Invesco

Invesco Pensions Limited

Solvency and Financial Condition Report | 30 June 2024

Approved by IPL Board |

EXECUTIVE SUMMARY

- During the year the directors of IPL decided to wind down the company and in October 2023, the Board communicated with all clients its intention to close all funds. The company closed its remaining funds on 22 January 2024. As at 30 June 2024 clients have transferred into other Invesco products or fully redeemed their holdings.
- The company has extended its accounting period to an 18-month period ending 30 June 2024.
- The company forms part of the Invesco Limited group in Europe, the Middle-East and Africa ("EMEA group"), a larger business unit headed by Invesco UK Limited (“IUK”), the immediate parent company. Invesco Pensions Limited is governed by its own Board of Directors ("the Board"), but substantially all its business and support activities (including risk, compliance and internal audit functions) are carried out on its behalf by the EMEA group within governance frameworks established for the group as a whole and shared with other operating and regulated companies in the region.
- Fund administration, client administration and actuarial services are outsourced to external third parties.
- The Board reviews the company’s capital position on a regular basis and determines the appropriate capital to be maintained. The Solvency capital ratio at 30 June 2024 was 356% (2022: 1,274%). Own funds decreased from £45.0m in December 2022 to £12.4m in June 2024, largely due to £35m dividend paid in 2023 and the closure of the unit-linked funds and annuities over the period, offset slightly by profits. The Solvency Capital Requirement (SCR) reduced from £3.0m to £0.4m, driven principally by the fall in assets under management during the year. In addition, the Minimum Capital Requirement (MCR) increased from £3.4m to £3.5m and remains the biting constraint for the business. Further details are provided in section E below.

Directors' statement of responsibility
We acknowledge our responsibility for preparing the SFCR in all material respects in accordance with the PRA Rules and the Solvency II Regulations.

We are satisfied that:
- Throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and
- It is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

Alan Trotter | Richard Glenn

Director | **Director**

Date: 25 September 2024

A. BUSINESS AND PERFORMANCE

A.1 Business

In light of the material reduction in AUM associated with GTR attrition, and the outcome from a strategic review, the Directors of IPL decided at the Board meeting on 3 July 2023 to cease accepting new business from 31 July 2023 and to give effect to an orderly wind down thereafter. On 22 January 2024 all IPL funds were terminated, any policyholders remaining in the funds had their holdings redeemed.

IPL is authorised by the Prudential Regulation Authority ('PRA'), which is located at 20 Moorgate, London EC2R 6DA, and is regulated by the Financial Conduct Authority ('FCA') and the PRA.

IPL's auditor is PricewaterhouseCoopers LLP, Chartered Accountants, 7 More London Riverside, London SE1 2RT.

A.2 Underwriting performance

IPL does not underwrite insurance risks.

A.3 Investment performance

IPL closed all funds on 22 January 2024.

A.4 Financial Performance

The table below shows the policyholder assets under management (AUM) over the last 5 years.

	As At 31 December				As at 30 June
	2019	2020	2021	2022	2024
Assets Under Management (£m)	8,183.4	5,546.9	1,397.6	555.9	-
% Change versus prior year	*-8.4%*	*-32.2%*	*-74.8%*	*-60.0%*	*-100.0%*

	Years to 31 December				Period to 30 June
	2019	2020	2021	2022	2024
Investment income	177,730	200,301	134,620	32,605	15,167
Net (losses)/gains on investments	301,621	(254,679)	(26,881)	(124,524)	17,503
Fees from fund management	57,658	41,899	17,391	5,051	2,375
Total income	**537,009**	**(12,479)**	**125,130**	**(86,868)**	**35,045**
% change	*284.5*	*-102.3*	*1102.7*	*-169.4*	*140.3*
Profit before tax	**16,727**	**7,829**	**2,677**	**1,036**	**2,066**
% change	*-49.0*	*-53.2*	*-65.8*	*-61.3*	*99.4*

A.5 Any other information

There is no further information regarding IPL's business and performance.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system on governance

B.1.1 Group structure

IPL is a wholly–owned subsidiary of IUK, itself a wholly-owned subsidiary of Invesco Ltd., a leading independent global investment management company incorporated in Bermuda with global headquarters in Atlanta, Georgia, USA. Invesco Ltd had assets under management at 31 December 2023 of US$1,585 billion (2022: US$1,409 billion) and 8,489 (2022: 8,611) employees. It is a widely held public company listed on the New York Stock Exchange under the symbol IVZ. It has a significant presence in the retail and institutional markets within the investment management industry in North America, UK, Continental Europe, Middle East and Asia-Pacific.

IUK is the holding company for the Invesco EMEA Group and the principal business activity of its subsidiaries is investment management and related activities for a broad range of retail and institutional investment products, including open ended and closed ended collective investment vehicles and segregated portfolios invested mainly in equities and fixed interest securities. The business is diversified across asset classes, products and clients.

The EMEA Group's business activities are organised along functional business lines: Investment Management, Distribution, and Operations. These business lines work alongside enterprise support functions including Finance, Legal, Compliance, Internal Audit, Technology and HR which form part of Invesco's global platform. These business and support activities are generally carried out by IUK pursuant to inter-company service agreements on behalf of one or more legal entities within the EMEA Group, including IPL, which contract with clients for the provision of services.

B.1.2 IPL Board

The IPL Board determines the company's business objectives and risk appetite and assesses the adequacy of its capital resources to meet the risks to which it is exposed taking account of IPL's business plans and financial forecasts for the financial year. At the same time, the governance framework described below helps to ensure that the IPL Board and its committees are informed of and able to identify deviations from strategic objectives, business plans and risk appetite and, accordingly, that they can consider the impact on the company.

The Board performs IPL's Own Risk and Solvency Assessment and approves the company's financial statements and this Solvency and Financial Condition Report. Persons responsible for the company's key functions: the investment management, risk management, compliance, internal audit and actuarial functions, all report to the Board of Directors.
The IPL Board is made up of two independent non-executive directors, one of whom acts as Chair, and two executive directors. The table below shows the current Board members:

Rachel Court	Chair and independent NED
Julian Bartlett	Independent NED
Richard Glenn	Director
Alan Trotter	Chief Executive Officer

During 2024 the Audit and Risk committee was disbanded in line with the granted waiver and one non-executive director stepped down from the Board, the responsibilities of the Audit and Risk Committee have passed to the Board.

B.1.3 IPL Operational Management Committee

IPL has also established a management committee whose role is to consider, assess and decide upon actions necessary to give effect to IPL Board requests and decisions; and to review and monitor the activities of business functions conducted by the EMEA Group on behalf of IPL, including the oversight of third-party outsourcing, and ensure these are consistent with the objectives and policies adopted by the Board. Upon entering into wind down this was replaced by the Wind Down Working Group "WDWG".

B.2 Fit and proper requirements

The Invesco group places great importance on the fitness and propriety of its employees and officers.

Procedures are in place to conduct verification checks on all employees including identity validation, employment history, education and qualifications, credit search, criminal records and directorships search. Staff in scope of the Senior Managers and Certification Regime (SMCR) including non-executive directors will have regulatory references taken that will cover their employment for the previous 6 years. Staff and Non-Executive Directors are required to notify during the course of their employment any criminal record or change of circumstance that would show up on a credit check. Standard background checks are carried out for staff who hold a senior manager function, including notified non-executive directors under the SMCR rules, and basic background checks are carried out for all other staff. Those employees holding a SMCR role are required to complete a self-declaration annually with an independent re-screening every three years, unless there is a business requirement to do this sooner.

These checks are supported by a program of regulatory and financial crime awareness training conducted by the compliance team. This will cover a range of topics and a variety of methods, including web-based modules that can be delivered to all, or a wide group of staff in multiple jurisdictions. Regulatory training that is assigned to staff is mandatory and completion is monitored and reported to heads of business units. Staff are also required to self-certify each year compliance with the group's Code of Conduct and the Code of Ethics & Personal Trading Policy EMEA.

All staff are subject to an annual review of their competence, knowledge, skills and performance, with Senior Managers and Certified Individuals having an annual fitness and propriety assessment. There is an ongoing assessment of the competence status of employees who carry out an activity that is in scope of the FCA's formal Training and Competence requirements and ESMA's Knowledge and Competence requirements. Individuals in these roles are unable to perform their duties without supervision until they have formally been assessed as fully competent to do so.

B.3 Risk management system including the ORSA

B.3.1 EMEA group risk management framework

As a member of the Invesco EMEA Group, IPL is supported by an EMEA risk management framework which is established for the group, and which is integrated into a "three lines of defence" model across all business functions.

The Three Lines Model provides a simple and effective way to enhance risk management communication and internal controls by clarifying essential roles and responsibilities. It enables IPL to coordinate risk management activities in a systematic and structured way. Roles and responsibilities are designed and coordinated carefully to assure that risk and control processes operate as intended. The Three Lines Model establishes roles and responsibilities across the lines of defence in a manner that prevents "gaps" in the management of internal controls whilst avoiding unnecessary duplication of coverage and activities. The model is based on the following key principles:

- The First Line is made up of the functions that design, develop, and deliver investment capabilities and services to clients, including broader support functions. The First Line is responsible for managing the risks inherent in the setting and delivery of its business objectives including maintaining an effective internal control environment.

- The Second Line is made up of Compliance, Enterprise Risk and Investment Risk teams. It is responsible for independent risk and control advice, guidance, oversight, challenge and monitoring. This is provided by the Global Enterprise Risk Management function, reporting to the Global Chief Risk & Audit Officer (CRAO), who supports the first line in managing their risk and control environment. Other functions may support second line activities in partnership and collaboration with the Global Enterprise Risk Management function (such as Compliance or Global Security Department).

- The EMEA Internal Audit function is the Third Line, providing independent assessment and assurance designed to add value and improve Invesco's operations by bring a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Each of the functions (and specifically those within the second and third lines of defence) provide an update to the IPL Board where appropriate to enable them to oversee and challenge whether IPL's activities are being managed in accordance with the company's risk appetite and consider any potential impacts on its capital adequacy requirements.

B.3.2 IPL business strategy

In light of the material reduction in AUM associated with GTR attrition, and the outcome from a strategic review, the Directors of IPL decided at the Board meeting on 3 July 2023 to cease accepting new business from 31 July 2023 and to give effect to an orderly wind down thereafter. On 22 January 2024 all IPL funds were terminated, any policyholders remaining in the funds had their holdings redeemed.

B.3.3 IPL risk appetite

IPL's risk appetite is developed to support the business strategy and thus allows the Board to ensure that operational activities and processes are within the desired risk tolerances.

In line with the objectives outlined above, the Board has defined its risk appetite in relation to the level of capital required to be able to meet regulatory capital requirements under normal and stressed conditions

Increased monitoring and reporting will be required if the capital coverage drops below 160% of the SCR and if the coverage drops, or is projected to drop, below 150% of SCR, the Board will consider what direct action should be taken to increase the SCR coverage. It is the Board's intention that the SCR coverage should never fall below 120%.

B.3.4 Own Risk and Solvency Assessment

The ORSA is the process, owned by the Board, by which IPL assesses all the material risks inherent in its business, and determines its corresponding capital needs. It is intended to provide a link between the quantitative requirements of Pillar I of Solvency II, the qualitative requirements of Pillar II, and the firm's own strategy. In particular, the ORSA gives insight into the continued sustainability of the business in the context of the strategic objectives of the Board, the approved risk appetite, and the company's obligations to the policyholders.

Whilst the ORSA is a continuous process, it is recorded each year in a written report which is reviewed and approved by the Board. Looking forward from an agreed starting point each year, the report assesses the potential impact on the risk profile, capital position and profit levels of the business of a number of scenarios materialising over the business planning period. These scenarios are considered and selected by the Board in relation to the key areas of risk and uncertainty.

The most recent ORSA report prepared was based on the company's balance sheet as at 30 June 2024. The key finding of this is that Pillar I SCR continues to support IPL's risk appetite of 160% of SCR and the lower tolerance of 150% of SCR cover as reasonable levels of capital coverage within which to manage the firm's risk exposures.

The ORSA shows that the key risk to IPL's solvency is operational risk.

The solvency ratio as at 30 June 2024 was 356%. The Board is comfortable that this level will provide appropriate protection against short-term volatility in the parameters and risks listed above.

B.4 Internal control system

B.4.1 The first line of defence

The First Line is made up of the functions that design, develop, and deliver investment capabilities and services to clients, including broader support functions. The First Line is responsible for managing the risks inherent in the setting and delivery of its business objectives including maintaining an effective internal control environment.

Examples of 'first line' functions include Investment Centres such as Henley Investment Centre, Operations, Marketing, Sales and Finance. These functions are responsible for managing risks, implementing actions to manage risks and oversee the effective operation of internal systems and controls, including the remediation of issues in the design or operating effectiveness of internal controls.

B.4.2 The second line of defence – Independent risk management

The Second Line is made up of Compliance, Enterprise Risk and Investment Risk teams. It is responsible for independent risk and control advice, guidance, oversight, challenge and monitoring. This is provided by the Global Enterprise Risk Management function, reporting to the Global Chief Risk & Audit Officer (CRAO), who supports the first line in managing their risk and control environment. Other functions may support second line activities in partnership and collaboration with the Global Enterprise Risk Management function (such as Compliance or Global Security Department).

The key risk responsibilities for the 'second line' include:

- Responsible for establishing the ERM framework and facilitating the Risk Management Lifecycle.
- Accountable for developing and maintaining the relevant guidance, methodologies, processes, tools, and templates that make up the risk framework, including integration between ERM and other assurance functions.
- Responsible for providing appropriate risk reporting and dashboards to relevant governance bodies at a regular cadence.
- Responsible for advising, overseeing and challenging the First Line in their risk management activities and risk-related decision making.

The EMEA Investment Risk Team is a second line function responsible for risk management oversight and monitoring of investment risk. The guiding mission of the Investment Risk team is ensuring that portfolios are managed in a manner that is consistent with client expectations. It is supported in this mission by the broader Global Investment Risk team from which it leverages expertise and resources to achieve efficiencies and ensure that there is a consistent adoption of best practices globally. It is also supported by the global Performance, Measurement, Analytics and Reporting (PMAR) group. PMAR provides comprehensive, accurate and timely performance analysis to internal and external stakeholders which support the business. For example, PMAR provides performance data relative to benchmarks, indices and peers and attribution analysis.

The EMEA Investment Risk Team provides this oversight and monitoring in accordance with the EMEA Investment Risk framework and standards which include applicable regulatory obligations. A Risk Profile and Limit System ("RPLS") is established for each fund as part of the product development process. It is periodically reviewed and updated for any changes to the investment strategies and/or restrictions of each fund.

The EMEA Investment Risk Team is also responsible for:

- Producing and maintaining all risk management policies, frameworks and RPLS reporting packs.
- Monitoring portfolio risk limits (and where appropriate escalating potential or actual limit breaches).
- Preparing quarterly investment risk reports which are presented to boards, to allow the Board to monitor the overall risk profile of the funds in order for the Board to meet its risk management objectives and requirements.

B.5 Internal Audit Function - The Third line of defence

The EMEA Internal Audit function is the Third Line, providing independent assessment and assurance designed to add value and improve Invesco's operations by bring a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In EMEA, the Head of Enterprise Risk Management and Regional Director of Internal Audit positions are distinct, with separate SMF roles and reporting responsibilities into legal entity boards and risk committees (as applicable and including regulated and non-regulated entities), with each regulated legal entity having independent non-executive director representation. Both the EMEA Head of Enterprise Risk Management and the EMEA Regional Director of Internal Audit report functionally, globally and regionally, including reporting responsibilities to the Senior Managing Director and Head of EMEA.

The EMEA Regional Director of Internal Audit, in their capacity as EMEA Head of Audit, has full and final responsibility for determining whether items have been remedied satisfactorily.

B.6 Actuarial Function

Whilst essential, the actuarial services required to support IPL's business are not complex and IPL has operated using an external actuary to ensure that the function is performed by a person with knowledge and experience of the industry, and appropriate qualifications and skill. Robert Bugg, a Principal of Milliman LLP, holds the company's Chief Actuary function and his firm provides actuarial and related support services.

The business lines providing services to IPL, in particular the Finance team and the Independent Risk Function, work closely with Milliman and the Chief Actuary. They, along with the third party scheme administrators (Aptia) provide data to Milliman and the Chief Actuary for the calculations of technical provisions, solvency capital requirements and balance sheet projections. The Chief Actuary also provides specialist advice and opinions on risk management, assistance with the ORSA and reviews the underwriting and reinsurance policies.

The Chief Actuary maintains regular contact with the CEO and management team, attends meetings of the Board and provides reports to each such meeting.

B.7 Outsourcing

As noted in paragraph B.1.1 and in common with other regulated companies in the Invesco EMEA Group, substantially all IPL's day-to-day operations, including its key functions, are performed either by companies within the Invesco group or by external providers. Service agreements are in place with each provider.

The scope of the services provided has reduced since the closure of the IPL pension fund range in January 2024. IPL are now in the process of exiting these relationships. The expected date of exit is included in the table below.

Provider	Services	Location
Milliman LLP	Actuarial services	UK
Aptia UK Limited	Administration of pension arrangements	UK, India
BNY	Fund accounting and administration	UK, Poland, Republic of Ireland, India
Invesco Asset Management Limited	Investment management and distribution	UK

Day to day oversight of the external administration service providers – BNY and Aptia– is carried out by dedicated teams within Invesco. Oversight by Invesco of these service providers includes:

- Defined roles at Invesco with responsibility for the oversight of the services provided by BNY and Aptia. Performance targets (KPIs) to assess the adequacy of service provision by BNY and Aptia to IPL and its clients.
- Monthly service delivery reports received from BNY and Aptia which provide metrics and key information relating to the services.
- Formal meetings held with BNY and Aptia to review the delivery of services, risks, controls, and action being taken to improve service levels or mitigate risks.
- Action plans agreed with BNY and Aptia to remediate any incidents and processes agreed to escalate any performance issues.

The oversight outlined above confirms the approach prior to the closure of pension funds. The approach has been refined on an ongoing basis since the fund closures to ensure that oversight takes account of the services continuing to be provided, the stage/status of the exit process and the changing risk profile.

Oversight by IPL of the operational functions performed by Invesco UK is carried out through the IPL Wind Down Working Group. Oversight of investment management and distribution is a central function carried out for the group as a whole with established teams and processes which report to the Boards of the relevant funds and regulated entities. Oversight of the provision of actuarial services by Milliman is carried out by the IPL Board.

Invesco has a documented outsourcing policy which applies to its regulated entities in EMEA.

B.8 Any other information

In addition to the outsourced providers described above, key business and corporate support services are delegated internally. Invesco UK Ltd is the principal provider of these services.

There is no further information regarding IPL's system of governance.

C. RISK PROFILE

The key risks described below are those that the Board have identified as material risks in the ORSA.

The table below summarises the top risks to the company as determined by the Solvency II Solvency Capital Requirement. The percentages shown are of the total undiversified SCR:

Key risks under Solvency II	Capital Requirement %	
	Year end June 2024	Year end 2022
Operational risk	59%	26%
Interest Rate risk	0%	19%
Counterparty Default risk	38%	19%
Lapse risk	0%	16%
Credit Spread risk	0%	12%
Equity risk	0%	7%
Expense risk	3%	1%

C.1 Underwriting Risk

As noted in A.2 above, IPL does not underwrite insurance benefits or give any kind of guarantees. The key component of underwriting risk is therefore expense risk.

C.1.1 Expense risk

This is the risk that the level of expenses incurred by the company will increase to a level (or at a rate) which is greater than expected, thereby reducing the level of profit.

Given that all of IPL's unit-linked funds have closed as at 22 January 2024, associated fund-related expenses are assumed to be zero.

Therefore, all of IPL's expense risk lies with its overhead expenses. IPL does have an intragroup arrangement whereby Invesco Asset Management Limited ("IAML") will cover 80% of IPL's overhead expenses which reduces this risk.

IPL assesses the sensitivity of its balance sheet to a change in expenses as part of the ORSA process. Scenarios include increases to the level of overhead expenses and in particular wind down costs.

C.2 Credit Risk

Credit risk refers to the risk of loss, or of an adverse movement in IPL's financial position resulting from the failure of any third party to honour its financial obligations to IPL, this includes failing to honour them in a timely manner; and/or changes in the credit standing of issuers of securities, counterparties and any debtors to which IPL is exposed.

The failure, through a credit event or otherwise, of a third-party provider of administration services is dealt with under operational risk in section C.4 below.

The balance of credit risk exposure consists principally of the bank counterparties and short-term instruments in which IPL invests its own fund assets. These assets are invested subject to a risk management framework specifying risk metrics, limits and tolerances on credit ratings and single counterparty exposures.

Counterparty credit risk has increased as a proportion of the SCR when compared to the previous year; however the absolute amount of the Counterparty Default risk module has decreased relative to the amount calculated as at 31 December 2022.

C.3 Liquidity Risk

Liquidity risk refers to the risk of being unable to generate sufficient cash at efficient cost to meet financial obligations as they fall due under business as usual and stress scenarios.

IPL's remaining assets are invested almost exclusively in cash-type investments and are therefore freely and immediately available to pay any other liabilities that arise. The company's non-scheme and non-policyholder related payments such as payments to suppliers, tax, overhead expenses, etc. are relatively stable and can be funded directly from the highly liquid surplus assets held by IPL.

Liquidity risk is a relatively low impact risk compared with underwriting risk and market risk.

IPL has no contractual premiums, so there is no expected profit in future premiums.

C.4 Operational Risk

Operational risk refers to the risk(s) that the operational performance of IPL or its outsourced service provider deteriorates. This includes the occurrence of an adverse operational risk event.

IPL has exposure to operational risk in a number of areas: failure to invest correctly; failure to comply with legal or regulatory requirements; failure of a third party administrator; fraud; loss of key personnel and others.

Different operational risk scenarios can result in a range of adverse outcomes such as higher on-going expenses, large one-off costs, reputational damage and others.

The Operational Risk Management framework supports the business in the management of operational risks and in the implementation of suitable controls.

At a high level, core Operational Risk Management processes include:

- the facilitation and coordination of Risk and Control Self-Assessments ("RCSA") and independent challenge of risks raised by the business.
- Incident Management and Reporting (management of errors and incident workflow within an internal Risk Management System; independent follow up on logged incidents; ensuring effective mitigation and investigation of any potential trends for systemic issues).
- Board/Committee reporting on key areas of risks (including Key Risk Indicators).
- Coordination of the operational risk capital scenarios based on a range or risk data including losses, RCSAs and external events.

Conduct risks (which include risks associated with the attitude and behaviours of Invesco employees that influence business decisions and actions which in turn impact the outcomes for IPL policyholders, employees and shareholders) are embedded in departmental risk profiles and may be escalated as deemed appropriate.

A number of operational risks, including those arising from the impact of a cyber and data risk and the impact of a compliance breach, are assessed. While such scenario's generally impact profitability, the results show that IPL is able to continue to meet regulatory solvency requirements under such scenarios.

C.5 Other risks (including Climate Change)

IPL has exposure to other risks, including but not limited to asset-liability matching risk, and concentration risk. Relative to those described above, these represent lower impact risks, but are the subject of risk management policies and are monitored and controlled using the same risk management framework as the major risks.

IPL has reviewed the impact of climate change on the business model and continues to ensure that internal policies remain up to date with respect to climate change considerations. The group's approach to climate change is integrated into our broader governance structure covering ESG responsibility at investment level and corporate responsibility at operational level, as set out in the 'Environmental, social and governance policies' section of this report.

The Invesco group's commitment to ESG investing ensures that climate change considerations are integrated into our investment decisions, and the importance placed on ESG has led to the launch of structural governance oversight, comprising a Corporate Responsibility Committee ("CRC"), the Corporate Responsibility Committee Working Group and ESG Regional Working Groups. These groups are responsible for monitoring climate related issues and opportunities and acting upon them.

IPL has defined a framework for Environmental Management System ("EMS") governance to address the risk of climate change within our operations. To ensure the effective management and continuous improvement of Invesco's EMS, operational EMS responsibilities were assigned to Corporate Properties, supported by local facilities teams and subcontracted services.

The risks and impacts of climate change to the IPL and its clients cannot be understated. Global average temperatures over the last five years have been the hottest on record. Despite the UNFCCC Paris agreement, the current trend of increasing CO2 emissions is expected to continue with global temperatures likely to exceed preindustrial levels by at least 2 degrees centigrade and weather events (floods, droughts, windstorms) increasing in frequency and severity. Disclosure of potential impacts against various climate scenarios and time horizons will become increasingly common for all companies. At an Enterprise (i.e. IPL legal entity) level, IPL consider the risk to be an influencing factor to its operational and regulatory risk profile.

C.6 Any other information

Prudent Person Principle
According to Article 132 of Directive 2009/138/EC, all investments held by insurance and reinsurance undertakings should be managed in accordance with the "Prudent Person Principle".

The Prudent Person Principle requires companies to only invest in assets and instruments:

- that they can properly identify, measure, monitor, manage, control and report;
- that ensure the security, quality, liquidity and profitability of the portfolio as a whole;
- that are appropriate to the nature and duration of the company's insurance and reinsurance liabilities; and
- that are in the best interest of policyholders and beneficiaries.

IPL fulfils the obligations of the prudent person principle. The majority of IPL's assets are unit-linked contracts whereby the policyholders choose their own investments. For non-policyholder assets, IPL invests almost exclusively in cash-type investments.

D.1 Assets

D.1.1 Total Assets

The total value of assets held by IPL on a Solvency II and Financial Statement basis as at 30 June 2024 and 31 December 2022 were as follows:

IPL Asset Holding, as at June 2024 (£m)	Per Solvency II	Per Financial Statements	Difference
Assets held to match linked liabilities	-	-	-
Reinsurers' asset	-	-	-
Intra-group loan to parent	-	-	-
Investments	9.2	9.2	-
Cash and cash equivalents	0.9	0.9	-
Trade receivables	-	-	-
Other	3.0	3.0	-
Total	**13.1**	**13.1**	-

IPL Asset Holding, as at December 2022 (£m)	Per Solvency II	Per Financial Statements	Difference
Assets held to match linked liabilities	555.9	555.9	-
Reinsurers' asset	0.1	0.1	-
Intra-group loan to parent	19.4	20.0	0.6
Investments	22.0	22.0	-
Cash and cash equivalents	2.4	3.6	-
Trade receivables	0.1	0.1	-
Other	20.0	20.0	-
Total	**619.9**	**621.7**	**0.6**

Total assets on a solvency II basis fell by £606.8m over the year. The reduction is largely attributable to £555.9m reduction in AUM following closure of all remaining funds in January 2024.

There have been no changes to recognition or valuation bases for assets during the year.

D.1.2 Unit-linked Assets

IPL had no unit-linked assets at 30 June 2024, following closure of all remaining funds in January 2024.

D.1.3 Non-linked assets

The company's non-linked assets have been split into two distinct categories, as set out below:

- Cash and Short-Term Money Market Instruments – i.e. the cash deposits currently held with two banks: HSBC and RBS and an institutional money market fund managed by Invesco, Invesco Liquidity Funds plc (ILF).
- Trade receivables and other – comprises intercompany debtors, accrued income and prepayments

The three valuation approaches defined under Solvency II are set out in the table below along with a description of the assets have been valued under each method.

1. Category	2. Description	3. Asset
Market Approach	Uses prices and other relevant and observable information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities.	• Cash and Short-Term Money Market Instruments – i.e. the cash deposits currently held with three banks, HSBC, RBS, and the ILF fund.
Income Approach	Converts future amounts, such as cash flows or income or expenses, to a single 'Present Value' current amount.	• None
Cost Approach	Reflects the amount that would be required currently to replace the service capacity of an asset	• Trade receivables and other

D.1.4 Non-linked assets: cash and cash equivalents

IPL holds a small proportion of its non-scheme related assets in two bank deposit accounts (HSBC and RBS).
Cash and cash equivalents are defined as follows:

- Cash = cash on hand + demand deposits
- Cash equivalents = short-term, highly liquid investments which are:
  (1) readily convertible to cash at the known amounts; and
  (2) subject to insignificant risk of value changes

Cash and cash equivalents comprise cash at hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less are classified as financial instruments and valued at face value.

D.1.5 Non-linked assets – Investments (short term money market instruments)

The majority of IPL's non-scheme related assets are held in a collective investment scheme (i.e. Invesco Liquidity Funds). This is valued at face value in the financial statements and under Solvency II.

D.1.6 Non-linked assets -Trade receivables and other

Trade receivables and other comprises trade debtors, accrued income and prepayments. These are taken at their balance sheet value as reported in IPL's financial accounts. For period-end June 2024, these amounted to £2.9m (2022: £20.1m).

D.1.7 Differences between valuation methods

There are no differences between the bases, methods and main assumptions used for the valuation of the above assets for solvency purposes, and those used for the valuation in financial statements.

D.2 Technical Provisions

D.2.1 Best Estimate Liabilities

The best estimate liabilities ("BEL") under Solvency II is defined as the "probability weighted average of future cash flows taking account of the time value of money."

Given the approved wind down of the business, there is no longer any unit-linked liability, nor any associated non-unit BEL.

The BEL also includes an expense reserve that is held to ensure that the insurance company can continue to operate whilst it has its permission. This is simply the overhead expenses expected to be incurred between the valuation date and the completion date for the wind-down and deauthorisation of IPL.

D.2.2 Risk Margin

In line with Article 58 (a), for the purposes of calculating the risk margin for the June 2024 Solvency II balance sheet, IPL has calculated each individual SCR component using separate measures to approximate the value of the SCR.

Given IPL's provisions are expected to be revoked in a years' time, there is no need to carry out a projection for the calculation of the risk margin. Therefore, the risk margin is calculated at 4% of the SCR, where 4% represents the cost of capital as prescribed by the UK Solvency II regulations.

IPL no longer has any exposure to hedgeable risks and consequently all the risks within the SCR are included in the risk margin calculation.

D.2.3 Technical Provisions

The following table shows the technical provisions as at 30 June 2024 and 31 December 2022:

IPL Solvency II Balance Sheet, £m		
	Jun-24	**Dec-22**
Assets		
Market value of assets	13.1	619.9
Technical Provisions		
Unit-linked liability	-	555.9
Non-unit liability	-	-0.4
Annuities	-	0.1
Expense reserve	0.1	1.6
Risk margin	0.0	0.4
Subtotal	0.1	557.6
Excess Assets (before Other liabilities)	**13.0**	**62.3**

The unit liability, non-unit liability and annuity reserve have all decreased to £0m due to the closure of IPL's unit-linked and annuity businesses.

The risk margin has decreased over the period to around £15k; this is due to the closure of the unit-linked fund and annuity businesses and a reduction in operational and counterparty default risks.

The expense reserve has reduced as the future overhead expenses are lower as a result of the closure of the unit-linked and annuity businesses as well as IPL being further through its planned wind down.

D.2.4 Level of uncertainty associated with the technical provisions

The calculation of the technical provisions is exposed to uncertainty through the use of best estimate assumptions and any uncertainty in the completeness and accuracy of the data. As at 30 June 2024 the key area of uncertainty for IPL is the level of future overhead expenses.

The impact of changes to the best estimate assumptions is considered, amongst other things, as part of the ORSA.

D.2.5 Expenses

Expenses are set with reference to IPL's expense forecast and business plan. These expenses are subject to salary and cost inflation which are uncertain and somewhat outside of the company's control.

D.2.6 Data

The data used for the purposes of calculating the solvency position of the firm as at 30 June 2024 is complete and accurate and meets the requirements set out in IPL's data policy.

D.2.7 Differences between valuation methods

There are no material differences between the bases, methods and main assumptions used for the valuation of the technical provisions for solvency purposes, and those used for the valuation in financial statements, other than those disclosed in section E.1.4.

D.2.8 Matching adjustment, volatility adjustment and transitional risk-free interest rate term structure

IPL does not make use of the matching adjustment, volatility adjustment, transitional measure on technical provisions, or transitional measure on the risk-free interest rate term structure.

D.2.9 Material changes between reporting periods

During the period the Board made the decision to cease accepting new business from 31 July 2023 and to give effect to an orderly wind down thereafter. On 22 January 2024 all IPL funds were terminated, any policyholders remaining in the funds had their holdings redeemed.

There have been no other material changes to the assumptions or methodology used in the calculation of technical provisions relative to the previous reporting period.

D.3 Other liabilities

Other liabilities are reported at fair value for Solvency II and in financial statements in line with FRS 101.

When compared to 31 December 2022, the total 'other liabilities' on a Solvency II basis shown above have decreased by £19.3m.

D.4 Alternative methods for valuation

There are no differences between the bases, methods and assumptions used for the valuation of other liabilities for solvency purposes and those used for IPL's valuation in financial statements.

IPL has not used any alternative valuation methods in accordance with Article 10(5) of the Delegated Regulation for valuation of its liabilities.

D.5 Any other information

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

E. CAPITAL MANAGEMENT

E.1 Own funds

E.1.1 Objectives, policies, process and time horizon used for business planning for IPL's own fund.

IPL manages its capital and own funds such that it maintains an appropriate coverage ratio of its capital requirements.

IPL will target an overall requirement to hold capital of approximately 160% of the SCR capital requirements under the Solvency II regime. 160% of the SCR is known as the "target operating level" of IPL's SCR coverage.

Management actions will be taken when capital resources fall, or are projected to fall, below 150% of the Solvency II SCR. These actions will include:

- More frequent monitoring: weekly by risk, finance and actuarial and regular reports to the Board (by email with a conference call if the CEO believes it is necessary).
- A formal exercise by finance and actuarial to re-do the projections and some sensitivities regarding possible future effects on coverage of the SCR. These sensitivities would be expected to include at least market scenarios and new business scenarios.

Having taken the above action, if the capital coverage were to fall to 120% then a Board meeting would be convened (in person or by phone) and measures to directly increase the capital coverage of the Solvency II SCR back to 150% would be taken. These actions would include (but are not limited to) limiting new business levels and requesting a capital injection from Invesco UK. 120% is known as the "lower tolerance" of IPL's SCR coverage in the context of the Board's risk appetite.

The volatility of IPL's capital requirements is low due to the MCR being the biting point for IPL and the SCR projected to continue to remain significantly below the MCR.

E.1.2 Classification of Own Funds

The source of the capital held within IPL is either paid-in share capital or retained earnings. Consistent with Article 69 (a) (i) & (v) of the Solvency II Delegated Act, this has been classified as tier 1 basic own funds. IPL does not have any ancillary own funds and all capital held within IPL is therefore eligible to cover the Solvency Capital Requirement and the Minimum Capital Requirement.

Total own funds decreased by £31.3m from £43.7m to £12.4 over the period.

E.1.3 Eligible own funds to cover SCR and MCR

The following tables sets out the Solvency II balance sheet as at 30 June 2024, including the amount of eligible own funds to cover the SCR and MCR.

IPL Balance Sheet 30 Jun 2024 (£m)			
	Per Solvency II	Per Financial Statements	Difference
Assets			
Market value of assets	13.1	13.1	-
Liabilities			
Unit-linked liability	-	-	-
Non-unit liability (PVFP)	-	-	-
Annuities	-	-	-
Expense reserve	0.1	-	0.1
BEL	**0.1**		
Risk margin	0.0	-	0.0
TMTP	**0.1**	**-**	**0.1**
Technical provisions	-	-	-
Deferred tax	0.5	0.5	-
Other liabilities	0.5	0.5	-
Total Liabilities	**0.6**	**0.5**	**0.1**
Own Funds	**12.5**	**12.6**	**0.1**
MCR	3.4		
SCR	0.4		
Surplus	**8.9**		
Own Funds / SCR ratio	**3300%**		
Own Funds / MCR ratio	**356%**		

E.1.4 Differences in valuation methodology

The value of own funds on a Solvency II basis totals £12.5m, which is £0.1m less than own funds per financial statements of £12.6m.

The difference relates to the risk margin and additional expense reserve which are not recognised under statutory accounting standards.

E.1.5 Ancillary own funds, transitional arrangements and any other restrictions on own funds

As previously mentioned, all of IPL's own funds are classified as Tier 1 Basic Own Funds, therefore IPL does not have any ancillary own funds. IPL does not apply transitional arrangements to its own funds, and there are no other restrictions affecting the availability and transferability of own funds within IPL. There are no items deducted from own funds.

E.2 SCR and MCR

E.2.1 Calculation of the SCR

The table below shows IPL's SCR as at 30 June 2024, split across each of the different risk modules.

IPL - SCR	
	Capital Impact, £'000
	June 2024
Market risk	-
Counterparty default risk	146.1
Insurance (Life) risk	12.9
Insurance (Health) risk	-
Insurance (Non-life) risk	-
BSCR	**149.8**
Operational risk	227.0
Adjustment	-
SCR	**376.8**
Diversification benefit	(9.2)

E.2.2 Change in the value of the SCR

Given there are no unit-linked liabilities since funds closed in January 2024, the components that make up the SCR now include only counterparty, operational and expense risk categorised as life insurance risk in the above table). The reduction in overhead expenses over the past year has reduced the operational risk capital requirement component of the SCR.

E.2.3 Simplifications applied to standard formula capital calculations

No simplifications are used to calculate the SCR as at 30 June 2024.

E.2.4 Undertaking-specific parameters within the standard formula

IPL has not used any undertaking-specific parameters in its 30 June 2024 solvency valuation.

E.2.5 Capital add-ons

There has been no capital add-on imposed on IPL's SCR for the 30 June 2024 solvency valuation.

E.2.6 Calculation of the MCR

The MCR is calculated using a formula based on technical provisions (excluding the risk margin) and capital at risk but must be no lower or greater than 25% and 45% of the SCR respectively. The MCR is also subject to an absolute minimum of €4.0 million (£3.5 million).

The table below shows the key inputs to the MCR formula for the calculation of IPL's MCR as at 30 June 2024 and 31 December 2022.

IPL Minimum Capital Requirement, £m	30 Jun. 2024	31 Dec. 2022
Technical Provisions (before TMTP)	0.1	557.2
Capital at Risk	0.0	0.0
SCR	0.4	3.0
MCR Floor (converted to £)	3.5	3.4
MCR	**3.5**	**3.4**

E.3 Duration-based equity risk sub-module in the SCR calculation

This does not apply to IPL, therefore the standard formula stress test has been used to assess the equity risk capital component of IPL's SCR.

E.4 Difference between the standard formula and any internal model used

IPL does not make use of an internal model or partial internal model for assessing its solvency capital requirements under Solvency II.

E.5 Non-compliance with the MCR and SCR

Since the implementation of Solvency II on 1 January 2016, IPL has complied with all capital requirements, including both the MCR and the SCR.

E.6 Any other information

IPL has maintained a sufficient level of Own Funds to remain above its target operating level of SCR coverage of 150% throughout the year.

Capital requirements will continue to be monitored closely and inline with IPL's risk appetite.