

Forester Life Limited and
Forester Holdings (Europe) Limited
Solvency and Financial Condition Report ('SFCR')

31 December 2025

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EXECUTIVE SUMMARY

Introduction

This document sets out the solvency and financial condition of the Foresters Financial UK Group (the 'Group') as at 31 December 2025 and its sole insurance undertaking Forester Life Limited ('FLL' or the 'Company').

The Group is made up of Forester Holdings (Europe) Limited ('FHE') and its principal insurance subsidiary undertaking FLL. The group structure is shown in section A.1.2.

The Group has been granted approval by the Prudential Regulation Authority ('PRA') to produce a single Group Solvency and Financial Condition Report (SFCR) in accordance with the PRA Rulebook, Solvency UK ('SUK') Firms, Group Supervision – Group SFCR, Article 18.1 (2). This document therefore includes information at the level of the Group as well as its solo insurance undertaking.

Section A - Business and performance summary

Section A provides a summary of the business and performance of FLL as the Company is the principal operating subsidiary of the Group, generating 100% of the Group's revenue and expenses.

The Company's key financial performance indicators are summarised below:

	2025	2024
	£'m	£'m
Net Fund Flows	(334.0)	(288.6)
Assets Under Management ('AUM')	5,969.3	5,609.0
Fee Income	70.5	69.5
IFRS Total Comprehensive Income	19.4	11.8
Group Solvency Surplus	181.1	169.1

Net Fund Flows

Net fund flows are made up of contributions and premiums less encashments and claims. They contribute directly to the growth or fall in assets under management, which in turn is the key driver of the Company's profitability. The net outflows are mainly driven by the maturing CTF business and the run-off of our closed-book ring fenced funds.

Assets Under Management

Assets under management ('AUM') refers to the total market value of investments that the Company looks after on behalf of its customers. This is a key financial performance measure for the Company as its main source of income is from annual management fees which are taken as a percentage of AUM.

AUM as at 31 December 2025 were £5,969.3m, a 6% increase from the prior year (2024: £5,609.0m). Company funds delivered strong investment returns supported by improving global economic conditions and easing inflationary pressures. Equity markets strengthened across major regions, with momentum building through the second half of the year as market sentiment improved. International markets generally showed greater resilience, while renewed interest in UK equities contributed to a constructive domestic backdrop. Bond markets benefited from moderating inflation expectations and a more stable policy environment, helping diversify returns. Overall, market conditions provided a favourable setting for long-term investors despite periods of volatility.

Fee Income

Fee income is largely derived from management fees charged on AUM. Fee Income of £70.5m (2024: £69.5m) was 1% higher than the prior year driven by growth in average AUM.

IFRS Total Comprehensive Income

Total Comprehensive Income of £19.4m (2024: £11.8m) has increased by £7.6m year on year, with continuing revenue growth and strong returns on Company investments. Easing inflationary pressures and expectations of further interest rate cuts supported robust returns across all our major investment regions, delivering positive investment returns. This contrasts with 2024, where volatility in fixed income markets led to rising bond yields creating unrealised losses within our fixed income portfolio. In 2025, bond markets stabilised, and both sovereign and credit exposures delivered positive returns. Overall, the more favourable market conditions in 2025 resulted in materially stronger investment returns compared with 2024.

In 2025 Foresters' customers demonstrated that they value our services even during more volatile periods, allowing us to help more customers. The Company's ongoing strategic investment in products and distribution capability increased sales growth, contributing to a 7% increase in new business sales year on year, following 19% growth in 2024, and achieving record high sales levels.

In 2025, the deficit on our defined benefit pension schemes reduced materially to a deficit of £7,000 (2024: deficit of £1,451,000) due to ongoing contributions by the Company into the scheme as well as strong investment returns on scheme assets.

The Company has continued to invest in essential governance, IT and leadership capabilities, as well as long term strategic initiatives. This investment allows us to meet customer needs more efficiently and with a more tailored approach, as well as creating better ways to monitor and improve service quality.

Group Solvency Surplus

Group Solvency Surplus has increased £12.0m year on year to £181.1m (2024: £169.1m). This was primarily due to the growth in AUM which will derive higher fee income, increasing the present value of future profits (PVFP).

A £10m dividend was paid to the overseas parent company (The Independent Order of Foresters Fraternal Benefit Society (Canada)).

See [Section A](#) for further details on business and performance.

Section B - System of governance summary

The Group has established a well-defined governance framework, system of control and committee structure.

The Board sets and monitors adherence to the risk strategy, risk appetite and risk framework. The Board has established a risk management model that separates the business's risk management responsibilities into three lines of defence.

The Group's Risk Management Framework is integrated with the Own Risk and Solvency Assessment ('ORSA').

See [Section B](#) for further details on the system of governance of the Group.

Section C - Risk profile summary

The governance and risk management systems are consistent for the Group and FLL; and there are no significant differences in their key risks. Risk identification is embedded in the risk framework and is part of the business planning process. The identified risks are quantified using the standard formula to calculate the Solvency Capital Requirement ('SCR'). This methodology is considered to be a reasonable proxy for the risks

of the business and is designed to give 99.5% confidence that the group can meet its financial obligations over a one-year period.

The primary risk categories for the SCR calculation are:

- underwriting life insurance (including long-term health);
- market risk;
- default risk; and
- operational risk.

The principal risks to which the Group is exposed are:

- persistency risk (part of underwriting risk);
- market risk – principally equity risk, and currency risk on overseas investment assets; and
- expense risk (part of underwriting risk).

These three risks represent 91% of the pre-diversified regulatory capital requirement. The Group accepts these risks from a strategic perspective as they are integral to the business model.

The Group's exposure to market risk and persistency risk is driven primarily by its savings and investments business. Although most of the market risk exposure is borne by the policyholders, the Group has an indirect exposure as the primary source of income is from annual management charges. Increased encashments, transfers out and lapses reduce the overall value of Group's assets under management and therefore reduce income from annual management charges.

The Group's principal risks are expected to remain relatively stable over time although expense risk could increase if revenue growth is lower than planned.

See [Section C](#) for further details on the risk profile and [Section E.2](#) for SCR results.

Section D - Valuation for solvency purposes summary

There have been no material changes in the valuation methodology of the Group's assets during the year.

Assets, technical provisions and other liabilities are valued according to the requirements of the Solvency UK PRA Rulebook and related guidance. The principle that underlines the Solvency UK valuation methodology is 'fair valuation', i.e., the amount for which assets could be exchanged and liabilities transferred or settled by knowledgeable and willing third parties in an arm's length transaction.

As at 31 December 2025, the Group's excess of assets over liabilities was £415.3m (2024: £395.0m) on a Solvency UK basis, £240.6m (2024: £228.3m) higher than its IFRS net assets. The difference between net assets on a Solvency UK basis and on an IFRS basis is primarily due to differences in the valuation of technical provisions. The difference has increased £12.3m relative to the previous year primarily driven by favourable investment performance and new business volumes. See [Section D](#) for further details on the valuation of assets and liabilities as well as valuation differences between IFRS and Solvency UK and valuation methodology changes.

Section E - Capital management summary

The objective of the Group's capital management framework is to maintain sufficient Own Funds to cover the SCR and Minimum Capital Requirement ('MCR') with an appropriate buffer. The Group carries out regular reviews of the Solvency Ratio as part of its Group risk monitoring and capital management system process.

As at 31 December 2025, the Group SCR coverage ratio was 197.4% (2024: 196.4%) and FLL solo SCR coverage ratio was 193.1% (2024: 191.8%).

The Group SCR, which is calculated using the Standard Formula, was £186.0m as at 31 December 2025 (2024: £176.6m) while for FLL it was £184.9m as at 31 December 2025 (2024: £175.7m)

The table below sets out the capital requirements over the reporting period allowing for the eligibility restrictions:

Solvency UK capital position at 31 December	Group		FLL	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Eligible own funds	367,140	346,835	356,930	336,977
Solvency capital requirement	(186,028)	(176,638)	(184,879)	(175,678)
Surplus	181,112	170,197	172,051	161,299
Solvency ratio (%)	197.4%	196.4%	193.1%	191.8%

[Section E](#) of this report further describes the objectives, policies and procedures employed by the Group for managing its own funds and SCR.

Section F – Any other information

In line with PRA requirements, Sections D (Valuation for Solvency Purposes) and E (Capital Management) of this report have been audited.

A. BUSINESS AND PERFORMANCE

The 'Business and Performance' section sets out the Group's business structure, key operations and financial performance over the reporting period. Section A is unaudited.

A.1 Business

A.1.1 Company information

The Foresters Financial UK Group includes Forester Holdings (Europe) Limited ('FHE') and its subsidiaries.

FHE is the UK insurance holding company of the Group. It is a wholly owned subsidiary of The Independent Order of Foresters, a fraternal benefit society based in Ontario, Canada.

Forester Life Limited ('FLL') is the only solo insurance undertaking of the Group. FLL is a wholly owned subsidiary of FHE. It is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the PRA.

Both FHE and FLL are incorporated in the United Kingdom and registered in England and Wales.

The Group's registered office address and contact details of its external auditors and supervisory authorities are shown below:

Registered Office:

Foresters House
2 Cromwell Avenue
Bromley
BR2 9BF
Tel: +44 (0) 20 8628 3400
Fax: +44 (0) 20 8628 3500
Website: www.foresters.com

External Auditor:

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT
Tel: +44 (0)20 7583 5000

Supervisory Authority:

Prudential Regulation Authority (PRA)
20 Moorgate
London EC2R 6DA
Tel: +44 (0) 20 7601 4444

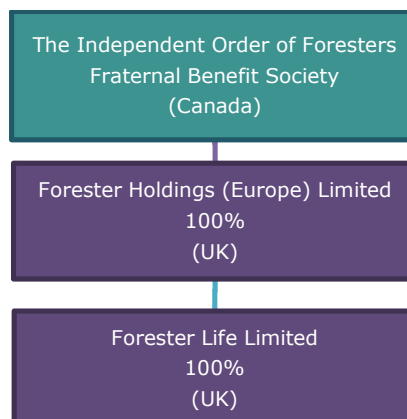
Supervisory Authority:

Financial Conduct Authority (FCA)
12 Endeavour Square
London E20 1JN
Tel: +44 (0)20 7066 1000

A.1.2 Group structure

The ultimate parent undertaking of the international group is The Independent Order of Foresters ('IOF'), a fraternal benefit society with headquarters in Ontario, Canada.

The UK Group corporate structure including the overseas parent is shown below.



A.1.3 Material lines of business

The material Solvency UK lines of business of the Group are as follows:

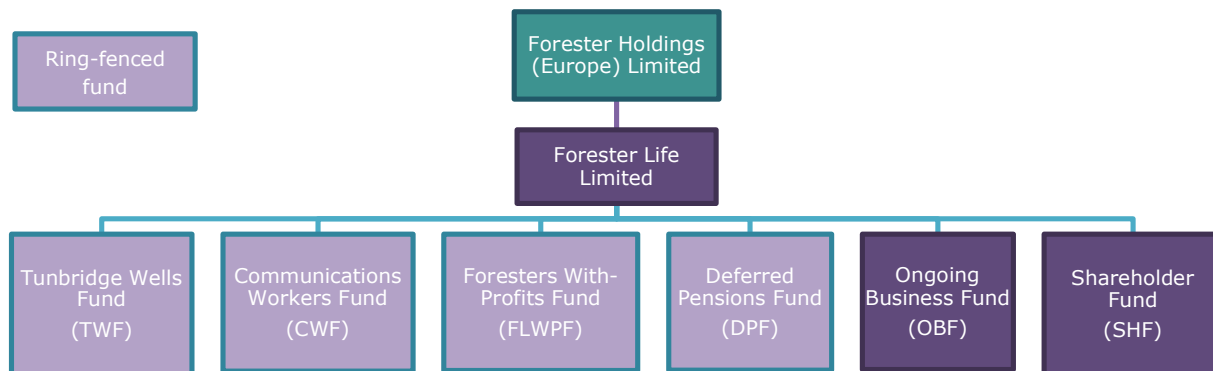
- Unit-linked investments
- With-profits funds
- Protection and Pension business

All of the Group's business is conducted in the UK.

A.1.4 Organisational structure

FHE has one actively trading wholly owned subsidiary, FLL.

FLL is the Group's principal operating entity. The Company operates four closed ring-fenced funds ('RFF's) alongside the Ongoing Business Fund ('OBF') and Shareholder Fund ('SHF'). This is represented in the structure chart below:



Policyholders of the Ongoing Business Fund ('OBF') hold various investment and insurance-based products including unit-linked, traditional life and annuities. The largest proportion of the fund is in respect of the adult and children savings unit linked business, which consists of adult individual savings accounts ('ISA's), junior individual savings accounts ('JISA's) and Child Trust Funds ('CTF's). Other unit-linked business held in the fund includes pensions and taxable savings plans. Insurance based products include an open book of protection and a closed annuities book.

The Shareholders Fund ('SHF') consists of assets that the company can utilise for its day-to-day operations. The assets are largely held in corporate and government bonds. The fund's assets do not back any policyholder liabilities.

The 4 RFFs are:

- Tunbridge Wells Fund ('TWF'):
The TWF was transferred to the Company in 2013 from Tunbridge Wells Equitable Friendly Society ('TWEFS') and is closed to new business. Existing policyholders hold various investment and insurance-based products, including pensions, annuities, traditional life, unit-linked and with-profits. An internal reinsurance arrangement was put in place in October 2021 between the TWF and OBF funds, the arrangement covers the Unit-linked, pensions, annuities and traditional Life products.
- Communication Workers' Fund ('CWF')
The CWF was transferred to the Company in 2011 from the Communication Workers Friendly Society ('CWFS') and is closed to new business. Existing policyholders hold various investment and insurance-based products, including with-profits. Existing policyholders are eligible for policyholder loans.

- [Forester Life With-Profits Fund \('FLWPF'\)](#)
The FLWPF was originally operated by the UK branch of IOF providing protection and savings products. The business of the FLWPF was transferred to the Company in 1995. This fund is closed to new business, although premiums on in-force business continue to be paid into it. Existing policyholders are eligible for policyholder loans.
- [Deferred Pensions Fund \('DPF'\)](#)
This business was originally part of OBF and was ring-fenced in 2016. It consists of pension products whereby contributions are invested on the policyholder's behalf by the Company. The policyholder's notional fund grows in line with a crediting rate declared by the Company and varied from time to time. On claim, a terminal bonus may be added to the policyholder's notional fund. The Company is entitled to 10% of the surplus in the fund and the terminal bonus rates allow for this. This fund is also closed to new business.

There are also two defined benefit pension schemes within the UK Group. Both are closed to new members or further accrual. The schemes are: TWEFS Retirement Benefit Scheme covered in the FLL accounts and Forester Group Employee Pension Scheme covered in the FHE accounts. The key IFRS numbers at 31 December 2025 for each scheme are as follows:

- The TWEFS Retirement Benefit Scheme had assets of £23.0m and a deficit of £7k.
- The Forester Group Employee Pension Scheme had assets of £5.2m and a surplus of £2.1m.

Further details of each scheme, as well as the defined contribution plan, are contained in the pension notes in the Annual Report and Financial Statements for each company.

A.1.5 Significant business or other events that have occurred during the period

Child Trust Fund maturities

Key to the Company's long-term strategy is the retention of matured CTF customers. As the CTF customers turn 18 and become eligible to access their savings, the Company aims to support them through their maturity journey. This year we have worked on improving the propositions for our CTF customers so that they can seamlessly continue their investment journey into adulthood. Supporting young adults as they establish positive lifelong saving habits, including helping them work towards future goals such as purchasing their first homes, is central to our Purpose. This approach enhances customer outcomes and strengthens our proposition to our younger but maturing customer base, supporting a sustainable long-term business.

A.1.6 Related party transactions

The Group had the following material related party transactions during the year (which include and are primarily between FLL and FHE which are part of the FHE Group):

- FHE incurs substantially all the operating costs for the FLL business and recharges the appropriate share to FLL for settlement in cash. During 2025, expenses recharged by FHE to FLL amounted to £51.5m (2024: £49.5m).
- FHE also incurs expenses relating to member benefits on behalf of the parent company IOF that are recharged via the UK branch of the parent company. During 2025, expenses totalling £4.2m (2024: £4.1m) were recharged to the UK branch of IOF.
- FLL owns the building which is occupied by the UK Head Office and charges rent to FHE. During 2024, rent charged by FLL to FHE was £0.4m (2024: £0.4m).
- FHE employs all UK staff. It also acts as principal employer for the pension scheme in the UK ('FGEPS').

At 31 December 2025, the intercompany balance between FLL and FHE was £8.8m (2024: £8.5m).

All related party transactions have taken place at terms that would have applied in an arm's length transaction. The intercompany creditor balances are unsecured and settled on a regular basis.

A.1.7 Change in accounting policies and errors

In 2025 there were no material corrections to previously reported results or changes in accounting policy.

A.2 Underwriting performance

This section covers the underwriting performance of the Group's principal operating subsidiary, FLL. As FLL prepares its financial statements in accordance with IFRS, the underwriting performance information given in this section is on an IFRS basis.

The below table shows a reconciliation of the opening and closing insurance contract liabilities, including items reflected in the statement of total comprehensive income and cash flows arising in the year.

	2025	2024
	£'000	£'000
Opening balance	343,063	364,090
Insurance revenue		
Contracts under the fair value transition approach	(10,145)	(8,894)
Other contracts	(56)	(1,155)
Total Insurance revenue	(10,201)	(10,048)
Insurance Service Expenses		
Incurred claims and other insurance service expenses	5,738	6,744
Amortisation of insurance acquisition cash flows	(152)	(252)
Losses and reversal of losses on onerous contracts	410	229
Total Insurance Service Expenses	5,996	6,721
Total Insurance Service result	(4,205)	(3,328)
Insurance Finance Income or Expense	29,642	22,857
Total Changes in the Statement of Comprehensive Income	25,437	19,530
Cash flows		
Premiums received	9,603	10,106
Claims and other insurance service expenses paid, including investment components	(41,929)	(50,042)
Insurance acquisition cash flows	(235)	(621)
Other movements	-	-
Total Cash flows and other movements	(32,561)	(40,557)
Net Closing balance	335,939	343,063

The primary driver of the decrease in insurance liabilities in 2025 is due to claims paid, which relate primarily to the runoff of the ring-fenced funds and are consistent with the expected run-off profile. This was partially offset by the return on assets held within the ring-fenced funds, net of tax, for which the return accrues to the policyholder.

A.3 Investment performance

This section covers the investment performance of the Group's principal operating subsidiary, FLL. As FLL prepares its financial statements in accordance with IFRS, the investment performance information given in this section is on an IFRS basis. The following tables show FLL's investment income by asset class:

FLL	Bonds & other fixed terms securities	Equities	Derivatives	Loans	Investment property	Other	2025 Total
Net Investment Income at 31 December 2025	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest & dividends	7,658	-	-	2,121	-	-	9,779
Net realised gains/(losses)	6,611	318,737	50,917	-	-	-	376,265
Net unrealised gains/(losses)	14,099	365,128	7,959	-	(710)	-	386,476
Rental income	-	-	-	-	425	-	425
Investment income	28,368	683,865	58,876	2,121	(285)	-	772,945
Investment expenses							(6,656)
Net investment income after deduction of investment expenses							766,289

FLL	Bonds & other fixed terms securities	Equities	Derivatives	Loans	Investment property	Other	2024 Total
Net Investment Income at 31 December 2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest & dividends	8,062	-	-	2,288	-	(1)	10,349
Net realised gains/(losses)	11,283	233,175	32,261	-	-	-	276,718
Net unrealised gains/(losses)	(439)	272,869	(13,737)	-	-	-	258,694
Rental income	-	-	-	-	425	-	425
Investment income	18,905	506,044	18,524	2,288	425	(1)	546,186
Investment expenses							(6,944)
Net investment income after deduction of investment expenses							539,242

Net investment income was higher in 2025 mainly driven by investment market gains on equities with positive returns across all our major investment regions. Bond markets benefited from moderating inflation expectations and stable markets, relative to prior year which demonstrated higher volatility and yields. The company uses derivatives to take some limited exposure to currency changes.

A.4 Performance of other activities

A.4.1. Fee Income

Fee income is largely derived from management fees charged on assets under management. Fee Income of £70.5m (2024: £69.5m) was 1% higher than the prior year based on a higher average level of assets under management.

A.4.2. Operating Expenses

FHE incurs substantially all the operating expenses for the Group's operations and earns a margin on expenses recharged to its principal operating subsidiary, FLL. FLL's operating expenses in the year were £51.3m and increase from the prior year (2024: £50.3m), primarily driven by inflation.

A.4.3. Any other information

There is no other information to report.

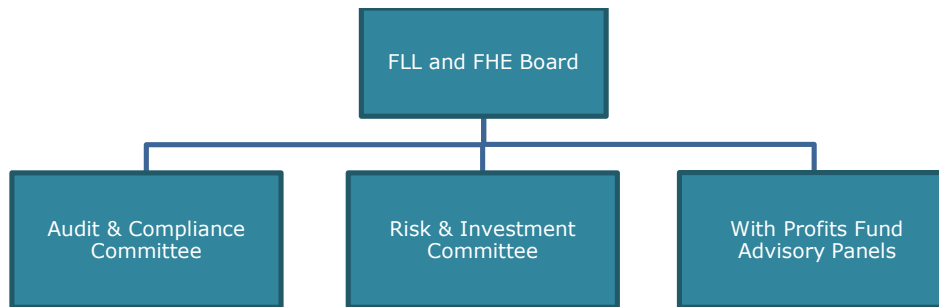
B. SYSTEM OF GOVERNANCE

This section of the report sets out information regarding the system of governance in place within the Group.

B.1 General information on the system of governance

The Group's organisational structure and relationship to its parent is clearly defined, with the roles of Chair of the Board and the Chief Executive Officer ('CEO') clearly differentiated and separate. The Chair is responsible for leading the Board while the CEO is responsible for implementing strategy and managing the Group through an executive team. There have been no material changes in the system of governance over the reporting period.

The structure of the Board and Board Committees of the active companies in the Group is set out below:



FLL and FHE Board

The Board of each company within the Group has the following general responsibilities:

- To develop and maintain the strategy of the Group and to be responsible for the management and oversight of the Group's business by reference to its agreed risk appetite.
- To ensure that the Group's business is conducted with integrity and in compliance with general statutory and regulatory provisions so as to protect the respective interests of policyholders, creditors and other stakeholders.
- To ensure compliance with the policies of ultimate parent company insofar as they apply to the Group, as well as any specific UK policies.
- To ensure compliance with the requirements of the primary regulators, being the PRA and the FCA and those of the ultimate parent's regulator (Office of the Superintendent of Financial Institutions or 'OSFI') where applicable.

The annual review of the Board's effectiveness is conducted by an external party periodically. This last occurred in 2024 and was deemed effective.

The Board generally meets four times per annum or more frequently if business needs require.

The '3 Lines of Defence' model and roles and responsibilities of key functions

The Group operates a 'three lines of defence' model that defines ownership and responsibilities for risk management. Risks are managed within the risk appetite set by the Board. The Board delegates authority to its committees and senior management to make decisions on risk. Primary responsibility for managing risks lies with business units.

1st Line of Defence

The first line of defence comprises all business areas other than those identified as second and third line. Operational management has ownership, responsibility and accountability for identifying, assessing, mitigating and monitoring risks. The first line owns and manages its risks within the agreed risk appetite and in compliance with the risk management framework.

2nd Line of Defence

Independent of the first line, the second line comprises the risk and compliance functions. The risk department is responsible for the design of the risk framework and providing specialist risk advice, oversight, challenge and assurance, and reports risk matters to the risk and investment committee.

3rd Line of Defence

The internal audit function operates as the third line in the three lines of defence model. Internal Audit provides independent assurance and advice on the effectiveness of the Group's risk management, governance and internal control processes. The Chief Internal Auditor reports to each Audit and Compliance Committee summarising the results and analysis of audit activity in the preceding period and providing an annual audit plan.

Audit & Compliance Committee

The Audit & Compliance Committee acts as an advisory committee to the Boards of the active Group companies (these being FHE and FLL). The Audit & Compliance Committee has been delegated responsibility by the Board for ensuring the integrity of each company's:

- financial reporting, including any regulatory financial reports;
- compliance function;
- systems of internal control;
- internal audit function;
- external audit arrangements; and
- assessment of reports from the internal and external auditors.

It makes recommendations to the Boards on the matters delegated to it, including on any necessary actions as appropriate.

The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the Group's expense, and to require the provision of any information from any Director or employee of the Group.

The Committee is drawn from the Independent Non-Executive Directors that sit on the FLL Board of Directors and at least one member is required to have relevant financial experience. Other Board directors will typically be invited to be in attendance at the Committee's meetings.

The Committee meets at least four times a year and additionally as and when it deems necessary to provide appropriate input to the Group Board meetings.

Risk & Investment Committee

The Risk & Investment Committee is an advisory committee to the Boards of the active Group companies.

The Risk and Investment Committee, on behalf of the Board, is responsible for:

- investment strategies and performance monitoring;
- risk management practices; and
- capital management.

It makes recommendations to the Board on matters delegated to it, with accompanying recommendations for action as appropriate.

The Committee is authorised by the Board to investigate any activity within its terms of reference. The Committee is authorised to obtain independent professional advice where necessary, at the Group's expense, and to require the provision of any information from any Director or employee of the Group.

The Committee is drawn from the Independent Non-Executive Directors that sit on the FLL Board of Directors. Other Board directors will typically be invited to be in attendance at the Committee meetings.

The Committee meets at least four times a year and additionally as and when it deems necessary to provide appropriate input to the Group Board meetings.

Investment Strategy

In carrying out its mandate for investment strategy, the Committee is responsible for formulating and recommending to the Board appropriate investment policies, strategies and procedures for the Group, including determining performance benchmarks, consistent with business plans and appetites for investment risk, having regard to liabilities, relevant regulatory requirements and the reasonable expectations of customers whilst taking account of the recommendations of the Actuarial Function Holder and the With-Profits Actuary as relevant.

Risk management

In carrying out its mandate for risk management, the Committee is responsible for:

- reviewing the Group's risk management framework, including its risk appetite, tolerances and policies by reference to current and relevant information and making such recommendations to the Board thereon as considered necessary;
- considering whether appropriate arrangements are in place to effectively manage and mitigate risks affecting the Group, including emerging risks, and whether the risk management function has appropriate resources and authority to ensure compliance with Group policies and procedures;
- reviewing at least quarterly the risk exposures facing the Group as well as the actions being taken to manage and/or mitigate these risks;
- considering the completeness of the risk profile presented and evaluating potential emerging or new risk issues facing the Group;
- considering whether risk exposures are being managed within approved risk appetite and tolerance levels and reviewing the adequacy of management actions and plans where levels of risk are in excess of tolerances; and
- reviewing Recovery and Resolution plans and overseeing Solvent Exit planning.

Capital Management

In carrying out its mandate for capital management, the Committee is responsible for:

- overseeing the updating of the Group's Own Risk and Solvency Assessment ('ORSA') including the Forward-Looking Assessment of Own Risk ('FLAOR') in accordance with the Group's ORSA Policy;
- considering on an ongoing basis whether the Solvency UK standard formula remains an appropriate proxy for the risk profile of the Group and making recommendations to the Board of FHE as appropriate; and
- making recommendations to the Board regarding the Internal Capital Target for the Group.

With-Profits Fund Advisory Panels

As the Company manages closed with-profits funds, it has established a With-Profits Advisory Panel. The Panel acts in an advisory capacity to inform decision-making by the Board in relation to the management of the With-Profits funds. The Panel acts in accordance with its own terms of reference, regulations affecting the management of with-profits business and in particular each fund's Principles and Practices of Financial Management ('PPFM').

The responsibility of the Advisory Panel is to provide an independent view on the management and operations of the funds and adherence to the terms and conditions outlined in the Transfer Instrument where applicable. Specifically, its responsibilities include the need to assess, report on and give advice (and, where relevant, recommendations) to the Board.

B.1.1 Remuneration policy

The Group's policy is to ensure that total remuneration of the executive directors is competitive with that of comparable organisations in the financial sector. As far as practicable the policy aims to provide a strong link between pay and performance without encouraging inappropriate risk taking.

The key objectives of the Group's remuneration policy are to consider remuneration arrangements which ensure that, for the relevant individuals, they promote effective risk management (avoid risk taking that exceeds risk appetite limits), positive customer outcomes and align with overall business and management strategy.

In addition, for employees who either effectively run the Group or whose activities have a material impact on the Group's risk profile, remuneration includes the following components to ensure an appropriate balance between the fixed and variable reward;

- the balance between fixed and variable components is such that the fixed element represents a sufficiently high portion of the total remuneration;
- a substantial portion of variable remuneration requires a deferred component of a period not less than three years;
- performance-related variable remuneration is based on a combination of the performance of the individual, the business unit concerned and the overall result of the Group;
- consideration of performance is based on financial and non-financial criteria; and
- any termination payments to relate to performance over the whole period of activity and do not reward failure;

Non-executive directors of the Group received remuneration totalling £230k during the year (2024: £205k).

B.1.2 Key functions

The Senior Managers and Certification Regime ('SMCR') provides a regulatory framework for high standards of fitness and propriety, conduct and accountability to be applied to individuals in positions of responsibility. Holders of Senior Management Functions ('SMF's) are the senior people who have ultimate responsibility for overseeing the various activities of Forester Life. Any individual holding a SMF must be approved by the PRA and the FCA before they can commence their role. Every Senior Manager has a Statement of Responsibilities ('SoR'), clearly setting out their role and responsibilities.

SMF role holders are accountable for understanding their role and accountabilities under SMCR.

The Chair of the Group Boards is accountable for ensuring that the Board members have the relevant skills and training to perform their duties which includes ensuring that Non-Executive Directors are fit and proper to perform their role on an ongoing basis. The ultimate decision-making body of a firm is its governing body, acting collectively, and individual accountability under SMCR does not cut across or undermine this.

The certification regime covers colleagues who within their roles have a significant impact on customers, the firm or market integrity. These colleagues do not require regulatory approval, but firms are required to check and certify, at least annually, that they are suitable to do their job.

All employees must comply with policies and procedures that are applicable to them to ensure that Group standards are maintained, including behaviours in line with the values of the group.

The regular cycle of appraisals and performance reviews provides the baseline for the on-going assessment of fitness and propriety along with the various assessments required under the SMCR regime for new and existing staff including annual certification where applicable.

B.2 Risk management system including the Own Risk and Solvency Assessment (ORSA)

An effective and embedded risk management framework is essential to maintaining sustainable, long-term business operations. The Group achieves this through a strong risk culture articulated by senior leaders and embodied by management at all levels through its governance structure and risk management processes.

Risk Governance

The Board has ultimate responsibility for the development and oversight of the risk management framework and for risk appetite which is an expression of the risk that the Group is willing to take. The Board delegates the oversight of risk management to the Risk & Investment Committee which will escalate matters of importance to the Board as required.

The Group's approach to risk-taking is quantified through its risk appetite statements so that the business can be managed in an environment of controlled, proportionate risk-taking to generate sustainable earnings and deliver long-term value to its members.

The risk framework is underpinned by a set of risk policies which establish principles for taking and managing risks across key risk categories. The risk management framework outlines roles and responsibilities through a 'Three Lines of Defence' model. This structure enables managers to have a clear understanding of their risk management responsibilities and assists in embedding an effective risk culture across the Group. It provides an oversight and decision-making framework within which material risks are identified, assessed, monitored and managed at both business area and company level.

The Risk Management function is an independent second line function. On a quarterly basis the Chief Risk and Compliance Officer ('CRCO') prepares and presents a risk report to the Risk & Investment Committee. The CRCO reports to the Chief Executive Officer and has access to the Board Chair and the Chair of the Risk & Investment Committee. This gives the risk function sufficient stature and independence.

Risk processes

Risk processes are used to identify, assess, manage, monitor and report risks.

Risk identification

The Key Risk Register is maintained by the CRCO after discussions with senior management, who have the most comprehensive view of the Group's risks and controls. This register is approved quarterly by the Executive Leadership Team and forms part of the Risk Report that is presented at each Risk & Investment Committee meeting.

In addition, the risk department meets with risk owners to provide oversight and challenge of risks, which are recorded on business area risk registers. Each risk owner is responsible for the completeness and accuracy of the information contained within their risk register.

Risk assessment

Each risk identified is evaluated and given a score based on the likelihood of the risk materialising and the severity of the impact if it were to occur, based on the UK's risk assessment matrix. The Group uses key risk indicators (KRIs) to help assess the most significant risks. KRIs provide information to management about whether a risk has crystallised or whether the risk profile is increasing, allowing management to take early mitigating actions.

Risk mitigation

The Group uses a range of risk management techniques to manage and mitigate risks, controlling risk exposures in line with risk limits. Risk owners provide details of any mitigating factors or controls in place against each risk, and these are recorded on the relevant risk register. Residual scores are then applied to each risk, to show the score once controls/mitigation has been applied. If the risk is outside risk appetite an

action plan is put in place, with progress against the plan reviewed regularly, or the risk is accepted and put onto the accepted risk register for regular review.

Risk events

The business units are responsible for reporting significant risk events and for ensuring that any necessary mitigating action is taken both in terms of the event itself and any control improvements that may be required. The Risk Management Function will record and track risk events engaging with each business area to track the completion of any required actions.

Risk monitoring and reporting

The CRCO provides an update on risk matters to the Executive Committee and the Risk & Investment Committee, which updates the Board. MI enables all significant risk positions to be monitored. Risk exposures including the solvency ratio are compared to the targets and limits established as part of the risk appetite framework.

ORSA Process

The ORSA can be defined as the entirety of the processes and procedures employed to consider the risk and capital implications of key decisions, including strategy and business planning. This ensures that the short-term and long-term risks that the business faces can be assessed on a current and forward-looking basis, and that the Group's solvency requirements are met at all times.

The Board and the Risk & Investment Committee play an integral role in the oversight of the ORSA at all levels. The results of the ORSA, together with the ongoing confirmation that the capital assessment continues to be conversant with the Group's risk profile and stated risk appetite levels, is integral to strategic decision making by executive management and the Board.

The ORSA process is outlined in the ORSA policy. The key aspects are outlined below:

- The ORSA report is produced, presented to and approved by the Board annually. However, an interim ORSA or an ORSA update, would be prepared if there was any change to the business or to the risk profile that could materially impact the solvency capital requirement over the remaining period of the plan.
- Risks are evaluated and compared to the Group's stated risk appetite. One of the Board's key determinants of risk appetite is by reference to the capital requirement generated by these risks from both a regulatory and an internal capital target perspective. The Board has concluded that the standard formula prescribed under the Solvency UK legislation for calculating the Solvency Capital Requirement ('SCR') accords, in the main, with the risk profile of the Group in calculating its solvency needs at the required 1:200 year level.
- Risk and capital management is linked to strategy with a forward-looking evaluation of the capital required to support the business plan and an assessment of the risk profile over the period of the business plan,
- The robustness of the capital output from the standard formula and the ORSA / FLAOR is scrutinised utilising scenario testing. A wide range of plausible scenarios, parameterised at the 1 in 200 level are developed based on events, the features of which respond to the key risks to which the business is exposed.
- The output from the scenarios is compared with the ORSA capital and the Internal Capital Target ('ICT') to ensure that the Group can withstand the effect of the scenario occurring. In circumstances where it is found that the ICT tolerance levels would be breached if the scenario occurred the reasons are evaluated and recommendations for management actions made in line with the Recovery Plan.

Assessment of adequacy of the System of Governance

Foresters assessed the adequacy of the system of governance of the firm through reports to the Board and its committees, which reviewed governance arrangements including the risk management framework, the policy framework, Board effectiveness and the effectiveness of the Compliance function. Governance

arrangements were deemed adequate given the nature, scale and complexity of the risk inherent in its business.

B.3 Internal control system

The Board has oversight responsibility for the management of risk within the Group. As such the Board provides oversight to ensure that the identified risks to which the business is exposed are being managed to a level commensurate with its stated risk appetite. The Board gains assurance that these responsibilities are met through the internal control framework. The control framework, and the basis upon which it operates, is articulated in a range of policies and procedures.

Based on information provided by management and independently by the Risk, Compliance and Internal Audit functions, the Board is able to form a view whether the internal control framework remains appropriate and if not, the actions that need to be taken as a result.

Control environment

The Board and Senior Management lead by example in communicating the importance of internal control and expected standards of conduct. The Board is assisted in carrying out its duties by various Committees and senior management as set out above.

Monitoring activities

This includes the process for evaluating adequacy of the internal control framework and reporting any findings or deficiencies. The key principles are that evaluations are carried out on a quarterly basis by control owners within business areas and oversight functions on an ongoing basis to ensure that the internal control framework is current, functioning as intended and remedial action is taken if considered necessary. This information is recorded on the risk and controls registers. Independent reviews of the internal control framework are undertaken by Internal Audit utilising a risk-based approach.

B.3.1 Compliance Function

The Compliance function seeks to assess and consider whether the Group adheres to all applicable legal and regulatory requirements and internal rules and policies governing its operations as applicable to conduct risk and FCA requirements.

The key responsibilities of the Compliance function are to:

- assess whether the compliance process is running effectively and to monitor that the statutory, regulatory and supervisory requirements are being met;
- monitor whether effective compliance controls and procedures are followed and whether corrective action is taken when compliance breaches are identified;
- identify, assess, advise on, monitor and report to the Board on compliance and conduct risks; provide compliance management education and tools to management and staff;
- monitor compliance with internal policies and standards; and
- promote an appropriate compliance culture.

B.4 Internal audit function

The Internal Audit function is provided by the IOF Internal Audit team. It is implemented through the process outlined below.

An audit plan aims to provide sufficient evidence to evaluate the effectiveness of the control environment across the Group. The audit plan considers those operations most affected by recent or expected changes, in processes or systems, including changes following acquisitions, restructures and new ventures. The plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions or major risk areas. Any proposed changes or update in the plan are reported to the Audit

& Compliance Committee for their review and agreement before they are incorporated into ongoing work. The Audit & Compliance Committee review and approve the plan at least annually.

Based on the annual plan, internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations, and information systems. This includes:

- effectiveness of the controls over the operations;
- reliability of financial and management reporting;
- safeguarding of assets; and
- compliance with laws, regulations, and contracts.

The Board requires that the Chief Internal Auditor (CIA) performs sufficient audit work and gathers other available information during the year so as to form a judgement regarding the adequacy and effectiveness of the control environment. The CIA communicates overall judgement regarding the Group's control environment to the Audit & Compliance Committee.

The CIA has no responsibility for any other function across the business, and reports administratively to and has free and unrestricted access to the President and Global and UK Chief Executive Officers, the Chair of the UK and Canadian Audit & Compliance Committees, and reports directly to the Audit & Compliance Committee. This reporting structure ensures independence of the Internal Audit function.

B.5 Actuarial function

The Group operates an Actuarial Function Policy which outlines the manner and principles under which the Actuarial Function Holder delivers his mandate with the Group.

B.5.1 Actuarial Function Responsibilities

The Actuarial Function Holder's broad responsibilities are ensuring the long-term financial stability of the Group and ensuring adequate customer protection through solvency.

The Actuarial Function Holder manages the reinsurance arrangements and contributes to the underwriting policy in line with the risk appetite of the Group.

Calculation of technical provisions

The Actuarial Function Holder provides the calculation of the technical provisions, in accordance with the methodologies and regulations; and the validation of the technical provisions. The Actuarial Function Holder reports on the appropriateness of the methodologies relative to the Solvency UK requirements; the appropriateness of the models for the purposes of calculation; the assumptions in the calculation of technical provisions; and the sufficiency and quality of data used.

Experience Analysis

The Actuarial Function Holder conducts an experience analysis for each of the risks which are material to each particular fund, an annual experience analysis at a detailed product level, for the purposes of setting assumptions and to provide management information.

B.5.2 Actuarial Function Reporting

The Actuarial Function Holder provides an annual Actuarial Function Report following the completion of the year-end results. The report covers actuarial opinion on the calculation of the technical provisions, assumptions, data, risk and uncertainty associated with the technical provisions, business and risk environment.

B.6 Outsourcing

Where the Group entrusts a third party with undertaking business activities on its behalf, it retains responsibility for such activities. Any such arrangements are governed by the requirements of the Third-Party Risk Management Policy ('TPRM').

The key objectives of the policy are:

- to establish clear oversight and management of all third-party relationships;
- to establish minimum and consistent standards for entering into, managing and exiting material third-party arrangements;
- to define and allocate responsibilities to ensure that these standards are upheld; and
- to ensure that the risks associated with entering into such outsourcing arrangements are effectively managed both at inception and on an ongoing basis.

The Group assures itself of the expertise and experience of the outsourced service provider ('OSP'). There is an initial capability analysis of the proposed provider to ensure that they can meet financial, regulatory and service obligations.

Monitoring and reporting against material outsourcing and third-party arrangements provide the Group's senior management with assurances that all current outsourcing arrangements remain within risk appetite, and that they are performing within expected tolerances. It is the responsibility of each outsourced service relationship manager to ensure that:

- clear contact, reporting and escalation processes are in place to manage the day-to-day relationship within a 'business-as-usual' environment;
- material outsourced service providers are providing key performance data and breach reporting per their contractual obligations;
- material issues raised are escalated to the relevant governance body;
- the outsourced service provider maintains its 'credit worthiness' and does not pose a material credit risk to the Group.

B.6.1 Material outsourced services

Material outsourcing relationships exist in respect of the following processes:

- Investment management
- Underwriting administration
- Policy administration software development and maintenance.

The providers of these outsourced services are all based in the UK.

B.7 Any other information

There is no other additional information to report.

C. RISK PROFILE

The 'Risk Profile' section provides information on the key risks that the Group is exposed to, as well as corresponding processes for monitoring the risk exposures and the techniques in place for mitigating these risks.

Overview of risk profile

This section outlines the Group's risk profile for each risk category.

The key risk drivers, based on the SCR are market risk, persistency risk and expense risk. The Group's main source of income is derived from annual management charges levied on policyholders for managing their funds. The Group is exposed to market risk as fees are charged on a percentage basis of assets under management and falling markets or increased encashments, transfers out or lapses lead to reduced assets under management and therefore lower revenues. By the nature of the business model, the UK Group is exposed to expense risk from expense inflation and/or the inability to achieve revenue growth to support its expense base, coupled with external factors such as an increase in regulatory costs.

The Group's secondary risks are underwriting risks linked with traditional life and health products and the costs of providing guarantees within the with-profits funds.

Climate change risks are also considered by the Executive and the Board through the Risk & Investment Committee. The UK CRCO is responsible the identification, monitoring and management of climate-related risks and opportunities. Whilst the impacts are small currently, the Group recognises that climate change has the potential to have a more material impact on the business in future periods.

C.1 Underwriting risk – Life insurance (including health similar to life)

As the sole insurance undertaking of the Group, FLL's key underwriting risks are persistency risk and expense risk. It is exposed to variances in persistency (including mass lapse) and expense experience, relative to the expected experience on which pricing and reserving is based. It is also exposed to future systemic trends and volatility in underwriting risks, which are not allowed for in the pricing or reserving assumptions.

Lower persistency for investment products decreases the charges earned; higher persistency for with profits products increases the potential costs of options and guarantees for those biting. Persistency risk is actively monitored for any trends that would cause detriment to the capital position of the Group.

By the nature of the business model, the Group is exposed to expense risk from expense inflation and the inability to achieve revenue growth to support its expense base, coupled with external factors such as an increase in regulatory costs. As such, expense risk is accepted as a strategic risk. The general approach taken is to manage expense risk to an acceptable level, through a combination of sound corporate and risk governance and strong systems and controls.

The Group is exposed to variances in mortality, longevity and morbidity experience and future trends in its portfolio, though overall exposure is low, and mainly relates to the life, annuity, pension schemes and health portfolios. The Group monitors the experience of these products annually and manages the mortality, morbidity and longevity risks through robust underwriting processes.

There are no material concentrations of underwriting risks at the Group level or in the underlying sub-funds.

There have been no material changes over the reporting period in the underwriting risks to which the Group is exposed.

Section E.2 provides detail on the amount of risk capital held in respect to the Life Risks.

C.2 Investment Market risk

The Group's key market risks are equity risk and currency risk, while its secondary risks include interest rate risk, credit spread widening, and property risk. These risks primarily arise from its investment products.

The Group manages these risks through compliance with investment policies and procedures, escalation of breaches, regular governance meetings with investment managers, and an annual review of investment strategies. Day-to-day fund management activities are outsourced, but the Group retains overall responsibility and oversight for all investments.

There are no material concentrations of market risks at the Group level or within the underlying sub-funds.

Equity Risk

The Group is exposed to equity risk through its investment portfolios. Falls in these portfolios reduce the charges earned, as these are linked to the value of the portfolios. The Group is susceptible to both short-term market crashes and longer-term declines, along with volatility-related uncertainty.

Beyond the reduction in investment-related charges, the Group's principal operating subsidiary, FLL, has direct exposure to market risk in several areas:

- Asset portfolios backing protection and annuity policies
- Costs of options and guarantees
- Equity holdings in the shareholder fund
- Assets underlying the closed defined benefit section of the staff pension scheme

If losses reach a level that affects the solvency of ring-fenced funds, FLL would be required to inject capital to restore the required financial position.

Currency Risk

The Group is exposed to fluctuations in the value of non-Sterling assets due to exchange rate movements. To mitigate this risk, the Group employs currency hedges.

Interest Rate Risk

Changes in the yield curve impact the present value of future charges held as assets on the balance sheet. They also affect the cost of options and guarantees within the with-profits funds.

The Group actively manages this risk by:

- Measuring and monitoring exposure quarterly, or more frequently when necessary.
- Ensuring strong credit quality and duration matching for assets backing protection and annuity portfolios.

C.3 Credit risk

Credit risk arises from the potential default or deterioration in credit quality of issuers, counterparties or borrowers, which could reduce investment values or income. The Group takes credit risk positions in its investment and insurance portfolios through investments in government bonds and corporate debt. In unit-linked business and ring-fenced funds, the credit risk is assumed by the customer. However, the Group has indirect exposure through potential loss of revenue derived from annual management charges on funds under management.

The direct exposure to credit risk exists within shareholder funds, where potential losses may arise.

To manage credit risk, the Group:

- Invests its own funds in only in investment-grade bonds (rated BBB- or higher), though as of 2026 customer funds started to include an allocation of lower rated / high yield bonds.
- Monitors external fund managers' portfolios for compliance monthly.
- Reviews its investment strategy annually.

C.4 Liquidity risk

Insufficient liquid assets to meet obligations as they fall due. Managed through daily cash monitoring, liquidity buffers, near-liquid investments and committed banking facilities. Given the unit-linked nature of the business, no additional capital is held specifically for this risk.

The Group actively manages its liquidity risk through:

- Monthly monitoring of short-term liquidity requirements.
- Analysis of lapse patterns and claims variances to assess cash flow stability.
- Liability duration analysis to ensure adequate asset-liability matching.
- Stress and scenario testing to evaluate resilience under adverse conditions.

A stressed liquidity metric is calculated using Standard & Poor's liquidity model, which assesses the Group's ability to meet liquidity demands under an immediate stress scenario with a 1-month timeframe.

C.5 Operational risk

While doing business, the Group is exposed to operational risks and conduct risks. Operational risk events can result in disruption to systems and processes, financial losses, customer detriment and/or reputational damage.

The key operational risks are:

Regulatory

Changes in laws or regulation may increase costs, restrict business models or require operational change. Managed through horizon scanning, compliance oversight and proactive implementation of regulatory developments.

Cyber Risk

Risk of cyber-attack or data breach leading to operational disruption, financial loss, regulatory fines or reputational damage. Mitigated through ongoing investment in security controls, penetration testing, disaster recovery planning and cyber insurance.

Outsourcing & Third-Party Risk

Failure or disruption of key suppliers could affect service delivery and customer outcomes. Managed through due diligence, business continuity planning and the Third-Party Risk Management framework.

People Risk

Inability to attract or retain skilled employees could delay strategic delivery and impact service quality. Managed through workforce planning, competitive reward structures, engagement surveys and performance management.

The risk appetite framework outlines the level of operational risk exposures that the business is willing to tolerate, supported by metrics which are reported on an exception basis to the Risk & Investment Committee along with agreed management actions to bring them back within risk appetite. The approach taken to operational risk is to manage it to an acceptable level through a combination of sound corporate and risk governance, systems and controls. Where appropriate, insurance is in place to limit the financial impacts of operational risks. The impacts of extreme but plausible operational risk scenarios are quantified in the ORSA

on both a current and a forward-looking basis. This is used to consider operational risk capital requirements and to inform operational risk management across relevant business units.

C.6 Conduct risk

There is a strong emphasis on managing conduct risk to ensure the fair treatment of customers and stakeholders. This is crucial for maintaining trust and compliance, especially with the FCA's Consumer Duty.

- **Conduct Risk Monitoring:** The company has a minimal appetite for the risk of not meeting the Consumer Duty and is actively managing and overseeing conduct risk to prevent any negative impacts on customer outcomes. Specific conduct key risk indicators are analysed and reported quarterly to the Risk & Investment and Audit & Compliance Committees. These reports cover issues such as complaint volumes, regulatory breaches, call monitoring of Field Advisers, and completion of mandatory training. Any indicator falling outside the acceptable range is closely scrutinised, with management taking prompt action to restore it within tolerance.
- **Support for Vulnerable Customers:** The company focuses on addressing the needs of vulnerable customers, ensuring their proactive identification and appropriate recording to allow robust monitoring of good customer outcomes. Staff are appropriately trained and tailored communication and support strategies in place. As one of the UK's largest Child Trust Fund providers, we have a large base of young customers. We take extra care to ensure our communications are clear, accessible, and regularly reviewed to make sure they meet the needs of both young people and their families.

C.7 Other Material Risks

C.7.1. Strategic risk

Risks that arise from the Group's strategic objectives and the execution of the strategy. These include ineffective assessment or implementation of strategic initiatives, assumptions that are later proven to be incorrect and the risk of not executing the strategy within agreed scope, timelines and costs. These risks are mitigated through Board and Executive oversight of strategic plans including regular review and challenge. A suite of key strategic performance indicators is presented to the Board quarterly to enable the success of the strategic initiatives to be monitored.

C.7.2. Climate Risk

Climate change gives rise to both transition risks, associated with the shift to a lower-carbon economy and physical risks arising from more frequent or severe weather events. The most material climate related risks are those which heighten existing key risks, such as changes in customer behaviour increasing Persistency risk. Investment Market risk and Expense risk could increase due to the impact of climate change on the wider economy, inflation and markets. These risks are managed by observing and acting upon long-term scenario analysis, which includes specific climate related considerations, as well as the procedures described for the other corresponding risks (persistency, investment market and expense risk) in this disclosure.

C.7.3. Counterparty risk

There is a risk of counterparty default from bond issuers, banks including custodians and reinsurance on certain lines of closed book business.

The most significant counterparty risk arises from fixed-income investments, which are regularly monitored and restricted to a defined credit quality level to manage default risk effectively.

The Group utilises banking arrangements with banks with ratings, equal to or higher than P-1 (Moody's) or A-1 (S&P).

FLL reinsures a small proportion of its health underwriting risks, with low overall exposure to reinsurer failure. Reinsurance premiums and claims are monitored on a quarterly basis.

Derivatives are used in a number of FLL's funds, within Investment Policy guidelines based on the principles of risk reduction, efficient portfolio management, tactical asset allocation, obtaining or hedging market exposures and cash flow management. The Group does not hold derivatives for speculative purposes, and outright short selling is not allowed.

The Group is exposed to risk arising from the failure of derivative counterparties. Most transactions are contracted and documented under ISDA (International Swaps and Derivatives Association, Inc.) agreements. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure.

The Group has some exposure to default risk through secured loans to policyholders, collateralised against their plan value. The exposure is managed by reviewing the portfolio regularly.

C.7.4 Emerging Risks

Newly developing or changing risks which are difficult to quantify, and which may have a major impact on the Group. Typically, the drivers for these risks are external to the company arising from changes in the macro-economic environment including geopolitical, technological, environmental and regulatory changes. The Group is continuously monitoring for the emergence of such risks and reviewing whether they are a key risk and whether any mitigating actions should be taken.

C.8 Any other information

There is no other information to report.

D. VALUATION FOR SOLVENCY PURPOSES

The 'Valuation for Solvency Purposes' section provides a description of the bases, methods and main assumptions used in the valuation of assets, technical provisions and other liabilities for each material asset/liability class under Solvency UK.

Assets and liabilities have been valued according to the requirements of the Solvency UK ('SUK') PRA Rulebook and related guidance. The basis for the Solvency UK valuation principle is the amount for which the assets or liabilities could be exchanged between knowledgeable willing parties in an arm's length transaction.

The tables below set out a summarised balance sheet as at 31 December 2025, comparing assets and liabilities as reported in the IFRS financial statements and the Solvency UK balance sheet in respect of the FHE Group and FLL.

Table 1 – FHE Group – Balance Sheet – IFRS and Solvency UK

FHE Group	IFRS	IFRS reclassified	SUK Valuation adjustment	Solvency UK	SFCR Note
As at 31 December 2025	£'000	£'000	£'000	£'000	
Deferred acquisition costs	19,424	-	(19,424)	-	D.1.1
Intangible assets	11,392	-	(11,392)	-	
Deferred tax asset	-	-	-	-	D.1.2
Employee benefit asset	2,099	-	-	2,099	
Property, plant and equipment held for own use	7,316	-	-	7,316	D.1.3
Holdings in related undertakings, including participations	-	-	-	-	D.1.4
Reinsurance contract assets	2,592	5,561	(6,731)	1,422	D.1.6
Equities	5,272,033	(5,272,033)	-	-	
Bonds	566,254	(371,131)	-	195,123	
Collective Investment Undertakings	-	304,304	-	304,304	D.1.4
Derivatives	12,327	(12,327)	-	-	
Assets held for index - linked and unit - linked business	-	5,466,283	-	5,466,283	
Loans to policyholders	6,086	-	-	6,086	D.1.5
Cash & cash equivalent	101,642	(72,736)	-	28,906	D.1.4
Receivables	36,526	(4,599)	-	31,927	D.1.7
Total assets	6,037,691	43,322	(37,547)	6,043,466	
Technical provisions	5,807,490	(3,319)	(344,756)	5,459,415	D.2.1
Pension benefit obligations	7	-	-	7	D.3.1
Deferred tax liabilities	8,535	-	64,997	73,532	D.1.2
Derivatives	4,368	(4,368)	-	-	D.1.4
Intermediaries payable	24,479	14,213	-	38,692	D.3.2
Payables (trade, non-insurance)	18,030	36,796	1,651	56,477	D.3.2
Total liabilities	5,862,909	43,322	(278,108)	5,628,123	
Excess of assets over liabilities	174,782	-	240,561	415,343	

Table 2 – FLL – Balance Sheet – IFRS and Solvency UK

FLL	IFRS	IFRS	SUK	Solvency	SFCR
As at 31 December 2025	£'000	reclassified £'000	Valuation adjustment £'000	UK £'000	Note
Deferred acquisition costs	19,424	-	(19,424)	-	D.1.1
Intangible assets	2,552	-	(2,552)	-	
Deferred tax asset	-	-	-	-	D.1.2
Property, plant and equipment held for own use	5,000	-	-	5,000	D.1.3
Reinsurance contract assets	2,592	5,561	(6,731)	1,422	D.1.6
Equities	5,272,033	(5,272,033)	-	-	D.1.4
Bonds	566,254	(371,131)	-	195,123	
Collective Investment Undertakings	-	304,304	-	304,304	
Derivatives	12,327	(12,327)	-	0	
Assets held for index - linked and unit - linked business	-	5,466,283	-	5,466,283	
Loans to policyholders	6,086	-	-	6,086	D.1.5
Cash & cash equivalent	101,265	(72,736)	-	28,529	D.1.4
Receivables	33,858	(4,866)	-	28,992	D.1.7
Total assets	6,021,391	43,055	(28,707)	6,035,739	
Technical provisions	5,807,490	(3,319)	(342,492)	5,461,679	D.2.1
Pension benefit obligations	7	-	-	7	D.3.1
Deferred tax liabilities	5,913	-	66,641	72,554	D.1.2
Derivatives	4,368	(4,368)	-	-	D.1.4
Intermediaries payable	24,479	14,213	-	38,692	D.3.2
Payables (trade, non-insurance)	19,493	36,529	1,651	57,673	D.3.2
Total liabilities	5,861,750	43,055	(274,200)	5,630,605	
Excess of assets over liabilities	159,641	-	245,493	405,134	

The Solvency UK consolidated balance sheet for the Group has been prepared using default accounting consolidation-based method ('Method 1').

D.1 Assets

Assets have been valued according to the requirements of the Solvency UK PRA Rulebook and related guidance. The basic principle of valuing assets under Solvency UK is to determine the amount at which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

The general principles for measuring asset valuations under Solvency UK are as follows:

- Wherever possible, the fair value of assets must be based on quoted prices in active markets or based on readily available prices in orderly transactions that are sourced independently.
- Where valuation based on quoted prices in an active market is not possible, mark-to-model procedures should be used (mark-to-model is a pricing method for a specific investment position or portfolio based on internal assumptions or financial models). When using mark-to-model, undertakings will continue to maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

There have been no changes made to the asset recognition and valuation bases used or to estimations during the reporting period.

The description of valuation differences between IFRS and Solvency UK balance sheet, by material asset class, is provided below:

D.1.1 Intangible assets and deferred acquisition costs

Under IFRS, the Group recognises intangible assets in respect of acquired management contracts and capitalised software development costs.

Under IFRS, identifiable intangible assets which are recognised as part of business combination are initially valued at fair value and subsequently amortised over their economic useful lives.

Based on the Group's assessment, these intangible assets do not meet the Solvency UK recognition criteria and therefore they are ascribed nil value on the Solvency UK balance sheet.

The Group recognises deferred acquisition costs ('DAC') in respect of its investment business on the IFRS balance sheet. These comprise of the incremental costs of obtaining a contract when these costs are expected to be recovered. The incremental costs for obtaining a contract are those costs that the Group would not have incurred if the contract had not been obtained.

Deferred acquisition costs are recognised at nil value under Solvency UK.

D.1.2 Deferred tax asset/liabilities

FLLs IFRS deferred tax liability ('DTL') primarily relates to unrealised and deferred gains on financial assets. In addition, in IFRS the Group has a deferred tax liability ('DTL') in respect of the TW intangible (which is removed for Solvency UK ('SUK')) and the pension scheme.

Deferred tax liabilities are accounted for using the liability method, whereby tax expected to be payable or recoverable is calculated on temporary differences arising between the carrying amounts of assets and liabilities under IFRS and the tax assets and liabilities calculated under the regulations of HMRC.

An additional deferred tax liability arises on the valuation differences between IFRS and Solvency UK, recognising the temporary timing difference between the carrying value of Solvency UK assets and liabilities and the tax regime under which the Group operates.

The components of the net deferred tax balance in the Solvency UK sheet are shown in the table below:

Net Deferred Tax adjustment at 31 December 2025	FHE Group £'000	FLL £'000
Net IFRS deferred Tax (liability) / asset	(8,534)	(5,913)
Deferred tax on Solvency UK ('SUK') adjustments:		
- Tax on SUK valuation adjustments on ring fenced funds	(634)	(68)
- Tax on Present Value of Future Profit on unit-linked business net of risk margin	(71,867)	(71,867)
- Tax impact on removal of DAC	4,655	4,656
- Tax impact on removal of TW Intangible assets	2,848	638
Total deferred tax on SUK adjustments	(64,998)	(66,642)
Net Deferred Tax on SUK balance sheet	(73,532)	(72,554)

D.1.3 Property, plant and equipment held for own use

Property refers to the Foresters House building and the land on which it was built. As the property is held at fair value under IFRS, there is no difference in the valuation under Solvency UK. An annual independent valuation is carried out to determine the fair value of the land and building.

For all other equipment, IFRS carrying values are assumed to approximate fair value. [D.1.4 Financial assets](#)

D.1.4 Financial assets

Financial investments and cash are measured at fair value under both IFRS and Solvency UK. The methods and assumptions used by the Group in estimating the fair value of financial assets are:

- Bonds: Fair values are generally based upon quoted market prices. Where market prices are not readily available, fair values are estimated using values obtained from quoted market prices of comparable securities or other inputs that are observable in active markets.
- Equities: Fair values are based upon quoted market prices. For Solvency UK reporting the equity securities are re-classified as Collective Investment Undertakings.

- Derivatives: Fair values are based upon quoted market prices for the Futures contracts and on observable active market data for the Over the Counter ('OTC') FX Forwards.
- Cash: The carrying value of cash and cash equivalents approximates their fair value.

D.1.5 Loans on policies

Following adoption of IFRS 17, an accounting basis, policyholder's loans are shown within insurance contract liabilities cash flows on the IFRS balance sheet. Their value is a reasonable approximation of fair value.

D.1.6 Reinsurance recoverable

Please see [Section D.2](#) 'Technical Provisions' for the valuation of Reinsurance recoverable.

D.1.7 Receivables (trade, insurance, reinsurance and intermediaries)

Under Solvency UK, the value of receivables is based on the discounted cash flows arising from the receivables, adjusted for the risk of default.

Receivables are carried at cost less any impairment. Given the short-term nature of these assets (due within one year), this is a reasonable approximation of fair value.

D.1.8 Significant Estimates

There are no significant assumptions and judgments applied when calculating the Solvency UK valuation of assets other than the ones already described above.

D.2 Technical provisions

D.2.1 Technical provisions by material line of business

The Group values the technical provisions as the best estimate reserves plus a risk margin as set out in the Solvency UK rules.

The following table sets out the FHE Group's and FLL's technical provisions split by Solvency UK line of business.

The best estimate liabilities and the risk margin are provided separately except in the case where technical provisions have been calculated as a whole.

The methodology and assumptions used in the calculation of technical provisions are covered in section D.2.2.

FLL	Technical Provisions	Best Estimate	Risk Margin
Line of business at 31 December 2025	£'000	£'000	£'000
Insurance with profit participation	229,530	229,348	182
Index - linked and unit linked	5,174,625	5,143,044	31,581
Life annuities	16,442	15,309	1,133
Other life insurance	31,010	30,601	409
Health insurance	10,072	10,051	21
Total gross life insurance obligations	5,461,679	5,428,353	33,326
Consolidation adjustment	(2,264)	(2,376)	112
Total FHE Group life insurance obligations	5,459,415	5,425,977	33,438

The FHE Group technical provisions are lower than the FLL technical provisions, due to a consolidation adjustment applying an intercompany expense recharge from the best estimate cash flows.

D.2.2 Valuation Methodology

The best estimate liabilities ('BEL') are calculated by projecting future cash-flows on in-force business, using best estimate demographic assumptions and the prescribed risk-free interest rate for investment return assumptions, and discounting these projected cash flows using the same prescribed risk-free interest rate.

The cash-flows cover future premiums contracts within the contract boundary, associated guaranteed benefits, with-profits discretionary benefits, expenses for administration and investment management, commission, fee income and tax (where policyholder tax applies).

The with-profits value of guaranteed benefits includes the sum assured and declared annual bonuses to date, and the value of future expenses. It excludes the value of future annual bonuses and final bonus. It is net of the value of future premiums.

Discretionary benefits apply only to with-profits business and are equal to total asset share, cost of guarantees, cost of smoothing and cost of financial options less the value of guaranteed benefits. The costs of guaranteed benefits are modelled stochastically.

The best estimate liability is calculated gross of reinsurance, with the reinsurance valued as an asset.

The risk margin is the cost of holding the Solvency UK capital requirement for non-hedgeable risks on in-force business in all future years. The cost of capital is 4% per annum with a risk tapering factor, which is set in line with the PRA's requirements.

The Group is not making use of the following PRA Rulebook/Solvency UK Firms rules:

- the Matching adjustment, as described in the Matching Adjustment;
- the Volatility adjustment, as described in the Technical Provisions section:8 – Volatility Adjustment; and
- the Transitional Measures on Risk-free Rate, Equity and Technical Provisions, as described in the Transitional Measures section: 5 - Standard Formula: the Basic SCR with regard to equity risk, 10 – Risk Free Rate, and in the Transitional Measure of Technical Provisions.

D.2.3 Assumptions

The key insurance assumptions are lapse and expense assumptions. Lapses are monitored quarterly, and the assumptions set annually using internal data, relevant to the particular product group. Administration expenses are reviewed monthly, and assumptions set annually based on the Group's budget and future trends in expenses. Other insurance assumptions such as mortality or morbidity are reviewed annually, using internal and external data as appropriate.

The key investment assumptions are investment growth, the discount rate and inflation. Investment growth and the discount rate use the Solvency UK risk-free rates, specified by the PRA and are updated quarterly.

D.2.4 Uncertainty of Cash-flows

The cash-flow projections used in the calculation of the best estimate liabilities are calculated using the best estimate assumptions, which are set with market data and experience data. Actuarial judgement is exercised in the assumptions setting and modelling processes.

Uncertainty of cash-flows arises from the potential mismatch between expected and actual future cash flows. The best estimate assumptions will be updated according to experience and market changes over time, which consequently results in a change in the best estimate liabilities.

Key sources of uncertainty come from factors that materially affect the future level of net charges / income of unit-linked investment products, as a percentage of the future level of assets under management. This includes policyholder behaviour, expenses, and market condition changes (investment growth, risk-free rates and inflation).

D.2.5 Solvency UK ('SUK') and IFRS valuation differences

The table below shows the IFRS and the Solvency UK technical provisions of FLL valued as at 31 December 2025. The material differences between IFRS and Solvency UK valuation of liabilities relate to the treatment of non-unit reserves for unit-linked investment products (including risk margin), the treatment of the surplus in the with-profits funds, and other IFRS17 Insurance Contract Liability components including Contractual Service Margin (CSM) and Liability for Incurred Claims (LIC). Best estimate insurance assumptions are aligned between IFRS and Solvency UK. Liability discount rates of IFRS and Solvency UK differ by the illiquidity premium.

FLL	IFRS Technical Provisions	SUK Technical Provisions	Difference in Technical Provisions
Line of business at 31 December 2025	£'000	£'000	£'000
Insurance with profit participation	317,100	229,530	87,570
Index - linked and unit linked	5,471,551	5,174,625	296,926
Life annuities	16,424	16,442	(18)
Other life insurance	(5,173)	31,010	(36,183)
Health insurance	7,588	10,072	(2,484)
Total gross life insurance obligations	5,807,490	5,461,679	345,811

Insurance with profits participation - Under IFRS, the Unallocated Divisible Surplus ('UDS') represents the amount of assets held over realistic liabilities, effectively the Estate. With IFRS 17, the shareholders' share of the estate is included in equity and policyholders' share is in the reserves, whereas all of the estate is excluded from the Solvency UK technical provisions, and treated as own funds, albeit restricted.

Index-linked and unit-linked - These policies are classified as investment contracts for the purposes of IFRS reporting and therefore fall within scope of IFRS 9. As a result, future profits are not recognised. This is in contrast to Solvency UK reporting, where no such distinction is applied. Hence the IFRS non-unit reserves are zero while under Solvency UK the 'best estimate' of liabilities includes non-unit reserves which can be less than surrender amounts.

Under the IFRS17 reporting standard, insurance contract liabilities include Risk Adjustment, CSM and LIC. While the risk adjustment is largely comparable to the Solvency UK risk margin, CSM and differences in the treatment of claims outstanding within LIC may cause IFRS technical provisions to be larger. This is offset by the introduction of illiquidity premium in the discount rate which is applied to the cashflows to calculate IFRS liabilities. There is some recategorization of liabilities between Insurance with profit participation and Other life insurance.

The movements for the Group are materially the same as for FLL as shown above.

D.2.6 Reinsurance Asset

The Group's insurance subsidiary FLL has various treaties in the OBF related to legacy business, where only a minimal number of policies were still in-force; and treaties in the TWF (mainly sickness policies).

As discussed in section C, mortality and morbidity risks are not significant for the Group.

The value of the reinsurance asset is modelled as the best estimate of expected reinsurance recoveries less reinsurance premiums due. On the grounds of materiality, this is modelled for TWF only. Both the recoveries and premiums due should be adjusted for expected counterparty default. However, FLL assumes this to be constant over time and to equal zero because reinsurance arrangements have been placed only with large, multinational reinsurers with a good credit rating. The approach is deemed reasonable given the volume of business being reinsured.

FLL has also put in place an internal reinsurance arrangement in 2021, ceding TWF non-profit liabilities to OBF. At the FLL company level, this reinsurance arrangement has nil impact.

The Group has no special purpose vehicles as defined in the PRA Rulebook/SUK Firms/Insurance Special Purpose Vehicles.

D.2.7 Changes since previous reporting period

The Solvency UK best estimate demographic basis has been updated to reflect the results from the 2025 annual experience analysis. As part of our continued effort in modelling and methodology refinements, there was an update made to the post-maturity persistency basis for Child Trust Funds, which increased the best estimate liability by £10m.

D.3 Other liabilities

Liabilities have been valued according to the requirements of the Solvency UK PRA Rules and related guidance. The basic principle of valuing other liabilities under Solvency UK is to determine the amount at which a liability could be transferred or settled between knowledgeable willing parties in an arm's length transaction.

There have been no changes made to the other liability recognition and valuation bases used or to estimations during the reporting period.

D.3.1 Pension benefit obligations

The Group has two defined benefit pension schemes – the Tunbridge Wells Equitable Friendly Society retirement benefit scheme ('TW pension scheme') and the FHE Group Employee Pension Scheme. Both schemes are closed to new members.

The TW pension scheme was acquired as part of the acquisition of Tunbridge Wells Equitable Friendly Society. Up to 1 October 2016, all expenses of the scheme were borne by the TW Fund. On 1 October 2016, management put in place a stop-loss arrangement whereby the TW Fund paid a reinsurance premium to the OBF and in return any expenses and costs in excess of the stop-loss trigger are borne by the OBF. The stop-loss trigger was reached in March 2020 and the OBF has taken over the funding of the pension scheme contribution and related expenses since then.

The Forester Group Employee Pension Scheme has 2 sections: the Staff Plan and the Fieldworkers Section. FHE is the principal employer for the Forester Group Employee Pension Scheme.

IFRS measurement principles for pension benefit obligations are consistent with Solvency UK.

D.3.2 Payables

Payables are carried at cost. Given the short-term nature of these liabilities (due within one year), this is a reasonable approximation of fair value.

D.4 Alternative valuation methods

The majority of the Group's and the Company's assets are measured at fair value basis on quoted market information or observable active market data.

Although the Solvency UK valuation hierarchy differs from IFRS, the methodology for valuing assets and liabilities measured at fair value remains unchanged. Property held for own use is valued using an alternative valuation method. The property is valued annually by a qualified and independent third party based on the market value of similar properties. The value of the property as at 31 December 2025 was £5.0m.

D.5 Any other information

D.5.1 Group and subsidiary valuation differences

There are no material differences in the bases, methods and main assumptions used at the Group level for the valuation of assets and liabilities from those used by any of its subsidiaries.

D.5. 2 Operating and finance leases

The Group has operating lease obligations in respect of equipment and motor vehicles. It values its leases in accordance with IFRS 16, which is considered to materially reflect fair value and no valuation adjustments have been made for Solvency UK.

E. CAPITAL MANAGEMENT

The 'Capital Management' section of the report describes the objectives, policies and procedures employed by the Group for managing its own funds. The section also covers information on structure and quality of own funds and calculation of the Solvency Capital Requirement ('SCR').

E.1 Own Funds

E.1.1 Management of Own Funds

The objective of capital management is to maintain a consistently strong capital position in the context of overall risk appetite and an optimal capital structure.

The Group manages its own funds in conjunction with solvency capital requirements, and seeks to:

- satisfy the contractual entitlements of its policyholders and the requirements of its regulators;
- match the profile of its assets and liabilities closely, taking account of the risks inherent in the business;
- maintain financial strength sufficient to support new business growth in line with the Group's business plan;
- ensure financial flexibility by maintaining strong liquidity and access to a range of capital markets;
- allocate capital efficiently to support growth; and
- manage exposure to changes in interest rates, inflation and exchange rates.

A Capital Management Policy sets out the approach to capital management within the Group, including allocation of responsibilities for the management of capital, capital monitoring, reporting, forecasting, planning and overall governance. The Group uses a 10-year time horizon for business planning.

Capital management for the Group is the responsibility of the Chief Actuary; the Risk & Investment Committee is responsible for the oversight.

There have been no material changes in the objectives, policies and processes employed for managing own funds over the reporting period.

E.1.2 Own Funds by tier

Own funds are divided into 3 'tiers' based on both 'permanence' and 'loss absorbency'. Tier 1 is the highest quality and Tier 3 the lowest. Tier 1 is further divided into 'restricted' and 'unrestricted'. The regulations impose limits on the amount of each tier that can be held to cover the SCR with the aim of ensuring that the items will be available to absorb any losses that might arise.

The following tables set out a summary of the Group's and the Company's own funds for year ending 31 December 2025 and 2024. All own funds are unrestricted Tier 1.

FHE Group	2025		2024	
	Total £'000	Tier 1 unrestricted £'000	Total £'000	Tier 1 unrestricted £'000
Own Funds – Tier 1 unrestricted at 31 December				
Ordinary share capital	56,020	56,020	56,020	56,020
Initial funds	29,189	29,189	29,189	29,189
Surplus funds	39,590	39,590	39,660	39,660
Reconciliation reserve	242,341	242,341	221,966	221,966
Total basic own funds after deductions	367,140	367,140	346,835	346,835
Total eligible own funds to meet Group SCR	367,140	367,140	346,835	346,835
Total eligible own funds to meet minimum Group SCR	367,140	367,140	346,835	346,835

FLL Own Funds – Tier 1 unrestricted at 31 December 2025	2025		2024	
	Total £'000	Tier 1 unrestricted £'000	Total £'000	Tier 1 unrestricted £'000
Ordinary share capital	68,500	68,500	68,500	68,500
Initial funds	24,189	24,189	24,189	24,189
Surplus funds	39,590	39,590	39,660	39,660
Reconciliation reserve	224,651	224,651	204,629	204,629
Total basic own funds	356,930	356,930	336,978	336,978
Total eligible own funds to meet SCR	356,930	356,930	336,978	336,978
Total eligible own funds to meet MCR	356,930	356,930	336,978	336,978

Unrestricted Tier 1 capital of £367.1m (2024: £346.8m) which represents 100% of eligible own funds for the Group (2024: 100% Tier 1 unrestricted). FLL's eligible own funds were slightly lower at £356.9m (2024: £337m). This consists of ordinary share capital, surplus funds and reconciliation reserve (refer to Section E.1.3). Tier 1 unrestricted capital includes high quality instruments with features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

Initial funds consist of a capital contribution made from IOF to FLL (£24.2m) and FHE (£5m) in 1995. These initial funds were included in the reconciliation reserve in prior year.

Further information on own funds by Tier is presented in IR 23.01.22 (FHE Group) and IR 23.01.01 (FLL solo) within Section F.

Group Eligible Own Funds to meet the SCR increased from £346.8m to £367.1m during the reporting period.

A reconciliation of Eligible Own Funds to meet the SCR between FLL and FHE Group for 2025 and 2024 is set out below:

	2025 £'000	2024 £'000
FLL to FHE Own Funds reconciliation		
FLL Own Funds at end of year	356,930	336,978
Deferred Tax Assets/ (Liabilities)	(977)	(541)
FHE Arm's length charge	2,265	2,533
Pension benefit obligations	2,099	1,791
Other FHE Assets	6,822	6,074
FHE Group Own Funds at end of year	367,140	346,835

FLL's own funds include a capital contribution of £24.2m. The capital contribution represents the surplus contained within the long-term business fund at the date of transfer of long-term business from the Independent Order of Foresters (30 September 1995), which is not attributable to with-profits business. It is not distributable; however, given that this amount relates entirely to FLL and FLL contributes almost 100% of the Group SCR, there is insignificant risk that this capital will need to be distributed to FHE. Therefore, there are no further restrictions for transferability / fungibility for this amount in Own Funds.

E.1.3 Details of Own Funds items

Ordinary share capital

This represents ordinary shares of £1 each. The ordinary shares carry full voting rights and qualify for dividends. There are no restrictions on the repayment of ordinary capital other than imposed by the Companies Act 2006. Any repayments of share capital would be subject to regulatory approval.

There have been no changes to share capital during the year.

Surplus funds

Surplus funds represent accumulated profits that have not yet been made available for policyholders and beneficiaries. Any restrictions by virtue of them being within with-profit funds are presented as an adjustment for restricted items in respect of ring-fenced funds.

Reconciliation reserve

The reconciliation reserves for FHE Group and FLL in 2025 and 2024 have been derived as follows:

FHE Group	2025	2024
Reconciliation Reserve at 31 December	£'000	£'000
Solvency UK excess of assets over liability	415,343	395,010
Other basic own funds items	(124,799)	(124,869)
Foreseeable dividends, distributions, and charges	(10,000)	(10,000)
Restricted own funds items in respect of ring-fenced funds	(38,203)	(38,175)
Reconciliation reserve	242,341	221,966

FLL	2025	2024
Reconciliation Reserve at 31 December	£'000	£'000
Solvency UK excess of assets over liability	405,134	385,153
Other basic own funds items	(132,279)	(132,349)
Foreseeable dividends, distributions, and charges	(10,000)	(10,000)
Restricted own funds items in respect of ring-fenced funds	(38,204)	(38,175)
Reconciliation reserve	224,651	204,629

The reconciliation reserve equals the total of excess assets over liabilities on the Solvency UK balance sheet reduced by the following:

- Other basic own funds including ordinary share capital, initial funds and surplus funds;
- Dividends are deducted from own funds as soon as they are 'foreseeable'. For final dividend, this is considered to be at the point at which the Board proposes the dividend; and

The surplus own funds over notional SCR held within ring fenced funds are restricted.

E.1.4 Differences between IFRS equity and excess of assets over liabilities as calculated for Solvency UK

The following table details the key differences between IFRS and Solvency UK Eligible Own Funds for 2025 and 2024:

FLL – Reconciliation from IFRS to Solvency UK net assets	2025	2024
	£'000	£'000
Total FLL (the Company) equity on IFRS basis	157,989	148,676
Elimination of DAC and intangible assets	(21,976)	(22,112)
Valuation difference on technical provisions	335,761	324,820
Net deferred tax	(66,640)	(66,618)
Other valuation differences	-	386
Solvency UK net assets	405,134	385,153
Difference between IFRS and Solvency UK net assets	(247,145)	(236,477)
Group deferred tax asset adjustment	(1,643)	(541)
Group other adjustments	11,852	10,398
FHE group Solvency UK net assets	415,343	395,010

Deferred acquisition costs and Intangibles

This movement represents the elimination of DAC and intangible assets from the Solvency UK balance sheet. Please see [Section D.1 'Assets'](#) for further detail.

Change in Technical Provisions

This movement represents the change in net technical provisions from an IFRS valuation to a Solvency UK valuation. Please see [Section D.2 'Technical Provisions'](#) for further detail.

Deferred tax

This movement represents the change in the valuation of the deferred tax liability of FLL/FHE based upon the asset and liability valuation changes mentioned in this section of the report. Please see [Section D.3 'Other Liabilities'](#) for further detail.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

The Group and the Company both use the Standard Formula to calculate the capital requirements for the business, in accordance with Solvency UK regulations. The Standard Formula has been assessed as suitable for the business. The SCR is the amount of Own Funds that the Group or the Company is required to hold under Solvency UK regulations, such that the Group or Company can meet its obligations to policyholders and beneficiaries over the following 12 months with a 99.5% probability. The 'MCR' is the minimum level of security below which the amount of financial resources should not fall.

E.2.1 Solvency Capital Requirement

The SCR for the group (before diversification between risk modules) at 31 December 2025 was £313.7m (2024: £296.3m). The SCR for the group was £186.0m (2024: £176.6m), with 22% (2024: 22%) diversification of risk across the portfolio, and own funds can cover this by 2.0 times.

The SCR for FLL at 31 December 2025 is £184.9m (2024: £175.7m) and own funds can cover this by 1.9 times.

This section contains a breakdown of the Group's and the Company's gross SCR by risk modules. The final amounts are still subject to supervisory assessment.

	FHE Group Total £'000	FLL Total £'000
SCR by Risk Module at 31 December 2025		
Market risk	133,300	132,225
Counterparty default risk	9,153	9,153
Life underwriting risk	161,254	160,833
Health underwriting risk	3,772	3,773
Operational risk	6,175	6,175
Total SCR (before diversification between risk modules)	313,654	312,159
Diversification	(69,680)	(69,334)
Loss-absorbing capacity of technical provisions	-	-
Loss-absorbing capacity of deferred taxes	(57,946)	(57,946)
Solvency capital requirements	186,028	184,879
Capital add-ons already set	-	-
SCR for non-insurance entities	-	-
Solvency capital requirement	186,028	184,879

The key valuation differences for the SCR between FHE Group and FLL are as follows:

- Pension liability – The defined benefit section of the staff pension scheme (FGEPS - as described in section A.1.4) is held at the Group level and not reflected in the FLL Solo level. The pension scheme deficit for FGEPS is stressed with market stresses and included in the Group SCR.
- FHE expense margin – The FLL Solo Entity capital requirements reflect an expense margin charged by FHE. This margin is removed in the calculation of the FHE SCR as it is an intra-group transaction.

There is no material difference between FLL's and FHE Group's risk profile.

The key risk modules for the Company are the Market and Life Underwriting Risk modules. The most significant exposures are Persistency Risk, Equity risk and Currency Risk, as set out in section C of this report.

FLL benefits primarily from the correlation between market and life risk modules.

FLL has one non-profit fund and four ring-fenced funds. Under Solvency UK, ring-fenced funds and non-insurance entities do not diversify with the rest of the Group. This means that no diversification benefits arise between the funds.

The Group uses management actions within the ring-fenced funds to reduce the impact of stressed events and hence reduce the need to hold capital.

The following table presents the distribution of the undiversified net Group SCR by risk module:

Capital Requirement by risk module: Pre-Diversification

FHE Group Group SCR by risk module	
Market risk	42%
Counterparty default risk	3%
Life underwriting risk	52%
Health underwriting risk	1%
Operational risk	2%

Market risk and life underwriting risk capital requirements make up the majority of the total capital requirements. The distribution of the undiversified net Group SCR by key risks is as follows:

Capital Requirement by key risks: Pre-Diversification

FHE Group Group SCR by key risks	
Persistency Risk	41%
Equity Risk	29%
Expense Risk	7%
Currency Risk	7%
Credit Risk	4%
Interest Rate Risk	3%
Counterparty Default Risk	2%
Operational Risk	2%
Other	5%

The Group SCR is calculated using method 1 – Accounting Consolidation based method. This method considers the Group as a single entity.

E.2.2 Minimum consolidated Group SCR and Minimum Capital Requirement

The MCR is not defined at the Group level under Solvency UK; instead, the Minimum Consolidated Group SCR ('MCGS') is to be used. The MCGS is calculated as the sum of MCRs for fully owned insurance undertakings and proportional share of MCRs for partially owned insurance undertakings within a Group.

FLL is fully owned and is the only insurance undertaking within the FHE Group.

The MCR for FLL is calculated using a linear formula that applies prescribed factors to technical provisions, written premiums, capital at risk, deferred tax and administrative expenses (all net of reinsurance), subject to a cap (45% of the solo SCR) and a floor (25% of the solo SCR).

The detailed information with regard to inputs used to calculate FLL's MCR is presented in template IR.28.01 in Section F.

The MCGS for the Group at year end 2025 is £46.2m (2024: £43.9m), and own fund can cover this by 7.9 times.

The MCR for FLL at year end is 2025 £46.2m (2024: £43.9m), and own funds can cover this by 7.7 times.

E.2.3 Changes in SCR over the reporting period

The Group SCR increased from £176.6m to £186.0m during the reporting period.

Favourable investment returns increasing AUM and new business volumes drives most of this change, with an increase to the Symmetric Adjustment, which is set by the PRA and adjusts the prescribed equity stress, further increasing the SCR. This is partially offset by the run-off of the business and basis changes.

The ring-fenced funds have continued to benefit from the Loss Absorbing Capacity of Technical Provisions ('LACoTP'). For year-end 2025, the Future Discretionary Benefits (FDB) were sufficient to cover gross SCR for all funds.

FLL allows for the diversification benefit between different risks which reduces the SCR according to Standard Formula.

The Loss Absorbing Capacity of Deferred Taxes ('LACoDT') increased over the year due to the increase in expected future profit (PVFP).

E.3 Differences between Standard Formula and any internal model

FLL does not have an internal model and hence this section is not applicable.

E.4 Non-compliance with the Minimum Consolidated Group SCR ('MCGS') and the Group SCR

The Group complied with the MCGS and Group SCR at all times during 2025.

The Company, FLL, complied with the MCR and SCR at all times during 2025.

E.5 Any other information

E.5.1 Standard Formula Simplifications

Where the SCR is calculated using the Standard Formula, the Solvency UK regulations specify simplified calculations that may be used across all of the Standard Formula risk modules except operational risk. The Group has not used any of these simplified calculations to calculate the year-end 2025 SCR.

E.5.2 Standard Formula Undertaking Specific Parameters (USPs)

Where the SCR is calculated using the Standard Formula, Solvency UK regulations specify certain USPs that may be used in place of the standard parameters, subject to regulatory approval. These are available for life and health revision risks and non-life (including some health) premium and reserve risks. The Group has not used any USPs to calculate the year-end 2025 SCR.

E.5.3 Transitional measures, disclosure of capital add-ons and USPs

Regulators have the power to impose capital add-ons to the SCR or to require the use of certain USPs in the standard formula where a firm's risk profile deviates significantly from the assumptions underlying the standard formula. The Group is not required to hold any capital add-ons or use any USPs.

F. ANY OTHER INFORMATION

The following Insurance Reporting Templates ('IRTs') are required for the SFCR:

IR reference	IR name	Entity
IR.02.01	Balance Sheet	Group and Company
IR.05.02.01	Premiums, claims and expenses by country: Life insurance and reinsurance obligations	Group and Company
IR.05.03.02	Life income and expenditure	Group and Company
IR.12.01.02	Life Technical Provisions	Company
IR.23.01.01/IR.23.01.04	Own Funds	Group and Company
IR.25.04.21/IR.25.04.22	Solvency Capital Requirement – for undertakings on Standard Formula	Group and Company
IR.28.01.01	Minimum Capital Requirement - only life or only non-life insurance or reinsurance activity	Company
IR.32.01.22	Undertakings in the scope of the group	Group

These templates are included at the end of this report.

G. DIRECTORS' CERTIFICATE

Forester Holdings (Europe) Limited ('FHE') and Forester Life Limited ('FLL')

Approval of the Solvency and Financial Condition Report

Financial period ended 31 December 2025

We certify that:

1. the Solvency and Financial Condition Report ('SFCR') has been properly prepared in all material respects in accordance with the PRA rules and Solvency UK Regulations; and
2. we are satisfied that:
 - (a) throughout the financial year in question, the Group has complied in all material respects with the requirements of the PRA rules and Solvency UK Regulations as applicable to the Group; and
 - (b) it is reasonable to believe that, at the date of the publication of the SFCR, the Group has continued to comply and will continue comply in future.

For and on behalf of the Boards of Forester Holdings (Europe) Limited and Forester Life Limited:



Nici Audhlam-Gardiner
Director

31 March 2026

Report of the external independent auditors to the Directors of Forester Holdings (Europe) Limited ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms

Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 31 December 2025:

- The 'Valuation for solvency purposes' and 'Capital management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2025, (**the Narrative Disclosures subject to audit**);
- Group templates IR.02.01.02, IR.23.01.04, IR.25.04.22 and IR.32.01.22 (**the Group Templates subject to audit**); and
- Solo templates IR.02.01.02, IR.12.01.02, IR.23.01.01, IR.25.04.21 and IR.28.01.01 in respect of Foresters Life Limited (the Group member), (together **the Solo Templates subject to audit**).

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Solo Templates subject to audit are collectively referred to as the **'relevant elements of the Single Group-Wide Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the:

- **Other Information** which comprises:
 - The 'Summary', 'Business and Performance, System of governance' and 'Risk profile' elements of the Single Group-Wide Solvency and Financial Condition Report;
 - Group templates IR.05.02.01 and IR.05.03.02;
 - Solo templates IR.05.02.01 and IR.05.03.02 in respect of the Group member; and
 - The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report (**the Responsibility Statement**).

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2025 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules, as modified by relevant supervisory modifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the directors' going concern assessment and challenging the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering the directors' assessment of the regulatory solvency coverage and liquidity position in the forward looking scenarios considered, which have been derived from the Company's Own Risk and Solvency Assessment ("ORSA");
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict the directors' assessment of going concern; and
- Enquiring and understanding the actions taken by the directors to mitigate the risks arising from the impacts of economic uncertainty, including review of Board minutes and attendance of all Audit & Compliance Committee meetings.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

In auditing the Single Group-Wide Solvency and Financial Condition Report, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital management' of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA Rules, which have been modified by the modifications made by the PRA under section 138A of FSMA and the PRA Rules, as detailed below:

Permission to publish a Single Group-Wide SFCR

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

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

Based on our understanding of the Group members and Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the Single Group-Wide Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Single Group-Wide Solvency and Financial Condition Report such as PRA Rulebook and other applicable Solvency II Regulations as adopted by UK. We evaluated management's incentives and opportunities for fraudulent manipulation of the Single Group-Wide Solvency and Financial Condition Report (including the risk of

override of controls), and determined that the principal risks were related to the valuation of technical provision. Audit procedures performed included:

- Discussions with the Board of Directors, management, internal audit, senior management involved in the risk and compliance functions and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board of Directors and Audit & Compliance Committee, and attendance at Audit & Compliance Committee meetings;
- Identifying and testing journal entries based on risk criteria;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing;
- Testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of technical provision; and
- Reviewing the Company's register of litigation and claims, internal audit reports, and compliance reports in so far as they related to non-compliance with laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Single Group-Wide Solvency and Financial Condition Report. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for the Board of Directors of the Company in accordance with External Audit rule 2.1 of the Solvency II firms Sector of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose or to any other party save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the relevant elements of the Solvency and Financial Condition Report and (where applicable) the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.



PricewaterhouseCoopers LLP
Chartered Accountants

7 More London Riverside, London, SE1 2RT
31 March 2026