

STM Group Plc
traded as Global Pension Corporation

Solvency and Financial
Condition Report ('SFCR')

31 December 2024
FINAL Version

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Executive Summary

Introduction

This report is the Solvency and Financial Condition Report (SFCR) of the Global Pension Corporation Group of companies (hereafter 'GPC') subject to group supervision for the reporting period ended 31st December 2024, pursuant to the Gibraltar Financial Services (Insurance Companies) Regulations 2020.

The GPC Group for the purposes of this report consists principally of the Group Holding Company STM Group Plc, traded as Global Pension Corporation and its subsidiaries including the two licensed entities STM Life Assurance PCC Plc (hereafter STM Life) and London and Colonial Assurance PCC Plc (hereafter LCA).

The Group has been granted approval under a waiver from the Gibraltar Financial Services Commission (hereafter GFSC) to prepare a single SFCR that contains the required information for the overall Group, LCA and STM Life. Unless otherwise stated or separately identified, the information provided in this SFCR applies to the overall Group, LCA and STM Life. LCA and STM Life follow the Group policies and principles unless otherwise stated.

Business and Performance

GPC was acquired in October 2024 by Jambo SRC Ltd which is a company limited by guarantee. GPC is a multi-jurisdictional financial services group that was previously traded on AIM and has provided independent fiduciary services and asset structuring to high-net-worth individuals and corporate institutions. GPC group of companies together have a range of products such as Annuities and Bonds (sold through Life Companies), Qualifying Recognised Overseas Pension Scheme (QROPS), and Small Self- Administered Scheme (SSAS). Annuities and Bonds are sold through the two licensed life companies LCA and STML Life registered in Gibraltar, QROPs through the two licensed entities registered in Gibraltar, Malta and Australia, and SSAS business through a licensed business registered in the UK. A short summary of the two licensed Life entities that apply Solvency II is as follows:

LCA and STM Life are insurance companies conducting long-term life business and are regulated and licensed by GFSC. The Companies are structured as a Protected Cell Company subject to the provisions of Gibraltar's Protected Cell Companies Act 2001. This means that they may create legally recognised 'cells' within the Company in order to segregate and protect each policyholder's assets. Each cell has its own designation (the policy number), and it is the duty of the Directors to keep the assets and liabilities of each cell separate and therefore accounted for separately.

GPC Group of companies' aim is to provide products and services that enable its policyholders to maintain and grow their assets. This service is delivered in a timely, personal, and friendly manner using technology as appropriate.

For further details see **Section A.1.2 Products**.

System of Governance

GPC Group and its subsidiaries follow the same corporate governance framework which ensures that the interests of shareholders, policyholders, and other stakeholders are appropriately protected. The Company has adopted the 'Three Lines of Defence' model to ensure appropriate segregation of roles and responsibilities.

The Board of Directors is responsible for setting the business objectives and strategic direction, supervising the operations, ensuring compliance with legal requirements, and for implementing an effective risk management system. The Group Board are in the process of reinstating sub-committees to continue to strengthen governance and oversight.

For the Life Companies, three sub-committees are established to deal with certain functions in detail such as:

- Risk and Compliance Committee,
- Audit Committee, and
- Investment Committee

For further details see **Section B. System of Governance.**

Capital Management

GPC operates a risk-based capital management model whereby on a regular basis capital requirements are held in excess of liabilities to ensure financial resilience and solvency of the Group and its subsidiaries. GPC operates a Centralised Support & Return Model whereby it operates in downstreaming group services and upstreaming capital as dividends upon the successful financial performance of the subsidiaries.

The Solvency Capital Requirement ('SCR') for the Group and the Life COs is calculated using the Standard Formula.

The Risk Management Function works closely with the Actuarial Function to ensure that:

- The assessment of the capital needs is informed by the material risks in the risk register and
- As part of the Own Risk and Solvency Assessment, the risks not covered in the standard formula SCR are identified and it is considered whether additional capital would be required as quantitative mitigation.

Group, LCA and STM Life maintain a strong capital base whereby their own funds are maintained in excess of the Minimum Capital Requirement (MCR) and SCR throughout the reporting period.

The solvency position as at 31 December 2024 was as follows:

£000	LCA	STM Life	Life cos consol.	Group consol.
Eligible own funds to cover the SCR and MCR	8,642	6,740	15,382	23,417
Solvency capital requirement	3,882	3,500	7,000	7,000
Minimum capital requirement	3,500	3,500	7,000	7,000
Solvency ratio over SCR	223%	193%	220%	335%
Solvency ratio over MCR	247%	193%	220%	335%

The SCR of STM Life fell below the MCR at 31 December 2024 and so the SCR has been set equal to the MCR. The same applies for the consolidated life company position and Group.

The valuation for solvency purposes of the assets, technical provisions and other liabilities is documented in **Section D.**

Gibraltar Financial Services Regulations require that the Quantitative Reporting Templates (QRTs) are disclosed alongside the SFCR and the QRTs as at 31 December 2024 are published on the Company's website which is included in the appendix.

Risk Profile

Material risks based on the capital requirements

The material risks based on their SCR contribution for the Group and its entities are as below:

Insurance Risk

Most of the business does not carry any significant insurance risk as there is little additional death benefit over and above the unit fund at the time of death for most products. Where a product does carry a higher level of death benefit, underwriting limits are approved and monitored. The largest elements of Life Underwriting Risk are Expense risk and Lapse risk.

LCA's business does not carry any longevity risk as annuity payments are not guaranteed if the policyholder's fund runs out. LCA carries only negligible mortality risk on the portfolio bonds novated from its sister company STM Life Assurance PCC Plc ('STM Life').

Market Risk

Investment risks are largely transferred to policyholders through the use of unit-linked products. Most of the retained Market risk relates to:

- Currency risk, which arises from collecting fewer charges than anticipated from those policies with initial premiums and assets which are not denominated in GBP following an appreciation in GBP against the currencies that non-GBP policies are expressed in.
- Equity Type 1 risk, which arises from collecting fewer charges than anticipated (on those unit-linked policies where charges are expressed as a percentage of policy value) following an equity shock. A significant fall in market values of the unit-linked assets may lead to lower charges being collected than anticipated.

As all the insurance business of LCA consists of unit-linked business, much of the investment risk lies with the policyholders, although there is an element of Equity Risk borne by LCA. This Equity Risk arises from collecting fewer charges than anticipated on those unit-linked policies where charges are expressed as a percentage of policy value following an equity shock. A significant fall in market values of the unit-linked assets may lead to the charges collected being lower than anticipated.

Other components of Market Risk include interest risk, spread risk and concentration risk on the non-linked assets.

Credit Risk

There are credit and concentration limits for the investment of shareholders' funds. This risk is not material for the Company.

Operational Risk

Operational risks for the Group and its subsidiaries are similar due to the conjoined operating environment and also represent a significant proportion of the top risks in the risk register. As a relatively small company, GPC Group rely on a number of key employees, as well as a number of service providers (predominantly affiliated companies, but also an external provider of asset management services). IT Systems adequacy and MI reporting are also key operational risks. The controls mitigating operational risks are summarised in **section C.5** below.

For LCA and STM Life, all current businesses are unit-linked businesses, the main elements of the calculation of Operational risk are the expenses of running the business with Operational risk calculated as 25% of these expenses using the standard formula. For the Class I annuities, the Operational risk is calculated using a formula taking into account premium income and technical provisions.

Material risks which are not in scope of the SCR

The material risks which are outside the scope of the SCR include:

Strategic Risk

Most of the top risks in the risk register are categorised as Strategic. Group and the Life companies do not explicitly allocate capital for this type of risk, however, the stress and reverse stress testing considers the impact of certain extreme events relating to Strategic risks that could cause significant strain on the Companies.

Group Risk

Group risk is a material risk for the licensed subsidiary entities because a number of key functions are outsourced to affiliated companies within the GPC Group. And for the GPC Group, the Group risk is predominantly around the financial resilience of the parent company due to the outstanding debt of the parent company from acquisition costs.

A. Business and Performance

A.1 Business

A.1.1 The Companies

The Companies' registered offices and operating addresses are:

GPC Group	Gibraltar Life COs & Pensions
1st Floor, Viking House St Paul's Square, Ramsey Isle of Man IM8 1GB	3 rd Floor 55 Line Wall Road Gibraltar GX11 1AA
GPC Group Head Office	GPC Premier SSAS
Suite 114, Holborn Gate 330 High Holborn London WC1V 7QT	2nd Floor Fitzalan House Fitzalan Court Fitzalan Road Cardiff CF24 0EL
STM Malta	GPC Australia
San Gwakkin Building Level 1, Triq is-Salib tal-Imriehel Zone 4, Central Business District Birkirkara, CBD4020, Malta	Mezzanine Level, North Building 333 Collins Street Melbourne VIC 3000 Australia
Albion EBC	Options Corporate Workplace Pension
Unit 44, Business Box, 3 Oswin Road, Leicester, LE3 1HR	Lakeside House Shirwell Crescent, Furzton Lake, Milton Keynes MK4 1GA
STM NUMMOS SL & STM Nummos Life SL	
Edif. Sotovila, Plaza Mayor Pueblo Nuevo de Guadiaro, Sotogrande, 11311 San Roque, Cádiz, Spain	
The supervisory authority responsible for financial supervision for the Group and the Life Companies	Gibraltar Financial Services Commission PO Box 940 Suite 3, Ground Floor Atlantic Suites Europort Avenue Gibraltar +350 200 40283.

GPC operate in Gibraltar, Malta, Australia, Spain and the UK providing international pensions (QROPs, QNUPs, SSAS), life assurance solutions (bonds and annuities), and trust management services. Further details on Life Cos subject to Solvency II:

STM Life is a Protected Cell Insurance Company registered in 2008. STM Life is a private company limited by shares. The Company's immediate parent company is STM Fidecs Limited, which in turn is 100% owned by GPC. The Company has a branch established in the United Kingdom.

LCA is a Gibraltar Protected Cell Company subject to the legal provisions laid out in the Protected Cell Companies Act 2001. LCA is an Insurance Company incorporated on 25 May 2001. The Company is a wholly owned subsidiary of London & Colonial Holdings Limited ('LCH'), which in turn is 100% owned by GPC.

A.1.2 Products

Both the Life Companies in the GPC Group are authorised to write and administer contracts of insurance as follows:

- Life and Annuity contracts (Class I)
- Unit-linked life assurance contracts (Class III)
- Capital Redemption contracts (Class VI)

Following the United Kingdom's departure from the European Union, STM Life was required to engage with regulators in each European jurisdiction where it conducted business to confirm whether it could continue administering existing policies. All regulators responded affirmatively, allowing STM Life to continue servicing policies that were already in force until their natural expiry or cancellation. However, STM Life was not granted permission to underwrite any new business within the European Union post- BREXIT. As a result, STM Life is now authorised to write new business exclusively in the United Kingdom and other non-European jurisdictions.

LCA life products:

- The Flexible Life Annuity ('FLA') is a unit-linked purchased life annuity, written on a single life basis.
- The Flexible Pension Annuity ('FPA') is a unit-linked lifetime (pension) annuity, written on a single life basis, and is purchased using crystallised pension assets.
- LCA also continues to service existing customers of a range of annuity and investment bond products.

Both LCA and STM Life utilise independent financial intermediaries for the introduction of their business. The Company does not offer financial, tax or investment advice.

Other key products within the GPC Group are:

- International pensions: Qualifying Recognised Overseas Pension Schemes (QROPS) and Qualifying Non-UK Pension Schemes (QNUPS) is an offshore pension plan designed for non-UK resident individuals with UK pension assets who are looking to transfer their funds to a location which better suits their circumstances and financial planning objectives.
- Small Self-Administered Scheme ('SSAS') which is a highly flexible occupational pension scheme, allowing up to 11 members and multiple sponsoring employers where members act as joint trustees alongside our independent trustee company and collectively manage how pension assets are invested.

A.1.3 Significant Business Events

- On 31st October 2024 STM Group and its subsidiaries including both the life insurance entities, were acquired by Jambo SRC Ltd which is a company limited by guarantee.
- On 31st October 2024, the firm's SIPP companies were bought by Pathlines Holdings Limited.
- STM Group was rebranded to Global Pension Corporation.
- Q4 2024 saw the departure of key senior staff in the Group and in the Life Companies, and significant change in the Board structure. Various Board and Senior Management positions have been changed as a result of the acquisition and have gone through the necessary regulatory approval process.
- The Implementation Strategy to transfer assets from STM owned Master Trust to a third party was approved by the Pension Regulator and is in the process to completed by Q2 2026.

A.2 Underwriting Performance

The table below shows the premiums received, claims and expenses by line of business within the Life Companies:

Life Co		2024 £'000	2023 £'000
LCA	New Gross Premiums	30,472	9,981
	Gross Claims (including annuity payments)	(36,816)	(39,654)
	Expenses (Acquisition & Administration)	(1,977)	(1,662)
STM Life	New Gross Premiums	4,630	65
	Gross Claims (including annuity payments)	(16,339)	(18,167)
	Expenses (Acquisition & Administration)	(1,432)	(1,477)

In 2024, the gross premiums for LCA increased by £20,491k compared to 2023. This growth was primarily driven by a higher volume of policies sold, 41 in 2024 versus 23 in 2023. In addition to the increased number of policies, the average premium per policy also rose significantly, from £513k in 2023 to £732k in 2024.

In 2024, gross premiums for STM Life increased by £4,565k compared to the previous year. This uplift was attributable to the sale of two new Short-Term Annuity (STA) policies during the year. In contrast, no new policies were written in 2023, and the £65k recorded in that year related solely to a top-up on an existing policy.

Gross claims across both Life Companies declined compared to the previous year. These claims include payments made to policyholders, policy surrenders or transfers out, and the transfer of proceeds to the estates of deceased policyholders.

Expenses for LCA increased compared to the previous year, whereas expenses for STM Life remained broadly consistent from the prior year. A detailed breakdown of these expenses can be found in Section A.4.2.

A.3 Investment Performance

The investment return for 2024 compared to 2023 for the Life Companies were as follows:

Life Co		2024 £'000	2023 £'000
LCA	Investment returns attributable to unit-linked policyholders	16,397	11,696
	Investment returns on assets held to meet non-linked insurance business	679	609
	Investment return	17,076	12,305
STM Life	Investment returns attributable to unit-linked policyholders	17,275	21,887
	Investment returns on assets held to meet non-linked insurance business	298	245
	Investment return	17,573	22,132

Investment returns attributable to unit-linked policyholders represent the performance of policyholder funds that are invested in financial instruments. The movement in these returns over the year reflects a combination of realised and unrealised gains and losses, as well as investment income such as dividends and interest.

The investment income and investment performance during 2024 on assets held to meet the non-unit-linked insurance liabilities of the Life companies are as follows.

*Loan interest receivable in Life Companies relates to intercompany loans and therefore is eliminated at the Group Level

A.4 Performance of other activities

A.4.1 Overview of Revenue

GPC Group Revenue	2024 £'000
Revenue from provision of retirement and life assurance solutions and related administrative expenses	23,965
Interest and Investment income	5,405
Total Revenue	29,370

The principal activity of the life companies is that of the provision of life assurance business. The table below provides an analysis of the Company's revenue on a GAAP basis (included within the group numbers above):

£000	2024	2023	2024	2023
	STM Life	STM Life	LCA	LCA
Net fee income from authorised activities	1,446	1,462	2,141	2,026
Income from investments	298	233	616	522
Income from Group undertakings	-	12	63	877
Total Revenue	1,744	1,707	2,820	2,635

Further information relating to the Group's performance can be found in the last Income and Financial Statements.

A.4.2 Overview of Expenses

The table below provides an analysis of the Life Companies' other operating and administrative expenses on a GAAP basis. Included within the group administrative expenses below are amounts incurred by LCA and STM Life as follows;

£000	LCA		STM Life		GPC Group
	2024	2023	2024	2023	2024
Staff Costs	1,074	911	673	530	
License Fees	99	86	68	77	
Legal and professional costs*	209	211	515	573	
Audit fees	43	60	34	49	
Other costs	575	396	391	474	
Total Expenses	2,000	1,664	1,681	1,703	
Total Group Administrative expenses including the Life cos					25,932

* These expenses include legal costs, professional fees, PI&DO insurance, actuarial fees, tax adviser fees, and dealing charges.

B. System of Governance

B.1 General information on the system of governance

The GPC Group of regulated entities are established under an effective corporate governance framework, which is appropriate and proportionate for its size, nature, complexity, and risk profile.

GPC Group Board is responsible for the overall leadership of the Group. The Board is led by the Group Chair, and as at 31 December 2024 comprised the Chair, one Executive Director and one non-executive director. By 30th April 2025, this was updated to the Chair, one executive director and two independent non-executive directors. The day-to-day management of the Group is led by the Group Chief Executive Officer.

Both LCA and STML operated under a Board and Executive Committee. As at 31 December 2024, the Board was comprised of two independent non-executive directors and one executive director. The directors collectively have the appropriate balance of skills, knowledge, and experience in the financial services industry. In setting its governance arrangements, the Board either reserves decision making powers to itself, or delegates these powers to a Board approved sub-committee or the Group CEO. The responsibilities of the Board and Committees are summarised in **Section B.1.2** below.

The responsibilities of the key functions are documented in the respective sections below.

B.1.1 Three Lines of Defence

GPC Group and its subsidiaries adopt the 'Three Lines of Defence' model to ensure appropriate segregation of roles and responsibilities across the Company:

The First Line of Defence is performed by the business functions. Their role is to:

- Identify and monitor material risks, implement effective control activities to reduce these risks.
- Perform risk and control self-assessment and record the results in the risk register on a quarterly basis.
- Propose actions to further reduce risks and improve the controls; implement the actions assigned to them.
- Ensure that recommendations for control improvements (from Board and committees, internal audit, or Compliance function reports) in their respective area are implemented.
- Communicate to the Risk Management Function any emerging risks from their respective areas.
- Report any loss events and near-miss incidents; cooperate with management on incident investigations.
- Ensure that processes and controls are documented in policies, procedures, flowcharts, and manuals. Ensure that the procedures are followed.

The Second Line of defence is performed by the Risk Management and Compliance functions. They provide assurance to the Board that risks are appropriately identified and mitigated by the business functions, and that internal policies are adhered to. The Actuarial Function plays a role in the Second Line of defence as well by contributing to the Risk Management system (with respect to the risk modelling and the ORSA). Further details of the Second Line of Defence functions are provided in **Section B.3, B.4.2 and B.6**.

The Third Line of Defence is performed by the Internal Audit function. It provides independent assurance to the Board on the design and operation of the risk management and internal controls frameworks. Further details are provided in **Section B.5**.

The Second and Third Line of Defence functions are designed to be independent from the First Line of Defence.

B.1.2 Responsibilities of Board and Committees

Each entity within the GPC Group as well as the GPC Group have their own Board with some subsidiaries, particularly the Life Companies also supported by dedicated sub-committees. The key responsibilities of the Board of Directors are:

- Approve the strategy, business plan, financial statements, and Solvency submissions.
- Oversee performance against the business plan.
- Ensure that there is an effective governance structure and internal controls system.
- Ensure that there is an effective risk management framework; define the risk strategy and risk appetite; approve the risk management and internal control policies.
- Ensure that Senior Management takes necessary steps to identify, measure, monitor and control risks to the Company.
- Review the capital requirements relative to the business strategy and risk profile, such that they are assured as to the adequacy of the Company's solvency position.
- Ensure compliance with statutory and regulatory obligations including the introduction of Consumer Duty & Vulnerable Customers reporting.
- Monitor the preparedness of the Company to cope with major disruption by ensuring that business continuity and disaster recovery plans are up to date and regularly tested.
- Oversee the performance of the outsourced functions.

The Group Board meets at least four times per year as well as the Life companies. The Group Board are in the process of reinstating sub-committees to continue to strengthen governance and oversight.

The Life Company Boards have delegated authority to a number of committees, which assist the Board in delivering its responsibilities. The key responsibilities of the committees are summarised below.

Life Companies Risk and Compliance Committee

The Risk and Compliance Committee assists the Life Companies' Board in its leadership and oversight of risk across the Company. This includes the understanding and, where appropriate, optimisation of current and future risk strategy, risk appetite, risk management framework, and the promotion of a risk awareness culture throughout the Company. The Committee also assists the Board in fulfilling its oversight responsibilities with respect of the integrity of the Company's systems of internal control.

As at 31st December 2024, the Committee consists of two Non-Executive Directors (one of them independent), and the Managing Director. One of the NEDs chairs the Committee. The Head of Compliance and the Head of Risk attend meetings of the Committee by invitation.

The responsibilities of the Risk and Compliance Committee are to:

- Ensure that independent, effective, and sufficiently resourced Risk Management and Compliance functions are established and that these functions operate effectively as the second line of defence.
- Review and recommend to the Board for approval the risk management, compliance, and governance policies.
- Make recommendations to the Board concerning the Company's overall risk appetite, tolerance, and strategy.

- Monitor and advise the Board on the current risk exposures of the Company and future risk strategy.
- Monitor the effectiveness of the Company's internal controls framework and risk management system.
- Review reports on material risks and key risk indicators. Ensure that appropriate actions are taken to manage the risk profile.
- Monitor the effectiveness of internal controls. Approve actions to improve the controls and reduce the risks. Ensure that controls mitigating significant risks are regularly audited.
- Identify and assess the potential impact of emerging risks.
- Monitor the risk events (losses and near misses).

Life Companies Audit Committee

As at 31st December 2024, the Life Companies' Audit Committee consisted of two Non-Executive Directors (one of them independent) and the Managing Director. One of the iNEDs chairs the Committee.

The key responsibilities of the Audit Committee are to:

- Keep under review the accounting policies; assess the adequacy and effectiveness of the Company's controls over financial reporting.
- Review and challenge where necessary the Company's financial statements (including the actions and judgments of management in relation to them) before submission to the Board.
- Make recommendations to the Board in relation to the appointment of external auditors, and oversee the selection process.
- Discuss with the External Auditors issues such as compliance with accounting standards and any proposals which the external auditors have made in relation to the Company's internal auditing standards.
- Approve the appointment or dismissal of the Internal Audit Function Holder.
- Review the outcome of the internal audit reviews and any resulting recommendations, ensuring appropriate action plans are implemented as a result.
- Monitor and review the Internal Auditor's and external Auditors' independence, objectivity, and effectiveness.
- Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- Review the Company's procedures for detecting fraud.
- Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Life Companies Investment Committee

The Life Companies' Investment Committee is a new governance body formed in Q1 2025. Its principal functions involve:

- Consider how changes in laws and regulations relating to investment matters are affecting the Company.
- Review and if thought fit, accept the Assets Under Management (AUM) Reports for the Pension Schemes under administration.

- Review and if thought fit, accept the report on Suspended Funds.
- To review the performance of investment of own funds since the last meeting.
- To review the schedule of Structured Notes approved since the last meeting.
- To consider and approve any amendments to the company's Statement of Investment Principles (SOIP).

At the executive level, governance is supported by a number of key committees, including the Executive Committee and Product Governance Committee for the Life Companies.

GPC Group, maintains a robust governance framework at the executive level, comprising several strategic committees such as Governance and Stakeholder Management Committee, Financial Strategy & Performance Committee, Business Growth & Transformation Committee, Corporate Development Committee and Business Unit Performance Review Forum.

B.1.3 Key Functions

The Life Companies have established the following key functions:

Key Function	Responsibilities documented in the section:
Risk Management Function	B.3.2
Compliance Function	B.4.2
Actuarial Function	B.6
Internal Audit Function	B.5

B.1.4 Remuneration Policy

The GPC Group applies the following remuneration principles through its delegation to the Group Remuneration and Nomination Committee:

- Reward and remuneration will be clear and up to date with the market so that individuals are motivated, and the Company is able to attract and retain key talent.
- Remuneration packages will be competitive and will recognise the relative remuneration in comparable markets.
- Remuneration is structured in a way that does not encourage excessive risk-taking activities.
- Remuneration consists of a fixed salary, pension, and other benefits.

Pension Scheme

The Group provides an employer sponsored occupational pension scheme to all staff following completion of a successful probationary period. The scheme for the Life Companies is fully authorised (under the Directive for Institutions for Operational Retirement Provision) with the Gibraltar Financial Services Commission. Benefits are provided on a defined contribution basis.

Non-Executive Directors' Fees

Remuneration for Non-Executive Directors comprises a basic fee.

Fees are benchmarked against similar roles in comparable organisations and calculated on an annual rather than a daily basis. However, it is assumed that to fulfil the basic role of a Non-Executive Director, sufficient time and commitment is required each month for review work and attendance at regular Board meetings, Special General Meetings where appropriate, other ad-hoc meetings with regulators and advisers as may be required and training courses.

Non-Executive Directors' remuneration is not performance related nor pensionable and Non-Executive Directors do not participate in any incentive plans.

Fees for Non-Executive Directors are proposed by the Group's Executive Directors and subject to the approval of the Group's Board which is then subsequently approved by the Shareholders of the Group.

Remuneration Committee

GPC Board is in the process of reinstating the Remuneration and Nomination Committee. The Group Head of HR and CEO may be invited to attend the meetings. The Remuneration and Nomination Committee will set the parameters and framework for Senior Management remuneration as well as the Long Term and Short Term Incentive Plans for all employees across the Group.

B.2 Fit and Proper Requirements

The GPC Group ensures that Board members, senior management, and key function holders (including third-party service providers) comply with the fitness and propriety requirements as defined in the Fit and Proper Policy and summarised below.

Fitness and Propriety Assessment

Assessment of 'Fitness' is the evaluation of the qualifications, skills, knowledge and experience.

Assessment of 'Propriety' is the evaluation of a person's honesty, integrity, reputation, and financial soundness.

Additional enhanced screening requirements and ongoing Fit and Proper requirements are also applied for individuals who fall within the following categories, as required by Solvency II requirements:

- Executive Management;
- Board members; and
- Key Function Holders.

During the recruitment process, the following information is taken into account for fit and proper assessment:

- Interviews, case studies, role plays, knowledge and skills tests and other recruitment assessments.
- Employment history and experience e.g., CV.
- Employment and character references.
- Identity verification, financial sanctions checks, and work permit checks.
- Financial services register and Companies House checks.
- Qualifications checks e.g., certificates, membership of professional bodies.
- Background financial checks e.g., credit checks.
- Background criminal checks e.g., disclosure and barring service.
- Background reputational and disciplinary/enforcement checks.
- Regulatory authorisation application form declarations.
- The candidate's openness and cooperation in providing such information when requested.

All staff members (regardless of role) are required under their contract of employment to observe and act in accordance with the Company's Code of Ethics and Conduct.

The Company has a 'Fit and Proper' policy including a Fit and Proper declaration applicable to all key function holders. It requires information in respect of the following matters:

- Financial difficulties, arrangements with creditors, bankruptcy.
- Criminal prosecutions, civil proceedings.
- Complaints.
- Disciplinary matters.
- Business interests.

Board members are expected to collectively possess appropriate qualifications, experience, and knowledge about the following areas:

- Insurance and financial markets.
- Business strategy and business model.
- System of governance.
- Financial and actuarial analysis.
- Regulatory framework and requirements.

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

B.3.1 Risk Management System

Risk management is a continuous process which allows for an appropriate understanding of the nature and significance of the risks that the Company is exposed to, and the Company's ability to identify, assess, control, and mitigate them. The effective management of risks is essential to the successful delivery of GPC Group and its subsidiaries' business strategy and objectives.

Risk Management is integrated (embedded) within the day-to-day operations and decision-making processes. This is achieved through:

- The consideration and use of risk and capital reports at the Board and Committee level when setting business strategy, developing new products, implementing business change projects etc.
- The use of Risk Appetite Statement monitoring reports and Risk Register MI reports for decision making.
- Business functions identifying, assessing, monitoring, and reporting risk exposures.

The risk management strategy is documented and, together with the supporting risk policies, is subject to regular review, update, and approval.

The Group adopts a 'Three Lines of Defence' approach to managing risk, as documented in **Section B.1**. There are defined roles and responsibilities for the ownership, oversight, and management of risks.

Risk Appetite

The business strategy has been converted into key strategic risk appetite measures which are documented in the Risk Appetite Statement for the GPC Group. Risk Tolerances are the metrics used for monitoring each risk appetite category. Actual exposure against tolerance limits is monitored by the Risk Management Function and any risk appetite breach is reported to the relevant Risk and Compliance Committee and/or the Board.

The Risk Appetite Statement is reviewed and updated bi-annually by the relevant Risk and Compliance Committee and/or by the Board.

Risk Identification, Assessment and Mitigation

The GPC Group and regulated entities' local Risk Management Function supports Management and the business in identifying all material risks. Management is responsible for ensuring that there are effective internal controls mitigating each risk.

The material risks are documented in the risk register and are subject to regular self-assessment by risk owners who assess the probability of the risk materialising and its impact on the business. The control owners perform quarterly self-assessments of the design and operation of controls. The Risk Management Function provides a challenge to the risk and control owners' assessment.

Risk Management Reporting

The relevant Risk and Compliance Committee and/or the Board review Risk MI reports on a quarterly basis, including outputs from the risk register and the risk appetite assessment. The Risk Management Function ensures that any actions and recommendations from the committee and Board meetings are implemented.

B.3.2 Risk Management Function

The key responsibilities of the function include:

- Develop, implement, and maintain the Risk Management Framework and associated risk policies.
- Monitor the consistency of application and embedding of the risk management framework across the Company.
- Assist the Board in developing the Risk Appetite Statements.
- Identify and assess the impact of emerging risks.
- Provide regular risk reporting to the Board.
- Undertake second line monitoring to assess whether the first line of defence is operating effectively.
- Coordinate the Own Risk and Solvency Assessment processes and prepare the ORSA report.
- Facilitate the stress, scenario, and reverse stress testing.
- Investigate any reported near-misses or loss events.
- Provide advice and training to business functions and the Board on risk and control-related matters.
- Coordinate assurance activities with the Compliance and Internal Audit

functions. The Risk Management Function works closely with the Actuarial Function

to ensure that:

- The assessment of the capital needs is informed by the assessment of the material risks, and
- The risks not covered in the standard formula are identified and it is considered whether additional capital is required as a quantitative mitigation.

To ensure independence, the Risk Management Function has a reporting line to the relevant Risk and Compliance Committee and/ or the Board.

B.3.3 Own Risk and Solvency Assessment (ORSA)

ORSA is defined as the entirety of processes and procedures employed to identify, assess, monitor, manage and report the current and emerging risks that the Company faces (or may face) and to determine the own funds necessary to ensure that overall solvency needs are met at all times.

ORSA informs the Board about the material risks and capital requirements over the coming years thus helping the Board to make strategic decisions. GPC Group came into Group Supervision only in Q4 2024, therefore whilst the ORSA process has kicked off, the first submission is yet to take place but is scheduled for Q4 2025. The key process below reflects the Life Companies' ORSA process to date.

ORSA Processes

The key processes that form part of the ORSA include:

- Risk appetite/Tolerance statements (and their ongoing monitoring);
- Business planning processes (and ongoing monitoring of the implementation of the plan);
- Risks and controls assessment (documented in the risk register);
- Emerging risk assessment;
- Assessment of the risks that are not covered by the Standard Formula SCR (e.g., Group risk, Strategic risk);
- Consideration as to whether additional capital is required as a quantitative mitigation;
- Assessment of the risk profile vs. the assumptions underlying the Standard Formula;
- Actuarial Function's assessment of compliance with technical provision requirements over the business planning period and the potential risks arising from the uncertainties connected to the technical provision calculation;
- Stress and scenario testing, reverse stress tests; and
- Three-year capital projections and solvency assessment.

The Company has determined that the standard formula would be used to calculate the required solvency capital and to assess overall solvency needs.

A three-year base-case projection of the Solvency Balance Sheet and solvency capital requirement position is produced. This is based on a number of key assumptions about the level of new business, economic and demographic risks, and insurance risks including morbidity, lapses, and future expenses.

These projections are then subjected to a range of stress tests in robust downward scenarios including stresses for lower-than-expected new product sales, worsening morbidity, lapses, and expenses over and above assumptions. The results of stress and scenario testing provide an indication of how much capital might be needed to absorb losses should large shocks occur. A range of events that could threaten the Company's business model (reverse stress tests) are also considered.

The Risk and Compliance Committee are involved in selecting the scenarios, and the Board is responsible for discussing the results and approving any management actions. Further details are provided in **Section C.7**.

ORSA Report

The Group recently underwent acquisition. As a condition of approval in the jurisdiction where the life entities are domiciled, the local regulator (Gibraltar Financial Services Commission) has placed the entities under Group Supervision. Subsequently, a consolidated ORSA will be presented going forward. The ORSA process operates continuously throughout the year with a full ORSA report produced annually for the Board.

Monitoring of critical metrics from the ORSA is carried out on a quarterly basis through regular risk and capital MI reporting to the Risk and Compliance Committee.

The Risk and Compliance Committee could decide that an ORSA update is required out of the annual cycle and would recommend to the Board a timetable for the completion of the report. The circumstances that could trigger the need for an ORSA outside the regular timescales are documented in the ORSA Policy and Process document.

The ORSA report is subject to independent review by an external actuary, while the ORSA process is subject to independent review by the Compliance Function.

Use of ORSA Results

The ORSA results are used for decision making, for example:

- The ORSA results are an integral input to business planning and strategic decision making.
- When developing new products, changing, or discontinuing existing products the Board would consider the impact on the capital and risk position of the Company.
- The results from the ORSA capital projection are used for capital planning to ensure continued solvency is maintained.
- New risks associated with the business plan can be identified during the ORSA, in which case the risk appetite statement may have to be updated and new procedures and controls for managing the risks will have to be implemented.
- Highlighting risk appetite breaches would require the Board to agree on risk-reduction actions, or to decide that the risk appetite tolerance is not appropriate any longer and requires an update.

B.4 Internal Control System

B.4.1 Internal Control Framework

The internal control framework for GPC Group and its subsidiaries is designed to:

- Mitigate risks and reduce the likelihood of losses, reputational damage, or other adverse outcomes for the Company.
- Ensure compliance with legal and regulatory requirements.
- Ensure the accuracy of financial, management and regulatory reports.

The control framework includes the following elements:

- Effective corporate governance framework.
- Segregation of duties - applying the 'Three Lines of Defence' model (see **Section B.1.1** for further details).
- Assignment of clear responsibility and authority across the business.
- Training of staff to ensure that they understand their responsibilities in relation to internal controls.
- Regular review and approval of policies, procedures, and terms of reference.
- Prevention of financial crime (fraud and money laundering).
- Monitoring and reviewing management and financial reports.

- Records keeping.
- IT system and data security controls.
- Safeguarding of assets.

Management is responsible for establishing, maintaining, and promoting effective internal controls.

The controls mitigating material risks are documented in the risk register. The design and operational effectiveness of controls are assessed on a quarterly basis and any ineffective controls are reported to the Risk and Compliance Committee, which ensures that actions are taken to address the underlying issues.

Risk events (near-misses or loss events) are recorded and investigated. If they result from control failings Management takes actions to prevent their reoccurrence.

B 4.2 Compliance Function

The Compliance Function is a key function which is approved by the regulator as a controlled function (Compliance Oversight) in the Life Companies. This key function is held by the Head of Compliance, a regulated function. The Compliance Function is established as an independent control function operating under a Terms of Reference and Target Operating Model. The Compliance Function is not engaged in areas of the business which could create a conflict of interest.

The function has access to all information necessary to carry out its responsibilities and is responsible for reporting to Management any breaches or non-compliance with policies, rules, and regulations.

The role and responsibilities of the Compliance Function are documented in the Compliance Manual. The function's key responsibilities are:

- Advice and guidance-to support the business with respect of regulatory requirements and to make sure that any new regulatory rules are communicated to the relevant business areas.
- Develop compliance policies and procedures.
- Compliance monitoring - to assess the appropriateness of compliance controls and make sure that a monitoring plan is produced and implemented.
- Training - to make sure staff receive regulatory training and information.
- Liaise with the regulator(s) in order to develop and maintain open and cooperative relationships.
- Regulatory reporting- to respond to regulatory requests for information and submit reporting and information as required.

The Compliance Function reports to the Risk and Compliance Committee and the Board on a quarterly basis.

B.5 Internal Audit Function

B.5.1 Internal Audit Policy

As at the 31st December 2024, the Group Internal Auditor performs the Third Line of Defence and provides independent assurance on the effectiveness of the risk management, governance, and internal control systems.

The internal auditor has unrestricted access to all areas of the business and has direct access to the Chair of the Audit Committee and the Board. The role and responsibilities of the function are documented in the Group Internal Audit Charter.

Audit findings are reported to Management and to the Audit Committee, and feed into the risk assessment process. The Internal Audit Function monitors the implementation of the audit recommendations.

B.5.2 Internal Audit Plan

The Internal Audit Function prepares a risk-based audit plan on an annual basis that supports the Internal Audit strategy over three years. Annually the three-year Audit Strategy is assessed against coverage of the key risks and prioritised. The plan ensures that all material risks are subject to a review at least once every three years.

The plan is flexible so that changes can be made during the year as a result of changes in priorities, external conditions, and the materiality of risks.

B.6 Actuarial Function

The Chief Actuary is the Key Function Holder of the Actuarial Function. The key responsibilities of the Chief Actuary are to:

- Ensure the appropriateness of the methodology, assumptions, systems and controls for actuarial calculations and reports.
- Contribute to the effective risk management system through the modelling of risks and actuarial forecasts that form part of the ORSA process.
- Prepare regulatory reports on technical provisions and solvency capital requirements.
- Provide actuarial advice to the Company's senior management and Board.
- Contribute to the stress and scenario testing and reverse stress testing.
- Prepare the Actuarial Function report for the Board on an annual basis.
- Provide an actuarial opinion on data quality and underwriting effectiveness.

B.7 Outsourcing

The Life Companies benefit from the available expertise within GPC Group. The Company outsources some of its key functions as follows:

Affiliated Service Providers:	Function / Work performed	Jurisdiction
Group	IT Services	UK
Group	Human Resource Management	UK and Gibraltar
Group and RSM	Internal Audit Services	UK
Group	Product Development, Sales, and Marketing	UK
Group and STM Fidecs Central Services	Risk and Compliance Services	UK & Gibraltar
STM Fidecs Central Services	Company Secretarial Services	Gibraltar
STM Fidecs Central Services	Finance Function	Gibraltar
Broadstone	Actuarial Function	UK and Gibraltar

The Company applies the Fit and Proper procedures in assessing persons employed by the service provider to perform an outsourced key function. The Board maintains oversight of the performance of the key outsourced functions.

C. Risk Profile

Risk categories for the life companies based on their capital impact are as follows:

£000	2024	2024	2023	2023	2024
	STM Life	LCA	STM Life	LCA	Group
Life Underwriting Risk	2,279,835	2,449,849	3,063,017	3,499,117	4,465,681
Market Risk	1,414,743	1,176,354	1,492,128	2,164,365	2,420,695
Counterparty Risk	275,256	139,805	296,700	201,241	415,061
Undiversified SCR	3,969,834	3,766,008	4,851,845	5,864,723	7,301,437
Diversification	-904,553	-749,464	-1,023,332	-1,245,257	-1,573,566
Basic SCR	3,065,300	3,016,545	3,828,513	4,619,465	5,727,871
Operational Risk	404,885	865,506	235,288	156,319	1,270,391
Calculated SCR	3,470,185	3,882,051	4,063,801	4,775,784	6,998,261
Reported SCR	3,500,000	3,882,051	4,063,801	4,775,784	7,000,000

The material risks based on their capital contribution are Life Underwriting Risk, Market Risk and Counterparty Risk. The key risk drivers and the reasons for the changes in the 2024 numbers compared to 2023 are explained below. Particularly, Life risk has reduced as a result of less business being in force. Expense risk has increased due to the higher per policy expenses increasing the impact of the expense stress and lower discount rates also increasing the impact of the expense stress. This has been offset by a reduction in lapse risk. Lapse risk has reduced as the higher per policy expenses mean the existing business is less profitable. Market risk has also reduced over the period. This has been driven primarily by a reduction in the Equity Risk component. Equity risk has reduced as a result of the FLA and FPA policies changing from a % of fund management charge to a % of premium management charge. Under equity stress, a % of fund management charges would reduce accordingly, as the underlying asset values are reduced. Under a % of premium management charge, whilst asset values are reduced, the charge income is unaffected by the stress, reducing the capital requirement for this scenario.

C.1 Underwriting Risk

Life Underwriting Risk

Underwriting risk arises when premiums and investment income are insufficient to pay the contractual benefits on a policy or when the actual demographic experience and/or expenses of administering a group of policies are worse than assumed in the calculation of best estimate liabilities.

Reserving risk

Reserving risk arises from the inherent uncertainty surrounding the adequacy of the reserves set aside to cover insurance liabilities. Unit-linked reserves equal the sum of unit reserves and non-unit reserves (in our case the latter is negative for solvency purposes and zero for GAAP accounting purposes).

C.1.1 Risk Assessment

£000	2024	2024	2023	2023	2024
	STM Life	LCA	STM Life	LCA	Group
Risk Category	Unit-linked	Unit-linked	Unit-linked	Unit-linked	
Expense Risk	2,134	1,089	1,929	883	3,223
Lapse Risk	249	1,701	1,575	2,955	1,835
Mortality Risk	45	109	132	194	154
Diversification within risk module	(148)	(449)	(572)	(533)	(747)
Life Risk SCR	2,280	2,450	3,063	3,499	4,466

Most of the business does not carry any insurance risk as there is little additional death benefit over and above the unit fund at the time of death for most products.

Where a product does carry a higher level of death benefit then the Chief Actuary is responsible for setting the underwriting limits and for monitoring underwriting practice against these limits.

The approach to the valuation of technical provisions is documented in **Section**

D.2. The key risks which are considered are as follows:

Expense Risk

The expense risk calculation involves testing an immediate increase of 10% in expenses that are not fixed and future inflation of expense of 1% per annum above the best estimate inflation assumed.

Lapse Risk

This is the risk that a policyholder lapses or surrenders their policy earlier than expected resulting in a loss to the Company. For most unit-linked contracts, there is a surrender penalty in place for early lapse to recoup acquisition costs and hence the Company is protected against the risk of not recouping these costs. The main Lapse risk that the Company is exposed to is that of higher lapses than expected meaning that charges collected will be lower than expected and hence the difference between charges and costs will be smaller than expected. This leads to a lower-than-expected future profit.

The effect of higher per policy expenses is to make the in-force business less profitable in future years. In addition, the lower number of policies also leads to lower future profits. This is seen in a lower negative non-unit reserve which in turn means that the mass lapse shock yields a smaller capital requirement to cover Lapse Risk.

Mortality Risk

For STM Life, where insurance contracts pay out a lump sum on death, the Company is exposed to the risk either that there are more deaths than expected or that policyholders die, on average, sooner than expected.

Mortality risk is not a significant risk for the Company for the following reasons:

- The unit-linked contracts which are life insurance bonds pay a death benefit of 101% of the value of the units with a maximum of the value of the units plus £2,000 or £200. Consequently, the sum at risk for STM Life is very small and the mortality risk is set at zero on grounds of proportionality.
- The rest of the unit-linked contracts are capital redemption bonds with no death benefit.

This risk is not relevant to the historic unit-linked contracts written by LCA. However, there is an element of Mortality Risk for the policies novated from STM Life in that most provide an additional sum assured on death of 1% of the value of the assets capped at £2,000 for some policies and £200 for others.

Longevity Risk

For STM Life, where insurance contracts pay out benefits which are dependent on survival or which lead to higher claims costs with increased longevity, the Company is exposed to the risk either that there are fewer deaths than expected or that policyholders die, on average, later than expected. This risk is not relevant to the type of unit-linked contracts written by STM Life.

This risk is not relevant to the type of unit-linked contracts written by LCA.

C.1.2 Risk Mitigation

The Company has processes in place to monitor insurance risks:

- Pricing adequacy is regularly assessed.
- The Chief Actuary is responsible for the reserving policy and for informing the Board of the reserving requirements on a quarterly basis.
- Controls are in place to ensure that reserving processes are adequate and that reserving data is complete and appropriate.
- Early Lapse risk is mitigated by having early surrender charges for the unit-linked policies.
- There is regular monitoring of lapse and expense assumptions.

The Company does not have any reinsurance in place as the key products such as annuities and bonds involve predictable regular payments, other risk mitigators are used to manage the risk.

C.1.3 Risk Sensitivity

The Company assesses Underwriting and Reserving risks by considering a number of stand-alone stress tests and scenarios affecting material demographic and expense assumptions in its ORSA. The analyses consider the impact of an immediate shock to the starting balance sheet in addition to the impact on its forward-looking assessment of the future balance sheet position.

C.2 Market Risk

Market risk can cause the Company to suffer losses as a result of inappropriate investment strategy or unfavourable fluctuations in the financial markets.

C.2.1 Risk Assessment

£000	2024	2024	2023	2023	2024
	STM Life	LCA	STM Life	LCA	Group
Risk Category	Unit-linked	Unit-linked	Unit-linked	Unit-linked	
Concentration Risk	569	492	417	818	1,061
Equity Risk	573	1,032	671	1,952	1,605
Interest Rate Risk	40	249	560	397	289
Currency Risk	1,013	22	826	26	1,035
Spread Risk	8	-	66	-	1,061
Diversification within risk module	(788)	(619)	(1,048)	(1,028)	(1,577)
Market Risk SCR	1,415	1,176	1,492	2,164	2,421

Concentration Risk

Concentration risk tests the resilience of own funds against the diversification of a portfolio of assets. The main element of Concentration risk for STM Life arises from investing shareholder assets in term deposits and the loan to GPC Group.

The Concentration Risk for LCA arises from the term deposits used to back the Preference Shares and loans provided to GPC Group noting that all loans have now been repaid reducing this exposure considerably.

Equity Type 1 Risk

There is a risk that following a sustained fall in asset values the Company's charges would be lower than budgeted because charges are expressed as a percentage of the policy value for some unit-linked policies. This would lead to a higher capital requirement.

No shareholder funds are invested in equities by either Life Company.

Interest Rate Risk

Interest Rate Risk arises when a fluctuation in interest rates adversely affects the Company's SCR coverage. Both an increase and a decrease in interest rates are tested and the basic SCR is based on the more onerous reduction in interest rate scenario. This is driven by the basic SCR with respect of the assets backing the Own Funds.

The Own Funds are invested in fixed-interest assets and thus there is a small, beneficial exposure to interest rate movements.

Currency Risk

For STM Life, there is an element of currency risk which arises from the fact that some policies are expressed in currencies other than GBP. The main two other currencies in the current portfolio are Euros and US Dollars.

Some policyholder's assets are denominated in other currencies. The Company charges management fees based on the underlying currencies of those assets. Therefore, the revenue is exposed to the fluctuations of the exchange rates. However, the impact of this fluctuation is deemed to be immaterial.

There is no risk to LCA as all unit-linked assets are in GBP.

Spread Risk

There is no spread risk as the intergroup loan has been extinguished.

C.2.2 Risk Mitigation

Investments of shareholders' funds are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The Company has processes in place to mitigate Market risks relating to shareholders' funds:

- The Company ensures that the 'Prudent Person Principle' is applied when investing the shareholders' assets (following the counterparty credit limits and concentration limits).
- The Company makes sure that new investments do not reduce the average credit rating of the bond portfolios. The minimum acceptable credit rating for bonds is an S&P rating of 'A'. There is no investment in any bonds below this rating.
- Equity risk mitigation - charges are being expressed as a percentage of the initial premium rather than fund value (for the business currently being written and the business written over the past few years).

- The Company's risk appetite statement sets thresholds for Market risk as a proportion of the undiversified basic SCR.

If there is a significant reduction in asset values, the Company will consider reducing management expenses and increasing charges where possible. Within the LCA policies terms and conditions, there is a provision for fees to be changed subject to giving policyholders at least 30 days' notice. The Board will review whether making such increases in charges treats our customers fairly and if so, a cost-of-living increase will be applied to the charges. A cost-of-living increase can be applied to the novated STM Life policies as well, in accordance with their terms and conditions.

C.2.3 Risk Sensitivity

The Company has assessed the sensitivity of the SCR coverage to a number of scenarios involving an instantaneous shock to the risk-free yield curve such that risk-free rates were assumed to be zero.

The shocks tested do not have a significant effect on SCR coverage.

As part of the 2024 ORSA process for the licensed Life Entities, a number of stresses and scenarios have been tested including reverse stress testing of catastrophic scenarios. Whilst some overlap between entities does occur a number of bespoke situations have also been individually considered.

For LCA the following projections were made:

- No new business and higher per policy expenses
- Per policy expenses increasing by 10%, with continuing high inflation at 5% p.a. for the next 10 years
- Compensation payments in respect of distressed assets of £2m

The stresses that have the largest negative effect on the solvency ratio at the end of the projection period are:

- No new business and higher per policy expenses
- Operational risk 100% of unit-linked expenses
- Interest rates down 3.5% per annum
- Compensation payments as a result of distressed assets

For STM Life the following were proposed:

Of the individual stresses tested those that have the largest negative effect on Own Funds at the end of the projection period are:

- No new business and a corresponding increase in per policy expenses
- Per policy expenses are up by 10% and inflation remains at 5% per annum for the next ten years
- Compensation payments of £2m over the next 2 years.

The stresses that have the largest negative effect on the solvency ratio at the end of the projection period are:

- No new business and a corresponding increase in per policy expenses
- Per policy expenses are up by 10% and inflation remains at 5% per annum for the next ten years
- Interest rates fall by 3.5% per annum
- Surrenders down by 2% per annum
- Operational risk increased to be based upon 100% of UL expenses (four-fold increase).

C.3 Credit Risk

The only material Credit risk that the Company faces is Counterparty Default Risk. This risk arises when a counterparty is unable to fulfil its obligations to the Company, thereby leading to a loss of the Company's financial assets.

C.3.1 Risk Assessment

£000	2024	2024	2023	2023	2024
	STM Life	LCA	STM Life	LCA	Group
Counterparty Default Risk	275	140	297	201	415

The only component of this risk at 31 December 2024 was shareholders' funds held in cash at the bank.

C.3.2 Risk Mitigation

The key mitigating controls for credit risk are:

- The risk appetite statement sets thresholds for counterparty exposure in terms of monetary limits per counterparty and credit quality standing of counterparties. These are monitored regularly by the Risk and Compliance Committee and the Board.
- There are procedures for aged debt monitoring.

C.3.3 Risk Sensitivity

Credit (Counterparty) Risk is not a material risk for the Company's SCR.

C.4 Liquidity Risk

Liquidity risk arises when the Company is unable to meet its payment obligations as and when they fall due.

C.4.1 Risk Assessment

Liquidity Risk

Liquidity is not a material risk for the Company since all policyholder liabilities are unit-linked liabilities. We do not hold dedicated capital for Liquidity Risk.

C.4.2 Risk Mitigations

Liquidity risk is managed within the risk management and internal control frameworks. The Company ensures that sufficient liquidity is maintained to meet both immediate and foreseeable cash flow requirements.

The following controls mitigate Liquidity risk:

- an investment strategy that ensures a significant portion of liquid assets are kept in the portfolio,
- asset-liability matching ensures that there are sufficient funds when payments are due,
- cashflow projections and monitoring,
- approved authority limits for bank payments and investments.

C.4.3 Expected Profit Included in Future Premiums

This requirement does not apply to STM life or LCA.

C.5 Operational Risk

Operational risks arise from inadequate or failed processes and systems, as a result of human error or due to external events. These risks can impact the financial results of the Company, its operations or reputation.

C.5.1 Risk Assessment

For both regulated entities, the unit-linked businesses, the main element of Operational risk is the expenses of running the business (Operational risk is calculated as xx% of these expenses using the standard formula). For the Class I annuities, Operational risk is calculated using a formula taking into account premium income and technical provisions.

C.5.2 Risk Mitigation

Operational risk is managed through:

- Effective corporate governance, including segregation of duties, avoidance of conflicts of interest, clear lines of management responsibility, and adequate management information (MI) reporting.
- Strong internal control culture.
- Staff training/awareness of the control responsibilities relating to their roles.
- Appropriate and secure IT systems.
- Ensuring compliance with regulatory requirements.
- Recruiting/retaining adequately skilled staff, and adequate performance assessment system.
- Procedures to minimise internal/external fraud.
- Monitoring outsourced service providers.
- Ensuring accurate and timely financial and other external reporting.

Disaster recovery and business continuity plans are established to address a range of plausible scenarios that could impact the Company's operations. The Group maintains a comprehensive scenario schedule covering risks applicable across all entities. This is further supplemented by jurisdiction-specific scenarios tailored to local conditions—for example, in Gibraltar, scenarios account for regional factors such as cross-border exposures with Spain.

Operational risk exposures are monitored through the risk register and the risk appetite. There are defined key risk indicators which act as early warnings for increased risk of potential losses.

C.5.3 Risk Sensitivity

Operational Risk is not a key risk driver for the SCR.

C.6 Other Material Risks

Certain risks are not in the scope of the SCR, however, they are considered material for the Company and are monitored through the Risk Appetite Statement and the Risk Register. They are also considered in the stress and reverse stress testing process. These risks are as follows:

C.6.1 Strategic Risk

The failure to define or implement an appropriate business strategy could result in financial losses and reputational damage. To mitigate this risk there is monitoring of the market and competitive conditions, legal and regulatory changes, and customer demand to decide if strategic adjustments are necessary. The Board also monitors the implementation of the strategy, business plan and business change projects on an ongoing basis.

The Life companies do not explicitly allocate capital for Strategic risks, however, the stress and reverse stress testing consider the impact of certain extreme events relating to these risks.

An important element of the Companies' strategy is to write sufficient new business to cover the policies that go off the books as a result of deaths and surrenders. There is clearly a strategic risk that if LCA and/or STM Life fails to write sufficient new business and the in-force book of business continues to decline, per policy expenses will rise at a more rapid rate than economic inflation and solvency coverage will reduce.

C.6.2 Reputational Risk

Reputational risk arises from the negative perception on the part of customers, Independent Financial Advisors, shareholders, investors, or regulators which can adversely affect the Company's ability to maintain existing or establish new, business relationships.

The Company's brand and reputation could suffer as a result of:

- Internal events (e.g., material failure of internal control, financial reporting errors) or
- External events beyond our control (e.g., negative publicity for another subsidiary in the

Group). The risk is mitigated by:

- appropriate governance framework and effective operation of the three lines of defence,
- effective risk management and internal controls framework,
- strong culture of compliance with laws and regulations, and
- Board's and Committee's oversight of the business.

C.6.3 Conduct Risk

Conduct risk has the potential to arise if the Company's behaviour results in poor customer outcomes. The risk is inherent in any operation that provides products or services to customers.

Delivering good customer outcomes is a key driver in building a valuable, sustainable business and is a key measure as part of the Company's risk appetite.

The Companies' products are distributed through regulated intermediaries, which mitigate the exposure to direct sales and distribution. Conduct risk is further mitigated by a number of controls:

- The design of the Company's products is aligned with policyholders' needs.
- The Compliance Function is signing off product documentation and marketing materials.
- Products' key features are communicated to the policyholders.
- The Product Governance Committee approves any new products or product changes.
- Distribution is through regulated intermediaries. There are effective onboarding controls.
- There are complaints procedures and controls in place; complaints are monitored by the Board.
- Training is provided to employees.

C.6.4 Risk Exposure Arising from Off-balance Sheet Positions

There are no risk exposures arising from Off-balance Sheet positions.

D. Valuation for Solvency Purposes

D.1 Assets

Summary of asset valuation

The table below sets out the Solvency UK value of assets compared to the statutory accounts value for the Group and the two insurance subsidiaries consolidated as at 31 December 2024.

£000	Life cos consol.		Group consol.	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Goodwill	0	0	0	13,285
Intangible assets	0	79	0	4,767
Deferred tax assets	0	0	38	38
Pension benefit surplus	0	0	0	0
Property, plant & equipment held for own use	0	68	305	842
Bonds	5,648	5,713	5,648	5,713
Assets held for index-linked and unit-linked contracts	509,978	524,747	509,978	524,747
Insurance and intermediaries' receivables	446	392	446	392
Receivables (trade, not insurance)	27	27	4,776	2,944
Cash and cash equivalents	8,136	8,136	14,123	14,883
Any other assets, not elsewhere shown	14,864	2	17,263	4,091
Total assets	539,100	539,165	552,578	571,702

Methodology for valuing the assets

Fair value measurement

In accordance with the regulations Solvency UK figures are based on fair value. Where applicable, the Group measures the fair value of a financial instrument using the quoted price in an active market for that instrument.

Goodwill

For statutory purposes, goodwill is measured at cost and subject to an annual impairment review.

Intangible assets

The intangible assets are deemed inadmissible for Solvency UK.

Deferred Tax surplus

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and tax purposes.

Property, plant, and equipment held for own use

Property, plant, and equipment are held at fair value following the Solvency UK level 2 and level 3 of the fair value hierarchy.

Items of property and office equipment are measured at cost less accumulated depreciation. For Solvency UK any 'right of use' assets have been deemed inadmissible.

Bonds, including government bonds, corporate bonds and collateralised securities

Government bonds consist of UK government gilts and treasury bonds. The valuation of gilts is based on the level 1 methodology of the fair value hierarchy, whilst the valuation of treasury bonds and other fixed- interest securities (including corporate bonds and collateralised securities) is based on the level 2 methodology of the fair value hierarchy.

Assets held for index-linked and unit-linked contracts

The valuation of these assets is consistent with the fair value hierarchy. The statutory accounts hold a higher figure than under Solvency UK. The reason for this difference is the treatment of the assets left when an annuitant dies and the policy ceases. In the Solvency UK balance sheet, these assets are removed from "Assets held to cover linked liabilities" and included in "Other assets" whereas for the statutory accounting figures they remain in "Assets held to cover linked liabilities".

Insurance and Intermediaries' receivables

The valuation of these assets follows the Solvency UK fair value hierarchy. There is no difference between the Solvency UK valuation and the GFRS 102 valuation.

Receivables (trade, not insurance)

The valuation of these assets follows the Solvency UK fair value hierarchy. There is no difference between the Solvency UK valuation and the GFRS 102 valuation.

For Solvency UK the calculation of trade receivables is adjusted to include accrued income and prepayments which, for statutory purposes, have been included in other receivables.

Cash and cash equivalents

This consists of highly liquid cash holdings held and valued at their actual balances. There is no difference between the Solvency UK valuation and the GFRS 102 valuation.

For Solvency UK, client monies held have been offset against cash balances. For statutory accounts purposes, these are classified as other payables.

Any other assets, not elsewhere shown

The valuation of these assets follows the Solvency fair value hierarchy.

For Solvency UK, an amount of £14m relating to deceased accounts where annuity contracts terminate are reclassified from 'Assets held for index-linked and unit-linked funds' to 'other assets'.

Group assets for statutory purposes include sundry debtors as well as deferred consideration measured at the value that they are recoverable at and do not include the solvency adjustment of £14m mentioned above.

The table below sets out the Solvency UK value of assets compared to the statutory accounts value for the two individual insurance subsidiaries (STM Life and LCA) on 31 December 2024. The commentary above describes the methods of valuation used and the differences shown.

£000	LCA		STM Life	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Goodwill	0	0	0	0
Intangible assets	0	79	0	0
Deferred tax assets	0	0	0	0
Pension benefit surplus	0	0	0	0
Property, plant & equipment held for own use	0	34	0	34
Bonds	1,866	1,866	3,782	3,847
Assets held for index-linked and unit-linked contracts	274,524	289,378	235,454	235,368
Insurance and intermediaries' receivables	185	185	261	207
Receivables (trade, not insurance)	0	0	27	27
Cash and cash equivalents	3,094	3,094	5,043	5,043
Any other assets, not elsewhere shown	14,864	2	0	0
Total assets	294,532	294,638	244,568	244,527

D.2 Technical Provisions

Analysis of technical provisions

The table below shows the technical provisions split between best estimate liabilities and risk margin for the Group and the two insurance subsidiaries consolidated as at 31 December 2024. There is no breakdown provided for the technical provisions shown in the statutory accounts.

£000	Life cos consol.		Group consol.	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Unit linked best estimate liabilities	513,760	0	513,760	0
Non-unit best estimate liabilities	(7,109)	0	(7,109)	0
Risk margin	1,247	0	1,247	0
Total technical provisions	507,899	528,593	507,899	528,593

The table below shows the technical provisions split by best estimate liabilities and risk margin for each of the two insurance subsidiaries as at 31 December 2024.

£000	LCA		STM Life	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Unit linked best estimate liabilities	274,524	0	239,236	0
Non-unit best estimate liabilities	(4,648)	0	(2,462)	0
Risk margin	538	0	710	0
Total technical provisions	270,414	289,378	237,485	239,215

Methodology

The Solvency UK best estimate liabilities are valued on a market consistent basis using UK specific risk- free discount rates prescribed by GFSC.

Technical provisions are defined as the sum of the best estimate liabilities and the risk margin. The best estimate and risk margin are calculated separately.

Best estimate liabilities

The best estimate liabilities are calculated on a policy-by-policy basis for all contracts accepted on risk at the valuation date using a cash flow approach and generally accepted actuarial practices. The calculations generate probability weighted cashflows for each monthly time period within a policy's contract boundary. The cash flows are discounted using the risk-free yield curve and thus allow appropriately for the time value of money.

If the present value of future cash flows on a contract gives rise to a negative best estimate liability this has been allowed for in the calculation of the technical provisions.

The life companies have a database from which individual policy data is extracted and validated for completeness and accuracy. This data is used to calculate the technical provisions and has passed an appropriate level of control.

Risk margin

An additional risk margin is required under the Solvency UK regulations. This represents the cost of capital that another insurance undertaking would require to take on the Group's insurance liabilities using the prescribed 4% cost of capital rate and a tapering allowance.

Key assumptions

Discount Rates

The valuation interest rates used to discount the best estimate liabilities and risk margin is the basic risk- free term structure of interest rates as at 31 December 2024 provided by the GFSC in the appropriate currency.

Expenses

Solvency UK requires the calculation of technical provisions to include all expenses that will be incurred in servicing the insurance obligations and allowance for inflation, including both expense and claim inflation.

Budgeted expenses are split across all cost areas between acquisition and renewal based on time allocation reviews of staff carried out by management.

The renewal expense in the third projection year is divided by the expected number of in force policies (allowing for new business) in the third projection year. This gives a best estimate per policy expense assumption which is assumed to inflate at the firm's expense inflation assumption.

Acquisition related expenses are not brought into the regulatory valuation as the valuation will only be concerned with business written up to 31 December 2024. Future acquisition costs are assumed to be covered by the profit margins within the new business written after that date. This is consistent with the "going concern" basis Solvency UK requires.

Lapses

Lapse assumptions are derived using actual experience and have regard to current trends in experience and, where appropriate the duration of the contract.

Lapse rates have been updated to reflect relevant recent experience.

Mortality

Mortality assumptions are set based on standard actuarial tables of mortality rates. Different rates are assumed for males and females.

Uncertainty in the Technical Provisions

Uncertainty arises from actual experience being different to the assumptions used in the calculation of the best estimate of liabilities. The most significant source of uncertainty is lapse rates which have the most significant impact on the non-unit best estimate liabilities.

Differences in the Solvency UK technical provisions and the statutory accounting basis

The table below shows the difference between the Solvency UK technical provisions and those reported at the Group level.

£000	Solvency UK	Statutory accounts
Unit linked best estimate liabilities	513,760	513,760
Non-unit best estimate liabilities	(7,109)	0
Risk margin	1,247	1,247
Other adjustments	0	13,585
Total technical provisions	507,899	528,593

For the statutory reporting basis non-unit reserves cannot be negative and so are set to zero for the portfolio as a whole.

Other adjustments relate to balances reallocated to 'other liabilities' in respect of deceased accounts where annuity contracts terminate, Intangible and assets omitted from the solvency balance sheet and ineligible preference capital added to the solvency balance sheet.

D.3 Other liabilities

The table below shows the other liabilities split by type for the Group and the two insurance subsidiaries consolidated as at 31 December 2024.

£000	Life cos consol.		Group consol.	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Provisions other than technical provisions	0	0	1,311	1,311
Deferred tax liabilities	0	0	164	164
Insurance & intermediaries payables	299	299	299	299
Payables (trade, not insurance)	318	318	4,286	7,337
Any other liabilities, not elsewhere shown	15,203	636	15,203	636
Total other liabilities	15,819	1,252	21,263	9,746

Provisions other than technical provisions

Provisions are recognised when the group has a present obligation, and it is probable that the group will be required to settle the obligation. The provision is relating to insurance payments that are due on open claims.

Deferred tax liabilities

Deferred tax is recognised using the balance sheet method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and for tax purposes.

Insurance & intermediaries payables

Amounts relate to advance cell funds and aged debt due by policyholders based on values that are payable.

Payables (trade, not insurance)

Amounts due to creditors arising in the normal course of trade, are measured at the amount that is payable to the creditor. The solvency calculation omits lease liabilities under IFRS16 and deferred income that are included in the statutory accounts.

Any other liabilities, not elsewhere shown

For Solvency UK, an amount of £14m relating to deceased accounts where annuity contracts terminate are reclassified from 'Technical provisions' to 'other liabilities'.

The table below shows the other liabilities split by type for each of the two insurance subsidiaries as at 31 December 2024. The commentary above describes the methods of valuation used and the differences shown.

£000	LCA		STM Life	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Provisions other than technical provisions	0	0	0	0
Deferred tax liabilities	0	0	0	0
Insurance & intermediaries payables	228	228	71	71
Payables (trade, not insurance)	45	45	272	272

£000	LCA		STM Life	
	Solvency UK	Statutory accounts	Solvency UK	Statutory accounts
Any other liabilities, not elsewhere shown	15,203	636	0	0
Total other liabilities	15,476	909	343	343

D.4 Alternative methods for valuation

No other alternative valuation methods have been employed.

E. Capital Management

E.1 Own Funds

Summary

The Group maintains a strong capital base with the subsidiary life companies closely monitoring their business plans and continuing to meet their individual and consolidated regulatory capital requirements on an ongoing basis.

Own funds represent the excess of assets over liabilities and are invested in cash and other assets, fixed interest sovereign and corporate debt. Overall, the assets aim to generate positive returns for shareholders subject to an acceptable level of risk, compliance with regulatory requirements and the required level of liquidity.

Each life company is managed so that an appropriate level of own funds is always maintained over the solvency capital requirement. This is monitored formally through the Risk and Compliance Committees of the individual life companies on a quarterly basis, and through an ongoing review of key market and demographic assumptions.

Own Funds classified by tiers

All the own funds of STM Life are classed as Tier I capital as at 31 December 2024.

The majority of LCA's own funds are classed as Tier I capital as at 31 December 2024, with the exception of £543,000 classified as Tier 3 capital relating to preference shares. Only 50% of this value is included as eligible own funds to cover regulatory capital requirements.

The table below shows eligible own funds as at 31 December 2024.

£000	LCA	STM Life	Life cos consol.	Group consol.
Assets	294,532	244,568	539,100	552,578
Technical provisions	270,414	237,485	507,899	507,899
Other liabilities	15,204	343	15,548	20,991
Ineligible preference capital	272	0	272	272
Eligible own funds to cover the SCR and MCR	8,642	6,740	15,382	23,417

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the SCR and the MCR as at 31 December 2024.

£000	LCA	STM Life	Life cos consol	Group consol.
Solvency capital requirement (before MCR applied)	3,882	3,470	6,998	6,998
Minimum capital requirement	3,500	3,500	7,000	7,000
Solvency capital requirement (after MCR applied)	3,882	3,500	7,000	7,000
Solvency ratio over SCR (after MCR applied)	223%	193%	220%	335%

£000	LCA	STM Life	Lifecos consol.	Group consol.
Solvency ratio over MCR	247%	193%	220%	335%

The SCR of STM Life fell below the MCR at 31 December 2024 and so the reported SCR is equal to the MCR.

The minimum Group SCR, shown as the MCR in the table above, is the sum of the MCRs of the individual life companies and is the same as the reported Group SCR.

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

An internal model is not used.

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

The Group and two subsidiary life companies have each complied with their respective SCR and MCR throughout the reporting period.

E.5 Any other information

No other information is supplied.

Disclaimer

The financial information in the SFCR is based on the draft financial statements for STM Group Plc and the Life Companies because the regulatory deadline for the SFCR is earlier than the deadline for the audited financial statements. If there are any material changes to the financial statements after the SFCR is published a new version of the report will be prepared and published.

Some of the statements in this report may refer to future expectations based on the information available to the Board of Directors and their current views and assumptions at the time of writing the SFCR.

The Group cannot make any representation or warranty as to the accuracy and/or completeness of such forward looking statements, which by their nature involve unknown risks and uncertainties, nor is any representation or warranty made that they will be reviewed, amended, or brought up to date.

There are many factors and conditions (including but not limited to economic, financial, or political conditions, market performance, and external catastrophic events), that may cause actual results to be significantly different from those that may be anticipated in these forward-looking statements.

The Group does not accept any liability for any decision made, or action taken or not taken, in connection or in conjunction with, directly or indirectly, the information and/or statements contained in this SFCR.

The SFCR has not been subject to external audit as this is not required by the GFSC.

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2024.

We certify that:

1. The Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the Gibraltar Financial Services Commission ('GFSC') rules and Solvency Regulations; and
2. We are satisfied that:
 - Throughout the financial year in question, the Company has complied in all material respects with the requirements of the GFSC rules and Solvency Regulations as applicable to the Company;
 - a. It is reasonable to believe that, at the date of publication of the SFCR, the Company has continued so to comply and will continue so to comply in future.

Approval by the Board of the SFCR and reporting templates.

For and on behalf of the Board

Date: 27 May 2025