Sharing the benefits of healthy living

Solvency and Financial Condition Report.

Vitality Life Limited

for the year ended 30 June 2023

SUMMARY

1 BUSINESS AND PERFORMANCE SUMMARY

Company overview

Vitality Life Limited ("the Company", "VLL") is a United Kingdom ("UK") regulated entity authorised to carry out long-term insurance and investment business. VLL is part of the Discovery Group ("Discovery"), a global provider of insurance and financial services solutions, with operations in 40 countries and with over 30 million lives impacted worldwide. In its most recent financial year, Discovery generated annualised new business premium income of over £1bn.

Discovery and the Prudential Assurance Company Limited ("PAC") formed a joint venture in the UK, PruProtect, in 2007. In November 2014, Discovery acquired the remaining shares held by PAC and, through its UK subsidiary Discovery Holdings Europe Limited ("DHEL"), owns 100% of the economic interest in the PruProtect business.

Following the termination of the joint venture, PruProtect was rebranded as 'VitalityLife', communications took place to make existing customers aware of the new Vitality brand and a major marketing programme was also undertaken to promote the brand in the marketplace.

On 23 December 2015, VLL received authorisation from the Prudential Regulation Authority ("PRA") to write long-term insurance business (life and annuity, and permanent health). Hence, in 2016 VLL started to underwrite VitalityLife branded policies itself (until that point policies had been underwritten by PAC and, at the time of this Solvency and Financial Condition Report ("SFCR"), continue to be liabilities of PAC). In this document, "business written on the PAC licence" will refer to the contracts for which Discovery owns the economic interest but which are liabilities of PAC and is considered further in the Discovery Group Europe Limited ("DGEL") SFCR. It is expected that this business will remain a liability of PAC for an indefinite period of time.

In addition to its life business, VLL received authorisation from the PRA in December 2017 to write linked long-term business and, in June 2018, VLL began to write unit-linked investment business under the VitalityInvest brand. This business is referred to as "VitalityInvest" or "Invest" in this report. Following the closure to advised new business in July 2022, VitalityInvest exited the retail investment market, no longer accepted top-ups and transfers into existing plans from 6 April 2023, and no longer received or processed recurring contributions from 1 July 2023. VitalityInvest has partnered with abrdn as the preferred provider to deploy an easy transfer solution for both advised and non-advised policies to be transferred off the VLL book next financial year.

On 13 February 2020 VLL issued ordinary shares to DHEL, its parent company, in consideration for acquiring all of the Vitality Health Insurance Limited ("VHIL") ordinary shares. This followed approval by the PRA on 31 January 2020 of the change in control of VHIL, and its subsidiary Vitality Health Limited ("VHL"), from DHEL to VLL.

The scope of this SFCR is VLL and so comprises the VitalityLife and the VitalityInvest business written in VLL. Hence unless explicitly stated otherwise, only business written in VLL will be relevant to this report. Business written in VHL is covered in the VHL SFCR. While the PAC business is not in the scope of this report, reference may be made to this book for the purposes of assumptions setting using historical experience.

In general, where reference is made to "Vitality", this relates to functions performed at a group level across all legal companies under Discovery Holdings Europe Limited ("DHEL").The Board at DHEL level is the "Group Board".

The Vitality model

Vitality, like Discovery, takes a unique approach to insurance, utilising a pioneering business model that incentivises people to be healthier, and that enhances and protects their lives. By incentivising members to be healthier, the business model directly addresses one of society's greatest challenges, being the rise of lifestyle-induced non-communicable disease. As a result of addressing a societal challenge through a business model, Discovery has been recognised by Professor Michael Porter and Professor Mark Kramer, both from Harvard Business School, as a leading example of a business creating shared value for itself and society, and as an exemplar of their shared value concept in the insurance sector. Distinct from the traditional insurance approach, Vitality positions itself as a Shared Value insurer.

While the Shared Value approach is unique in the insurance sector, the actuarial dynamics underlying the model are robust – incentivised behaviour change leads to a healthier underlying risk pool, more stability in the claims experience, and better retention rates. This allows Vitality to re-invest in the tools and incentives needed to motivate members to make sustained, positive changes in their lives. As a result, the Shared Value model delivers value on multiple fronts. As an insurer, Vitality benefits from reduced claims from a healthier policyholder base; Vitality policyholders benefit from lower premiums, improved health, and access to a wide range of partners and rewards; while society benefits from a reduced healthcare burden on the state, as well as a more healthy and productive population.

The Vitality model works in three simple steps. First, by helping members to understand their health both through a self-assessed health review and a clinician-led health screen; second, by making it cheaper and easier to get healthy by discounting access to a broad network of health and wellbeing partners; and third, by rewarding members for making healthy lifestyle choices. The model is underpinned by significant actuarial, behavioural and clinical science, which informs the product and member approach. The success of the model centres on both removing financial barriers to adopting a healthier lifestyle, and in helping members overcome their cognitive and behavioural biases to engaging in healthy behaviours in the long-term. This is achieved by creating an aspirational network of health and reward partners, which includes prominent brands such as American Express, Apple, Caffè Nero, Virgin Active and Waitrose.

Evidence from the Vitality programme globally suggests that physical activity is the most important lifestyle behaviour to target – exercise is easy to measure and track over time; it can be verified; it can be undertaken with no cost; it is a known catalyst for other healthy lifestyle choices; and importantly, it has a close response relationship to health, mortality and productivity. In other words, the more exercise a person does, the healthier they become and the more their life expectancy improves. These insights led to the development of the Active Rewards programme in 2015, which forms the core of the Vitality programme today. Active Rewards uses behavioural economics to link short-term activity to regular rewards in a complex behavioural structure, allowing members to earn rewards weekly (free Caffè Nero drinks, discounted Mindful Chef ingredient boxes), monthly (free cinema tickets, heavily-discounted Apple Watch) and annually (enhanced cashback on the Vitality American Express credit card), on an ongoing basis through their exercise. An independent global study published on the Active Rewards with Apple Watch programme - the largest ever behaviour change study on physical activity based on verified data – found that the programme (1) resulted in more activity being undertaken by members, (2) that the increased activity was most pronounced amongst at-risk members, such as those who are obese, and (3) that the increased activity was sustained over time. The report can be accessed here[1] . The success of the Active Rewards program has led Discovery and its global insurance partners to develop an ambitious pledge to get 100 million people 20% more active by 2025.

2022-23 has seen a return to pre-pandemic members' engagement patterns in many respects, although some changes expected have persisted. For instance, the continued use of remote-working has led to an increased demand for both home-workout solutions, and also for gym locations closer to home as well as closer to the workplace. Targeting this trend, Vitality launched a PureGym partnership in January 2022 which has seen high levels of member take-up.

Vitality continues to invest in growing its brand in the UK through sponsorship, advertising, and intellectual leadership opportunities. In sponsorship, the Vitality brand is aligned not only with a broad portfolio of sports but also with mass participation events, for instance as a founding partner to Parkrun. Vitality has also placed a significant emphasis on the role of women in sport (e.g. via its support of Netball and GB & England Women's Hockey) and into achieving equity where possible (such as through cricket and its support of the T20 Vitality Blast and the Hundred format). Vitality are also sponsors of several Premiership Football clubs, including both the men's and women's teams, as well as the Vitality Women's FA Cup. From an intellectual leadership perspective, Vitality launched the Vitality Research Institute, a dedicated research unit established to advance the science and evidence of Shared Value Insurance. Its primary aim is to enhance the Vitality product and member experience through behavioural experimentation, resulting in higher levels of member engagement and behaviour change - in line with Vitality's core purpose to make people healthier, and to enhance and protect their lives.

[1] https://www.rand.org/pubs/research_reports/RR2870.html

Sustainability is embedded into Vitality's culture and decision making. Vitality has committed to achieving carbon neutrality in its operations by 2025 with a longer-term ambition to achieve Net Zero emissions by 2050 or earlier. Vitality will publish a transition plan by 2025 and set interim Net Zero targets for 2030, in order to decarbonise its operations. Vitality continues to mature and embed its approach to the PRA's supervisory statement SS3/19 on managing the financial risks from climate change and has developed its Task Force on Climate-Related Financial Disclosures ("TCFD") report. Vitality is driving positive change through collaborating with key stakeholders such as suppliers, Vitality partners, charities, sponsors, asset managers and advisers. Vitality recognises that through its unique Vitality programme, the business can positively influence members' behaviours. Through these actions, and more, Vitality will set itself on a path to net zero emissions.

Business overview

The Company continues to produce its financial statements in accordance with UK-adopted International Financial Reporting Standards (“IFRS”). In the year to 30 June 2023 on an IFRS basis the Company produced a pre-tax profit of £24.5m (2022: £110.3m profit).

The fundamentals of the business, operations, strategy and capital remain strong and the Company is well placed to implement its business strategy.

The main features of the financial performance of the Company in the period were:

- The financial results relating to the term, whole of life and income protection products sold under the brand VitalityLife performed beyond expectation. The in-force book of business grew strongly year on year; gross of reinsurance premium income increased by 16% from £219,693k to £255,576k, driven by strong levels of retention and growth in new business year on year. The in-force book size has also been positively impacted by the impact of premiums on indexed policies growing in line with increased UK inflation levels. This protects the policyholder’s real value of future claims benefits;

- Positive reserving experiences were observed in the year, particularly in respect of lapse and indexation experience. The strong focus on retention and positive policyholder outcomes in recent years through operational improvements, customer engagement and distribution quality management continue to contribute to positive lapse experience variances. Positive indexation experience arises when the level of policyholder premiums increases by more than expected due to inflation. Whilst the customers future benefits also increase in value there is an overall positive impact on the Company’s profitability;

- Actuarial basis changes were made in respect of mortality and morbidity in the year which led to an overall strengthening of the basis (and therefore reduction in profitability in the year) in respect of these assumptions. These were partially offset by the enhanced analysis and update of the “Shared value” in the actuarial basis. In summary, the actuarial basis was positively impacted (improving profitability in the year) by the inclusion of assumptions around how the overall Vitality proposition creates more positive morbidity and mortality outcomes over the long term;

- Changes to the economic assumptions were made in the year to reflect market conditions and the removal of the interest rate derivatives towards the end of the financial year as a result of the implementation of IFRS 17 on 1 July 2023. The changes to the valuation interest rate led to an overall reduction in profitability in the year which was partially offset by fair value gains on derivatives;

- The Company had fair value gains on interest rate derivatives of £2,025k (2022: £74,535k). The Company held interest rate derivatives to manage its profitability volatility exposure to market interest rate risk in respect of the valuation of the insurance contract reserves. Towards the end of the financial year these derivatives were removed with the interest rate risk now expected to be managed from 1 July 2023 using Other Comprehensive Income accounting as permitted by IFRS 17;

- Whilst expected, VitalityInvest made a £9,835k loss after tax. Following the closure to advised new business in July 2022, VitalityInvest exited the retail investment market, no longer accepted top-ups and transfers into existing plans from 6 April 2023, and no longer received or processed recurring contributions from 1 July 2023. VitalityInvest has partnered with abrdn as the preferred provider to deploy an easy transfer solution for both advised and non-advised policies to be transferred off the VLL book next financial year. Assets under management decreased by (48)% in the year from

£732,447k at 30 June 2022 to £382,396k at 30 June 2023. The exiting of the retail investment market resulted in a significant reduction in premium income related to unit-linked products in the year and also a significant increase in withdrawals by unit-linked policyholders has they moved their investments to other providers; and

- The Company received dividend income from its subsidiary, Vitality Health Insurance Limited ("VHIL"), of £12,500k (2022: £33,227k). Subsequent to the receipt of this dividend the Company also reinjected £14,200k of share capital into VHIL to fund the strong growth of the VitalityHealth business in the year.

2 SYSTEM OF GOVERNANCE SUMMARY

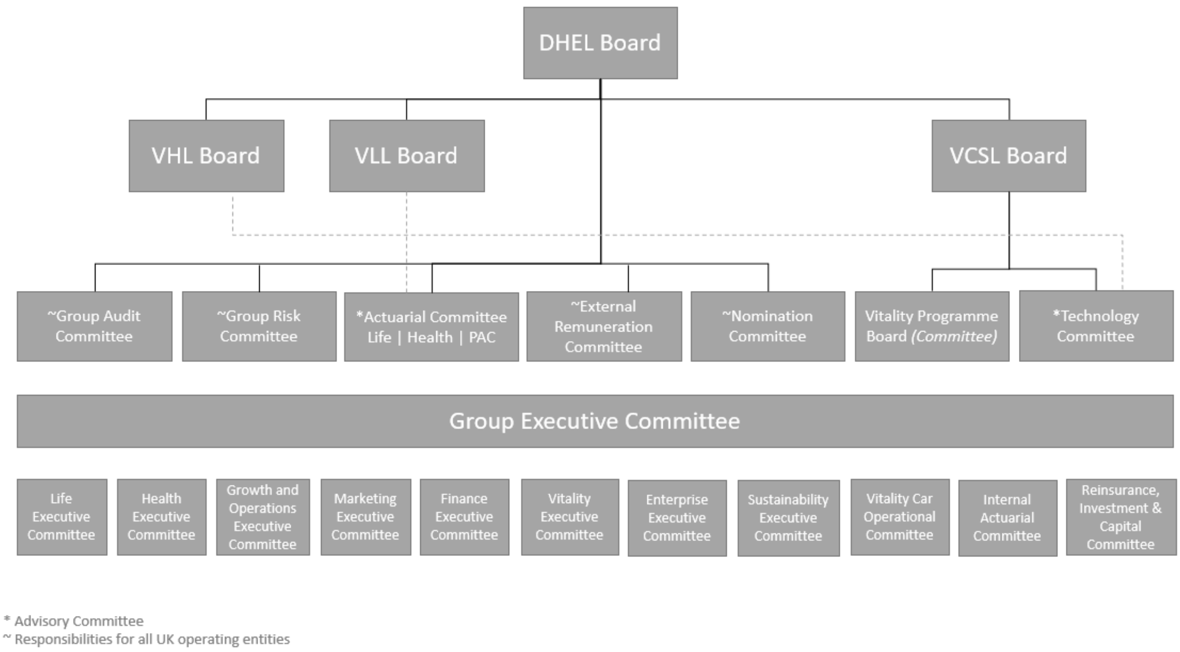
The core purpose of the Company is to make people healthier, and to enhance and protect their lives.

The Company has a unique entrepreneurial spirit with a strong emphasis on innovation. The Board of Directors ("Board") has the responsibility to preserve these special attributes while at the same time ensuring that the principles of good governance are observed.

The Company recognises the importance of strong corporate governance and has established a well-defined governance framework, system of control and committee structure.

This system of governance is common to all of Vitality's UK businesses, including Health, Life, Invest and Car as well as the Vitality programme.

Overview of the Board, Board Sub-Committees and Advisory Committees



The Company ensures that all persons who effectively run the Company or have other key functions / roles, are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity. A wide range of personal and professional checks are carried out on individuals employed by the Company, both at inception of their employment and on an annual basis, where appropriate.

The Committees report to the Group Board and Boards of VLL and VHL where appropriate. The roles and responsibilities of these Committees are outlined in Section B.1.1. Changes in the Directors of the business and individuals in positions of influence are outlined in Section B.1.2. Ultimate responsibility for the performance and strategy of the Company resides with the Board and they delegate authority within the organisation as they see fit.

The Group adopts the 'three lines of defence' governance model:

The 1st line of defence – business management

Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and functioning of controls within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

The 2nd line of defence – oversight

The second line of defence comprises the Risk Management Function and the Compliance Function. These are functions that provide assurance to the Board with regards to the adequacy and effectiveness of the overall risk management system.

The 3rd line of defence – assurance

The third line of defence is the independent Internal Audit Function. Internal Audit provides an independent and balanced view of the effectiveness of the system of internal controls, which may among other things include the adequacy of first and second line functions as defined above.

3 RISK PROFILE SUMMARY

VLL writes long-term protection business which provides the core benefits of life insurance, serious illness cover and income protection cover to policyholders, either for whole of life or a specified term. Unit-linked investment business was also written in VLL until June 2022.

The standard formula Solvency Capital Requirement ("SCR") for VLL as at 30 June 2023 and 30 June 2022 is shown below.

Vitality Life Limited £'m	30 June 2023	30 June 2022
Health underwriting risk	126.4	128.5
Life underwriting risk	212.4	255.5
Market risk	79.9	57.3
Counterparty default risk	4.5	3.9
Undiversified BSCR	**423.2**	**445.2**
Diversification credit	(114.3)	(108.5)
Basic SCR	**308.9**	**336.7**
Operational risk	10.2	9.9
Adjustment for loss absorbing capacity of deferred taxes	(47.0)	(49.5)
Final Standard Formula SCR	**272.1**	**297.1**

VLL entered into a mass lapse reinsurance arrangement during the year which is designed to manage its exposure to moderate to severe mass lapse events. As a consequence, the capital required to support mass lapse risk has reduced which results in a lower value of the Life underwriting risk module in 2023. This is the main driver of the decrease in Basic SCR from 2022 (£336.7m) to 2023 (£308.9m). The Basic SCR is then reduced by the adjustment for the loss absorbing capacity of deferred taxes ("LACDT") of £47.0m in the current year (2022: £49.5m) following the annual LACDT assessment performed in July 2023. The overall impact is a decrease in the SCR (post operational risk adjustment) from £297.1m at 30 June 2022 to £272.1m at 30 June 2023.

The risk profiles at 30 June 2022 and 30 June 2023 are similar with underwriting risk remaining the most material standard formula SCR risk. Reinsurance risk mitigation for mortality and morbidity risks is in place via the use of quota share reinsurance arrangements with a retention limit. Therefore, the material underwriting risk is lapse risk.

Given the nature and duration of the Company's book of business, the non-unit BEL (and hence non-unit technical provisions) is currently negative. The Company's shareholdings (excluding the strategic investment in VHIL) and non-unit-linked investments are held primarily to meet operational and new business funding liquidity requirements. These assets are held in cash in bank accounts, term deposit accounts and in short-term liquid assets with high credit ratings within collective investment funds. Therefore, the market risk exposure arising from these assets is low. The strategic investment in VHIL results in strategic equity risk exposure which is captured within the equity sub-risk module in the market risk module.

Counterparty default risk is relatively low since the banks are highly creditworthy in their domestic markets and reinsurance is spread across different reinsurers with high credit ratings.

4 SUMMARY OF VALUATION FOR SOLVENCY PURPOSES

The valuation of assets and liabilities for Solvency II ("SII") purposes is the same as IFRS except for the following material differences:

- Differences in the valuation of technical provisions and associated reinsurance recoverables. Solvency II requires an explicit risk margin while for IFRS an allowance for risk is made through the margins for adverse deviation in the underlying assumptions. In addition, there are differences in the economic assumptions. The discount rate for Solvency II technical provisions is specified by regulation (the relevant risk-free interest rate is provided by the PRA), while for IFRS the discount rate is based on the expected long term return for VLL's expected strategy. The Solvency II inflation assumption is a market consistent curve, while for IFRS it is a single inflation rate based on market data;
- The financial statements include intangible assets, which are excluded under Solvency II;
- VLL's holding in VHIL is valued at cost in the IFRS financial statements, but as adjusted equity under Solvency II; and
- The difference in the valuation of deferred tax assets as a result of the valuation differences of technical provisions and intangible assets.

The table below summaries each of the valuation differences in 2023 and 2022:

Vitality Life Limited £'m	30 June 2023	30 June 2022
Total equity in financial statements	**892.1**	**868.2**
Adjustments for Solvency II:		
Valuation adjustment for Technical Provisions under SII, net of recoverables	(85.1)	(80.0)
Valuation adjustment for intangible assets under SII	(6.6)	(6.9)
Valuation adjustment for holding in related undertakings	(280.3)	(248.6)
Valuation adjustment for deferred tax assets under SII	22.9	21.7
Solvency II value of assets over liabilities	**543.0**	**554.4**
Add subordinated loans	31.9	73.1
Solvency II Own Funds	**574.9**	**627.5**

As VLL only began writing business in January 2016, there are no transitional measures within the Technical Provisions calculation.

5 CAPITAL MANAGEMENT SUMMARY

The objective of own funds management is to hold sufficient capital to ensure the SCR coverage ratio is within the Company's risk appetite. The Company calculates its SCR using the standard formula approach and has analysed the risk profile of the business to confirm that it is fit for purpose.

The SCR coverage ratio at 30 June 2023 was 211% (30 June 2022: 211%) with total basic own funds of £575.0m (30 June 2022: £546.5m) and a SCR of £272.1m (30 June 2022: £297.1m).

The Company carries out formal quarterly reviews of the solvency coverage ratio and monitors this on an ongoing basis as part of its risk monitoring and capital management system. The Company has continuously held capital above the Minimum Capital Requirement ("MCR") and the SCR throughout the reporting period. At 30 June 2023, VLL's MCR was £68.0m (30 June 2022: £74.3m).

The table below shows the total eligible own funds to meet the SCR and MCR as at 30 June 2023:

Vitality Life Limited £'m 30 June 2023	Eligible own funds to meet SCR	Eligible own funds to meet MCR
Tier 1 unrestricted	509.7	509.7
Tier 1 restricted	—	—
Tier 2	31.9	13.6
Tier 3	33.4	—
Total eligible own funds	**575.0**	**523.3**

A BUSINESS AND PERFORMANCE

A.1 BUSINESS

A.1.1 Name and legal form of the undertaking

Vitality Life Limited (“the Company”, VLL”) is incorporated in England and Wales and is a company limited by shares. The address of the registered office is:

3 More London Riverside

London

SE1 2AQ

This Solvency and Financial Condition Report (“SFCR”) covers the Company on a solo basis.

A.1.2 Name of the Supervisory Authority responsible for the financial supervision of the undertaking and group

The Company is an undertaking of:

- Discovery Group Europe Limited, an insurance holding company which has its head office in the United Kingdom which is the top-most undertaking within the scope of Solvency II; and
- Discovery Limited, the ultimate insurance holding company, has its head office in the Republic of South Africa, a country outside the scope of Solvency II.

Under Solvency II, the group supervisor of Discovery Limited is the Prudential Regulation Authority (“PRA”) as the Republic of South Africa is not an equivalent country for Solvency II group supervision purposes. In the absence of equivalence, Discovery Limited is subject to full Solvency II group supervision or the Company can apply to the PRA to use another method. The Company has a waiver in place, effective 17 December 2021, from the PRA modifying the PRA Rulebook on Group Supervision to use another method.

Discovery Limited is also subject to group supervision by the South African Prudential Authority. The South African Prudential Authority can be contacted at:

Prudential Authority

South African Reserve Bank

370 Helen Joseph Street

Pretoria

South Africa

0002

The supervisory authority of the Company and the Discovery Group Europe Limited group, is the PRA and they can be contacted at:

Prudential Regulation Authority

Bank of England

Threadneedle Street

London

EC2R 8AH

A.1.3 Name and contact details of the external auditor of the undertaking

The independent auditors of the Company are:

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

7 More London Riverside

London

SE1 2RT

A.1.4 Holders of qualifying holdings in the undertaking

The persons, to the knowledge of the Company, who were direct and indirect holders of qualifying holdings in the Company at any time during the reporting period and at the end of the financial year were (see Section A.1.5):

- Discovery Holdings Europe Limited - a limited company incorporated in the United Kingdom. As at the reporting date, Discovery Holdings Europe Limited owned 100% of the shares of VLL;
- Discovery Group Europe Limited - a limited company incorporated in the United Kingdom. As at the reporting date, Discovery Group Europe Limited owned 100% of the shares of Discovery Holdings Europe Limited; and
- Discovery Limited - a limited company incorporated in the Republic of South Africa. As at the reporting date, Discovery Limited owned 100% of the shares of Discovery Group Europe Limited, and was able to exercise 100% of the voting power at any general meeting.

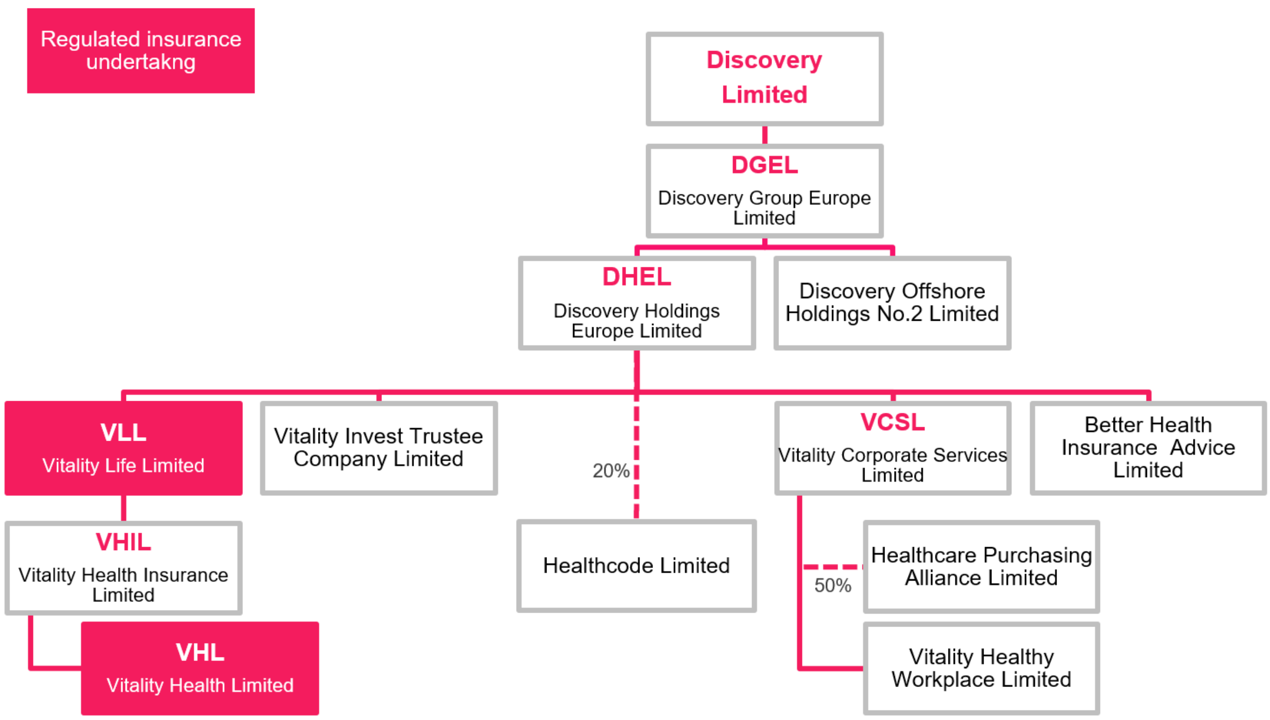
A.1.5 Details of the undertaking's position within the legal structure of the group

The Company is an insurance subsidiary undertaking of Discovery Limited, the ultimate world-wide parent undertaking and Discovery Group Europe Limited, the top-most undertaking within the scope of the Solvency II regulations. A list of related undertakings within the Discovery Group Europe Limited group are shown below.

Name of related undertaking	Legal form	Country	Participating undertaking	Proportion of ownership interest held by the participating undertaking	Proportion of voting rights held by the participating undertaking
Discovery Limited	Limited by shares	South Africa			
Discovery Group Europe Limited	Limited by shares	England and Wales	Discovery Limited	100%	100%
Discovery Offshore Holdings No.2 Limited	Limited by shares	England and Wales	Discovery Group Europe Limited	100%	100%
Discovery Holdings Europe Limited	Limited by shares	England and Wales	Discovery Group Europe Limited	100%	100%
Vitality Invest Trustee Company Limited	Limited by shares	England and Wales	Discovery Holdings Europe Limited	100%	100%

Name of related undertaking	Legal form	Country	Participating undertaking	Proportion of ownership interest held by the participating undertaking	Proportion of voting rights held by the participating undertaking
Better Health Insurance Advice Limited	Limited by shares	England and Wales	Discovery Holdings Europe Limited	100%	100%
Vitality Life Limited	Limited by shares	England and Wales	Discovery Holdings Europe Limited	100%	100%
Vitality Corporate Services Limited	Limited by shares	England and Wales	Discovery Holdings Europe Limited	100%	100%
Vitality Health Insurance Limited	Limited by shares	England and Wales	Vitality Life Limited	100%	100%
Healthcode Limited	Limited by shares	England and Wales	Discovery Holdings Europe Limited	20%	20%
Vitality Health Limited	Limited by shares	England and Wales	Vitality Health Insurance Limited	100%	100%
Healthcare Purchasing Alliance Limited	Limited by shares	England and Wales	Vitality Corporate Services Limited	50%	50%
Vitality Healthy Workplace Limited	Limited by shares	England and Wales	Vitality Corporate Services Limited	100%	100%

The structure chart below explains the ownership and legal links between the Company, its UK parent undertaking, Discovery Group Europe Limited; its ultimate parent undertaking, Discovery Limited; and its related undertakings. Participations are 100% unless shown.



Discovery Limited is the ultimate parent company, incorporated in the Republic of South Africa.

DGEL is the top-most undertaking within the scope of Solvency II and is a holding company for DHEL and also owns a dormant company called Discovery Offshore Holdings No.2 Limited.

DHEL, the holding company, owns one regulated insurance entity (VLL) and indirectly holds a second regulated insurance entity (VHL) as VLL has direct ownership of the holding company VHIL which owns VHL. DHEL also owns a services company Vitality Corporate Services Limited ("VCSL"), a distributor (Better Health Insurance Advice Limited ("BHIA") which is an appointed representative of VCSL), and Vitality Invest Trustee Company Limited ("VITCL") that considers the SIPP provided by VitalityInvest.

DHEL itself is not a regulated insurance entity, and thus has no capital requirement under Solvency II. VCSL and BHIA similarly have no solvency capital requirements, although as VCSL is an intermediary it is required to hold a small amount of Retail Mediation Activity ("RMA") regulatory capital.

Healthcode Limited ("HL") is a joint venture of which DHEL owns 20%. It is not a regulated insurance entity, and thus has no capital requirement. The ownership changed from VHIL to DHEL on 24 June 2021.

VCSL owns 50% of Healthcare Purchasing Alliance Limited ("HPA"), which is a joint venture between VitalityHealth and Aviva Health which is responsible for negotiating hospital tariffs with private hospitals in the UK. VCSL also owns 100% of Vitality Healthy Workplace Limited ("VHWL"). HPA and VHWL are not regulated insurance entities and thus have no capital requirements under Solvency II.

VCSL provides a number of services to VitalityHealth, VitalityLife and VitalityInvest including:

- Paying for the cost of the Vitality programmes and other administration costs which are then recharged;
- Providing Vitality brand services, partner and reward services, and cross selling to existing Vitality Group customers in relation to the Vitality branded Personal Lines motor insurance product; and
- Holding all employment contracts and managing the payroll.

A.1.6 The undertaking's material lines of business and material geographical areas where it carries out business

VLL writes long-term insurance business providing death, serious illness, and disability cover. The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS").

For SII purposes at 30 June 2023, the Company's VitalityLife business includes life insurance obligations that fall into two of the defined Solvency II lines of business, depending on the type of policy (e.g. term or whole of life) and the benefits selected:

i. Other Life Insurance ("Other Life")

ii. Health insurance similar to Life ("SLT Health")

The VitalityInvest unit-linked business falls under:

iii. Index-linked and unit-linked insurance ("Unit-linked")

These SII lines of business are used when reporting the premium, claims, expenses, and technical provisions in the 30 June 2023 SII QRTs.

All business is conducted in the United Kingdom.

A.1.7 Any significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking

Over the period there has been continued conflict between Russia and Ukraine, increased economic uncertainty and the 'cost of living crisis' due to the burden of high inflation. The Company is closely monitoring and managing the associated risks and remains committed to supporting its staff and customers as any associated challenges emerge.

A.2 UNDERWRITING PERFORMANCE

The financial statements have been prepared on the going concern basis and in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and therefore the underwriting performance information given in this section is presented on an IFRS basis. The IFRS presentation of underwriting performance also aligns closely to how management views the financial performance of the Company.

The principal activity of the Company is the undertaking of life insurance business in the United Kingdom, particularly the provision of term and whole of life assurance, income protection products and unit-linked insurance contracts. The unit-linked insurance contracts are sold within Individual Savings Account ("ISA"), Junior ISA ("JISA") and Self Invested Pension Plan ("SIPP) investment wrappers.

Term, whole of life and income protection policies are marketed and sold under the brand VitalityLife and represent 'Protection business". The unit-linked contracts are marketed and sold under the brand VitalityInvest and represent "Unit-linked business".

Under IFRS, all business is considered to be one type of long term insurance business. For management purposes Protection business and Unit-linked business is measured and reported upon separately.

All business is underwritten in the UK.

The table below shows the Company's premiums, claims and expenses split by SII lines of business as well as a reconciliation to the pre-tax IFRS profit as reported in the Company's financial statements:

Underwriting performance and IFRS (loss)/profit £'m	30 June 2023				30 June 2022			
	Other Life	SLT Health	Unit-linked	Total	Other Life	SLT Health	Unit-linked	Total
Gross premiums	207.0	48.6	57.2	312.8	178.0	41.7	331.7	551.4
Reinsurers' share of premiums	(131.9)	(30.9)	—	(162.8)	(112.9)	(26.5)	—	(139.4)
Gross claims and withdrawals	(65.2)	(9.5)	(430.7)	(505.4)	(53.6)	(11.6)	(50.5)	(115.7)
Reinsurers' share of claims	40.1	5.8	—	45.9	31.3	6.7	—	38.0
Investment income on assets held to back unit-linked liabilities	—	—	27.3	27.3	—	—	(57.8)	(57.8)
Expenses	(157.6)	(54.2)	(13.1)	(224.9)	(142.9)	(35.6)	(19.2)	(197.7)
Reinsurance financing received	69.5	36.5	—	106.0	70.7	19.1	—	89.8
Movement in insurance contract reserves				421.6				(156.9)
Pre-tax underwriting performance				**20.5**				**11.7**
Other income and expenses				4.0				98.6
Pre-tax IFRS profit/(loss)				**24.5**				**110.3**

Pre-tax underwriting profit in the year ended 30 June 2023 was £20.5m (30 June 2022: £11.7m) while pre-tax IFRS profit including other income and expenses was £24.5m (30 June 2022: £110.3m).

The main features of the financial performance of the Company in the year were:

- The financial results relating to the term, whole of life and income protection products sold under the brand VitalityLife performed beyond expectation. The in-force book of business grew strongly year on year; gross of reinsurance premium income increased by 16% from £219,693k to £255,576k, driven by strong levels of retention and growth in new business year on year. The in-force book size has also been positively impacted by the impact of premiums on indexed policies growing in line with increased UK inflation levels. This protects the policyholder's real value of future claims benefits;

- Positive reserving experiences were observed in the year, particularly in respect of lapse and indexation experience. The strong focus on retention and positive policyholder outcomes in recent years through operational improvements, customer engagement and distribution quality management continue to contribute to positive lapse experience variances. Positive indexation experience arises when the level of policyholder premiums increases by more than expected due to inflation. Whilst the customers future benefits also increase in value there is an overall positive impact on the Company’s profitability;

- Actuarial basis changes were made in respect of mortality and morbidity in the year which led to an overall strengthening of the basis (and therefore reduction in profitability in the year) in respect of these assumptions. These were partially offset by the enhanced analysis and update of the “Shared value” in the actuarial basis. In summary, the actuarial basis was positively impacted (improving profitability in the year) by the inclusion of assumptions around how the overall Vitality proposition creates more positive morbidity and mortality outcomes over the long term;

- Changes to the economic assumptions were made in the year to reflect market conditions and the removal of the interest rate derivatives towards the end of the financial year as a result of the implementation of IFRS 17 on 1 July 2023. The changes to the valuation interest rate led to an overall reduction in profitability in the year which was partially offset by fair value gains on derivatives;

- The Company had fair value gains on interest rate derivatives of £2,025k (2022: £74,535k). The Company held interest rate derivatives to manage its profitability volatility exposure to market interest rate risk in respect of the valuation of the insurance contract reserves. Towards the end of the financial year these derivatives were removed with the interest rate risk now expected to be managed from 1 July 2023 using Other Comprehensive Income accounting as permitted by IFRS 17;

- Whilst expected, VitalityInvest made a £9,835k loss after tax. Following the closure to advised new business in July 2022, VitalityInvest exited the retail investment market, no longer accepted top-ups and transfers into existing plans from 6 April 2023, and no longer received or processed recurring contributions from 1 July 2023. VitalityInvest has partnered with abrdn as the preferred provider to deploy an easy transfer solution for both advised and non-advised policies to be transferred off the VLL book next financial year. Assets under management decreased by (48)% in the year from £732,447k at 30 June 2022 to £382,396k at 30 June 2023. The exiting of the retail investment market resulted in a significant reduction in premium income related to unit-linked products in the year and also a significant increase in withdrawals by unit-linked policyholders has they moved their investments to other providers; and

- The Company received dividend income from its subsidiary, Vitality Health Insurance Limited ("VHIL"), of £12,500k (2022: £33,227k). Subsequent to the receipt of this dividend the Company also reinjected £14,200k of share capital into VHIL to fund the strong growth of the VitalityHealth business in the year.

The financing of new business for a fast-growing company, such as VLL, requires regular capital support and cash funding until such time as the in-force business is large enough to be cash flow positive overall.

During the year no share capital or subordinated loans were injected by the parent company.

All cash funding requirements were funded by way of unsubordinated debt from the Company’s parent, DHEL, and £12.5m of dividends received from the Company's subsidiary, Vitality Health Insurance Limited.

VitalityLife continues to use reinsurance to limit its overall risk exposure as well as to reduce the volatility of its claims and hence underwriting performance. During the year, the reinsurer’s share of claims was 61% compared to 58% for the prior period. The use of reinsurance is of particular importance since the Company only started underwriting policies on 1 January 2016 and hence the overall volume of business to date is small, increasing the likelihood of volatility. Further details of this risk mitigation are set out in C.1.2.

The Company uses reinsurance financing to help offset the financial strain of writing new business, which is then repaid in future periods, contingent on policyholders’ premium payments. Income from reinsurance financing during the year was £106.0m (30 June 2022: £89.7m).

On an IFRS basis, the movement in insurance contract reserves (after allowing for the reinsurers' share) for protection contracts was a £71.6m (30 June 2022: £73.2m) increase in assets. VitalityLife's reserves are negative overall due to the nature and duration of its book of business and are therefore an asset on the IFRS balance sheet.

The fundamentals of the business, operations, strategy, and capital remain strong, and the Company is well placed to implement its business strategy.

A.3 INVESTMENT PERFORMANCE

A.3.1 Information on income and expenses arising from investments by asset class

The Company has two investment categories that are managed separately:

- Investments held to match unit-linked liabilities
- Shareholder and non-unit-linked investments

Investments held to match unit-linked liabilities

This category of investments is to match unit-linked liabilities for the products sold under the VitalityInvest brand. These insurance contracts sold by the Company are linked to the value of units in an underlying investment portfolio and the Company holds investment in the assets on which the prices are based.

At 30 June 2023, the investments held to match unit-linked liabilities were £362.2m, of which £303.7m is investment in a number of OIEC funds and £58.5m is in short-term cash. The total loss on these investments in the year was £24.7m.

These investments are held at the ultimate risk of unit-linked policyholders and the amount payable to them on their unit-linked insurance contracts is directly linked to the performance on these assets. As such the policyholder retains the risk of poor investment returns through adverse market movements. The policyholder also retains currency, liquidity, credit and interest rate risk in respect of their investments.

However, the Company derives fee income based on the total market value of the unit-linked insurance contracts under management. Therefore, there is a risk of volatility in this fee income due to the impact of interest rate and market price movements on the fair value of the assets held in the linked funds, on which fee income is based.

The Company has a policy to match unit-linked insurance contract liabilities with assets to which the pay-outs on the contracts are linked.

Following the closure to advised new business in July 2022, VitalityInvest exited the retail investment market, no longer accepted top-ups and transfers into existing plans from 6 April 2023, and no longer received or processed recurring contributions from 1 July 2023. VitalityInvest has partnered with abrdn as the preferred provider to deploy an easy transfer solution for both advised and non-advised policies to be transferred off the VLL book next financial year.

Shareholder and non-unit-linked investments

This category of investments is held to support the liquidity and solvency requirements of the Company, given that the Company currently has negative net reserves. There have been no significant changes in investment strategy in respect of this category compared to the prior year. Investment income for this category is shown in "Other income and expenses" in the table in section A.2. Overall investment performance in this category was in-line with management's expectations given the nature of the asset classes held by the Company.

Further details of the performance of these investments by asset classes used by management are shown below:

£'m	Investment balance as at		Investment Performance in the year	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Collective Investment Undertakings	14.3	67.6	—	—
Cash and Cash equivalents	35.4	15.3	4.7	0.9
Deposits other than cash equivalents	3.5	10.4	0.2	0.1
Total	**53.2**	**93.3**	**4.9**	**1.0**

Collective Investment Undertakings

The Company has invested in short-term money market funds, which provide access to a diversified pool of liquid assets with high credit ratings. The fund management fees per annum range from 0.05% to 0.15% of funds under management.

Cash and cash equivalents: Bank deposits

This amount represents interest received on the balances held in UK and South African bank accounts and are immediately redeemable. No material expenses were incurred in respect of these assets.

Deposits other than cash equivalents

This amount represents interest received in a 100 day notice deposit account with a UK bank (GBP denominated). No material expenses were incurred in respect of these assets.

The Company's assets are prudently invested and provide sufficient access to funds at short notice taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

All investment income and gains were recorded in the profit and loss of the Company.

The Company does not have any direct investments in securitisations.

A.3.2 Information about any gains and losses recognised directly in equity

All gains and losses are recognised in the statement of comprehensive income.

A.3.3 Information about any investments in securitisation

The Company does not have any direct investments in securitisations.

A.4 PERFORMANCE OF OTHER ACTIVITIES

A.4.1 Other material income and expenses

The Company received dividend income from its subsidiary, Vitality Health Insurance Limited, of £13m..

A.4.2 Leases

A.4.2.1 Financial leases

The Company is not party to any financial leases.

A.4.2.2 Operating leases

The Company is not party to any operating leases.

A.5 BUSINESS AND PERFORMANCE – ANY OTHER INFORMATION

No other information is provided.

B SYSTEM OF GOVERNANCE

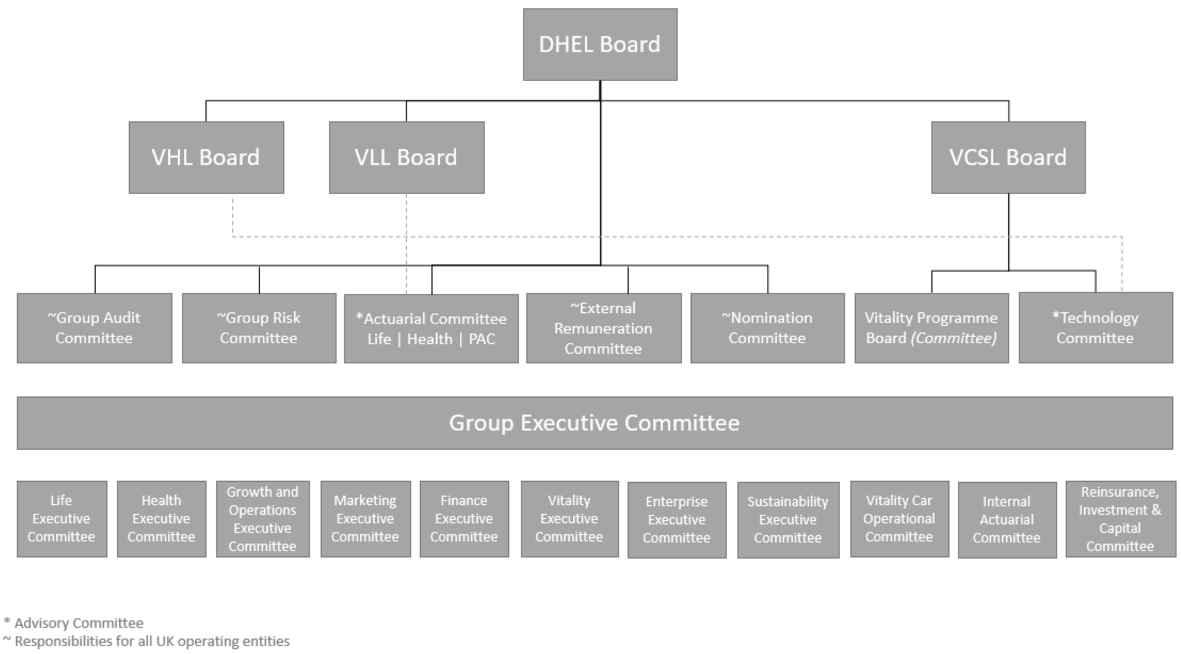
B.1 GENERAL INFORMATION ON THE SYSTEM OF GOVERNANCE

The system of governance outlined in this section is common to all of Vitality's UK businesses, including Health, Life, Invest and Car as well as the Vitality programme. For an overview of the legal structure of Vitality's companies see section A.1, above. This provides consistency within an efficient framework while ensuring that the individual Companies meet their individual statutory and regulatory requirements.

B.1.1 Role and responsibilities of the Administrative, management or supervisory body and key functions

The core purpose of Vitality is to make people healthier, and to enhance and protect their lives. The Company has a unique entrepreneurial spirit with a strong emphasis on innovation. The Board of Directors ("Board") has the responsibility to preserve these special attributes, while at the same time ensuring that the principles of sound uncompromising good governance are observed.

Overview of the Board, Board Sub-Committees and Advisory Committee



The Committees report to the Group Board and other Boards as appropriate.

The Board

The Company Board ("the Board")" is ultimately responsible for the performance and strategy of the Company. It may delegate responsibility for particular matters to one or more Committees of the Board, but it does not absolve itself from its own responsibility for the Company.

It is the Board's responsibility to:

- Ensure that the Company has an effective system of internal control and management of business risks and that they are conducted in accordance with the regulators' principles for business;
- Validate that the solvency capital requirement calculation is appropriate for the Company and the output from it is used effectively;
- Ensure that the statutory required minimum solvency margin is maintained for the Companies at all times and that the solvency capital requirements and minimum capital requirements are maintained at all times;

- Ensure that the Risk and Compliance function and internal and external auditors are capable of undertaking their duties;
- Determine the strategy and approve the business plan;
- Ensure that an integrated system of planning and budgeting is established within each Company to ensure that it can efficiently and effectively achieve its strategic objectives;
- Ensure that an appropriate Sustainability strategy is determined for the Company including ensuring there is effective oversight of the management of the Companies' financial and other risks related to climate change;
- Ensure that the composition of the Boards are reviewed and recommendations for amendments are made to the Shareholder to reflect current and future business requirements of the Group;
- Ensure that the Companies' values and priorities are established and known throughout the Group, and the strategic decisions relating to the Group's People are overseen;
- Ensure that each Board is able to provide sound and prudent management of its particular businesses, with appropriate documentary evidence of its ability to provide this management;
- Ensure there is an adequate succession plan in place for the Group, and that the Group is meeting its diversity objectives;
- Approve the Annual Consumer Duty Board Report; and
- Receive quarterly Consumer Duty updates within the CEO and CRO report at the respective Boards.

Board Committees

Risk Committee

The Risk Committee is responsible for assisting the Board with the overall system of risk and compliance management, ensuring that risk and compliance matters are disclosed in a timely manner, including conduct risks, emerging risks, business continuity and disaster recovery, and outsourcing risks.

The Committee membership consists of a minimum of three independent Non-Executive Directors, with members of senior management attending the meeting. Only Members of the Committee can vote on matters and a quorum of two is required for all decisions. The attendees of the Committee collectively have extensive actuarial, insurance, healthcare, regulatory, investments, accounting, economics and management skills.

The Committee meets a minimum of four times a year with the mandate to convene additional meetings as circumstances require. The Chair of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee. The Chair of the Committee regularly meets with the Chief Risk Officer without other members of management present.

The responsibilities of the Risk Committee are to:

- Oversee the development of the Risk and Compliance Framework to ensure that they are appropriate to the business and that risks are identified, managed and controlled. This includes overseeing the formulation of the high level risk management strategy to support the overall business strategy, and of an appropriate compliance universe and monitoring plans;
- Recommend to the Boards, risk appetites, and monitor them on a regular basis. Consider and monitor, remedial actions where the business is outside of risk appetite;
- Review and recommend to the Boards, risk policies covering each material risk faced by the Companies;
- Support the embedding and maintenance of an open culture in relation to the management of risk across the Companies;
- Oversee the periodic review of the format, content and frequency of risk information;

- Review MI and challenge any conduct issues in relation to VCSL's Sales channels including Appointed Representatives and the employed sales channels across the business;
- Receive, review and challenge summary reports from the Unit-linked Committee, Outsourcing Committee, Policy Committee, Product Governance Committees and Conduct Risk Committees to support the Risk Committee in fulfilling its duties in relation to outsourcing, policy setting and attestation, product approval and conduct risk management and treating customers fairly;
- Oversee the management of the Companies' sustainability risks, including the management of risks from climate change, with a particular focus on climate related financial risks;
- Review and if appropriate, recommend approval to the Board of the Annual Consumer Duty Board Report;
- Review and if appropriate, recommend approval to the Board, the Annual Consumer Duty KRIs; and
- Consider quarterly updates on Consumer Duty within the Group Compliance Directors report and the CRO report and challenge where appropriate.

Audit Committee

The Audit Committee is responsible for assisting the Board in terms of the financial reporting processes, internal controls, performance of the internal and external audit processes, financial crime controls and any other matters that may impact the financial results of the Company.

The Committee membership consists of a minimum of three independent Non-Executive Directors, with members of senior management attending the meeting. Only the Members of the Committee can vote on matters and a quorum of two is required for all decisions. The attendees of the Committee collectively have extensive actuarial, insurance, healthcare, regulatory, investment, accounting, economics and management skills.

The Committee meets a minimum of four times a year with the mandate to convene additional meetings as circumstances require. The Chair of the Committee is an independent Non-Executive Director who has a position on the Board and reports at each Board meeting on the activities of the Committee. The Chair of the Committee regularly meets with the Compliance and Internal Audit Function leaders and with external audit without members of management present.

The responsibilities of the Audit Committee are to:

- Review of Financial Reporting: Monitoring the integrity of the Company's financial reporting and of its financial statements and make appropriate recommendations to the Board, having particular regard to:
    - Changes to or new significant accounting policies;
    - Significant accounting judgements and estimates; and
    - The accounting for significant, unusual or complex transactions or items.
- The Committee reviews the Company's systems of internal financial controls, including receiving reports from management on the effectiveness of the systems they have established and the results of controls and testing carried out by Internal and External Audit;
- Oversee the work of Internal Audit by reviewing:
    - The Internal Audit Charter to ensure it is fit for purpose for the business;
    - The scope of the Internal Audit plan and the process for developing it. It monitors progress against the plan throughout the year;
    - Internal Audit reports, in particular any significant findings; and reviews the responses from management to audit recommendations and their progress and timeliness in implementing them; and

  - The resources available to the Chief Internal Auditor. It reviews the effectiveness of internal audit and confirms that it has the level of expertise, experience and quality appropriate to the business. It oversees the use of third party resources to assist the Internal Audit function.

- The Committee assists the Board in appointing the Chief Internal Auditor, who reports directly to the Chair of the Committee, including for performance evaluation and compensation;

- Oversee the performance of the external auditors, including:

  - Review of the external audit plan;

  - Review of the independence of the auditors and their proposed fees, making recommendations to the Board; and

  - Reports from the auditors on the preparation of the Company's financial results and financial statements; their letters to management; and management's responses and their progress and timeliness in implementing recommendations.

- The Committee reviews and approves the Combined Assurance Plan covering Compliance, Risk and Internal Audit to ensure that the assurance functions' activities are coordinated and operating effectively; and reviews progress against it:

  - The Committee reviews and challenges Compliance and Risk monitoring reports and monitors progress of the implementation of recommendations;

  - The Financial Crime Committee (“FCC”) is a sub-committee of the Committee and the Committee receives and reviews a summary of matters arising from the FCC. The Committee reviews the reporting of financial crime and the annual Money Laundering Reporting Officer report and receives reports of any significant incidents of fraud; and

  - The Committee should review whistle-blowing procedures and policies and receive regular reports on issues raised by whistleblowers and on their resolution; and

  - Consider the impact of Consumer Duty where relevant.

Actuarial Committee

The objective of the Actuarial Committee is to assist the Board of Directors of the Company in discharging their fiduciary duties towards Policyholders, Regulators and Shareholders by ensuring that actuarial matters are given appropriate attention.

The Committee membership consists of an independent Non-Executive Director (the Chair), at least one other Non-Executive Director and at least one independent Actuary. Executive and senior management attend the Committee by invitation. The Chair of the Committee is an independent Non-Executive Director with extensive actuarial experience, who has a position on the Board and reports at each Board meeting on the activities of the Committee, as well as to the Risk Committee and Audit Committee as required.

The responsibilities of the Actuarial Committee include:

- On behalf of the Board, to review matters relating to the Company of an actuarial nature and, as appropriate, report on, advise and/or recommend approval of those matters to the Board, the Audit Committee or the Risk Committee;

- Give the Board, Audit Committee and Risk Committee comfort that the contents and recommendations of any reporting to the Board on actuarial matters relating to the Company have been properly considered;

- Support the Risk Committee by reviewing the methodologies and assumptions underlying the quantitative elements of the Own Risk and Solvency Assessment ("ORSA") and in such other ways as requested to assist the Risk Committee in its identification, appraisal and management of risk;

- Support the Audit Committee by reviewing the methodologies and assumptions used to determine the technical provisions and in such other ways as may be requested by the Audit Committee;

- Receive, review and report to the Board on the opinion to be expressed by the Actuarial Function on the overall underwriting policy in accordance with 6.1(1)(g) of Conditions Governing Business of the PRA Rulebook;
- Receive, review and report to the Board on the opinion to be expressed by the Actuarial Function on the adequacy of the reinsurance arrangements in accordance with 6.1(1)(h) of Conditions Governing Business of the PRA Rulebook;
- Receive, review and, if appropriate, recommend approval by the Board of the annual report from the Actuarial Function produced in accordance with the PRA Rulebook;
- To make recommendations to the Discovery Limited Actuarial Committee on the Company's embedded value assumptions and methodologies on behalf of the Boards of the Companies within scope;
- Review the performance of the Chief Actuary and actuarial function and report this to the Board and Remuneration Committee, as appropriate; and
- Consider the impact of Consumer Duty where relevant, and specifically the pricing aspects contained within the Consumer Duty Board Report.

Technology Committee

The purpose of the Committee is to assist the Board of Directors with overseeing the IT operations and technology strategy and any significant investments in support of such strategy; and to support the Risk Committee in understanding the Companies’ exposure to, and management of, IT operations and technology risk.

The Committee membership consists of one independent Non-Executive Director, at least two other Executive and Non-Executive Directors and one independent external advisor. The Committee is attended by members of senior management. The Committee is chaired by an independent Non-Executive Director with extensive experience in information technology and security management and has a position on the Board, is a member of the Risk Committee, and reports at each Board meeting on the activities of the Committee.

The responsibilities of the Technology Committee include:

- Consider the Companies’ future IT plan for meeting the business strategy and endorse the approach taken to meet these goals, including reviewing the Companies’ IT operations and technology strategy and associated budget approach for the Companies and their business segments.
- Consider the Companies’ future service trends and demands on technology. Review the Companies’ overarching technology and process strategy, architecture and roadmaps (including core technology and vendor choices and delivery roadmaps). Endorse the Companies’ approach to research and innovation and technology Intellectual Property Rights;
- Review and recommend approval of the Companies’ IT operations and technology policies to the Board;
- Consider and, as appropriate, make recommendations to the Executive Committees and Boards regarding significant and/or strategic technology investments which support the Companies strategies, for both the long-term goals and considering changes and advancements in the wider industry. Review and agree significant technology investments;
- Consider and advise mitigations against Sustainability and Climate Change risks relating to IT operations and strategy with a particular focus on climate related financial risks;
- Monitor and evaluate existing and future trends in technology that may affect the Companies’ strategic plans, including monitoring of overall industry trends. Receive reports on future technologies and, in particular, the direction, opportunities and threats;
- Receive reports from management, as and when appropriate, on IT operations and technology metrics. Provide input and guidance to management based on the experience of the Committee members, addressing both opportunities and challenges;

- Review the major IT operations and technology risk exposures of the Companies, including information security, cybersecurity and fraud risks, and the steps management has taken to monitor and control such exposures. Agree, with management, including the Chief Risk Officer, the Companies' risk management and risk assessment guidelines and policies regarding technology risk. Periodically provide a report to the Risk Committee on the conclusions of such reviews;

- Perform any other activities consistent with these Terms of Reference as the Board shall specifically delegate to the Committee; and

- Consider the impact of Consumer Duty where relevant.

Group Executive Committee

The Group Executive Committee is mandated and responsible for implementing the strategies approved by the Board and managing the affairs of the Company. The Executive Committee is chaired by the Group Chief Executive Officer and meets weekly. The CEO is a member of the Board and has a standing agenda item on the Board to provide an update of the business performance and outlook. Each area of the business is represented by an executive on the Executive Committee and feedback on the activities of each department is provided at the weekly meeting. The Group Executive Committee is supported by a number of other Executive Committees covering key elements of the business.

The responsibilities of the Group Executive Committee include:

- Oversee the overall business plans for the businesses. Recommend any material change for approval by the Board;

- Oversee and make decisions on overall plans for functions which operate at a Group level, including but not limited to People, Finance, Risk, Marketing, Technology, Digital, R&D, Distribution, Distribution Operations, Customer Services, and Adviser Services. Business specific decisions which do not directly impact Vitality UK at the Group level are to be made by the business Executive Committees;

- Decisions on prioritisation of Group projects and operating resources within current business plan:

  - Prior to the end of the accounting period the Committee shall present at least a 5-year business plan to the Boards.

- Structure overall Group operations for maximum efficiency and effectiveness while maintaining a view of the individual businesses' operations;

- Ensure that effective systems of controls are established and maintained which facilitates identification and effective management of all significant risks facing the business. This includes but is not limited to:

  - Reputational risk to Vitality UK or the Discovery Group.

  - Financial risk

  - Review of compliance, risk and internal audit reports to ensure that ownership is allocated and appropriate corrective action is taken.

  - Ensuring that any significant breaches or failings are dealt with in accordance with the rules of the relevant regulatory body;

- Resolve any issues with the prioritisation of capital and operating resources across the businesses;

- Ensure the functional business areas provide accurate and timely management information to enable the business to be effectively managed;

- Ensure that the business operates within an effective and appropriate governance framework;

- Pass relevant and specific information to the Boards, including any recommendations by the Committee that require approval by the Boards;

- Review financial and operational performance of the business and authorise appropriate actions;
- Review the Company's code of conduct, leadership charter and policy statements to ensure these are fair to employees and reflective of organisational culture;
- Consider the impact of Consumer Duty where relevant;
- Approval and regular review of the Company's performance management and bonus framework;
- Review of material third party contracts or agreements which may carry a reputational risk to Vitality UK or the Discovery Group;
- Review of any material product changes, including new partner contracts – these will take the form of recommendations to the Boards;
- Review of any new financial incentive programmes (including staff incentive schemes, broker incentives etc.) which may impact on behaviours;
- Monitoring of fraud and financial crime; and
- The Committee will escalate to the DHEL Board any material matters relating to the Committee that it believes should be brought to its attention.

The Group Executive Committee is supported by a number of other Executive Committees covering key elements of the business:

- Health, Life and Car Executive Committees manages each of their respective business areas;
- Vitality Executive Committee that manages the Vitality programme implementation in the UK;
- Growth and Operations Executive Committee reviews and manages the implementation of the operations and distribution strategy;
- Marketing Executive Committee manages the marketing activities of the business;
- Finance Executive Committee to support the management of the financial performance;
- Reinsurance, Investment and Capital Committee to assist in reviewing the group's reinsurance, investment and capital.
- Sustainability Committee to support the business in setting and monitoring its overall sustainability strategy;
- Enterprise Executive Committee to oversee the portfolio delivery against agreed strategic objectives; and
- Internal Actuarial Committee to review actuarial judgements and papers ahead of the Actuarial Committee.

Nomination Committee

The Nomination Committee is responsible for assisting the Board to ensure the right mix of skills and expertise is represented on the Board.

The Committee consists of three independent Non-Executive Directors, the Discovery CEO and another Non-Executive Director and the CEO is invited to attend. Only the Members of the Committee can vote and a quorum of three is required for decisions. The Committee meets at least once a year with the mandate to convene additional meetings as circumstances require. The Chair of the Committee is an independent Non-Executive Director and reports to the Board on the activities of the Committee.

The main responsibilities of the Nomination Committee are to:

- Monitor the balance of skills, knowledge, experience and diversity on the Boards, ensuring these are appropriate to the needs of the Companies and the long term success of the Group;

- Ensure the appointments of Directors are linked to the Group's strategy;
- Ensure the quality of nominees to the Boards, which should include a diverse pool of candidates;
- Ensure that the current Directors of the Group have sufficient time to fulfil their roles effectively;
- Set policy around Board appointments and specify descriptions of the role and capabilities required for Board appointments in light of existing skills and experience of current Board members;
- To ensure that the Group is setting and meeting its diversity objectives, and to monitor the impact of such diversity initiatives;
- Ensure an adequate and up to date succession plan is in place for each Board and for the senior management teams of the business within the Group, and to oversee the development of a diverse pipeline for succession;
- Ensure the Directors receive induction training and on-going training;
- Make recommendations to the DHEL Board with regard to all the Companies within the Group; and
- Evaluate the Board's effectiveness.

External Remuneration Committee

The External Remuneration Committee is responsible for assisting the Board to set the parameters of remuneration for the Company and to oversee the Remuneration policy and outcomes for employees.

The Committee consists of a minimum of two independent Non-Executive Directors, a Non-Executive Director, two Discovery Executive Directors and is attended by members of senior management. Only Members can vote on decisions and a quorum of three is required. The Committee meets at least twice a year with the mandate to convene additional meetings as circumstances require. The Chair of the Committee is a Non-Executive Director and reports to the Board on the activities of the Committee.

The main responsibilities of the External Remuneration Committee are to:

- Review performance against targets and agree payments;
- Set the remuneration policy and principles that should be applied by the Internal Remuneration Committee relating to remuneration policy and strategy; package structures, bi-annual and sales bonus structures (including any significant structural change to existing schemes or creation of new ones) and longer term performance related pay schemes;
- Verify specific oversight and governance processes;
- Monitor the Remuneration Policy; and
- Report and provide assurance of the Remuneration Policy.

General information on the key functions

The following section provides a summary of the authority, resources and operational independence of the key functions.

- Risk Function – the function is headed by the Group Chief Risk Officer who is supported by a team that possesses skills ranging from risk management, actuarial, information technology and the UK regulatory environment. The Chief Risk Officer report including the risk summary is presented to the Executive Committee, Risk Committee and the Board, giving these management bodies the information gathered through the risk management process. The Risk Function maintains independence by carrying out an oversight role of the major processes, allowing for robust challenge of decisions and processes across the business.
- Internal Audit Function – the function is headed by the Chief Internal Auditor who is supported by a team containing qualified accountants, IT Auditors and auditors. Information on the independence of the internal audit function is provided in Section B.5.2. The findings of the internal audit function are

reported to the Audit Committee and a summary is provided to the Board by the Chair of the Audit Committee.

- Compliance Function – the function is headed up by the Group Compliance Director who is supported by a team of specialists with skills that include an in-depth understanding of the UK regulatory environment, financial crime and data protection legislation and monitoring experience. More information on the implementation, authority and independence is provided in Section B.4.2. The findings of the compliance function are reported to the Risk Committee and Audit Committee.

The Chairs of the Risk and Audit Committees are members of the Board and present summaries of the activities of their Committees to the Board.

- Actuarial Function – the function is headed by the Chief Actuary who is supported by Fellows and members of the Institute and Faculty of Actuaries, international actuaries with equivalent qualifications, as well as other technical professionals. Information on the authority, resources and independence of the actuarial function is provided in Section B.6. The Chief Actuary is a member of the Executive Committee. Activities of the Actuarial Function are tabled at the Actuarial Committee which is chaired by an independent Non-Executive Director who subsequently provides a summary of the Committee's activities to the Board.

The system of governance is considered to be appropriate for the Group, taking into account the nature, scale and complexity of the risks inherent in the businesses.

B.1.2 Material changes in the system of governance that have taken place over the reporting period

There were no material changes to the system of governance over the reporting period

No Director changes took place in the year.

The following Director changes took place after year end:

- Joanne Kenrick has been appointed as an additional Director to the Boards of DHEL, VHL, VLL and VCSL with effect from 1 August 2023; and
- Rosanne Murison has been appointed as an additional Director to the Board of VLL with effect from 1 August 2023.

There were no changes made to Committees in the last year.

There were no changes made to positions of influence during the year

B.1.3 Remuneration policy for the administrative, management or supervisory body and employees

B.1.3.1 Principles of the remuneration policy

All staff of the Company are employed by VCSL and the Company's remuneration policy is intended to attract, recruit and retain employees whose values are aligned to its culture and core purpose. The Company aims to create an environment that motivates high performance so that all employees can positively contribute to the Company's strategy and values. The Company philosophy is to adopt a flexible approach that recognises differences in individual performance, value and contribution to the organisation.

The Company achieves this through its pay philosophy, which ensures equitable and competitively benchmarked pay levels with incentives designed to reward high performance.

The key principles that underpin the reward policy, rewards structures and individual rewards are:

- Offering pay packages that promote internal equity and are competitive in the market to attract, recruit and retain great people;
- Ensuring that pay decisions are free from unfair discrimination based on race, gender, age, religion, marital status and ethnic or social origin;
- Reviewing salaries annually against internal and external salary data to ensure fairness and consistency across the business.

- Rewarding great performance through short-term incentive schemes, which are designed to reward achievement of business objectives and role requirements, as well as behaviours in line with Vitality values. Bonus payments are non-contractual and at Vitality's discretion.

- Conducting annual compliance reviews of performance scorecards to ensure that they remain balanced and appropriate;

- Ensuring that pay designs comply with all tax and regulatory requirements;

- All remuneration decisions are governed by the Internal Remuneration Committee, which is a sub-committee of the External Remuneration Committee. Interim salary increases are governed by the Interim Increase Committee, led by HR and attended by the Chief Financial Officer and Managing Directors. All senior management remuneration decisions are subject to further governance executed by the External Remuneration Committee; and

- The External Remuneration Committee ensure that undue risk is not incentivised by the business and consider the governance performance of the business in their decision making.

B.1.3.2 Total rewards offering

Vitality's total rewards offering is designed to align with the Company's ambitions of:

- Attracting, retaining and motivating high performing employees;

- Encouraging and rewarding employees to achieve or exceed business objectives;

- Aligning the economic interest of employees with those of shareholders; and

- Providing an environment that encourages innovative thinking and extraordinary performance.

Our total rewards offering includes:

- Pay (salary and performance-based short-term and long-term incentives);

- Benefits:

    - Core benefits available to all employees (private medical insurance, pension plans, and death in service and income protection schemes);

    - Flexible benefits (including travel cover and childcare vouchers);

    - Other benefits (e.g. free meals, discounted gym membership, and Peppy support services); and

    - Green benefits (e.g. lift-sharing and cycle schemes and an electric vehicle salary sacrifice benefit).

- Wellbeing services (including the Vitality programme)

- A recognition programme (including Star Awards); and

- Career development:

    - Learning and development opportunities; and

    - Challenging and meaningful work.

The sections below provide more information on the remuneration components of our total rewards offering.

Pay and benefits

This is the core element of remuneration that gives the Executive Management and individuals who are in significant influence functions, or those deemed to have a material impact on the strategy or the risk profile of the Company, the security of regular payments to manage and plan their financial affairs. The flexible and compulsory benefits are designed to provide non-monetary items in a cost-effective way by utilising the Company's economies of scale.

It is the Company's policy to pay a market rate comparable to similar roles within the Financial Services industry.

It is the Company's policy to provide a wide range of benefits that may be personalised based on employee choice. The suite of benefits on offer are the same for all employees and executives take part with no special arrangements being made.

Short-term incentive schemes

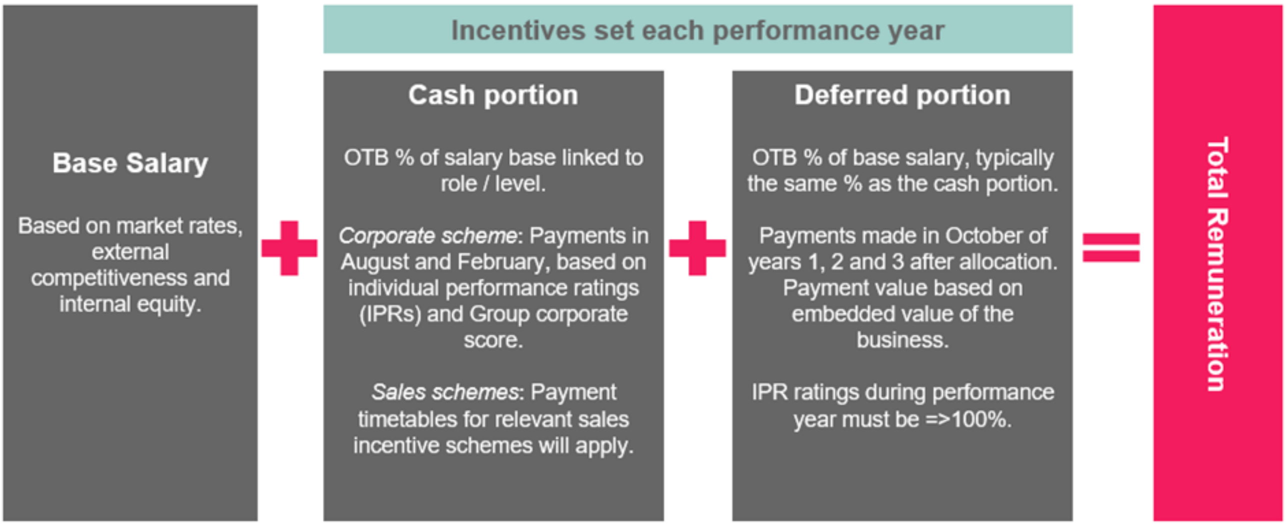
The short-term incentive is in the form of a biannual bonus payment. The CEO receives their bonus annually. The bonus is designed to reward and incentivise those who have achieved pre-determined individual and collective business targets over the preceding six-month period. It is designed to encourage a performance culture aligned to Vitality's values. The bonus creates a clear link between performance and reward where good results are recognised and retention of high achievers enabled.

The amount of bonus allocation and pay-out varies depending on the seniority of the individual within the Company and the type of role they occupy. The bonus level is based on job level, including those for Executives and Directors, although the scheme rules operate on a discretionary basis and are reviewed periodically.

For non-sales employees, the collective criteria used to determine the level of bonus paid is based on individual performance ratings and the corporate scorecard. For sales employees, the level of bonus paid is dependent on the sales achieved subject to achieving a minimum quality and compliance criteria and a maximum of 200% of their on-target bonus.

Single Incentive scheme ("SI")

The purpose of the SI is to incentivise members of the Executive Committee and key individuals to deliver improvements in performance, by aligning their interests with Vitality's longer-term strategic goals. Each financial year, participants receive confirmation of their total remuneration, which comprises three components:



Performance against the Group scorecard determines participants' incentives for each financial year, which works like this:

- Cash portion: payments follow the six-monthly corporate bonus timetable and are based on the corporate score and employees' individual performance ratings; and
- Deferred portion: at the end of each financial year, the average of the two scores for that year is used to calculate the deferred portion of the incentive, which is paid out after one year, two years, and three years, and grows if the embedded value of the business increases.

Participants in the scheme are nominated by Group Executive members and confirmed by the Group CEO. The ERC has the discretion to moderate incentive allocations and business performance scores.

B.1.3.3 Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

The Company offers all staff the choice of making contributions into a defined contribution pension scheme, which the Company will match up to a specified limit.

The Company has no defined benefit pension liabilities.

B.1.4 Material transactions during the reporting period with shareholders, with persons who exercise a significant influence on the undertaking, and with members of the administrative, management or supervisory body

Shareholders

During the year, the Company has not issued additional ordinary shares nor subordinated loans.

DHEL has provided the Company £57.5m of unsubordinated debt.

Persons who exercise a significant influence on the Company

There were no material transactions between the Company and persons who exercise a significant influence on the Company.

Executive management and directors

There were no material transactions between the Company and Executive Management and Directors.

B.2 FIT AND PROPER REQUIREMENTS

B.2.1 Requirements for skills, knowledge and expertise

The Company ensures that all persons (Solvency II staff) who effectively run the Company or have other key functions are fit to provide sound and prudent management through their professional qualifications, knowledge and experience and are proper by being of good repute and integrity.

The Solvency II staff collectively possess professional qualifications, experience and knowledge about at least:

- Insurance and financial markets;
- Information technology and project management;
- Business strategy and business model;
- System of governance;
- Financial and actuarial analysis;
- Insurance distribution;
- Investment management;
- Risk management; and
- Regulatory framework and requirements.

B.2.2 Fitness and propriety of persons

In order to ensure that Senior Managers / Company Directors of the Company are fit, they are recruited giving due regard to interview requirements, referencing, relevant skills, personal and professional background and other checks as required and relevant to the role to be undertaken. Some of the general checks conducted include:

- Educational background checks and
- Professional Qualifications / Membership check.

In order to ensure that Senior Managers / Company Directors are proper, they are subjected to a variety of checks at the commencement of their employment, including:

- Credit checks;
- Identity checks (including passport);
- Financial Sanctions & Anti-money Laundering check;
- Financial Conduct Authority Register search;
- UK Directorship search;
- Six years employments history (including gap activity over 30 days);
- International adverse media check;
- Social media checks;
- Criminal history checks; and
- Standard disclosure checks.

Further, there is an annual process to assess the ongoing fitness and propriety of Senior Managers and Company Directors.

B.3 RISK MANAGEMENT SYSTEM INCLUDING THE OWN RISK AND SOLVENCY ASSESSMENT

B.3.1 Risk management system

The Company uses the standard formula to assess its Solvency Capital Requirement.

The Company adopts the Vitality UK Enterprise Risk Management Framework ("ERMF"), which is underpinned by a comprehensive set of risk policies, frameworks, and guidelines to ensure that adequate processes and procedures are in place to manage risks. These documents are aligned with the current regulatory requirements, including Solvency II. Various assurance activities are undertaken to support the business in monitoring the risks within Vitality UK and ensuring there is sufficient compliance with the framework. Activities include tracking key risk indicators against Vitality's risk appetite, annual attestation to risk policies, incident reporting and thematic risk assurance reviews. Risk training takes place across the organisation at all levels from Board members to employees.

The framework continues to evolve with emerging best practice and the needs of the business to enhance its governance risk management system and to facilitate the activity required across the three lines of defence.

The Group adopts the 'three lines of defence' governance model:

The 1st line of defence – business management

Business management makes up the first line of defence. Overall, the first line of defence is responsible for the day to day management of risk and functioning of controls within the business operations as well as delivering the strategy and optimising business performance within an agreed governance and risk framework.

The 2nd line of defence – oversight

The second line of defence comprises the Risk Management Function and the Compliance Function. These are functions that provide assurance to the Board with regards to the adequacy and effectiveness of the overall risk management system.

The 3rd line of defence – assurance

The third line of defence is the independent Internal Audit Function. Internal Audit provides an independent and balanced view of the effectiveness of the system of internal controls, which may among other things include the adequacy of first and second line functions as defined above.

The risk management process requirements, as specified in the ERMF, are defined in the following table:

Requirement	Description
Risk Taxonomy	The Company maintains a Risk Taxonomy that defines the risks that it is exposed to through conducting its business. This taxonomy is used throughout the implementation of the ERMF to consolidate and escalate risks to the Board in a consistent manner.
System and Control Policies ("SYSC")	The Company maintains a series of SYSC policies that cover each of the risk classes defined in the risk taxonomy, outlining the minimum standards expected to be applied by the business to ensure they are appropriately mitigated. Each policy and the corresponding minimum standards are attested to annually by the Policy Owner, but also subjected to a detailed review and update at least once every two years to ensure they are appropriate and remain fit for purpose.

Risk Appetite Statement	The Board is responsible for setting the overall Risk Appetite. The statement outlines a series of risk appetite principles and statements for the Company that are supported by a broad range of key risk indicators across the full taxonomy including capital and liquidity. The statement is formally reviewed annually and agreed by the Risk Committee and Board to ensure it remains aligned to the business strategy and appetite of the Board.
Risk monitoring – key risk indicators ("KRIs")	The Risk Function has implemented a series of KRIs against risk appetite, in order to report to the Risk Committee both breaches of risk appetite, and also early-warning indicators that a risk appetite may be breached in the future. These are monitored on a monthly basis and reviewed by the CRO. Those which are outside of appetite as reported within the CRO report. The KRIs are formally reviewed at least annually and further developed if required. They are agreed by the Risk Committee and Board.
Emerging risk assessments	The Risk Function administer the emerging risk process and assessment with a full review of the profiles being completed and presented to the Risk Committee annually. Throughout the year individual risks are selected from these profiles for deep dives and submitted to the Risk Committee at the request of the Chair for review. The emerging risk profiles accompany the CRO report on a quarterly basis for information and update on any material changes in the external environment.
Risk Assessments (top down and bottom up)	The first line is responsible for carrying out the risk and control assessment process; however, oversight and challenge is provided by the second line. This process involves reviewing the risk taxonomy and identifying the risks that each department is exposed to, rating the risks and recording the controls used to manage / mitigate those risks. Once the risks and controls, along with their ratings, as well as action plans are complete, the top risks are presented to the Executive Committee for review and discussion. Following the Executive Committee review, the risk assessments are presented to the Risk Committee through the CRO report.
Combined Assurance - independent assurance reviews	As part of the three lines of defence model the Risk, Compliance and Audit functions will complete independent reviews of business processes, risks and controls. This activity is coordinated through the combined assurance process and they report their findings to the Audit Committee. This plan and coordinated activity ensures that when and where there is a specific need to obtain an in-depth understanding of a particular risk, specific controls, actions and mitigation strategies in place it can be accommodated. These reviews may be initiated by the business, a Board or its sub-Committees, or the CRO. As well as these reviews, the Risk, Compliance and Audit functions also engage in a number of 'close and continuous' activities each year.
Incident management	The business maintains a Group-wide incident management standard. An internal reporting tool is also in place to enable the instant reporting and escalation of incidents to the relevant subject matter experts for assessment and challenge. This ensures appropriate action and mitigation is taken to limit impacts and prevent further recurrence. Each incident is rated and escalated as per its severity as defined in the standard. The severity of incidents is determined against a range of categories via an impact harm table that includes the following categories: financial, member, operations (resource), regulatory, reputational, IT infrastructure, and legal.

Operational resilience	The business continues to evolve its operational resilience framework assisted by the required self-assessment and lessons learned report in line with the regulatory requirements PRA SS1/21 and FCA PS21/3. The Important Business Services, Impact Tolerances and an assessment of the organisational capability of remaining within these measures were identified along with justifications which was shared with the relevant business owners, SMEs, Risk Committee and Board for guidance, clarification and approval. The organisational resource capabilities and scenario analysis is maturing with a focus on ensuring the appropriate level of intolerable harm is captured, ensuring the business is fully operationally resilient to prevent harm to our members' service, our business and the wider market.
Recovery and resolution plan	The recovery and resolution plan outlines the situations and triggers that may impact the Company's ability to remain viable, whether that be from a regulatory or financial stability point of view. These triggers (or 'early warning indicators') are set with reference to Vitality's risk appetite as well as its view of regulators' expectations and based around a 'ladder of intervention'. The plan sets out a range of actions that should be taken into consideration in these situations, the potential impact on solvency and liquidity, and the feasibility of their implementation. It also sets out the governance required if the plan is triggered.
Stress and scenario testing	The Risk Function engages with the Finance and Actuarial teams to develop a range of sensitivity tests, scenarios and reverse stress tests to be performed in order to understand the impact of risk drivers on planned earnings, liquidity and solvency levels under stressed conditions. Scenarios are considered against the background of current and emerging risks, alongside an examination of potential management actions. Reverse stress tests consider stresses and scenarios that could challenge the viability of the organisation. Vitality continues to mature its approach to scenario testing in regard to the financial risks arising from climate change.
Risk reporting	The Risk Function produces the CRO report every quarter. This report is designed to provide the Board, Risk and Audit Committees with sufficient oversight of the ERMF and risk exposures, focusing on the out-of-appetite and watch-list risks. The second line also ensures that other Governance Forums maintain suitable oversight of key risks or control processes.
Documentation and Record Keeping	The ERMF exists to empower management to have more effective risk insight, which is encouraged by the identification, analysis and reporting of risks, controls, findings, incidents and corresponding actions across the business. The Risk Management Function oversees the implementation of the ERMF and ensures that relevant activity as described in the ERMF is captured and managed with appropriate actions being tracked. The business has migrated to a new risk management tool to support the next stage of risk management maturity. This includes elements of automation and tighter integration with business systems and metrics tracking.

The output of these exercises in the year is also captured in the ORSA report which is owned by the Board. It is reviewed by the Risk Committee, with quantitative elements also reviewed by the Actuarial Committee. The ORSA is coordinated by the Risk Function and undertaken at least annually and shared with the PRA.

B.3.2 Implementation of risk management system

The Company's Board is responsible for all key decisions across the organisation but delegates some of its decision making responsibilities to the Executive Committee, Risk Committee, Audit Committee and

Remuneration Committee. The Board is also advised by the Actuarial Committee and the Technology Committee. The outputs from the risk management system are reviewed by the Executive and Risk Committees with a summary of key items taken to the Board. This is taken to the decision making committees by the Risk Function following their review. This process facilitates the integration of the risk management system in the decision making process.

All key decisions made in the Company such as product initiatives, capital management, reinsurance arrangement review, investment strategy, marketing strategy, distribution strategy etc. follow internal governance processes which include an assessment of the risk exposure and mitigation strategies.

These processes facilitate the integration of the risk management system in the decision making process.

B.3.3 ORSA process

The ORSA process is governed by the ORSA policy. The approach to the ORSA is to integrate its requirements in the existing business processes and communicate the resultant analysis, recommendations and agreed actions at the relevant steps of the process. The ORSA process is conducted throughout the year to facilitate integration with decision making, culminating in the annual ORSA report, which is owned by the Board. The ORSA processes include:

- Risk management processes (described above);
- Risk strategy and appetite setting;
- Risk identification and quantification (including emerging risks);
- Stress and scenario testing;
- Strategic, planning and budgeting processes; and
- Reporting and disclosure.

All these processes are used by the Board and management in the day-to-day decision making to ensure risk and capital management are aligned. The output from the various processes is reported to the Executive Committee, Risk Committee and the Board at various points in the year. Actuarial aspects of the ORSA process (including risk appetite assessments and stress and scenario testing) are also reported to the Actuarial Committee.

A full review of the Company's own solvency assessment given its risk profile is performed and compared to the regulatory solvency assessment in order to determine whether additional solvency cover is required. The outcome of this assessment is recorded in the ORSA report and shared with the PRA.

The ORSA policy also sets out the roles and responsibilities of those preparing the ORSA and the governance that will be applied to approve the ORSA. In addition, it sets out the list of triggers that could result in an 'out of cycle' ORSA being produced as well as the processes and governance around the decision to produce an additional assessment. Equally, the Company may choose to revisit all or part of the ORSA elements outside the scheduled cycle in response to an actual or anticipated event that is judged to have the potential to significantly affect its risk profile and or solvency position.

B.4 INTERNAL CONTROL SYSTEM

B.4.1 Internal control system

The Company maintains an internal control system that governs financial and regulatory reporting. This framework aims to ensure that:

- All the risks that pertain to the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework have been identified and documented;
- There are controls (manual and automated) in place to address these risks and they are adequately designed to prevent or detect material misstatements in the financial statements and disclosures; and

- The controls identified operate as they are supposed to and are appropriately evidenced.

The financial control framework is subject to annual review of the appropriateness and effectiveness of the controls. This review is conducted by the Internal Audit Function and the results submitted to the Audit Committee.

The IFRS financial statements and Solvency II regulatory reporting are subject to rigorous controls in the production and review leading up to publishing, including oversight by the Audit Committee. The actuarial liabilities are produced in line with industry best practice and are subject to review by internal Committees (which include members from the Risk, Actuarial, Finance and Operational Functions) and the Actuarial Committee. The IFRS financial statements and Solvency II regulatory reporting are also subject to internal review and external audit review. They are presented to the Audit Committee and Board for sign-off prior to publication and submission to the regulator.

B.4.2 Implementation of the Compliance Function

The Compliance Function is an independent second line control function in the three lines of defence:

- It has a formal status within the overall governance framework of the UK Group;
- The Compliance Director is not engaged in any other business of the UK Group in a way which could create a conflict of interest; and
- The Compliance Function has access to all information and staff necessary to carry out its responsibilities.

To provide for the independence of the Compliance Function, the Compliance Director reports to the Chief Risk Officer, who is not directly involved in the day-to-day business operations.

The Compliance Function is responsible for reporting to senior management any breaches, or non-compliance with its Regulatory and Conduct Risk policy or any other relevant policy, rules and regulations. This means that the Compliance Function shall be able to carry out its functions on its own initiative without obstruction from management and other staff members.

The main Compliance activities are described by the following steps

1. **Training:** Ensure all staff receive regulatory training on a regular basis
2. **Advice and guidance:**
    - Provide regulatory guidance and support to the business.
    - Ensure new regulatory rules are communicated to the relevant business areas and support the business in implementing any changes.
3. **Conduct Risk Management:**
    - Provide Conduct risk training throughout the business.
    - Develop and maintain the Conduct risk framework.
    - Collate Conduct risk reports for discussion by business management and the Risk Committee
4. **Compliance Monitoring:**
    - Assess the appropriateness and efficiency of controls.
    - Evaluate progress made with the implementation of actions.
    - Produce monitoring plans for sign-off by the Audit Committee.

5. **Regulatory Interaction:**

    - Manage the regulatory relationship with all applicable regulators.
    - Submit information to the regulators to enable them to appropriately supervise us.
    - Notify the regulator of any significant changes or updates to Vitality's business in line with SUP 15.

6. **Reporting:** The compliance team reports regularly to the Risk and Audit Committee.

B.5 INTERNAL AUDIT FUNCTION

B.5.1 Implementation of the internal audit function

The Group Internal Audit Function, headed by the Chief Internal Auditor ("CIA") is the third line of defence in the Company.

Internal audit in the Company is implemented through the following process:

- An audit plan is created on an annual basis and ensures sufficient evidence will be obtained to evaluate the effectiveness of the risk management and control processes across the business. The plan includes a review of a selection of key controls related to the key risk management processes operating across the business. The audit plan also gives additional consideration to those operations most affected by recent or expected changes, for example changes following acquisitions, restructures and new ventures. The proposed plan is flexible so that adjustments can be made during the year as a result of changes in management strategies, external conditions, major risk areas, or revised expectations in respect of achieving the business's objectives. Any proposed changes or updates in the plan are reported to the Audit Committee for their review and agreement before they are incorporated into ongoing work. The Audit Committee review and approve the plan at least annually.
- Based on the annual plan, the internal audit activity evaluates the adequacy and effectiveness of controls encompassing the business' governance, operations, and information systems. This includes:
    - Reliability and integrity of financial and operational information;
    - Effectiveness and efficiency of operations;
    - Safeguarding of assets; and
    - Compliance with laws, regulations, and contracts.
- In determining the proposed audit plan, the CIA considers relevant work that will be performed by other areas, e.g. compliance monitoring, risk deep dives and external audit and to what extent this work can be relied on. The CIA also considers the work planned, or recently completed, by management in its assessments of the risk management process, controls and quality improvement processes, as well as the work planned by the external auditors, are considered in determining the expected coverage of the audit plan for the coming year.
- The Executive Committee and the Board require that the CIA performs sufficient audit work and gathers other available information during the year so as to form a judgment regarding the adequacy and effectiveness of the risk management and control processes. The CIA communicates overall judgment regarding the business's risk management process and system of controls to the Executive and Audit Committees.

B.5.2 Independence of the Internal Audit Function

The Group Internal Audit function at the Company is managed by the Chief Internal Auditor who is an employee of the business, has no responsibility for any other function across the business and has a primary reporting line into the Chair of the Audit Committee, which is an independent Non-Executive Director role.

Internal audit have full access to all activities, documents, meetings and personnel necessary to carry out their duties.

B.6 ACTUARIAL FUNCTION

The PRA requires that firms should have an Actuarial function and has specified that firms should appoint a Chief Actuary as set out under the PRA's senior managers' regime. The Company's Chief Actuary is a Senior Management Function ("SMF"), reports functionally to the Company's Managing Director and is a member of the Executive Committee. The Company has various actuarial teams that perform the work and provide the information necessary to fulfil the requirements of the Actuarial function as set out in the PRA Rulebook.

The Company's Chief Actuary presents a report annually to the Actuarial Committee and the Board that summarises the activities of the Actuarial function that supported compliance with the requirements for the calculation of the technical provisions, and provides the Chief Actuary's opinions on the overall underwriting policy and the adequacy of the reinsurance arrangements.

The Actuarial function contributes to the effectiveness of the risk management systems more widely through various activities which include: substantial involvement in the ORSA; identifying, measuring and monitoring risks; asset liability management (specifically liquidity risk management) and business planning.

B.7 OUTSOURCING

VCSL provides management services to the Company including the recharge of expenses incurred on its behalf. All staff costs incurred by VCSL in respect of the Company branded products are allocated and recharged to the Company. The jurisdiction of the contract with VCSL is England and Wales.

The Company's Outsourcing Policy is to follow the process below:

1. **Outsourcing Suitability Assessment:**

   - When considering outsourcing arrangements, the Company takes into account how it will fit into its organisation, reporting structure, business strategy, risk appetite and its ability to meet with regulatory requirements.

2. **Service Provider Selection:**

   - A competitive tender process is conducted by the Group Sourcing team for all arrangements except those where Discovery provide the services under intragroup arrangements.

   - Due diligence is conducted to assess among other things; financial viability, insurance, anti-money laundering sanctions, conflicts of interest, risk management, personnel, information and asset security, business continuity and disaster recovery, risk concentrations, geopolitical implications and regulatory permissions.

3. **Contractual Requirements:**

   - Outsourcing relationships must be established with a set of written agreements which set out the expectations and obligations of each party. Agreements must include the following terms; guarantees and indemnities, regulatory compliance, Data Protection compliance, financial crime, change process, duties and responsibilities, reporting of material developments, right to audit, termination, confidentiality etc.

4. **Contractual Approval:**

   - Once a written agreement has been agreed between each party, internal approval must be sought in line with the Company's contract approval process.

   - Where critical functions have been outsourced, final approval must be sought from the Board and where relevant, the regulator notified.

5. **Reporting and Monitoring:**

   - Group Sourcing maintain a list of all outsourcing arrangements.

- The Company has processes for regularly monitoring and reviewing the performance of the service providers.
- The Outsourcing Committee receives regular reports on the performance of any service provider undertaking critical functions.

6. Contingency and Exit Planning

- The Company must ensure it has suitable contingency plans in place to mitigate the risk of a significant failure by the Service Provider. These plans must be documented and reviewed at least annually.
- The Company must document and maintain an Exit Plan for managing the end of the relationship with a Service Provider.

The Company is currently utilising several service providers to undertake critical or important functions on its behalf. These include business process outsourcing, document management, IT cloud and data centres, and payroll services within the UK; business process outsourcing, IT development and software maintenance in India; and intragroup IT and business process outsourcing services in South Africa.

The Outsourcing Committee monitors the efficiency and effectiveness of the outsourced providers and reports to the Risk Committee.

B.8 SYSTEM OF GOVERNANCE – ANY OTHER INFORMATION

Sustainability risks and the risks from climate change are cross-cutting over several aspects of the business and taxonomy risk. Vitality has implemented a Sustainability Committee to develop and implement a sustainability strategy, as well as supporting risk identification, management, measurement and reporting of sustainability and climate change risks.

C RISK PROFILE

Summary of business written

VLL primarily writes long-term (life) protection business in the UK only under the VitalityLife brand.

The protection products provide the following core benefits:

- life cover;
- serious illness cover; and
- income protection cover.

Customers can combine different types of cover. Cover can be on a term or whole of life basis and benefits can be level, indexed or decreasing depending on the cover type and policyholder benefit selection. There are single and joint life cover options. Serious illness cover can be an acceleration of the life cover, with the policyholder selecting his/her serious illness cover as a proportion of the life sum assured, or the serious illness cover can be independent of the life cover.

Various additional covers and options (riders) are also available, for example, waiver of premium (on incapacity, on death in a joint life plan and on serious illness) and the dementia and frail care cover option.

VitalityLife also offers access to the unique Vitality Healthy Living programme which is a wellness programme designed to encourage members of the programme to lead a healthier life and reward them for doing so. For example, members can obtain discounts from Vitality's specified health partners on health screening, fitness assessments, selected exercise equipment, dieting and stopping smoking courses.

Policyholders may also add Optimiser to their policies and receive an initial premium discount compared to policyholders who did not select this feature. The future protection premiums on Optimised policies then change annually at a rate which is linked to how engaged the policyholder is in the Vitality Healthy Living programme.

In addition to the VitalityLife business, VLL wrote unit-linked business under the VitalityInvest brand from June 2018 to June 2022. Over the reporting period, this business closed to recurring contributions from in-force policyholders and is expected to completely exit the market before December 2023.

Summary of investments

VLL has held a strategic equity investment in VHIL as a fellow group company since February 2020. Other than this investment and assets held in respect of the VitalityInvest business (which mainly comprise of unit-linked assets matching unit-linked liabilities), VLL's shareholder and non-unit-linked investments are predominantly held in cash and in short-term liquid assets with high credit ratings within collective investment undertakings.

Summary of risks

The split of the Company's SCR as at 30 June 2023 and as at 30 June 2022 is provided in the table below:

Vitality Life Limited £'m	30 June 2023	30 June 2022
Health underwriting risk	126.4	128.5
Life underwriting risk	212.4	255.5
Market risk	79.9	57.3
Counterparty default risk	4.5	3.9
Undiversified BSCR	423.2	445.2
Diversification credit	(114.3)	(108.5)
Basic SCR	308.9	336.7
Operational risk	10.2	9.9
Adjustment for loss absorbing capacity of deferred taxes	(47.0)	(49.5)
Final Standard Formula SCR	**272.1**	**297.1**

The risk profiles at 30 June 2022 and 30 June 2023 are similar with underwriting risk remaining the most material standard formula SCR risk. Reinsurance risk mitigation for mortality and morbidity risks is in place via the use of quota share reinsurance arrangements with a retention limit. Therefore, the material underwriting risk is lapse risk.

Given the nature and duration of the Company's book of business, the non-unit BEL (and hence non-unit technical provisions) is currently negative. The Company's shareholdings (excluding the strategic investment in VHIL) and non-unit-linked investments are held primarily to meet operational and new business funding liquidity requirements. These assets are held in cash in bank accounts, term deposit accounts and in short-term liquid assets with high credit ratings within collective investment funds. Therefore, the market risk exposure arising from these assets is low. The strategic investment in VHIL results in strategic equity risk exposure which is captured within the equity sub-risk module in the market risk module.

Counterparty default risk is relatively low since the banks are highly creditworthy in their domestic markets and reinsurance is spread across different reinsurers with high credit ratings.

C.1 UNDERWRITING RISK

C.1.1 Exposure

Underwriting risk at 30 June 2023 comprises around 80% of the undiversified basic SCR. The key underwriting risks which the Company is exposed to are set out below.

Components of underwriting risk SCR £'m	30 June 2023	30 June 2022
Lapse risk	59%	64%
Mortality risk and mortality catastrophe risk	21%	19%
Morbidity risk and health catastrophe risk	13%	10%
Expenses risk	7%	7%
Total	**100%**	**100%**

Lapse risk

The Company is exposed to both the risk of lapse rates being higher than expected and of lapses being lower than expected, depending on the type and duration of the policy. It is also exposed to mass lapse, which is an instantaneous one-off shock lapse event. The risk from higher lapses or a mass lapse event is mainly at early durations when the policy has lapsed before acquisition costs have been recouped or expected future profits have emerged. The risk of lower than expected lapses is at later policy durations. Lower than expected lapses mean that more policies are in-force at later durations when claims costs and reinsurance premiums are higher.

Lapse risk can arise due to misestimation, trends, economic shocks, competitor activity (lapse and re-entry), changes in policyholder behaviour and reputational damage.

Lapse risk accounts for 59% of the undiversified underwriting risk SCR at June 2023. Mass lapse risk is biting in both the life and health underwriting modules. The reduction in mass lapse risk since 2022 (64%) is mainly a result of VLL entering into a mass lapse reinsurance arrangement during the reporting period which is designed to manage its exposure to moderate to severe mass lapse events.

Mortality and Morbidity risk

As VLL is a writer of protection business, it is exposed to mortality and morbidity experience being higher than expected. Higher mortality leads to a higher incidence of claims from policies providing death cover. Similarly, higher morbidity leads to higher incidence of claims from serious illness and income protection cover. The result in both cases is higher claims outgo than expected.

Higher mortality and morbidity can arise through misestimation, adverse trends, selective withdrawals, risk concentrations (geographic and occupational), and anti-selection (where policyholders with worse risk characteristics than allowed for in the pricing are accepted).

VLL is also exposed to the risk of certain kinds of catastrophic events, for example pandemics (coronaviruses, flu pandemics, MRSA, SARS etc.), geographical concentration of lives or contraction of lives in a single hazardous occupation.

Mortality risk (including mortality catastrophe risk) accounts for 21% of the undiversified underwriting risk SCR at 30 June 2023, while morbidity risk (including health catastrophe risk) accounts for 13% of the undiversified underwriting risk SCR.

Expense risk

VLL is exposed to the risk that acquisition expenses and future maintenance expenses are higher than expected. Expense risk can arise through misestimation, higher than expected expense inflation, lower volumes of business than expected, expense overruns, regulatory change and changes in the mix of business. Expense risk accounts for 7% of the undiversified underwriting risk SCR.

C.1.2 Risk mitigation

VLL monitors and controls underwriting risks via various methods, including:

- using reinsurance to reduce exposure to mortality, morbidity and lapse risks;
- underwriting aims to ensure that only insurable risks are accepted and that premiums reflect the unique circumstances of each risk;
- monthly performance reporting highlights performance of key underwriting metrics;
- Executive Committee overview of financial performance;
- a risk register is maintained and an assessment is performed at least quarterly and reported through the CRO report;
- the ORSA includes stress and scenario testing which is used to assess the risks under stressed conditions;
- experience investigations covering lapses, mortality, morbidity, and expenses are conducted at least half yearly; and
- product design and pricing that aims to minimise adverse selection and use appropriate rating factors to differentiate between different levels of risk. The Optimiser incentivises engagement in the Vitality Healthy Living programme which should have a positive impact on risk experience.

The Company's reinsurance arrangements serve to limit its overall risk exposure as well as reduce the volatility of its claims and enhance underwriting performance on the life business. The volume of business underwritten by the Company is relatively small, as the Company only started underwriting policies in 2016. Small portfolios typically exhibit higher claims volatility than large ones and so reinsuring mortality and morbidity risk is appropriate for VLL given its current maturity.

VLL's reinsurance programme in relation to mortality and morbidity risk is on a quota share basis with a maximum retention per life and is split among a number of different reinsurance counterparties depending on the type of cover. There is also risk transfer within the reinsurance financing arrangements since repayments are contingent on policyholders' future premium payments. The appropriateness of the reinsurance programme is assessed at least once a year.

C.1.3 Risk concentration

The Company does not write group policies so there is limited concentration of risk as policyholders are spread throughout the UK and other demographic factors are well diversified. The risk is controlled through frequent monitoring of the business mix and lapse monitoring, as well as regular experience investigations. In addition, reinsurance is used to manage the level of risk and financial underwriting limits are in place for large life cases.

C.2 MARKET RISK

C.2.1 Exposure

Market risk is the risk of loss or of adverse change in the financial situation resulting directly or indirectly from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. At 30 June 2023, market risk contributes 19% towards the undiversified basic SCR. The key market risks which the Company is exposed to are set out below.

Components of market risk SCR £'m	30 June 2023	30 June 2022
Interest	56%	31%
Equity	37%	58%
Currency	5%	7%
Spread	0%	1%
Concentration	2%	3%
Property	0%	0%
Total	100%	100%

Interest rate risk

VLL's BEL is exposed to the risk that interest rates increase. As a relatively young long-term insurer, the in-force book is projected to remain cash flow positive for a number of years before turning negative. The net inflows at the beginning more than offset the net outflows later in the projection, resulting in a negative (beneficial) BEL. Increasing the interest rate results in both the future inflows and future outflows being discounted at a higher discount rate, reducing the overall future net positive cash flows in the process. This exposure drives the interest rate risk in the SCR. The increase in interest rate risk over the year is because of the higher interest rates at June 2023 relative to June 2022 and the the interest rate SCR being a proportional stress.

The other non-unit investment assets (excluding the investment in VHIL) are all short-term liquid assets (as explained in Section D.1) and so have minimal interest rate risk exposure. Hence, the key driver of the interest rate SCR is the BEL exposure.

At 30 June 2023, interest rate up was the biting interest rate SCR. Interest rate risk contributed 56% towards the undiversified market risk SCR.

While interest rate up is biting in the interest rate SCR, a reduction in interest rates impacts other components of the SCR. In particular, low interest rates may exacerbate the risk of low lapses as both low interest rates and low lapses increase the impact of the negative cash flows at the later durations. This is particularly relevant in SCRs projected for the risk margin calculation, since lapse down is more likely to be the biting lapse stress as the book matures and the point at which the cash flows turn negative approaches.

The negative impact of interest rate reductions on the risk margin is likely to be larger than the beneficial impact of interest rate reductions on the BEL. Hence, VLL's SII balance sheet is exposed to low interest rates.

The impact of changes to the interest rate has different impacts on different products and features. Whole of life products in particular are sensitive to interest rate reductions. These products contribute to the overall sensitivity of the book to a low interest rate environment.

Equity risk

VLL's equity risk mainly relates to its strategic investment in VHIL (as described in Section D.1). The strategic nature of this investment reduces VLL's exposure to the risk of fluctuations in the value of this investment, which is reflected in a lower SCR charge than other equities would attract.

Equity risk accounts for 37% of the undiversified market risk SCR.

Currency risk, spread risk, concentration risk and property risk

Currency risk, concentration risk, property risk and spread risk account for 7% of the undiversified market risk SCR.

The currency risk arises from a strengthening of the South African Rand ("ZAR") against the Pound Sterling ("GBP"). When the ZAR strengthens, technical provisions increase because part of the Company's expense base is in South Africa (some operations are outsourced to other Discovery group companies in South Africa). This is partially offset by the increase in value of the cash held in the South African bank account (see Section D.1).

As at 30 June 2023, VLL's shareholder and non-unit-linked investments are largely held in cash (including short-term deposits) in both UK and South African based bank accounts and in short-term liquid assets with high credit ratings within collective investment undertakings. These assets are primarily held to meet operational and new business funding liquidity requirements. The sterling-denominated liquidity investment funds invest in short-dated fixed and variable interest securities both sovereign and non-sovereign. Maturities range from overnight to a maximum of under one year and the funds have a credit rating of at least single A (or equivalent). As the funds are partially invested in short-dated non-sovereigns, there is a risk of spread widening. However, this risk is small given the credit quality and the short maturities of the holdings. Similarly, the credit quality of these assets combined with the fact that they are distributed across several banks and underlying investments means that the concentration risk associated with these assets is small.

C.2.2 Risk mitigation

There is monthly monitoring of interest rate risk, which, together with the results of regular profitability analyses, could trigger consideration of changes to product design or pricing.

A risk register is maintained and an assessment of market risk performed at least quarterly and reported through the CRO report. The ORSA includes stress and scenario testing which is used to assess market risks under stressed conditions.

The unit-linked assets of VitalityInvest are invested in the funds underlying the unit-linked liabilities. As these assets and liabilities are matched there is no market risk arising from the unit-linked funds.

For VitalityLife, an internal committee responsible for investment meets at least quarterly and oversees the investments and makes decisions on tactical asset allocation (within the constraints of VLL's overall investment strategy). The VitalityInvest Unit-Linked and Investment Committee reviews compliance with the Unit-Linked Governance Standard which requires policyholder liabilities to be fully matched with the relevant underlying assets with no appetite for market mismatches. Exposures are validated daily by the Investment Operations team.

There is no material exposure to property holdings.

C.2.3 Risk concentration

VLL's liquidity investment funds are well diversified and so there is limited concentration risk that arises from them. There is some concentration risk arising from VLL's short-term deposit accounts in the UK and South Africa but this is immaterial relative to the overall capital requirements.

The potential risk concentration for the strategic investment in VHIL is addressed through monitoring VLL's solvency coverage excluding this investment and ensuring that the business remains adequately funded at this level.

C.3 CREDIT RISK

C.3.1 Exposure

Credit risk is the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which VLL is exposed, in the form of counterparty default risk, spread risk or market risk concentrations.

At 30 June 2023, credit risk in the form of counterparty default comprised 1.1% of the undiversified BSCR, while spread and concentration risk were also both less than 1% of the undiversified BSCR. Credit risk could primarily arise from exposure to: various reinsurance counterparties and; three banking counterparties (two UK-based and one South Africa-based).

All the reinsurance counterparties with which VLL has treaties are highly rated such that the credit rating is at least single A or equivalent. At 30 June 2023 there was no loss given default for any of the reinsurance counterparty exposures because the negative reinsurance recoverables outweighed any loss in risk mitigating benefit. Therefore, credit risk is not material.

The three banks are highly reputable and creditworthy with credit quality steps of 2, 2 and 4 respectively. The the credit quality step of the South African bank (4) is constrained by the fact that it is a South African company where the sovereign rating is BB.

C.3.2 Risk mitigation

Credit ratings are used to assess credit risks. VLL does not routinely make its own assessment of credit risk of counterparties other than to use the ratings provided by rating agencies (although VLL could potentially do so if it has reason to believe that the rating agencies ratings are inaccurate or out of date).

To mitigate the risk of banking counterparty default, banks are chosen following a thorough due diligence exercise to select only highly reputable and creditworthy banks. To mitigate credit risk arising from reinsurer exposures, the selected counterparties are large, well established multinational reinsurers and chosen such that the credit rating is at least single A (or equivalent). Credit ratings of reinsurance counterparties are reviewed at least annually.

The exposure to credit risk within the unit-linked funds is managed as part of the investment mandate of the funds.

No derivatives are employed to manage credit risk.

C.3.3 Risk concentration

The company avoids material credit risk concentrations by ensuring its deposits are split across more than one bank and reinsurance is split across multiple reinsurance counterparties to reduce single name exposure. In addition, counterparties are chosen such that they are highly reputable and creditworthy to further reduce credit risk exposure.

C.4 LIQUIDITY RISK

C.4.1 Exposure

Liquidity risk is defined as the risk that VLL is unable to realise investments and other assets in order to settle its financial obligations when they fall due.

VLL has limited liquidity risk as a result of its investment strategy. At 30 June 2023, all of its shareholder and non-unit-linked investments, excluding the strategic equity investment in VHIL, are held in cash in both UK and South African based bank accounts, term deposit accounts and in short-term liquid assets with high credit ratings within collective investment undertakings. The GBP denominated liquidity investment funds invest in short-dated fixed and variable interest securities both sovereign and non-sovereign. Maturities range from overnight to a maximum of under one year and the funds have a credit rating of at least Standard and Poor's single A (or equivalent). The liquid investment assets reflect the fact that VLL only started writing life insurance business in 2016 and so does not yet have a large in-force book to fund the writing of new business.

C.4.2 Risk mitigation

Liquidity requirements are assessed monthly in order to meet VLL's stated liquidity objectives. Liquidity requirements and risks are also considered in VLL's ORSA. The Company's current policy is to hold sufficient internal liquid resources to meet both expected and stressed operating liquidity demands within a specified time horizon. Investment assets take into account the liquidity requirements of the business. As a result all of VLL's non-unit assets are held as cash in bank accounts or in short-term liquid assets with high credit ratings within collective investment undertakings.

VLL also has access, via its parent, to an unsubordinated debt facility which may be used to provide liquidity.

The unit-linked funds are linked to collective investment schemes that are regulated as retail schemes (either by the Financial Conduct Authority or similar European bodies). These funds are regulated so as to have reasonable levels of liquidity. Where a liquidity risk event does occur VLL's terms and conditions allow for a delay in dealing times or suspension of the unit-linked fund.

C.4.3 Risk concentration

The Company avoids material liquidity risk concentrations by ensuring its invested assets are split across a number of counterparties, but also within each collective investment undertaking, the funds are invested across a number of liquid, short-term counterparties.

C.4.4 Expected profit included in future premiums ("EPIFP")

The EPIFP as at 30 June 2023 is £917.4m. The EPIFP is calculated in line with Article 260 of the Commission Delegated Regulation (EU) 2015/35 (referred to as Delegated Regulations in the remainder of the document). For all VitalityLife policies, there is no surrender value on discontinuance, but discontinuance would lead to commission clawback being received by the Company for lapses within the clawback period. The EPIFP is therefore equal to the negative BEL less an allowance for the commission clawback that would be received if the entire book discontinued. While EPIFP contributes to own funds, it is highly illiquid and so VLL's holdings in highly liquid investments take this into account.

C.5 OPERATIONAL RISK

C.5.1 Exposure

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events.

The following measures are used to assess operational risks:

- Risk and control assessments – the ERMF requires all teams across the business to carry out a risk and control self-assessment which would highlight any operational risk issues that need to be taken into account when assessing the risk profile for the business.
- The Solvency Capital Requirement – the standard formula Solvency Capital Requirement includes an assessment and quantification of the operational risk exposure.
- The Company also carries out operational risk scenario workshops to develop scenarios for each operational risk category. This involves estimating the severity and likelihood of each scenario based on the information captured in the Company's risk and control registers, business incidents, assurance findings, and risk indicators and input from subject matter experts in the business. Once captured, the operational risk profile is assessed quantitatively and taken into account in the Company's own assessment of its solvency capital requirements. Operational risks are also assessed using qualitative techniques to understand the likelihood and impact of the risks materialising. The results of this assessment are recorded in the ORSA.

- The top three operational risks included in the assessment are shown below.
    - Model risk - the risk of loss resulting from using insufficiently accurate models to make decisions.
    - Cyber risk, including fraud and information risks - the risk of financial loss, business disruption and data leakage or loss due to the malicious or fraudulent exploitation of security vulnerabilities within Information Technology systems.
    - Technology risk - the risk associated with the use, ownership, operation, involvement, influence, adoption and development of technology within the Group. It consists of technology-related events and conditions that could potentially impact the business.

The business continued to actively manage these key risks over the period.

C.5.2 Risk mitigation

All material operational risks which the Company is exposed to, are identified and recorded in the risk register. The risks are assessed and, once any actions required to manage the risks have been agreed, the risks are reported to Senior Management, the Risk Committee and the Board. The following list outlines the actions/techniques the Company uses to mitigate operational risks:

- Risk reduction – where possible, the Company takes action to reduce the impact of a risk. The required actions vary by risk;
- Risk removal – where risks are outside risk appetite and there are no commercially viable means of reducing the risk, the business may remove the risk;
- Risk transfer – the Company outsources a number of activities and in some cases the associated risks with carrying out those activities. Whilst the Company can outsource activities, it does not transfer responsibility and therefore manages its outsourcing relationships accordingly;
- Risk acceptance – where the Company has considered all other mitigation techniques and a material risk remains out of appetite, it may proceed to accept the risk with the approval of Senior Management, the Risk Committee, or Board as appropriate; and
- Reporting – the material operational risks which the Company is exposed to are identified and recorded in the risk register. The risks are assessed and, once the actions required to manage the risks have been agreed, the risks are reported to Senior Management, the Risk Committee and the Board.

Examples of operational risk key controls which are in place include, but are not limited to, business continuity testing and plans, user acceptance, system and regression testing, claim process mapping and review of rules decision-making, compliance monitoring, quality assurance, information security management standards, supplier risk assessments and the staff onboarding process.

The Company continues to improve risk management through the risk strategy directed by the Chief Risk Officer.

C.5.3 Risk concentration

Operational risk is inherent within the business. It is managed through the ERMF and a number of workshops to identify the key sources of operational risk as well as the likelihood and impact. No material concentrations of operational risk have been identified by the business and there is ongoing monitoring of risks to ensure this remains the case.

C.6 OTHER MATERIAL RISKS

The Risk Management process within the Company includes a review of both the current and emerging risk profile. In summary, the Company is exposed to the following other material risks:

- New business funding liquidity risk (discussed in further detail below);

- Reputational risk, including impacts from conduct risk, liquidity risk and the knock-on impacts on underwriting risks such as persistency and expenses;
- Regulatory risk, including impacts from regulatory change and compliance exposure;
- The current high inflation environment does not pose a material direct risk to VLL. However, the potential impact on the affordability of VLL's products may put pressure on new business volumes and persistency.
- Strategic risk, where the Company's strategic objectives could be impacted by evolving customer preferences, the Company's investment performance, the economic environment, its approach to sustainability and managing climate change risk, and political and regulatory change; and
- Vitality risk is the risk that Vitality reward costs exceed those allowed for in the current budget as a result of (e.g.) higher than anticipated engagement and / or higher utilisation, without a corresponding improvement in claims and lapse experience.

There are no other material risk concentrations to which the Company is exposed. No other material risks were identified through the sensitivity, scenario and stress tests described below in Section C.7. No material changes to the measures used to assess the risk exposure or the material risks over the reporting period have taken place.

The above risks are subject to the same ERMF as underwriting, market, credit, liquidity and operational risks, and are recognised within Vitality's risk taxonomy. Controls and other risk mitigating activities are implemented and regularly assessed by management as part of the quarterly RCSA. Depending on the nature of the risk, the monitoring of risk indicators or other performance metrics is reported internally to the Executive Committee on a regular basis. If appropriate, they are subject to a risk, compliance or internal audit review, with any adverse findings reported to the Audit Committee. A summary of the effectiveness of the techniques used to mitigate these risks is reported within the quarterly CRO Report to the Risk Committee.

New business funding liquidity risk

The writing of future new business requires sufficient liquid resources in order to be able to pay new business commission and other acquisition costs. The Company is therefore exposed to the risk that it cannot fulfil its business plan if it does not have sufficient liquid resources to finance the writing of future new business. This type of liquidity risk will diminish over time as the business matures and the proportion of existing business becomes much larger compared to future new business. However, as VLL started writing business in early 2016, this will be a key risk over the short term.

A key source of liquidity for the writing of new business is provided by reinsurers through financing reinsurance treaties. This financing helps offset part of the strain of writing new business and is repaid in future periods contingent on policyholders' premiums payments. Therefore, there is a dependency on reinsurers to provide this funding resulting in a risk exposure to the reinsurers reducing their capacity to provide funding or failure of the reinsurer. This could lead to the loss of funding to write new business until such time as replacement funding can be arranged. The high levels of liquid investment assets along with sourcing VLL's financing reinsurance treaties across a number of reinsurers help to mitigate the risk of reinsurer failure.

Another source of funding is dividends issued by VHIL to VLL as its parent company. There is a risk that VHIL does not issue dividends (or issue lower dividends than expected), reducing the Company's liquidity capital.

The Company also has, via its parent, access to an unsubordinated debt facility with a major UK bank.

Another source of liquidity is capital injections from its ultimate parent company, Discovery Limited.

Liquidity requirements are assessed frequently in order to meet VLL's stated liquidity objectives, and assessments to ensure sufficient liquidity under stress are performed periodically. The high level of liquid assets and the existing commitments from reinsurers to provide the agreed future financing helps to mitigate new business financing liquidity risk. In extreme situations, VLL could reduce or stop writing new business in order to control this risk.

C.7 RISK PROFILE – ANY OTHER INFORMATION

C.7.1 Risk sensitivity

The Company carries out stress and scenario testing as part of its ERMF, which includes the ORSA. The stress and scenario testing includes assessing the projected solvency position under a number of adverse stresses and various scenarios relevant to the Company's risk profile. This allows it to assess the resilience of the Company to continue operating efficiently under extreme trading conditions and is used to identify where potential risks and impacts are likely to be most critical. For the most material risks, the analysis indicated that the Company was able to withstand severe shocks.

Reverse stress testing was also used to determine what combination of extremely low interest rates and other relevant factors might make the business plan unviable.

C.7.2 Sensitivities

The table below shows some of the key sensitivities for VLL and the impact they have on the solvency coverage ratio.

Risk driver and stress description	Stress	SCR% impact	Impact
Base		211%	
Lapse rates: An immediate and permanent increase/ decrease in lapse rates applied to all policies.	(+/-)10%	Lapse up: +15% Lapse down: -13%	An increase in lapse rates has a positive impact on SCR coverage as the firm's existing financial resources are needed to cover a smaller future in-force portfolio, particularly since there are no surrender values for protection business.
Mortality and morbidity: An immediate and permanent increase in mortality rates and morbidity for the Life business.	+10% for both mortality and morbidity	-5%	There is a decrease in SCR cover, which is driven primarily by a reduction in future profits. The reinsurance risk mitigation in place limits the impact of claim payouts from mortality and morbidity events.
Interest Rates: An immediate and permanent decrease in nominal interest rates.	-50bps	-8%	SCR cover reduces when interest rates decrease. This is primarily via the impact on the risk margin.
Interest Rates: An immediate and permanent increase in nominal interest rates.	+50bps	+5%	SCR cover increases when interest rates increase. This is primarily via the impact on the risk margin.

C.7.3 Prudent Person Principle

The Company ensures that its assets are invested in accordance with the Prudent Person Principle set out in the PRA Rulebook. It only invests in assets whose risks it can properly identify, manage, control and report and which can be appropriately taken into account in the Company's overall solvency needs assessment as documented in its ORSA report.

The Board is responsible for setting the overall Risk Appetite and Financial Risk Policy which covers market, credit and liquidity risk. The Policy is supported by a Responsible Investment Standard which covers environmental, social and governance requirements for shareholder invested assets.

The short-term liquid investment holdings are a consequence of the investment assets being prudently invested, taking into account the liquidity requirements of the business and the nature and timing of the insurance liabilities.

The Company has unit-linked policies where the investment risk is borne by the policyholders and ensures that the unit-linked assets and liabilities are appropriately matched.

The Company has negative non-unit technical provisions and does not require any liquid assets to back its policyholder liabilities. In addition, these negative technical provisions contribute to Own Funds. A large part of the SCR relates to the loss in the negative technical provisions following a mass lapse event. Since this does not trigger an increase in cash outgo (as the products do not pay a surrender benefit) the illiquid negative technical provisions are able, and suitable, to cover this risk.

With the exception of the strategic investment in VHIL, all of the Company's financial assets relate to counterparties that are subject to a regulated financial market and investment in liquidity funds is split between two providers to provide diversification of fund management. In addition, cash and short-term deposits are held across two highly reputable and creditworthy banks. The assets underlying the collective investment undertakings are short-term liquid assets with high credit ratings which do not lead to excessive risk concentration, while the collective investment undertakings and two asset managers themselves have high credit ratings.

For the strategic investment in VHIL, this is not a traded asset and so no market value is available. As such, this is valued in line with the adjusted equity approach in the Solvency II Delegated Regulation.

VLL does not make use of special purpose vehicles for the purpose of transferring risk.

D VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

D.1.1 Solvency II valuation for each material class of asset and differences in valuation between IFRS and Solvency II

The table below sets out the valuation and classification of assets for the purposes of Solvency II and the statutory account value as reported in the Company's IFRS financial statements:

Assets as reported in S.02.01.b (£'m)	Financial Statements IFRS Value	Solvency II presentation adjustments	Solvency II valuation differences	Solvency II Valuation
Investments	781.2	(292.4)	(280.3)	**208.5**
Assets held for index-linked and unit-linked contracts		382.4	—	**382.4**
Insurance and intermediaries receivables	16.9	—	—	**16.9**
Cash and cash equivalents	105.2	(69.8)	—	**35.4**
Reinsurance receivables	45.0	(45.0)	—	**—**
Deferred tax assets	10.5	—	22.9	**33.4**
Reinsurance recoverable	(354.3)	—	(67.9)	**(422.2)**
Intangible assets	6.6	—	(6.6)	**—**
Receivables (trade, not insurance)	21.8	(20.5)	—	**1.3**
Any other assets, not elsewhere shown	—	45.0	—	**45.0**
Total assets	**632.9**	**(0.3)**	**(331.9)**	**300.7**

The structure of the SII balance sheet is different to the IFRS balance sheet presented in the IFRS Financial Statements. The table below sets out the presentation adjustments to assets as at 30 June 2023 which reconcile the IFRS assets in the Financial Statements with the presentation of assets and liabilities in the SII balance sheet.

Assets as reported in S.02.01.b (£'m)	Investments (Note 1)	Assets held for index-linked and unit-linked contracts (Note 2)	Any other assets, not elsewhere shown (Note 3)	Total classification differences
Investments	11.3	(303.7)	—	**(292.4)**
Assets held for index-linked and unit-linked contracts	—	382.4	—	**382.4**
Cash and cash equivalents	(11.3)	(58.5)	—	**(69.8)**
Reinsurance receivables	—	—	(45.0)	**(45.0)**
Receivables (trade, not insurance)	—	(20.5)	—	**(20.5)**
Any other assets, not elsewhere shown	—	—	45.0	**45.0**

The presentation adjustments required to align the IFRS balance sheet to the SII balance sheet are summarised below. These adjustments are required for SII presentation purposes only and do not result in valuation differences.

Note 1: Investments

The IFRS financial statements discloses investments in highly liquid money market funds with low levels of volatility and a weighted average maturity of less than 3 months as cash and cash equivalents. Under SII all investments held in collective investment undertakings with externally managed funds are reported as investments and therefore a presentational adjustment has been made between cash and cash equivalents and investments for this.

Note 2: Assets held for index-linked and unit-linked contracts

Under IFRS, assets and liabilities relating to index-linked and unit-linked contracts are separately reported on a 'line-by-line' basis using financial statement line items to which they relate. For SII, all assets and liabilities relating to index-linked and unit-linked contracts are reported in a single line item within 'assets held for index-linked and unit-linked contracts'. Presentational adjustments are therefore made to present the assets on a Solvency II basis.

Note 3: Any other assets, not elsewhere shown

SII requires amounts due from reinsurers on notified but not yet settled claims to be disclosed as 'Other assets'. The gross value of the notified claims is shown in "provisions, other than technical provisions". Under IFRS these amounts due from reinsurers are shown as reinsurance receivables.

D.1.1.1 Investments

The investments held by the Company are held in collective investment undertakings, Holdings in related undertakings, including participations, and Deposits other than cash equivalents. Each of these is discussed below.

Collective investment undertakings

The collective investment undertakings are externally-managed funds and primarily contain underlying assets with high credit ratings and of short duration. These investments are valued at fair value under Solvency II based on market prices at the reporting date, which are quoted prices in active markets for identical assets. As these are publicly traded securities, the market prices are readily available and are actively traded – details of which are provided in a statement from the investment manager.

Fund managers provide quarterly reports detailing the underlying securities held in the fund. The quarterly reports are reviewed to ensure average credit ratings and durations have not moved significantly since the previous quarter. Any unusual movements or discrepancies are discussed with the fund managers as required.

Holdings in related undertakings, including participations

At the reporting date the Company held a participation in VHIL, which in turn owns 100% of VHL, an insurance undertaking. The SII value of this participation is £208.5m which differs to the IFRS financial statement valuations of £488.9m.

Under IFRS, investments in related undertakings and participating interest are stated at cost, unless their value has been impaired in which case they are valued at their realisable value or value in use as appropriate. However, under SII the valuation is the excess of assets over liabilities, where assets and liabilities are valued on a SII basis in accordance with Article 13(3) of the Delegated Regulation.

No significant estimates or judgements are used in the SII valuation of this investment as the valuation is principally taken from the SII balance sheet of VHL.

Deposits other than cash equivalents

The deposits other than cash equivalents are cash deposits held in a 100 day notice account. The Company cannot instantly access these deposits and must give the required notice period. These investments are valued at amortised cost which equates to fair value and the Company receives monthly statements at the period end to confirm the balances held.

D.1.1.2 Assets held for index-linked and unit-linked contracts

These assets represent the amount held by the Company to back the policyholder liabilities relating to the unit-linked insurance contracts sold by VitalityInvest. For SII, all assets and liabilities relating to index-linked and unit-linked contracts are reported in a single line item within 'assets held for index-linked and unit-linked contracts' and therefore this number is net of non-technical liabilities held in relation to these unit-linked contracts. The total IFRS value of these liabilities is £0.3m.

The material element of these assets relates to £303.7m held in a range of investment funds and a further £58.5m held in cash and cash equivalents. The allocation of assets into the funds and cash is directly matched with units chosen by the policyholders when purchasing (or servicing) their unit-linked policy. These assets are measured using a mixture of amortised cost (which equates to fair value) and fair value depending on their nature and IFRS classification. The valuation is based on independent fund manager valuation reports that are derived from market prices or statements provided by the Company's bankers.

D.1.1.3 Insurance and Intermediaries receivables

Insurance and intermediaries receivable balances represent premiums owed by policyholders and commission clawback due from intermediaries that are past due. These receivables are measured at amortised cost less impairment provision and this is a reasonable proxy for the fair value for Solvency II valuation given the short-term nature of these assets. As these receivables are past due, an impairment provision is held where recoverability is uncertain. The valuation of insurance and intermediaries receivables in the Company's financial statements is the same as for Solvency II.

D.1.1.4 Cash and cash equivalents

Cash and cash equivalents are held in UK and South African bank accounts. The UK bank accounts are all held in GBP; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The monies held in a South African bank account are denominated in ZAR, translated into pounds sterling using the prevailing GBP/ZAR exchange rate at the reporting date.

Cash and cash equivalents are valued at fair value by the relevant financial institution, and the Company receives monthly statements at the period end to confirm the balances held.

D.1.1.5 Reinsurance receivables

This is captured within "Any other assets, not elsewhere shown", with further detail in D.1.1.10 below.

D.1.1.6 Deferred tax assets

The Company recognises a deferred tax asset ("DTA") in respect of unutilised trading losses incurred by the Company.

The value of the DTA in the financial statements is different to the Solvency II value, which is calculated consistent with the methodology prescribed in Article 15 of the Delegated Regulation. This is because the adjustments recognised under Solvency II create additional temporary differences under IAS12 principles, which give rise to a larger DTA under Solvency II compared to IFRS.

The recognition of the DTA is subject to a degree of estimation and judgment. As there are no external market observable / comparable valuations, an internal valuation model is used. The level of DTA recognised is modelled with reference to probability weighted expected future taxable profits of the Company and the wider UK Group, current legislation regarding restrictions on the future use of trading losses as well as the expected unwind of IFRS to SII temporary differences. Key inputs into the internal valuation model includes future sales volumes, expenses and the projected run off of the 30 June 2023 in-force book of business. The Company has recognised all of its DTA's in respect of unutilised trading losses and valuation differences. There are no unrecognised DTA's.

All DTA's are in respect of taxes levied by the same tax authority. The Company has no deferred tax liabilities on either a gross basis or netted off against DTA's.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was enacted on

10 June 2021. Current and deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The exception under the IAS 12 amendment to recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes has been applied.

DTA's are classified as Tier 3 own funds and are 100% available to meet the Company's SCR. Tier 3 own funds are not available to meet the Company's MCR. See Section E for further details.

D.1.1.7 Reinsurance recoverable

See section D.2.4 for the valuation of reinsurance recoverable under Solvency II. The differences between the IFRS and Solvency II valuations are due to the different bases. This is covered under section D.2.3.

D.1.1.8 Intangible assets

Under Solvency II only those intangible assets that can be sold separately and, where it can be demonstrated that there is a value for the same or similar assets in an active market, that can be recognised. Based on the Company's assessment, the intangible assets recognised under IFRS are not deemed to meet the Solvency II criteria. This valuation difference results in a reduction in the Solvency II net assets.

D.1.1.9 Receivables (trade, not insurance)

Receivables (trade, not insurance) comprise of amounts paid to HMRC in excess of the liability due to HMRC for corporation tax, and an amount due to the Company from unit-linked fund management operations. The value of this asset is the same in the Company's IFRS financial statements as under Solvency II.

D.1.1.10 Any other assets, not elsewhere shown

This balance represents amounts receivable from reinsurers on notified customer claims disclosed in "provisions, other than technical provisions". The amounts relate to reinsurance agreements in-force at the reporting date. These receivables are valued at fair value and due to the short-term nature of the receivables no adjustments to their valuation are required. The amounts receivable are calculated in accordance with reinsurance agreements; no estimation methods, adjustments for future value or valuation judgements are required for these balances. The value of reinsurance receivables in the Company's financial statements is the same as for Solvency II.

An alternative presentation (to mirror the alternative presentation noted in D.3.1.1) of this balance would be to include £39.4m of this balance in reinsurance recoverables. This amount represents expected reinsurance recoveries on unsettled claims. The remaining balance of £5.6m could be presented in reinsurance receivables and represents amount due from reinsurers on settled claims that are not yet past due.

This alternative presentation would have no impact on the total assets, total liabilities, own funds, or SCR of the Company.

D.2 TECHNICAL PROVISIONS

D.2.1 Technical provisions analysed by each material line of business

The table below shows the technical provisions at 30 June 2023 by line of business:

£'m	Unit-linked	Other life	SLT Health	Total
Technical Provisions Calculated as a Whole	382.4	—	—	382.4
Gross Best Estimate Liabilities	—	(678.4)	(368.5)	(1,046.9)
Risk Margin	—	158.1	52.0	210.1
Technical Provisions	**382.4**	**(520.3)**	**(316.5)**	**(454.4)**
Recoverables	—	313.3	108.9	422.2
Technical Provisions allowing for recoverables*	**382.4**	**(207.0)**	**(207.6)**	**(32.2)**

**Note: this is the sum of the gross technical provisions and recoverables, where recoverables are presented on a liability basis*

For comparison, the table below shows the technical provisions at 30 June 2022 by line of business:

£'m	Unit-linked	Other life	SLT Health	Total
Technical Provisions Calculated as a Whole	732.5	—	—	732.5
Gross Best Estimate Liabilities	(2.0)	(640.7)	(382.2)	(1,024.9)
Risk Margin	2.5	183.0	53.5	239.0
Technical Provisions	**733.0**	**(457.7)**	**(328.7)**	**(53.4)**
Recoverables	—	315.6	122.1	437.7
Technical Provisions allowing for recoverables*	**733.0**	**(142.1)**	**(206.6)**	**384.3**

**Note: this is the sum of the gross technical provisions and recoverables, where recoverables are presented on a liability basis*

The main driver of the decrease in technical provisions over the year is the technical provisions calculated as a whole. These have decreased since VLL stopped selling unit-linked business in June 2022 and the investment business has wound down over the year. This decrease in the 'other life' line of business technical provisions is mostly due to the VLL new business written over the period and the reduction in the risk margin as a result of higher interest rates.

Technical provision calculation methodology

VLL's non-unit BEL is calculated using a gross premium valuation (as required by Solvency II) for all policies in-force and on risk at the valuation date. Hence the non-unit BEL is calculated as the prospective value of future expected cash-flows on a policy-by-policy basis over the duration of the policy, allowing for full premiums, claims, fund charges, expenses and lapses. A negative BEL is permitted.

The non-unit BEL is calculated gross of reinsurance, although the cash flow projections include both non-reinsurance and reinsurance-related cash flows in order to allow a separate calculation of the reinsurance recoverables.

The unit BEL is the value of policyholder funds as at the valuation date.

The risk margin is calculated as per the prescribed Solvency II cost-of-capital approach. Projected SCRs are calculated for individual risks using a risk driver approach.

As VLL only began writing business in January 2016, there are no transitional measures within the technical provisions calculation.

Segmentation of business

The technical provisions for the Life business are segmented into two categories, Other Life and SLT Health, where the segmentation is carried out at a per policy level depending on the types of benefit attached to each policy. The technical provisions for VitalityInvest are captured in the index-linked and unit-linked category.

Main assumptions

Interest rates and inflation

The risk-free interest rate term structure used for discounting the projected cash flows in the technical calculation is the GBP relevant risk-free structure as specified by the Solvency II regulations. VLL used the rates as provided by the PRA.

The Company does not use the matching adjustment nor the volatility adjustment.

Assumed inflation is based on implied inflation from the Bank of England's government liability curves extrapolated to an assumed ultimate inflation rate.

Expenses

The expenses incurred in servicing VLL's insurance obligations consist of administration, claims management/handling and overhead expenses. The Company performs a regular expense analysis in order to allocate the expenses between initial and renewal and by type of expense. The best estimate expense assumptions are based on the results of this regular analysis together with budgeted expenses.

Part of the Company's expense base is in South Africa (some operations are outsourced to other Discovery group companies in South Africa). VLL takes a proportionate approach in valuing these expenses in the technical provisions by projecting them and discounting them using UK based inflation and discount rates respectively. The simplification is in line with Article 56 of the Delegated Regulations as VLL has performed an analysis of the risk associated with the simplification; it is aware of the potential error introduced; and the simplification results in an overestimation of technical provisions. The materiality of the simplification is reviewed at least annually.

The proportion of renewal expenses denominated in South African Rands has reduced over time due to the migration of certain operations to the UK, whereas previously these were outsourced to other Discovery group companies in South Africa.

Lapse assumptions

Lapse assumptions are set with reference to VLL lapse experience, including the business written on the PAC licence, guidance from subject matter experts, reinsurers and industry data. Lapse assumptions vary by type of business, distribution channel and commission claw back period.

Claims Assumptions

Assumptions of future mortality are derived based on both data from reinsurers and life insurance industry mortality tables, adjusted as appropriate to reflect actual past experience (including experience for business written on the PAC licence) and for expected changes in future experience. Assumptions of future morbidity are derived based on data from reinsurers, adjusted as appropriate to reflect actual past experience (including experience for business written on the PAC licence) and for expected changes in future experience.

D.2.2 Uncertainty associated with the value of technical provisions

Uncertainty relates primarily to how future actual experience will differ from the best estimate assumptions used to calculate the technical provisions. The key assumptions are interest rates, lapse rates, mortality rates and morbidity rates. A robust assumption setting process is followed in order to ensure the uncertainty is well understood.

D.2.3 Differences between Solvency II valuation and local GAAP/IFRS valuation of technical provisions analysed by each material line of business

The table below shows a build-up from the IFRS valuation of insurance contract liabilities to the Solvency II technical provisions, split by line of business, at 30 June 2023:

£'m	Unit-linked	Other life	SLT Health	Total
Gross IFRS Insurance contract liabilities	382.4	(556.1)	(298.1)	(471.8)
Adjustments for Solvency II	—	(122.3)	(70.4)	(192.7)
Gross BEL and Technical Provisions calculated as a Whole	**382.4**	**(678.4)**	**(368.5)**	**(664.5)**
Add risk margin	—	158.1	52.0	210.1
Technical provisions	**382.4**	**(520.4)**	**(316.6)**	**(454.6)**

The main differences between the Solvency II and IFRS liabilities arise from:

- Solvency II requires an explicit risk margin (£210.1m for the total book), while for IFRS an allowance for risk is made through the margins for adverse deviation in the underlying assumptions.
- The discount rate for Solvency II technical provisions is specified by regulation (the relevant risk-free interest rate is provided by the PRA), while that for IFRS is based on the expected long term return for VLL's expected investment portfolio;
- The Solvency II inflation assumption is a market consistent curve, while for IFRS it is a single inflation rate based on market data;

D.2.4 Recoverables from reinsurance contracts and special purpose vehicles

VLL reinsures mortality and morbidity risk on a quota share basis with a maximum retention per life. This is split among a number of different reinsurance counterparties depending on the type of cover. VLL also has reinsurance financing where there is risk transfer since repayments are contingent on policyholders' future premium payments. The reinsurance recoverables are the excess of the reinsurance recoveries over the reinsurance premiums payable.

The new mass lapse reinsurance treaty has no impact on the reinsurance recoverables as there are no cashflows on the treaty on a best estimate basis.

Total reinsurance recoverables at 30 June 2023 were £(422.2)m. The recoverables are negative predominantly due to the expected repayments in respect of the new business reinsurance financing received to date.

D.3 OTHER LIABILITIES

D.3.1 Solvency II valuation for each material class of other liabilities and differences in valuation between IFRS and Solvency II

The table below sets out the valuation and classification of liabilities for the purposes of Solvency II and the statutory account value as reported in the Company's IFRS financial statements:

Liabilities as reported in S.02.01.b (£'m) 30 June 2023	Financial Statements IFRS Value	Solvency II presentation adjustments	Solvency II valuation differences	Solvency II Valuation
Provisions, other than technical provisions	62.0	—	—	62.0
Insurance and intermediary payables	4.9	—	—	4.9
Reinsurance payables	21.6	—	—	21.6
Payables (trade, not insurance)	31.7	(0.3)	—	31.4
Subordinated liabilities	31.9	—	—	31.9
Any other liabilities, not shown elsewhere	2.9	—	—	2.9
Derivatives	—			—
Total other liabilities	**212.6**	**(0.3)**	**—**	**212.3**

The structure of the SII balance sheet is different to the IFRS balance sheet presented in the IFRS Financial Statements. The table below sets out the presentation adjustments as at 30 June 2023 which reconcile the IFRS liabilities in the Financial Statements with the presentation of assets and liabilities in the SII balance sheet.

Liabilities as reported in S.02.01.b (£'m) 30 June 2023	Assets held for index-linked and unit-linked contracts (note 1)	Total classification differences
Payables (trade, not insurance)	(0.3)	**(0.3)**

Note 1: Payables (trade, not insurance)

See note 2 in section D.1.1 for an explanation of the above presentation difference.

D.3.1.1 Provisions, other than technical provisions

Provisions, other than technical provisions primarily represents the balance of claims that have been reported to the Company but not yet been paid to policyholders. The claims outstanding are valued at fair value and therefore the Solvency II valuation meets Article 10(4) of the Delegated Regulation. The inputs to valuation of a claim are claims reports from policyholders and relevant approval from designated employees of the Company. The valuation of this liability for Solvency II is the same as under IFRS.

An alternative presentation of this balance would be to include £61.2m of this balance in technical provisions. This amount represents notified but unsettled policyholder claims. The remaining balance after this presentational change would be immaterial.

This alternative presentation would have no impact on the total assets, total liabilities, own funds, or SCR of the Company.

D.3.1.2 Insurance & intermediaries payables

Insurance and intermediary payables primarily relate to commission amounts payable to insurance brokers and intermediaries that are incurred in the past. This balance is calculated in accordance with the terms and conditions of the contract with the individual broker or intermediary – no adjustments or judgements are made for valuation purposes. There is a high degree of certainty over the economic outflow due to the relatively short timeframe between the commission liabilities arising and the broker or intermediary receiving payment from the Company. The valuation of this liability for Solvency II is the same as for IFRS.

D.3.1.3 Reinsurance payables

Reinsurance payables are in respect of reinsurance agreements that were in-force at the reporting date and relate to reinsurance premiums payable and excess funding advanced from reinsurers but not yet repaid by the Company to the reinsurer. The amounts payable are calculated in accordance with reinsurance agreements; no material estimation methods, adjustments for future value or valuation judgements are required for these balances. Where there is a contractual right of offset with each reinsurance provider then reinsurance receivables and reinsurance payables have been recorded on a net basis. The timing of expected economic outflows to settle the liability with each reinsurer is contractually based and, in the normal course of business, is within three months of the reporting date.

D.3.1.4 Payables (trade, not insurance)

Payables (trade, not insurance) relate to balances owed to other group companies in respect of salaries and other services recharged to the Company, accrued expenditure, taxes payable to HMRC and amounts due as part of unit-linked fund management operations; no estimation methods, adjustments for future value or valuation judgements are required for these balances.

D.3.1.5 Financial liabilities other than debts owed to credit institutions

Long-term unsubordinated loans of £57.5m have been provided to the Company by DHEL.

D.3.1.6 Subordinated liabilities

A number of long-term subordinated loans have been provided to the Company by DHEL. The relevant terms of these loans are detailed in Section E.1.2.

Under IFRS, Loan borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method. Under Solvency II, subordinated debt is valued on a fair value basis, with changes in own credit standing removed for subsequent measurement.

The interest rate payable on the loan has both a fixed and variable element. The fixed element includes an allowance for the Company's own credit standing and the variable element is designed to reflect changes in risk-free interest rates. Changes in interest rates between the dates the loans were issued and the reporting date of 30 June 2023 did not result in a material change in the fair value of the loans. As a result, there were no material differences between the IFRS valuation and Solvency II valuation of these loans at 30 June 2023.

D.3.1.7 Any other liabilities, not shown elsewhere

This balance represents premiums paid by policyholders in advance of their coverage date for example where a policyholder chooses to pay one years' premiums in advance rather than 12 monthly payments. If the related policy lapses then the Company would need to return any premium held in excess of the period insurance coverage has been provided back to the policyholder and therefore these amounts are not considered to have been incurred. The value of this liability for Solvency II is the same as for IFRS.

D.4 ALTERNATIVE METHODS OF VALUATION

No alternative methods of valuation are used.

D.5 VALUATION FOR SOLVENCY PURPOSES – ANY OTHER INFORMATION

No other information is provided.

E CAPITAL MANAGEMENT

E.1 OWN FUNDS

E.1.1 Objective, policies and processes for managing own funds

The objective of own fund management is to hold sufficient capital to ensure the SCR ratio is within risk appetite. The Company's available own funds, eligible own funds and ratio of eligible own funds over SCR and MCR are disclosed in QRT S.23.01.01.

The Company holds regular meetings of senior management, which are at least quarterly, in which the ratio of eligible own funds over SCR and MCR are reviewed. The Committees that review solvency are described in more detail in Section B.1 General Information on the system of governance and the responsibility ultimately rests with the Board. As part of own funds management, the Company prepares ongoing annual solvency projections and reviews the structure of own funds and future requirements. The business plan, which forms the base of the ORSA, contains a five year projection of funding requirements that helps focus actions for future funding. There were no material changes in the objectives, policies and processes employed by the undertaking for managing its own funds.

E.1.2 Own funds classified by tiers

An analysis of own funds at 30 June 2023 and 30 June 2022, as well as an analysis of change from 30 June 2022 is shown below:

£'m	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3	Total
At 30 June 2023					
Ordinary share capital	459.6	—	—	—	459.6
Share premium	268.1	—	—	—	268.1
Subordinated debt	—	—	31.9	—	31.9
Reconciliation reserve	(218.0)	—	—	—	(218.0)
Net deferred tax assets	—	—	—	33.4	33.4
Total eligible own funds to meet SCR	509.7	—	31.9	33.4	575.0
Less: restrictions on eligible own funds to meet MCR	—	—	(18.3)	(33.4)	(51.7)
Total eligible own funds to meet MCR	509.7	—	13.6	—	523.3
At 30 June 2022					
Ordinary share capital	459.6	—	—	—	459.6
Share premium	268.1	—	—	—	268.1
Subordinated debt	—	—	73.1	—	73.1
Reconciliation reserve	(204.1)	—	—	—	(204.1)
Net deferred tax assets	—	—	—	30.8	30.8
Total eligible own funds to meet SCR	523.6	—	73.1	30.8	627.5
Less: restrictions on eligible own funds to meet MCR	—	—	(58.2)	(30.8)	(89.0)
Total eligible own funds to meet MCR	523.6	—	14.9	—	538.5
Analysis of Change: 30 June 2022 to 30 June 2023					
Ordinary share capital issued	—	—	—	—	—
Share premium issued	—	—	—	—	—
Subordinated debt repaid	—	—	(41.2)	—	(41.2)
Reconciliation reserve movement	(13.9)	—	—	—	(13.9)
Net deferred tax assets recognised	—	—	—	2.6	2.6
Total movement in eligible own funds to meet SCR	(13.9)	—	(41.2)	2.6	(52.5)
Less: movement in restrictions on eligible own funds to meet MCR	—	—	39.9	(2.6)	37.3
Total movement in eligible own funds to meet MCR	(13.9)	—	(1.3)	—	(15.2)

Tier 1 unrestricted:

Tier 1 unrestricted funds are comprised of ordinary share capital, share premium and the reconciliation reserves. Tier 1 unrestricted capital includes high quality instruments with features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

The principal item of own funds for the Company is ordinary share capital and share premium. The Company has issued 459,508,500 shares. All shares are owned by Discovery Holdings Europe Limited. All shares have a £1 par value. 2,708,499 shares have been issued with a share premium. All share capital is available as Tier 1 unrestricted funds.

The reconciliation reserve comprised of:

Reconciliation reserve £'m	30 June 2023	30 June 2022	Movement
SII excess of assets over liabilities	543.1	554.3	(11.3)
Other basic own fund items	(727.7)	(727.7)	—
Net deferred tax assets	(33.4)	(30.8)	(2.6)
Reconciliation reserve	**(218.0)**	**(204.2)**	**(13.9)**

Basic own fund items comprised of:

Basic own funds £'m	30 June 2023	30 June 2022	Movement
Ordinary share capital	459.6	459.6	—
Share premium	268.1	268.1	—
Total basic own fund items	**727.7**	**727.7**	**—**

Tier 1 restricted:

There are no Tier 1 restricted own funds.

Tier 2:

The Company has received a number of long term subordinated loans from its parent Company, Discovery Holdings Europe Limited. These loans are eligible for treatment as Tier 2 own funds under the Solvency II regulatory regime.

With consent from the Company's regulator (PRA) the Company has the right to repay the loan at any date prior to the maturity date on the condition that it is exchanged or converted to an equal or higher quality form of regulatory capital under the Solvency II regulations ("regulatory restrictions").

The loans cannot be repaid where, at the date of the repayment, the Company does not comply with its Solvency II capital requirements or would do so as a result of the repayment.

During the year £41.2m of subordinated debt was repaid to Discovery Holdings Europe Limited.

Loan commencement date	Principal value of Loan (£'m)	Loan maturity date
20 August 2018	9.0	21 August 2028
23 November 2018	6.5	24 November 2028
28 February 2019	2.8	1 March 2029
31 May 2019	7.1	1 June 2029
31 July 2019	6.5	1 August 2029
Total at Tier 2 own funds	**31.9**	

The subordinated loans are available, fully subordinated and are eligible to be recognised as Tier 2 own funds. Tier 2 funds eligible to meet the MCR are restricted to 20% of the value of the MCR.

The sum of Tier 2 and Tier 3 own funds are £65.3m. The limit of Tier 2 plus Tier 3 funds covering a maximum of 50% of the SCR is not reached and therefore the full value of Tier 2 funds can be used to cover the SCR.

Tier 3:

Tier 3 is comprised of deferred tax assets in respect of unutilised trading tax losses and differences between the IFRS base balance sheet and the Solvency II base balance sheet.

E.1.3 Eligible amount of own funds to cover the Solvency Capital Requirement, classified by tiers

Total eligible own funds £'m	30 June 2023	30 June 2022
Tier 1 unrestricted	509.7	523.6
Tier 1 restricted	—	—
Tier 2	31.9	73.1
Tier 3	33.4	30.8
Total eligible own funds to meet SCR	**575.0**	**627.5**

The total available own funds to meet the SCR are £575.0m. The eligible own funds over SCR ratio was 211.3% as at 30 June 2023.

Total available tier 3 own funds to meet the SCR are £33.4m. The limit of tier 3 funds covering a maximum of 15% of the SCR is not reached and therefore the full value of tier 3 funds can be used to cover the SCR.

E.1.4 Eligible amount of own funds to cover the Minimum Capital Requirement, classified by tiers

30 June 2023	Total eligible own funds	Restriction to cover MCR	Total eligible own funds to cover MCR
Tier 1 unrestricted	509.7	—	509.7
Tier 1 restricted	—	—	—
Tier 2	31.9	(18.3)	13.6
Tier 3	33.4	(33.4)	—
Total	**575.0**	**(51.7)**	**523.3**

The total available own funds to meet the MCR are £523.3m. The eligible own funds over MCR ratio was 769.3% as at 30 June 2023.

Tier 3 own funds cannot form part of total available own funds to meet the MCR and therefore this reduces Tier 3 items to nil. Furthermore, Article 82 of the Delegated Regulation limits Tier 2 items to 20% of the MCR and therefore this reduces the Tier 2 own fund items by £18.3m to £13.6m.

E.1.5 Difference between equity as shown in the financial statements and the Solvency II value excess of assets over liabilities

Reconciliation of IFRS net assets to SII excess of assets over liabilities £'m	30 June 2023	30 June 2022
Net assets under IFRS	**892.1**	**868.2**
Valuation adjustment for technical provisions under SII, net of reinsurance recoverables	(85.1)	(80.0)
Valuation adjustment for intangible assets under SII	(6.6)	(6.9)
Valuation adjustment in investment in participations	(280.3)	(248.6)
Valuation adjustment for deferred tax assets under SII	22.9	21.7
Excess of assets over liabilities	**543.0**	**554.3**

The valuation adjustment for technical provisions under SII, net of reinsurance recoverables is calculated as follows:

30 June 2023	IFRS valuation	Solvency II valuation	Difference
Technical provisions	(471.8)	(454.6)	
Reinsurance recoverables	354.3	422.2	
Technical provisions net of recoverables	**(117.5)**	**(32.4)**	**(85.1)**

Total equity per the financial statements was £892.1m as at 30 June 2023. Excess assets over liabilities as calculated for solvency II purposes was £543.0m. The difference is due to valuation differences between IFRS and Solvency II as set out above and in section D.

E.1.6 Basic own-fund items subject to transitional arrangements

No basic own funds are subject to transitional arrangements.

E.1.7 Ancillary own funds

There are no ancillary own funds at 30 June 2023.

E.1.8 Items deducted from own funds

There are no deductions from own funds at 30 June 2023.

E.2 SOLVENCY CAPITAL REQUIREMENT AND MINIMUM CAPITAL REQUIREMENT

E.2.1 Amount of Solvency Capital Requirement and Minimum Capital Requirement

The table below shows the SCR and MCR year-end positions:

Vitality Life Limited £'m	30 June 2023	30 June 2022
SCR	272.1	297.1
MCR	68.0	74.3

E.2.2 Solvency Capital Requirement split by risk modules

The table below shows the risk modules that make up the Company's SCR at 30 June 2023 and 30 June 2022.

Vitality Life Limited £'m	30 June 2023	30 June 2022
Health underwriting risk	126.4	128.5
Life underwriting risk	212.4	255.5
Market risk	79.9	57.3
Counterparty default risk	4.5	3.9
Undiversified BSCR	**423.2**	**445.2**
Diversification credit	(114.3)	(108.5)
Basic SCR	**308.9**	**336.7**
Operational risk	10.2	9.9
Adjustment for loss absorbing capacity of deferred taxes	(47.0)	(49.5)
Final Standard Formula SCR	**272.1**	**297.1**

VLL entered into a mass lapse reinsurance arrangement during the year which is designed to manage its exposure to moderate to severe mass lapse events. As a consequence, the capital required to support mass lapse risk has reduced which results in a lower value of the Life underwriting risk module in 2023. This is the main driver of the decrease in Basic SCR from 2022 (£336.7m) to 2023 (£308.9m). The Basic SCR is then reduced by the adjustment for the loss absorbing capacity of deferred taxes ("LACDT") of £47.0m in the current year (2022: £49.5m) following the annual LACDT assessment performed in July 2023. The overall impact is a decrease in the SCR (post operational risk adjustment) from £297.1m at 30 June 2022 to £272.1m at 30 June 2023.

The LACDT at 30 June 2023 is utilised through future profit recoverability following a 1-in-200 year shock loss. The most recent assessment of this future profit recoverability was performed in July 2023 using the Company's 2023 five-year IFRS17 business plan and so included five years of new business sales. A scenario was derived to determine future taxable profits following a 1-in-200 year stress. This stress was calibrated using VLL's most material stress in its SCR calculation. The post-stress future earnings were reduced further (for LACDT purposes) by applying margins to take account of future uncertainty and to ensure the earnings are prudent compared to IFRS4 projections. Key inputs into the future profit recoverability model include the projected run-off of the in-force business, future sales volumes, expenses and discount rates.

An assessment is performed at least annually to update the future profit recoverability within the LACDT calculation.

E.2.3 Which risk modules and sub-modules of the Standard Formula are using simplified calculations

VLL is not using any material simplifications in the calculation of the SCR.

E.2.4 Inputs used to calculate the Minimum Capital Requirement

The table below shows the inputs into the MCR calculation as at 30 June 2023 and at 30 June 2022. Note the Absolute Floor of the Minimum Capital Requirement ("AMCR") is prescribed by the PRA and stated in GBP below.

£'m	30 June 2023	30 June 2022
AMCR (in GBP)	3.4	3.3
Linear MCR	41.6	38.0
SCR	**272.1**	**297.1**
Combined MCR	68.0	74.3
MCR	**68.0**	**74.3**

Note that the MCR at 30 June 2023 and at 30 June 2022 were based on the floor of 25% of the SCR in the respective years.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE IN THE CALCULATION OF THE SOLVENCY CAPITAL REQUIREMENT

This is not applicable as at 30 June 2023.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODEL USED

This is not applicable as at 30 June 2023.

E.5 NON-COMPLIANCE WITH THE MINIMUM CAPITAL REQUIREMENT AND NON-COMPLIANCE WITH THE SOLVENCY CAPITAL REQUIREMENT

The Company has maintained eligible capital in excess of the Minimum Capital Requirement and Solvency Capital Requirement throughout the year ended 30 June 2023.

E.6 CAPITAL MANAGEMENT – ANY OTHER INFORMATION

There is no other information to note.

F ADDITIONAL VOLUNTARY INFORMATION

F.1 TRANSITIONAL INFORMATION

There is no other information to note.

F.2 OTHER ADDITIONAL VOLUNTARY INFORMATION

There is no other information to note.

G TEMPLATES

The templates are provided as an appendix to this document, following Section I. The Company is required to disclose the following templates as set out in the Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 laying down implementing technical standards with regard to the procedures, formats and templates of the solvency and financial condition report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

Template code	Template name
S.02.01	Balance sheet
S.05.01	Premiums, claims and expenses
S.12.01	Life and SLT Health technical provisions
S.23.01	Own funds
S.25.01	Solvency Capital Requirement – for undertakings on standard formula
S.28.01	Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

H DIRECTORS' RESPONSIBILITIES STATEMENT

Vitality Life Limited

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

Financial period ended 30 June 2023

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

We are satisfied that:

a) throughout the financial year in question, the insurer has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations as applicable to the insurer; and

b) it is reasonable to believe that the insurer has continued so to comply subsequently and will continue so to comply in future.

Neville Stanley Koopowitz

Director and Group Chief Executive Officer

Date: 4 October 2023

I EXTERNAL AUDIT REPORT

Report of the external independent auditors to the Directors of Vitality Life 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 Solvency and Financial Condition Report

Opinion

We have audited the following documents prepared by the Company as at 30 June 2023:

- The 'Valuation for solvency purposes' and 'Capital Management' sections of the Solvency and Financial Condition Report of the Company as at 30 June 2023, ('**the Narrative Disclosures subject to audit**'); and

- Company templates S.02.01.02, S.12.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 ('**the Templates subject to audit**').

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**relevant elements of the 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 Solvency and Financial Condition Report;

- Company template S.05.01.02;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Solvency and Financial Condition Report ('**the Responsibility Statement**').

In our opinion, the information subject to audit in the relevant elements of the Solvency and Financial Condition Report of the Company as at 30 June 2023 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

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 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 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 management's going concern assessment and challenging the rationale for the material assumptions made in the 5-year business plan using our knowledge of the Company's business performance;

- Considering management's assessment of the regulatory Solvency coverage and liquidity position in management's future forecast;

- Forming an independent view of the Company's ability to continue as a going concern, including performing sensitivity analyses over management's key assumptions; and

- Considering information obtained during the course of the audit to identify any evidence that would contradict management's assessment of going concern.

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 Solvency and Financial Condition Report is authorised for issue.

In auditing the Solvency and Financial Condition Report, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the 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' sections of the Solvency and Financial Condition Report, which describe the basis of accounting. The Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The 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 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 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 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 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 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 Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a 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 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 Solvency and Financial Condition Report is prepared, in all material respects, in accordance with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the 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 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 Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and unsuitable or prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the Solvency and Financial Condition Report. We also considered those laws and regulations that have a direct impact on the Solvency and Financial Condition Report such as the PRA rulebook applicable to Solvency II firms. We evaluated management's incentives and opportunities for fraudulent manipulation of the Solvency and Financial Condition Report (including the risk of override of controls), and determined that the principal risks were related to inappropriate journals entries to assets and liabilities in order to impact own funds, and management bias in accounting estimates and judgemental areas, for example, technical provisions. Audit procedures performed included:

- Discussions with the Board, Audit Committee, management, internal audit, senior management involved in the Risk and Compliance function and the Company's legal function, including consideration of known or suspected instances of non-compliance with laws, regulation and fraud;
- For the principal risks noted above, designing audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error; this includes testing the Solvency II adjusting journals;
- Reviewing correspondence between the Company and the PRA and FCA in relation to compliance with laws and regulations;
- Reviewing relevant Board meeting minutes including those of the Audit Committee, Board Committees, Risk Committee and the Actuarial Committee;
- Procedures relating to the significant assumptions made in the actuarial reserving methodology; and
- Review of internal audit reports, compliance reports and whistleblowing reports in so far as they related to non-compliance with laws, regulations and fraud.

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 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 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

PricewaterhouseCoopers LLP

Chartered Accountants

Southampton

4 October 2023

Vitality Life Limited

Solvency and Financial Condition Report

Disclosures

30 June

2023

(Monetary amounts in GBP thousands)

General information

Undertaking name	Vitality Life Limited
Undertaking identification code	213800O647LRO31RG918
Type of code of undertaking	LEI
Type of undertaking	Life undertakings
Country of authorisation	GB
Language of reporting	en
Reporting reference date	30 June 2023
Currency used for reporting	GBP
Accounting standards	IFRS
Method of Calculation of the SCR	Standard formula
Matching adjustment	No use of matching adjustment
Volatility adjustment	No use of volatility adjustment
Transitional measure on the risk-free interest rate	No use of transitional measure on the risk-free interest rate
Transitional measure on technical provisions	No use of transitional measure on technical provisions

List of reported templates

S.02.01.02 - Balance sheet
S.05.01.02 - Premiums, claims and expenses by line of business
S.12.01.02 - Life and Health SLT Technical Provisions
S.23.01.01 - Own Funds
S.25.01.21 - Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01 - Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

S.02.01.02

Balance sheet

		Solvency II value
	Assets	C0010
R0030	Intangible assets	0
R0040	Deferred tax assets	33,387
R0050	Pension benefit surplus	0
R0060	Property, plant & equipment held for own use	0
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	208,521
R0080	*Property (other than for own use)*	0
R0090	*Holdings in related undertakings, including participations*	190,669
R0100	*Equities*	0
R0110	*Equities - listed*	0
R0120	*Equities - unlisted*	0
R0130	*Bonds*	0
R0140	*Government Bonds*	0
R0150	*Corporate Bonds*	0
R0160	*Structured notes*	0
R0170	*Collateralised securities*	0
R0180	*Collective Investments Undertakings*	14,327
R0190	*Derivatives*	0
R0200	*Deposits other than cash equivalents*	3,525
R0210	*Other investments*	0
R0220	Assets held for index-linked and unit-linked contracts	382,381
R0230	Loans and mortgages	0
R0240	*Loans on policies*	0
R0250	*Loans and mortgages to individuals*	0
R0260	*Other loans and mortgages*	0
R0270	Reinsurance recoverables from:	-422,152
R0280	*Non-life and health similar to non-life*	0
R0290	*Non-life excluding health*	0
R0300	*Health similar to non-life*	0
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	-422,152
R0320	*Health similar to life*	-108,898
R0330	*Life excluding health and index-linked and unit-linked*	-313,254
R0340	*Life index-linked and unit-linked*	0
R0350	Deposits to cedants	0
R0360	Insurance and intermediaries receivables	16,923
R0370	Reinsurance receivables	0
R0380	Receivables (trade, not insurance)	1,255
R0390	Own shares (held directly)	0
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	0
R0410	Cash and cash equivalents	35,428
R0420	Any other assets, not elsewhere shown	44,951
R0500	**Total assets**	300,694

S.02.01.02

Balance sheet

		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - non-life	0
R0520	*Technical provisions - non-life (excluding health)*	0
R0530	*TP calculated as a whole*	0
R0540	*Best Estimate*	0
R0550	*Risk margin*	0
R0560	*Technical provisions - health (similar to non-life)*	0
R0570	*TP calculated as a whole*	0
R0580	*Best Estimate*	0
R0590	*Risk margin*	0
R0600	Technical provisions - life (excluding index-linked and unit-linked)	-836,950
R0610	*Technical provisions - health (similar to life)*	-316,572
R0620	*TP calculated as a whole*	0
R0630	*Best Estimate*	-368,541
R0640	*Risk margin*	51,969
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	-520,377
R0660	*TP calculated as a whole*	0
R0670	*Best Estimate*	-678,441
R0680	*Risk margin*	158,064
R0690	Technical provisions - index-linked and unit-linked	382,381
R0700	*TP calculated as a whole*	382,381
R0710	*Best Estimate*	0
R0720	*Risk margin*	0
R0740	Contingent liabilities	0
R0750	Provisions other than technical provisions	61,963
R0760	Pension benefit obligations	0
R0770	Deposits from reinsurers	0
R0780	Deferred tax liabilities	0
R0790	Derivatives	0
R0800	Debts owed to credit institutions	0
R0810	Financial liabilities other than debts owed to credit institutions	57,550
R0820	Insurance & intermediaries payables	4,852
R0830	Reinsurance payables	21,619
R0840	Payables (trade, not insurance)	31,415
R0850	Subordinated liabilities	31,900
R0860	*Subordinated liabilities not in BOF*	0
R0870	*Subordinated liabilities in BOF*	31,900
R0880	Any other liabilities, not elsewhere shown	2,887
R0900	**Total liabilities**	-242,382
R1000	**Excess of assets over liabilities**	543,076

S.05.01.02

Premiums, claims and expenses by line of business

Life

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
	Premiums written									
R1410	Gross	48,559		57,181	207,016					312,757
R1420	Reinsurers' share	30,932			131,870					162,802
R1500	Net	17,627		57,181	75,147					149,955
	Premiums earned									
R1510	Gross	48,559		57,181	207,016					312,757
R1520	Reinsurers' share	30,932			131,870					162,802
R1600	Net	17,627		57,181	75,147					149,955
	Claims incurred									
R1610	Gross	9,506		430,680	65,239					505,425
R1620	Reinsurers' share	5,845			40,112					45,956
R1700	Net	3,661		430,680	25,127					459,469
	Changes in other technical provisions									
R1710	Gross									0
R1720	Reinsurers' share									0
R1800	Net	0		0	0					0
R1900	**Expenses incurred**	17,705		15,039	88,117					120,860
R2500	**Other expenses**									1,469
R2600	**Total expenses**									122,329

S.12.01.02

Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligation other than health insurance obligations	Accepted reinsurance	Total (Life other than health insurance, including Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees					Contracts without options and guarantees	Contracts with options or guarantees			
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0150	C0160	C0170	C0180	C0190	C0200	C0210
R0010	**Technical provisions calculated as a whole**		382,381								382,381						0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole										0						0
	Technical provisions calculated as a sum of BE and RM																
	Best estimate																
R0030	**Gross Best Estimate**						-281,339	-397,102			-678,441		-127,943	-240,598			-368,541
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default						-185,870	-127,384			-313,254		-50,708	-58,190			-108,898
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re			0	0		-95,469	-269,719			-365,188		-77,235	-182,408			-259,643
R0100	**Risk margin**					158,064					158,064	51,969					51,969
	Amount of the transitional on Technical Provisions																
R0110	Technical Provisions calculated as a whole										0						0
R0120	Best estimate										0						0
R0130	Risk margin										0						0
R0200	**Technical provisions - total**		382,381			-520,377					-137,996	-316,572					-316,572

S.23.01.01

Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	459,508	459,508		0	
R0030	Share premium account related to ordinary share capital	268,142	268,142		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-217,960	-217,960			
R0140	Subordinated liabilities	31,900		0	31,900	0
R0160	An amount equal to the value of net deferred tax assets	33,387				33,387
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	0	0	0	0	0
R0220	**Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds**	0				
R0230	**Deductions for participations in financial and credit institutions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	574,976	509,690	0	31,900	33,387
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0			0	
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0			0	
R0320	Unpaid and uncalled preference shares callable on demand	0			0	0
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0			0	0
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0			0	
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0			0	0
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0			0	0
R0390	Other ancillary own funds	0			0	0
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	574,976	509,690	0	31,900	33,387
R0510	Total available own funds to meet the MCR	541,590	509,690	0	31,900	
R0540	Total eligible own funds to meet the SCR	574,976	509,690	0	31,900	33,387
R0550	Total eligible own funds to meet the MCR	523,295	509,690	0	13,605	
R0580	**SCR**	272,099				
R0600	**MCR**	68,025				
R0620	**Ratio of Eligible own funds to SCR**	211.31%				
R0640	**Ratio of Eligible own funds to MCR**	769.27%				

	Reconcilliation reserve	C0060
R0700	Excess of assets over liabilities	543,076
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	0
R0730	Other basic own fund items	761,037
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-217,960
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	917,444
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	0
R0790	**Total Expected profits included in future premiums (EPIFP)**	917,444

S.25.01.21

Solvency Capital Requirement - for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
R0010	Market risk	79,891		
R0020	Counterparty default risk	4,519		
R0030	Life underwriting risk	212,384		
R0040	Health underwriting risk	126,384		
R0050	Non-life underwriting risk	0		
R0060	Diversification	-114,338		
R0070	Intangible asset risk	0		
R0100	**Basic Solvency Capital Requirement**	308,839		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	10,223
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	-46,964
R0160	Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	0
R0200	**Solvency Capital Requirement excluding capital add-on**	272,099
R0210	Capital add-ons already set	0
R0220	**Solvency capital requirement**	272,099
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	0
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	0
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	0
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	0
R0440	Diversification effects due to RFF nSCR aggregation for article 304	0

	Approach to tax rate	C0109
R0590	Approach based on average tax rate	No

		LAC DT
	Calculation of loss absorbing capacity of deferred taxes	C0130
R0640	LAC DT	-46,964
R0650	LAC DT justified by reversion of deferred tax liabilities	0
R0660	LAC DT justified by reference to probable future taxable economic profit	-46,964
R0670	LAC DT justified by carry back, current year	0
R0680	LAC DT justified by carry back, future years	0
R0690	Maximum LAC DT	-78,006

USP Key

For life underwriting risk:
1 - Increase in the amount of annuity benefits
9 - None

For health underwriting risk:
1 - Increase in the amount of annuity benefits
2 - Standard deviation for NSLT health premium risk
3 - Standard deviation for NSLT health gross premium risk
4 - Adjustment factor for non-proportional reinsurance
5 - Standard deviation for NSLT health reserve risk
9 - None

For non-life underwriting risk:
4 - Adjustment factor for non-proportional reinsurance
6 - Standard deviation for non-life premium risk
7 - Standard deviation for non-life gross premium risk
8 - Standard deviation for non-life reserve risk
9 - None

S.28.01.01

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

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

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

	Linear formula component for life insurance and reinsurance obligations	C0040
R0200	MCR_{L} Result	41,629

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations	382,381	
R0240	Other life (re)insurance and health (re)insurance obligations		
R0250	Total capital at risk for all life (re)insurance obligations		55,646,570

	Overall MCR calculation	C0070
R0300	Linear MCR	41,629
R0310	SCR	272,099
R0320	MCR cap	122,444
R0330	MCR floor	68,025
R0340	Combined MCR	68,025
R0350	Absolute floor of the MCR	3,445
R0400	**Minimum Capital Requirement**	68,025