and best practice considering the activities and governance arrangements of the Society. The plan includes a combination of a regular risk-based cycle of key testing priorities combined with a forward-looking audit. The Board has authorised the internal auditors to carry out audits which are not included in the plan, should the need arise during the course of the audit programme. The Chief Operating Officer is responsible for liaising and maintaining day to day communications with the internal auditors throughout the year, with the sponsor (an executive director) of each audit responsible for liaising with the auditors during their sponsored audit to provide the relevant documentation and evidence.

The internal auditor, RSM, perform several internal audits throughout the year. Draft reports are provided to the executive team for management comments prior to a presentation of the findings and recommendations to the Board. The observations will identify the person(s) responsible for remedying any shortcomings and the period envisaged for achievement.

Following Board approval of the internal audit report the agreed recommendations are logged by the executive team and a report is provided monthly to the ARC showing progress against each observation. The internal auditors provide an assurance report on the completion of the observations as part of the subsequent year's internal audit. The executive team and members of the Board may call upon the internal audit function to give an opinion or assistance on other matters at any time.

B.6 Actuarial Function

The Society is required to have an actuarial function in order to meet the requirements of being Directive and to comply with Solvency UK. The actuarial function is currently outsourced to Broadstone Regulatory & Risk Advisory Limited in accordance with a service agreement. The appointment of Cara Spinks of Broadstone Regulatory & Risk Advisory Limited as SMF20 Chief Actuary has been approved by the regulator. Mrs Spinks also holds the role of SMF20a With-Profits Actuary.

The Chief Actuary reports directly to the Board and provides the following services and statutory duties:

- Carrying out the annual valuation of assets and liabilities in accordance with regulatory requirements, after first agreeing the valuation basis with the Board
- Reporting any material deviations from actual experience when using projected best estimates and proposing changes to the valuation basis / models in order to improve best estimate calculations
- Assessing the reliability and consistency of internal and external data against relevant standards
- Making recommendations on internal procedures to improve data quality to meet current regulatory requirements
- Calculation of the technical/mathematical provisions in accordance with regulatory requirements
- Reporting to the Board on at least an annual basis in relation to the above
- Assistance with the completion of annual and quarterly regulatory returns
- Carrying out appropriate scenario and stress testing, and reporting to the Board annually
- Taking account of the impact on technical provisions to provide advice to the Board on underwriting and pricing policy
- Assistance with production of the Society's Solvency and Financial Condition Report
- Completion of data requests for information providers
- Any other tasks as described in the service agreement.

As With-Profits Actuary:

- Advising the With-Profits Advisory Arrangement
- Recommendations in relation to bonuses and distribution of surpluses
- Input into the Society's PPFM
- Annual report to the Board of the With-Profits Actuary
- Making recommendations to assist the Board in ensuring that all customers are treated fairly and proportionately.

There are considered to be no activities that would result in any conflicts of interest.

B.7 Outsourcing

The Society outsources the following critical or important operational functions:

- Internal audit
- Investment management
- Actuarial services (a senior management function)
- IT and cyber security assurance services

The performance of each outsourcing firm is reviewed by the Board at least annually and this review is recorded in the Board minutes.

With the exception of IT and cyber security assurance services, the outsourcing firm will be required to present to the Board (or delegated sub-committee) in person at least annually, thereby providing the opportunity for the Board to assess performance and raise questions.

The Board remain fully responsible for discharging the Society's legal and regulatory obligations when they outsource functions.

Oversight

Outsourced Function	Senior Manager Responsible (day to day operations, performance, and monitoring)	Senior Manager Accountable
Internal Audit	Chief Operating Officer	Chair of Audit and Risk
Investment Management	Chief Executive Officer	Chief Executive Officer
Actuarial Services	Chief Executive Officer	Chief Actuary/Chief Executive Officer
IT Services	Chief Operating Officer	Chief Operating Officer
Cyber Security Assurance Services	Chief Operating Officer	Chief Operating Officer

All of the above are responsible for escalating any issues to the Board.

Documentation and record-keeping

The Chief Executive Officer or Chief Operating Officer will carry out the checks that they feel appropriate to satisfy themselves as to the ongoing competency and financial standing of the outsourcing firm and key employees. This may include requesting copies of third-party governance reports, fit & proper person assessments, insurance policies, credit checks, annual reports & accounts and/or the commissioning of a themed audit. All third parties are required to complete a cyber security and awareness assessment.

Business Continuity Planning (BCP)

The Society has in place an established business continuity management plan to ensure the Society's ability to operate on an ongoing basis and to limit losses in the event of severe business disruption. The BCP is tested on an annual basis, when required. All outsourced third parties are covered in the plan.

There are no differences to the approach for material or non-material outsourcing.

Pre-outsourcing and on-boarding

The processes for vendor due diligence and for assessing the materiality and risks of outsourcing arrangements.

Due diligence checks are performed for all new third parties. Not all are applicable to each outsourced third party:

- Associate member of the Association of Financial Mutuals
- Review company's report and accounts
- Interview with Executive Directors
- Meet the Board
- Review of the website
- Credit check
- Cyber security checks

Notification is made, where required, to both the FCA and PRA.

There are no differences to the approach for material or non-material outsourcing.

Outsourcing firms will normally be appointed for a minimum three-year period or on an open ended basis. New appointments will be made following a documented tender process, which will involve a minimum of three firms. The Board will receive presentations from each firm (with the exception of IT Services and Cyber Security third parties) and will make the final decision regarding appointment. This will be documented in the Board minutes.

Outsourcing will not be carried out in the following circumstances:

- If it would materially impair the quality of the Society's system of governance
- If it would unduly increase the Society's operational risk
- If it would impair the ability of the regulatory authorities to monitor the compliance of the Society with its obligations
- If it would undermine or detract from the service provided to members

Responsibility for signing-off new outsourcing arrangements, in particular material outsourcing arrangements

The Chief Executive or Chief Operating Officer will prepare a paper for approval to Board for material outsourcing agreements sign off. Following successful approval by the Board the contracts between the outsourcing partner will be signed by the Chief Executive and/or Chief Operating Officer.

Termination

The outsourced functions are essential to the Society's operations, but only IT would represent an immediate risk to the delivery of services to the Society's members. In the case of any difficulties with the incumbent outsourced provider, the contingency is that services could be switched rapidly to another known infrastructure support provider. The Society owns the physical IT infrastructure, which is located on the Society's premises. The Chief Operating Officer and Risk and IT Lead are able to manage any Microsoft support issues which may occur in a period of no IT third party, however this would be a short term solution and the Sophos Firewall and Navision Dynamics administration system would not be supported, due to a lack of skills and knowledge internally.

The other outsourcing arrangements are important but not critical to the delivery of services. Therefore, these providers can be replaced through a re-tendering process.

B.8 Any Other Information

No other information is supplied.

C. Risk Profile

The Society has a risk-averse culture, which helps to protect members' interests and reduce exposure to the principal risks and uncertainties facing the business. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and the Board seeks to adopt a low-to-medium risk appetite in accordance with the scale and nature of the Society's business.

It seeks to undertake a structured approach for the effective management of risk and aims to employ proportionate tools and techniques to enable it to deliver its objectives in a controlled manner. Having regard for the nature and complexity of the Society's business the Board has resolved to avoid unnecessary work on risks which do not have a large impact on the Society.

The Board is satisfied that the Society has robust risk and governance procedures and sufficient capital to deal with a range of risks and adverse scenarios, both now and over the business planning period. The Society's strategy and risk appetite takes account of the principal risks facing the business.

The Society has a clearly defined risk appetite for each category of risk (defined in terms of a risk tolerance) and business policies are set accordingly.

- Zero Tolerance – any significant risk is unacceptable/no appetite to take risks
- Low Tolerance – nil to very small risk acceptable/significant controls
- Medium Tolerance – exposure to risk within manageable limits tolerated and
- High Tolerance – prepared to accept high risks in pursuit of business

C.1 Underwriting Risk

Underwriting Risk is the risk of loss due to uncertainties over timing, amounts and occurrence of events insured by the Society. Insurance related risks include mortality risk, persistency risk, taxation, new business and renewal expense risk - with persistency risk being the main item. The Society has no exposure to longevity risk, nor does it have any reinsurance arrangements.

The Board has adopted a low tolerance to underwriting risk by taking a low risk view on product development and applying high standards of life underwriting.

The Society manages underwriting risk by:

- a structured approach to product development and pricing, including provision for expenses;
- a formal actuarial analysis of the performance of the insurance portfolio which feeds into the development of products and the calculation of technical provisions;
- robust management and challenge of expenses;
- proactive management of new business flows; and
- monitoring persistency rates, which are reported to the Board at least bi-annually.

The persistency experience of the Society varies over time but has been relatively low and stable. Factors affecting persistency include members' perception of the Society and the insurance industry, investment performance and the general economic environment.

The table below shows the breakdown of the Society's insurance liabilities.

	2024 £000	2023 £000
ISA	82,394	82,678
Investment bond	40,910	39,332
Pure endowments	15,825	14,605
Taxable saving plans	7,492	6,497
Endowments	847	798
Other	725	789
Sickness and death	692	772
Pension bond	86	120
Total	**148,971**	**145,591**

Mortality Risk

Mortality risk is the risk of loss arising to the Society, due to differences in the level, trend or volatility of mortality rates compared to the assumptions made when a product is designed and priced.

Although difficult to predict mortality rates when pricing a product, under normal circumstances they are subject to well established trends.

Persistency Risk

This is the risk that the assumptions made on the rate that policyholders surrender or lapse policies differ from the actual rate. This could result in the possibility of the Society incurring a loss due to higher than expected policy surrenders and lapses.

The persistency experience of the Society varies over time, but has been relatively low and stable. Factors affecting persistency include members' perception of the Society and the insurance industry, investment performance and the general economic environment. The recent cost of living issues increased the number of ISA withdrawals in 2023 and 2024 but surrenders and maturities were largely within budgeted expectations.

Expense Risk

Expense risk is the risk that actual expenses incurred by the Society vary from the assumed rate over the life of the policies.

A large proportion of the Society's expenses are incurred in staff costs and actuarial work, which are relatively predictable. Recent high inflation has increased this risk but overall expenditure for 2023 and 2024 was mostly within budgeted expectations. The Society also employs a robust cost control culture in order to minimise cost increases whenever possible.

C.2 Market Risk

Market Risk is the risk of losses arising from changes in the value of assets or in the income from the assets. The Society manages market risk so that the returns generated are in line with members' expectations and support the Society's future strategic and operational objectives.

For assets backing member liabilities, market risk is managed by matching, within broad parameters, the duration and profile of the assets with the underlying liabilities.

The Society's FIC oversees the Investment Policy and strategy, which the Society implements through the use of investment mandates. Each mandate aims to manage the market risk using some or all of the following mechanisms:

- defined performance benchmarks
- limits on asset allocation by asset type, market capitalisation and geographical spread

The Society is exposed to interest rate risk where changes in interest rates result in changes to market values or cash flows and where this is not matched by the change in the value of liabilities. This risk can be greater if the term of fixed interest investments is not well matched to the term of the liabilities. The risk is mitigated through holding a diversified investment mix.

The Society's strategy is to deliver higher potential returns to members than could be achieved by a bank. This necessitates a relatively high exposure to higher risk assets as a means of improving yields. The Society achieves this by investing in directly owned commercial property and commercial mortgages, and overseas equities, subject to maximum holding limits.

The Society's assets are carefully selected, diversified and closely monitored in order to avoid losses. The Society has experience and expertise built up over many years in the commercial property sector.

C.3 Credit Risk

Credit Risk is the risk of loss due to failure by another party to perform in meeting its financial obligations. The Society adopts a medium tolerance to credit risk in support of the Society's strategic objectives and in matching policyholder liabilities. This means that modest losses would be tolerated in order to secure higher potential returns. The Society seeks to minimise other forms of credit risk, in particular those related to deposit takers. The Society has taken the following steps to mitigate credit risk:

- bond holdings adhere to minimum credit rating criteria i.e. must be mainly '-A' rated or above
- maximum exposure to non-investment grade credit
- defined commercial lending policy with strict underwriting guidelines
- counter-party limits are in place for cash deposits

C.4 Liquidity Risk

Liquidity Risk is the risk that the Society, although solvent, is unable to meet payments as they fall due from cash or near cash holdings. The Society's objective on liquidity risk management is to ensure that sufficient funds are available over the short and medium term to meet the needs of the Society. This includes new business costs, planned strategic activities, member withdrawals, claims payments and day to day cash flow requirements. Cash flows are generally predictable with fixed amounts due on fixed dates. Deaths and surrenders are less predictable but (under normal circumstances) are subject to well established trends. The increase in ISA balances requires the Society to hold additional liquidity to meet withdrawal requests.

Any significant mismatch between cash inflows and outflows would be identified by the Finance Manager and / or Chief Executive and this would trigger a Board review of the level of liquid assets (particularly cash holdings) and the impact on the liquidity situation of writing new business.

The Society has a medium tolerance to liquidity risk, which means that cash and near cash holdings are kept at relatively modest levels so that yields are not adversely affected. Liquidity risk is considered relatively low given the predictable nature of most policy claims. The Society is currently, and for the foreseeable future, cash generative allowing it to meet the expectations of members without recourse to reserves.

Liquidity risk is managed as follows:

- budgets are prepared to forecast the short term and medium term liquidity requirements;
- monthly analysis is provided to the FIC illustrating levels of liquidity and trend analysis;
- assets of suitable marketability and maturity are held to meet the member liabilities as they fall due; and
- credit risk of deposit takers is managed by having appropriate counterparty and credit limits in place.

All investments other than property are readily realisable at full current market values as they are traded on recognised stock exchanges. Assets are assessed as to how quickly they can be transferred into cash, i.e. primary, secondary and illiquid assets.

C.5 Operational Risk

Operational Losses (Low tolerance)

This is the risk of losses due to inadequate systems and controls, error or management failure. The Society's objective is to analyse, record and monitor the operational risks it faces, seeking to extinguish or minimise risks wherever possible.

The Board has set a low tolerance to operational losses, which equates to up to circa 10% of Operational Risk Capital (£690,000 31 December 2024 SUK Valuation) per annum or circa 50% for an exceptional single event. Therefore, up to circa £70,000 operational losses are tolerated per annum, or circa £350,000 for a single exceptional event. The Society has established controls to manage operational risk within these tolerances.

The Board owns the risk policy, whilst the Audit and Risk Committee oversees the policy and reviews the risk register and issues/losses register to ensure the risk policy is effectively deployed and risks are mitigated.

The Chief Operating Officer manages the risks within the business (supported by the Chief Executive), ensuring that controls are in place to mitigate risks. The Chief Operating Officer is also the custodian of the risk policy and register, and the Board reviews these documents on a regular basis.

The Chief Operating Officer holds SMF16, 17 and 24, and is responsible for the financial risks of climate change.

Reputation (Zero tolerance)

The Society's reputation is critical to its success and the Board has set a zero risk tolerance for managing reputational risk. Any adverse publicity is unacceptable and the Society's approach to strategy and managing the business avoids any reputational threat.

Customer Services (Zero tolerance)

This is the risk of complaints, poor compliance with Consumer Duty and other conduct risks through backlogs, errors and omissions. The Board has set a zero tolerance to complaints, whereby no reportable complaints are acceptable. The Society's policies, systems and staff culture are geared to avoiding issues that would lead to complaints and every case is escalated to the Chief Executive and Chief Operating Officer.

Business Continuity (Low tolerance)

This is the risk of a break in service to customers due to events beyond the Society's control. The main risks are around the ongoing provision of our service to members. The Board has set a low tolerance to business continuity, meaning that a major disruption in services would be accepted for up to 3 working days. The Society has a documented Business Continuity Plan and has invested in outsourced disaster recovery facilities to minimise any impact on customer service. Online back-ups are performed daily and data restoration from the online back-up is subject to annual testing.

Operational Resilience (Low tolerance)

The Society has a Board approved Operational Resilience Self-Assessment report. The Important Business Services (IBS) are agreed, with tolerance levels set for each IBS. Regular testing and continuous improvement takes place to confirm the validity of the tolerances and ensure we remain within the tolerance limits over the longer term.

Compliance (Zero tolerance)

This is the risk of breaches of compliance in relation to such matters as conduct of business rules, anti-money laundering and data protection. The Board has set a zero tolerance for such breaches, which means any incidence of non-compliance is unacceptable and remedial actions taken promptly. The Society works to 100% completion of mandatory employee training and all compliance matters are handled by the Chief Operating Officer with support and guidance as required from Mutual Governance.

Security (Zero tolerance)

This is the risk of fraud, financial crime, information security breaches, cyber crime and incidents of physical security. The Board has set a zero tolerance for security, which means that no breaches or incidents are tolerated. The Chief Operating Officer, IT & Cyber Risk Specialist and Junior IT Assistant monitor all elements of security regularly.

Regulatory & Legal (Zero tolerance)

Regulatory Risk is the risk of losses due to a breach of current regulation or a failure to react appropriately to changes in regulation. The Board has set a zero tolerance to regulatory risk, meaning that the Society would not seek to push the boundaries of regulation. The Society monitors its operations to ensure compliance and reviews all relevant changes of legislation and FCA/PRA rules to ensure operational procedures are compliant.

Employee, Management & Culture (Low tolerance)

Employee and Management Risk is the risk to the Society's operations to issues such as employee turnover and reliance on the executive team. The Board has set a low tolerance to such risks and tries to manage them by having competitive employment terms and conditions, a pleasant working environment and ensuring that effective contingency arrangements can be put in place at short notice.

C.6 Other material risks

Climate change

Climate change risk crosses all elements of the business and covers all risk categories: financial, operational, etc. Many of the risks linked to climate change, such as physical risks, could be completely out of the Society's control. The physical and transition risks of climate change may negatively impact the Society as they could have a detrimental effect on performance, brand and reputation.

The Society fully embeds its approach to the financial risks of climate change across the business. The responsibility for identifying and managing financial risks from climate change is assigned to the Chief Operating Officer. Climate change disclosures are produced for the report and accounts using the TCFD guidance.

The risk register has a separate category for climate change, which is presented to the Audit and Risk Committee at least quarterly and monitors various transitional, physical, and reputational risks.

Asset Liability Management Risk (Low tolerance)

Asset Liability Management risk (ALM risk) is the risk of unexpected economic outcomes resulting from market movements affecting the Society's balance sheet structure. The objectives of the ALM policy are to manage financial risks in order that the Society generates value for policyholders whilst not incurring losses that would jeopardise the safe functioning and solvency of the Society.

ALM Risk management of the Society involves the application of four basic elements in the management of assets and liabilities (the Society has no off balance sheet instruments):

- Appropriate Board and senior management oversight
- Adequate risk management policies and procedures
- Appropriate risk measurement, monitoring, and control functions
- Comprehensive internal controls and independent audits

Solvency (Low Tolerance)

Solvency risk is the risk of having insufficient available capital to meet the minimum regulatory capital and deliver strategic objectives. The Board is mindful that the preservation of capital is critical, given that the Society has no access to external capital.

The Society's financial strength is important to maintain confidence with key stakeholders such as members, business partners (particularly financial advisers) and regulators. However, the Board also needs the flexibility to invest in assets that are capable of delivering higher potential returns to members and these assets, such as commercial property, have a higher capital requirement due to the range of stresses applied.

The Board has set a low tolerance to solvency with hard trigger points to maintain at least 125% x SCR after management actions. The soft trigger points at which actions will be discussed by the Board are at below 140% SCR. In practice, the Chief Executive monitors solvency levels on a quarterly basis for any trends and more regularly if events dictate.

Strategy, Change & Adaptability (Low tolerance)

This is the risk of the Society entering new markets and launching new products. The Board has set a low tolerance for such matters, meaning that change is acceptable where it is necessary to maintain or improve the established business model. Investment in change is generally made when the outcome is known, or the cost and implications of failure is low. The Society would not normally deviate from well-established markets or products, where the Society has experience and, therefore, the risk of initiatives being unsuccessful is negligible.

Political & Economic (Medium tolerance)

Political and Economic Risk is the risk of political decisions and/or economic circumstances having an adverse effect on the Society's strategy and business plans. As these risks are essentially out of the Society's control, the Board has set a medium tolerance, meaning that the Society's business model is designed to be resilient in order to withstand such events.

C.7 Any Other Information

As part of the ORSA process, in order to evaluate various plausible and reasonable deviations from the central business planning assumptions, the Society's actuary provides an assessment of its likely future solvency position on a range of scenarios and to highlight the key risks to which the business is exposed, based on the central business planning assumptions.

In summary the forward assessment demonstrates that the increase in assets generated by new business levels corresponds with a steady increase in the absolute level of surplus generated. The solvency ratio is projected to increase over the projection period as the profits from the business written fall through to the balance sheet and as the cost of guarantees in the regular premium business gradually unwinds.

The Board is satisfied that the Society's solvency ratio remains within risk appetite in most scenarios. The above analysis highlights the need for the Society to continue to manage its portfolio of investments carefully. They demonstrate the nature of the Society's investment policy and the need for management to be prepared to take appropriate and timely action in de-risking the asset portfolio and reducing bonuses should the need arise.

The key risks to the solvency ratio falling below the Society's 125% minimum target would be a combination of adverse events happening together, particularly when there is a market shock to equity and/or property values.

The Society's investment return and its impact on the solvency ratio has been closely monitored, given economic activity over recent years. Solvency is monitored regularly throughout the year. The results of the half year valuation led to the Board approving an increase in product bonus rates in July 24.

The Board closely monitors the overall equity/property content of the investment portfolio, working with our Outsourced Chief Investment Officer (OCIO), Russell Investments. This relationship has ensured that the Society's investments are diversified in terms of the increased number of investment managers involved in the portfolio, but the OCIO is also in a position to ensure that all investments are pulling towards the same objectives.

One of the market wide risks emerging recently is the potential risk associated with the use of Artificial Intelligence (AI). However, the Society currently does not use any AI-based systems or technologies in its operations. As such, it is not exposed to the potential risks or uncertainties that may come with AI usage, such as data privacy issues, algorithmic biases, security vulnerabilities, or regulatory compliance issues. These should be kept under review if technological developments are undertaken in this area and how the competitors are making use of this technology.

The monthly reports provided by the OCIO also include a 'Total portfolio ESG summary', to better inform the Board members regarding the Society's ESG impact. Various metrics are used to provide an overall rating and carbon footprint. Reviewing these metrics ensures that the risks associated with climate change are understood and mitigated where possible.

Expenses remain well controlled and per policy expenses remain fair and at reasonable levels despite some of the challenges faced recently in terms of sales and withdrawals. The Society continues to monitor new business and withdrawals closely.

The Board regularly reviews the approach taken to management actions and the uptake of new business to ensure that the cost of guarantees written on new policies is not unduly detrimental to the solvency position.

D. Valuation for Solvency Purposes

D.1 Assets

Assets have been valued in accordance with the regulations set out in the PRA Rulebook - Valuation, section 2, which requires that the assets are valued at the amount for which they could be exchanged between knowledgeable willing parties in an arms' length transaction.

The value of the assets is shown in the following table:

Value of the assets (£000)	2024	2023
Gilts	31,866	19,975
Other fixed interest	24,295	25,873
Equity	46,652	51,163
Total listed investments	102,813	97,011
Global infrastructure fund	2,748	1,203
Property	51,345	49,778
Commercial mortgages	1,777	2,002
Cash and deposits	9,231	10,215
Other assets	333	611
Total before Child Trust Fund	168,247	160,821
Child Trust Fund	53,127	52,976
Sustainable ISA Fund	1,149	1,060
Total assets for S-UK purposes	222,523	214,857
Adjustments for S-UK	769	614
Total assets as shown in accounts	**223,292**	**215,471**

The listed investments are all included at market value. There are no listed investments which are not held on an active regulated market.

The global infrastructure fund is held with Russell Investments and is unlisted. The value shown is the value held in the financial statements.

The property portfolio is fully revalued every five years with a desktop valuation in the intervening years so that changes in market value can be taken into account. A reduction of £30,000 has been made to the value reported in the financial statements to allow for the expenses of acquiring property during 2024.

Commercial mortgages are included at the face value of the mortgage, as long as that amount is less than the value of the property backing the mortgage.

Cash and deposits are valued at face value.

Other assets are shown at the value calculated in the financial statements.

The Society had inadmissible assets of £739,000 consisting of website development (£367,000), tangible assets on a fixed cost basis (£81,000), software development (£172,000) and prepayments and recharges (£120,000).

There are no leasing arrangements.

There is no deferred tax asset.

There are no related undertakings.

There has been no significant exercise of judgement in arriving at the values shown.

The following table reconciles the value of assets reported for Solvency UK purposes with those shown in the financial statements:

Reconciliation of assets (£000)	2024	2023
Total value of assets for S-UK purposes	222,523	214,857
Add property acquisition expenses	30	13
Add website development costs	367	341
Add tangible fixed assets on a cost basis	81	69
Add prepayments and recharges	120	110
Add software development	172	81
Total assets shown in the report & accounts	223,293	215,471

D.2 Technical Provisions

The following table summarises the technical provisions:

Technical provisions (£000)	2024	2023
Asset shares	146,138	143,322
Cost of guarantees	189	427
Expense reserve	1,244	435
Non-profit liabilities	997	1,099
Child Trust Fund liability	49,350	45,713
Value of Child Trust Fund margins	(536)	(937)
Sustainable ISA liability	245	-
Value of Sustainable ISA margins	(15)	-
Total best estimate liabilities	197,612	190,059
Risk Margin	403	308
Total technical provisions	**198,015**	**190,367**

Methodology

The components of the best estimate liabilities have been calculated as follows.

The value of with profits business at the valuation date is taken to be total asset shares at the valuation date plus the present value of the cost of future guarantees plus a reserve for expenses in excess of the charges made for expenses to the asset share.

The asset share is the accumulation of premiums paid less claims and expenses rolled up at the rate of investment return earned on the fund from year to year. For ISA business, where the asset share cannot be calculated robustly due to system and data constraints, the fund value of the investment (premiums paid less withdrawals plus annual bonuses) is taken as a proxy for asset share. An allowance is made for accrued final bonus (or market value reduction if appropriate) on those policies that are eligible.

The cost of future guarantees calculation projects both the asset shares and guaranteed benefit amounts on a per policy basis on various assumed rates of investment growth and future annual bonuses. Rates of investment growth are distributed around the risk-free rates prescribed by the regulator. On each rate of assumed growth, the excess of guaranteed benefit over projected asset share is discounted back to the valuation date using the risk-free rates prescribed by the regulator and summed over all policies. A lognormal probability distribution is then applied to the range of investment outcomes to obtain the present value of the cost of guarantees.

Expenses charged to the asset shares are assumed to be those underlying the premium basis and therefore an additional expense reserve is calculated to cover the cost of any actual expenses as projected in the business plan exceeding those in the premium basis. Credit is taken for the excess of expenses charged to the asset share over the actual expenses. The shortfalls and excesses are discounted back to the valuation date using the risk-free rates prescribed by the regulator.

The liabilities in respect of non-profit business are calculated as the value of the future benefits plus the value of future expenses less the value of any future premiums. The values are based on a best estimate of future cashflows. These cashflows are discounted back to the valuation date using the risk-free rates prescribed by the regulator.

The Child Trust Fund ("CTF") and the Sustainable ISA are unit linked ("UL") products. The liabilities are the value of all the units allocated to UL policyholders using the "Society price" which allows for the deduction of the annual management charge.

The value of UL margins represents the present value of future profits on UL business which is the discounted value of future loadings arising on the UL business over future UL expenses. The latter is available to offset the additional expense reserve on with profits business and contributes to overall surplus funds.

The risk margin is calculated for the business as a whole. It represents the cost of providing the Solvency Capital Requirement ("SCR") excluding diversifiable market risk for the run-off of the business using the required cost of capital rate of 4% and a tapering factor prescribed the Solvency UK regulations.

The requirement to split the risk margin by line of business has been achieved by allocating the risk margin to the various lines of business in proportion to the best estimate liabilities. The following table shows the split:

Risk margin (£000)	2024	2023
With-profits	301	234
Unit-linked	100	73
Other	2	1
Total risk margin	**403**	**308**

The value of the risk margin is calculated using the simplified assumption that the amount of the SCR excluding diversifiable market risk will reduce in line with the run-off of the best estimate liabilities, and the yearly values are discounted using the risk-free yield curve.

Assumptions

The basis used to produce the best estimate liabilities is set out below. These are realistic assumptions that the Society has set based on actual experience.

Asset share growth rate: Asset shares have been rolled forward using the actual investment return achieved on the backing assets during 2024 less the actual investment expenses plus the CTF enhancement.

Discount rate: The risk-free yield curve published by the regulator at the reporting date has been used.

Central future growth rate for asset shares and CTF funds: the risk-free yield curve published by the regulator has been used for the central cost of guarantee calculation. The central growth rate is then varied for the purposes of applying the probability distribution to calculate the cost of guarantees.

Mortality: 40% of the standard mortality table ELT 17(M).

Sickness: The remaining sickness business is very trivial and ignored on these grounds.

Tax: 10% applied where appropriate.

Expenses: Per policy expenses have been calculated based on the budgets and projected new business in the Society's business plan.

Expense inflation: The per policy expenses are increased after 2028 in line with the implied inflation curve published by the Bank of England with an adjustment for salary inflation and to reflect CPI.

Annual bonuses: Set to 0 for regular premium business in line with the assumed risk free rates used to grow and discount the liabilities, and to continue at the 2025 interim rates for all other business.

Lapses: These assumptions are set with reference to the Society's recent experience.

Cost of guarantees assumptions

The distribution of future equity returns is assumed to be lognormal, with the mean set to the log of the risk-free rate corresponding to the average outstanding duration of the liabilities.

The volatility used for the distribution has been assessed by looking at the realised volatility of the assets backing the non-CTF business and making an adjustment for the market's future expectations of volatility.

Management actions are applied in accordance with the agreed management action plan which is determined and agreed by the Board annually.

Other information

With any modelling exercise there will be an underlying level of uncertainty present. Uncertainty arises primarily from the data being used, the choice of assumptions, and from the choice of model.

The data used is checked rigorously to mitigate the risk that errors may materially affect the valuation result. Data is also reviewed over time to check for consistency between different time periods. A reconciliation is carried out between reporting periods to allow for actual movements in the data over the year.

Assumptions may be demographic or economic and are set using historical experience and the current market environment and expectations. Actual and emerging experience is reviewed against expectations at least annually and more frequently if necessary. The results of these analyses are fed into the assumption setting process for the valuation. Results are assessed for their sensitivity to key assumptions.

The model used is tested regularly to mitigate the risk that errors may materially affect the valuation. The choice of model is made so as to comply with the regulations whilst ensuring an efficient projection process and some simplifications may be necessary to achieve this.

There are no material differences between the valuation for solvency purposes and the values that are shown in the financial statements.

No use has been made of:

- a matching adjustment
- a volatility adjustment
- the transitional provisions for risk-free interest rates
- transitional deductions from technical provisions

There are no reinsurance arrangements in force.

D.3 Other liabilities

The only other liabilities the Society has are current liabilities of £2,315,000. These consist of creditors, including taxation and social security, plus accruals and deferred income. The value used for valuation purposes is the same as that shown in the financial statements.

D.4 Alternative methods for valuation

We value our property by asking an external and independent professional property consultant, who offers a property valuation service, to provide us with a value. The valuer looks at other, similar properties and considers their price (where they have recently been sold) and their rental value. No other alternative valuation methods have been employed.

D.5 Any other information

The value of assets and liabilities reported for Solvency UK purposes are shown in the attached reporting template IR.02.01.01 – “Balance Sheet”.

The breakdown of technical provisions is reported in the attached reporting template IR.12.01.01 – “Life Technical Provisions”.

E. Capital management

E.1 Own Funds

The Society is a Friendly Society with a single members' fund and all capital is Tier 1. There have been no significant changes in Own Funds over the reporting period. The Society's Own Funds are shown in the following table:

Own Funds (£000)	2024	2023
Total admissible assets	222,523	214,857
Less liabilities:		
Technical provisions	(198,015)	(190,368)
Other liabilities	(2,315)	(3,051)
Own Funds	22,193	21,438

There are no restrictions on the use of Own Funds.

There are no material differences between the equity in the Society's financial statements and the free capital for solvency purposes other than the £769,000 shown in the financial statements for assets classified as inadmissible for Solvency UK purposes

There are no items of own funds subject to a transitional arrangement.

There are no items of ancillary own funds.

There are no deductions from own funds and no restrictions on availability and transferability.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Society uses the Standard Formula to calculate its Solvency Capital Requirement ("SCR"). The assumptions and parameterisations underlying the Standard Formula are set by the regulations.

The SCR at 31 December 2024 was £12,710,000 (2023: £12,808,000) after allowing for management actions. This figure is subject to supervisory assessment.

The SCR split by risk module is shown in the following table:

£000	2024	2023
Market risk	11,314	11,690
Counterparty default risk	772	626
Life underwriting risk	1,520	935
Diversification benefit	(1,586)	(1,113)
Basic SCR	**12,020**	**12,138**
Operational risk	690	669
Solvency Capital Requirement	**12,710**	**12,807**

The SCR has decreased from the 2023-year end. The main reason for the decrease is a decrease in market risk exposure.

The Society's surplus funds after capital requirements are shown in the following table:

£000	2024	2023
Own Funds	22,193	21,438
Less: SCR	(12,710)	(12,808)
Surplus funds	**9,483**	**8,630**

The Society has not adopted any of the Standard Formula simplifications set out in the Solvency UK for the SCR calculation and does not use any undertaking-specific parameters.

The Minimum Capital Requirement ("MCR") is the minimum amount of capital that the Society must hold. The MCR is calculated using a linear formula and must lie between 25% and 45% of the SCR after management actions have been allowed for. It has an 'absolute floor' of £3.5m. The Society's MCR is calculated as the absolute floor.

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

The Society does not use an internal model.

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

The Society has complied with the SCR and the MCR throughout the reporting period.

E.5 Any other information

The statement of the Society's Own Funds is shown in the attached reporting template IR.23.01.01 – "Own Funds".

The breakdown of the Society's SCR is shown in the attached reporting template IR.25.04.01 – "Solvency Capital Requirement - for undertakings on the Standard Formula".

The Society's MCR is shown in the attached reporting template IR.28.01.01 – "Minimum Capital Requirement – only life or only non-life insurance or reinsurance activity".

F. Approval by the Administrative, Management or Supervisory Body of the SFCR and Reporting Templates

We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency UK Regulations.

We are satisfied that:

(a) throughout the financial year in question, the Society has complied in all material respects with the requirements of the PRA rules and Solvency UK[1] Regulations as applicable; and

(b) it is reasonable to believe that, at the date of the publication of the SFCR, the Society has continued so to comply, and will continue so to comply in future.

For and on behalf of the Board of Directors:

Jamie Bellamy
Chief Executive
21 March 2025

[1] Solvency II regulations were largely carried over as Solvency UK into the PRA Rulebook on 31 December 2024.

G. Glossary

Abbreviations

ALM	Asset Liability Management
ARC	Audit & Risk Committee
CEO	Chief Executive Officer
CFO	Chief Finance Officer
COBS	Conduct of Business
COO	Chief Operating Officer
CTF	Child Trust Fund
EIOPA	European Insurance and Occupational Pensions Authority
FCA	Financial Conduct Authority
FIC	Finance & Investments Committee
HMRC	His Majesty Revenue and Customs
MCR	Minimum Capital Requirement
MLRO	Money Laundering Reporting Officer
MTCMP	Medium Term Capital Management Plan
NC	Nominations Committee
NED	Non-Executive Director
ORSA	Own Risk and Solvency Assessment
PPFM	Principles and Practices of Financial Management
PRA	Prudential Regulation Authority
RC	Remuneration Committee
RPI	Retail Price Index
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
SID	Senior Independent Director
SIMF	Senior Insurance Management Function

Sheffield Mutual

Solvency and Financial Condition Report

Disclosures

31 December

2024

(Monetary amounts in GBP thousands)

General information

Entity name	Sheffield Mutual Friendly Society
Entity identification code and type of code	LEI/2138004A1I62DEXLB278
Type of undertaking	Life undertakings
Country of incorporation	GB
Language of reporting	en
Reporting reference date	31 December 2024
Currency used for reporting	GBP
Accounting standards	Local GAAP
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

-

IR.02.01.02 - Balance sheet

IR.05.03.02 - Life income and expenditure

IR.12.01.02 - Life technical provisions

IR.23.01.01 - Own Funds

IR.25.04.21 - Solvency Capital Requirement

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

IR.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	
R0040	Deferred tax assets	
R0050	Pension benefit surplus	
R0060	Property, plant & equipment held for own use	350
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	163,696
R0080	*Property (other than for own use)*	50,995
R0090	*Holdings in related undertakings, including participations*	0
R0100	*Equities*	0
R0110	*Equities - listed*	
R0120	*Equities - unlisted*	
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	108,742
R0190	*Derivatives*	
R0200	*Deposits other than cash equivalents*	3,959
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	54,276
R0230	Loans and mortgages	1,777
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	
R0260	*Other loans and mortgages*	1,777
R0270	Reinsurance recoverables from:	0
R0280	*Non-life and health similar to non-life*	
R0315	*Life and health similar to life, excluding index-linked and unit-linked*	0
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	
R0370	Reinsurance receivables	
R0380	Receivables (trade, not insurance)	
R0390	Own shares (held directly)	
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	2,420
R0420	Any other assets, not elsewhere shown	4
R0500	**Total assets**	222,523

		Solvency II value
	Liabilities	C0010
R0505	Technical provisions - total	198,015
R0510	*Technical provisions - non-life*	0
R0515	*Technical provisions - life*	198,015
R0542	Best estimate - total	197,611
R0544	*Best estimate - non-life*	
R0546	*Best estimate - life*	197,611
R0552	Risk margin - total	403
R0554	*Risk margin - non-life*	
R0556	*Risk margin - life*	403
R0565	Transitional (TMTP) - life	0
R0740	Contingent liabilities	
R0750	Provisions other than technical provisions	
R0760	Pension benefit obligations	
R0770	Deposits from reinsurers	
R0780	Deferred tax liabilities	
R0790	Derivatives	
R0800	Debts owed to credit institutions	
R0810	Financial liabilities other than debts owed to credit institutions	
R0820	Insurance & intermediaries payables	1,017
R0830	Reinsurance payables	
R0840	Payables (trade, not insurance)	721
R0850	Subordinated liabilities	0
R0860	*Subordinated liabilities not in Basin own*	
R0870	*Subordinated liabilities in Basin own*	0
R0880	Any other liabilities, not elsewhere shown	578
R0900	**Total liabilities**	200,330
R1000	**Excess of assets over liabilities**	22,193

IR.05.03.02

Life income and expenditure

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Premiums written							
R0010	*Gross direct business*	11,283	990			17		12,290
R0020	*Gross reinsurance accepted*							0
R0030	Gross	11,283	990	0	0	17	0	12,290
R0040	*Reinsurers' share*							0
R0050	Net	11,283	990	0	0	17	0	12,290
	Claims incurred							
R0110	*Gross direct business*	16,235	638			136		17,009
R0120	*Gross reinsurance accepted*							0
R0130	Gross	16,235	638	0	0	136	0	17,009
R0140	Reinsurers' share							0
R0150	Net	16,235	638	0	0	136	0	17,009
	Expenses incurred							
R0160	*Gross direct business*	2,966	91			64		3,121
R0170	*Gross reinsurance accepted*							0
R0180	Gross	2,966	91	0	0	64	0	3,121
R0190	Reinsurers' share							0
R0200	Net	2,966	91	0	0	64	0	3,121
R0300	Other expenses							
	Transfers and dividends							
R0440	Dividends paid							

IR.12.01.02

Life technical provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Life annuities	Non-life annuities	Other life insurance	Health insurance	Total life and health
		C0010	C0020	C0030	C0040	C0050	C0060	C0070
	Best estimate							
R0025	Gross Best Estimate (direct business)	147,571	49,044			997		197,611
R0026	Gross Best Estimate (reinsurance accepted)							0
R0030	**Gross Best Estimate**	147,571	49,044	0	0	997	0	197,611
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default							0
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	147,571	49,044	0	0	997	0	197,611
R0100	**Risk margin**	301	100			2		403
	Amount of the transitional on Technical Provisions							
R0140	TMTP - risk margin							0
R0150	TMTP - best estimate dynamic component							0
R0160	TMTP - best estimate static component							0
R0170	TMTP - amortisation adjustment							0
R0180	**Transitional Measure on Technical Provisions**	0	0	0	0	0	0	0
R0200	**Technical provisions - total**	147,872	49,144	0	0	999	0	198,015

IR.23.01.01

Own Funds

Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	0	0		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	22,193	22,193			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	0				0
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0290	**Total basic own funds after deductions**	22,193	22,193	0	0	0
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	22,193	22,193	0	0	0
R0510	Total available own funds to meet the MCR	22,193	22,193	0	0	
R0540	Total eligible own funds to meet the SCR	22,193	22,193	0	0	0
R0550	Total eligible own funds to meet the MCR	22,193	22,193	0	0	
R0580	**SCR**	12,710				
R0600	**MCR**	3,500				
R0620	**Ratio of Eligible own funds to SCR**	174.62%				
R0640	**Ratio of Eligible own funds to MCR**	634.10%				

Reconcilliation reserve		C0060
R0700	Excess of assets over liabilities	22,193
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	
R0725	Deductions for participations in financial and credit institutions	
R0730	Other basic own fund items	0
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	22,193

IR.25.04.21

Solvency Capital Requirement

Net of loss absorbing capacity of technical provisions

		C0010
	Market risk	
R0070	Interest rate risk	1,852
R0080	Equity risk	5,796
R0090	Property risk	2,309
R0100	Spread risk	762
R0110	Concentration risk	143
R0120	Currency risk	4,202
R0125	Other market risk	
R0130	Diversification within market risk	-3,750
R0140	**Total Market risk**	11,314
	Counterparty default risk	
R0150	Type 1 exposures	734
R0160	Type 2 exposures	50
R0165	Other counterparty risk	
R0170	Diversification within counterparty default risk	-12
R0180	**Total Counterparty default risk**	772
	Life underwriting risk	
R0190	Mortality risk	10
R0200	Longevity risk	0
R0210	Disability-Morbidity risk	0
R0220	Life-expense risk	0
R0230	Revision risk	0
R0240	Lapse risk	1,520
R0250	Life catastrophe risk	0
R0255	Other life underwriting risk	
R0260	Diversification within life underwriting risk	-10
R0270	**Total Life underwriting risk**	1,520
	Health underwriting risk	
R0280	Health SLT risk	
R0290	Health non SLT risk	
R0300	Health catastrophe risk	
R0305	Other health underwriting risk	
R0310	Diversification within health underwriting risk	
R0320	**Total Health underwriting risk**	0
	Non-life underwriting risk	
R0330	Non-life premium and reserve risk (ex catastrophe risk)	
R0340	Non-life catastrophe risk	
R0350	Lapse risk	
R0355	Other non-life underwriting risk	
R0360	Diversification within non-life underwriting risk	
R0370	**Non-life underwriting risk**	0
R0400	**Intangible asset risk**	
	Operational and other risks	
R0422	Operational risk	690
R0424	Other risks	
R0430	**Total Operational and other risks**	690
R0432	**Total before all diversification**	18,067
R0434	Total before diversification between risk modules	14,296
R0436	Diversification between risk modules	-1,586
R0438	**Total after diversification**	12,710
R0440	Loss absorbing capacity of technical provisions	
R0450	Loss absorbing capacity of deferred tax	
R0455	Other adjustments	
R0460	**Solvency capital requirement including undisclosed capital add-on**	12,710
R0472	Disclosed capital add-on - excluding residual model limitation	
R0474	Disclosed capital add-on - residual model limitation	
R0480	**Solvency capital requirement including capital add-on**	12,710
R0490	Biting interest rate scenario	
R0495	Biting life lapse scenario	

IR.28.01.01

Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

	Linear formula component for non-life insurance and reinsurance obligations	C0010
R0010	MCR_{NL} Result	0

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance		
R0060	Other motor insurance and proportional reinsurance		
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance		
R0090	General liability insurance and proportional reinsurance		
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance		
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance		
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	-2,207

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits	57,287	
R0220	Obligations with profit participation - future discretionary benefits	90,283	
R0230	Index-linked and unit-linked insurance obligations	48,814	
R0240	Other life (re)insurance and health (re)insurance obligations	997	
R0250	Total capital at risk for all life (re)insurance obligations		7,577

	Overall MCR calculation	C0070
R0300	Linear MCR	-2,207
R0310	SCR	12,710
R0320	MCR cap	5,719
R0330	MCR floor	3,177
R0340	Combined MCR	3,177
R0350	Absolute floor of the MCR	3,500
R0400	**Minimum Capital Requirement**	3,500