

**Company Registration No. 05445654**

**Simplyhealth Group Limited**  
**Annual Report and Financial Statements**

**31 December 2022**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

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## **COMPANY INFORMATION**

Simplyhealth Group Limited (05445654) is a private company limited by guarantee, registered in England and Wales.

### **Directors**

G Baldwin  
T Dunley-Owen  
M A Hall  
J Knott  
D S Lawrence  
N J Potter  
M C Stead

### **Secretary**

D Pugh

### **Registered Office**

Hambleton House  
Waterloo Court  
Andover  
Hampshire  
SP10 1LQ

### **Bankers**

National Westminster Bank  
9 Bridge Street  
Andover  
Hampshire  
SP10 1BD

### **Independent Auditor**

Deloitte LLP  
1 New Street Square  
London  
EC4A 3HQ

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*“As a purpose-led health solutions Company, we’re striving to improve access to healthcare for all in the UK. For 150 years, we’ve always stood for a healthier world, through our positive impact on the environment, in the way we contribute to society, and by governing ourselves in a responsible way.”.*

**Nicholas Potter**

Acting Chief Executive and Chief Financial Officer at Simplyhealth

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The Directors present their Strategic Report for the year ended 31 December 2022 for Simplyhealth Group Limited (the 'Company') and its subsidiary companies (together, 'Simplyhealth' or the 'Simplyhealth Group').

## **AT A GLANCE**

### **Who we are**

We are a UK Group that exists to improve access to healthcare for our millions of customers, and for society at large. This year we celebrated 150 years of our health plans supporting individuals, their families and their businesses with their everyday health concerns, as we believe that no one should go without the healthcare support they need. As a Company limited by guarantee, and therefore without shareholders, we are able to reinvest our profits for the benefit of our customers who are our members, both now and in the future.

### **Our Purpose**

Simplyhealth's purpose ('Our Purpose') is to improve access to healthcare for all in the UK.

The health of our business underpins our ability to help improve the health of individuals, in turn supporting strong communities and ultimately benefits society as a whole - an 'All Together Healthier' approach.

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**Our business units**

<b>Healthcare Insurance</b>	<b>Administration of Dental Plans</b>	<b>Simplyhealth Venture Capital (formed 2022)</b>	<b>Simplyhealth Foundry (formed 2022)</b>
We provide Healthcare Insurance to individuals, either directly ('Consumers'), through their employer ('Corporate Clients') or via dental practices. Our solutions provide cover both for everyday healthcare costs, including primary care and outpatient services, in addition to accident and emergency dental cover.	We provide dentists and their patients with products and services supporting the provision and funding of dental services.	We believe the future of healthcare will be transformed by predictive and preventative healthcare solutions. We support likeminded organisations, including start-up companies, through providing financial investment and business support in achieving these aims.	We invest in delivering new internally generated healthcare solutions to individuals, businesses and healthcare practitioners.
90.6% of revenue	9.4% of revenue	3 investments	1 new proposition
2,387,000 customers	1,407,000 customers	£1.4m invested in 2022	
2.4m claims			

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Our insurance plans are underwritten by Simplyhealth Access, including insurance products sold via our Denplan operation. Products sold via our Denplan operation provide administration of payment plans, support, guidance and advice to member dentists.

Simplyhealth Access is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority

**Things to be proud of in 2022**

- Celebrating 150 years in business
- Launching a new 1-2-3 Consumer Product
- Launching our new policy administration system
- Becoming the UK's first B Corp health insurer
- Becoming a certified London Living Wage Employer
- Investing an extra £2m to help our colleagues during the cost-of-living crisis
- Investing in Simplyhealth Venture Capital and Foundry
- Creating a Financially Vulnerable Customers Taskforce
- Our recommitment to pledge a minimum of £1m per annum to charities and charitable giving
- £150k donated to help with the cost-of-living crisis during winter 2022/23
- £150k donated to support those affected by the Ukraine crisis

**Highlights**

	<b>2022</b>	<b>2021</b>
Membership	<b>2,387,000</b>	2,359,000
Income	<b>£213.3m</b>	£198.2m
Claims Loss Ratio	<b>67.4%</b>	72.0%
Loss before tax	<b>-£24.5m</b>	-£14.7m
Adjusted operating profit	<b>+£9.9m</b>	+£6.8m

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**CHAIR'S WELCOME**

Thank you for taking the time to read our Annual Report and I hope it helps inform you about the progress we have made over the last year and probably more importantly, our plans for the next 12 months.

Over the past year Simplyhealth has accelerated its transformation with a clear focus on updating our systems, processes and products so that we can enable and empower our customers with a better service and new offerings. The Board and wider leadership team remain committed and focused on the delivery of our strategy, which does not change after our CEO, Sneh Khemka, left us in February 2023.

We will, of course, be undertaking a thorough process to appoint a successor, but in the meantime, Nicholas Potter, our Chief Financial Officer, has assumed the role of Acting Chief Executive Officer.

As I noted last year, we live in strange times where the previously unthinkable seems to occur more often than not. Across the globe, we have continued to see the effects of the Covid pandemic and the war in Ukraine play out, resulting in a cost-of-living crisis which has acted as a drag on the UK economy.

But despite the global challenges we are increasingly certain of our place in the national health ecosystem as well as our ability to support and provide peace of mind to individuals and families with their healthcare needs.

The increasing demand our society places on the NHS combined with a finite pool of resources means that Simplyhealth needs to be able to step into the gap between what the NHS can offer and what we might need. The development of affordable, easy to access healthcare services to help our customers live their best lives, and to enable the management of ill health to the very best health outcomes should be available to all.



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We remain committed to our three core values which were launched in 2021, of being courageous and curious, building trust and being kind, and being all together healthier. Over the past year we have focused on increasing everyone's awareness and understanding of each value and supported our leadership in championing these values and create the culture we aspire to. And it is this culture which is the engine of our transformation.

Our £60m Simplyhealth Venture Capital fund was launched to support digital health technology designed to help us be healthier. We are developing new businesses within Simplyhealth Foundry. They not only align with our product-led structure, but they also augment our evolving product portfolio that starts to fill the gap between NHS healthcare provision and sustains our organisation into the future.

We in Simplyhealth are determined to play our part and are well down the road in being able to do so. 2023 will be no less busy or challenging than 2022. But it will see the culmination of our investment in our core systems, organisational structure, culture and people; all of which gives me confidence that we will cope with whatever comes next and provide you the support you need, in the way you want it and at the time you think is best for you.

Finally, I would like to thank all who have been, and continue to be, involved with our business, our customers for their loyalty and engagement and our staff and colleagues for their hard work and dedication.



**Gil Baldwin MBE**  
**Chair**

## **CEO'S STATEMENT**

### **2022 - Simplyhealth's 150<sup>th</sup> year in review**

As acting CEO of Simplyhealth, I'm pleased to report that excellent progress has been made in 2022, which also saw us celebrate our 150<sup>th</sup> anniversary. We are serving our purpose with greater vigour than ever, improving access to healthcare for tens of thousands of more people year-on-year.

#### **What does 150 years old feel like?**

This landmark year is one of great pride for us, and instead of being an excuse for complacency, we have used it as motivation to refocus and transform our business.

Of particular note, we have invested heavily into our technology infrastructure, as getting this right is key to our long-term success. I am delighted to report that the Policy 2.0 programme, which replaces our legacy Healthplan IT operating platforms, had a successful launch in the middle of the year. 2023 will be a particularly challenging year for this programme, as we migrate our customers off the old platforms and onto the new. However, in doing so we will enable ourselves to be more automated, quick, and accurate in our servicing – meaning a much smoother process for our customers. The new platform also allows us to build a better understanding of our customers, supporting future product innovation and allowing us to rapidly bring new products that they want to market.

We also used the year to clean up a quite complex product landscape through a joint rationalisation and simplification programme, meaning that our T&Cs became much simpler for customers to understand and complexity for colleagues was removed, resulting in an enhanced experience for all.

We transformed the organisation from a waterfall, project-led mindset into an agile, product-led way of being through some

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significant infrastructural and people change. This is vital if we are to move rapidly for our customers as the healthcare landscape changes. We have welcomed several new Executive Committee members, who come to us steeped in consumer-centric, retail and product experience from their previous roles, and are already adding great insight and pace to our innovations.

But it would be remiss of us not to celebrate such a landmark year, and in the summer we hosted a festival for all our colleagues. Luckily the weather was ideal, and we had a fantastic day of strategy, collaboration, challenges, dancing, and fun, which was all the more meaningful for people who had not seen each other in person for over three years due to Covid.

A 150 year heritage is a wonderful thing to celebrate and we are working hard to ensure the stability, reliability and adaptability that enabled us to celebrate this milestone are further enhanced as we look forward to the next 150 years

### **A bigger role to play**

The challenges that the National Health Service is currently facing means that our purpose and existence has never been more relevant. Unfortunately, many citizens of the UK do not have the access to healthcare they once enjoyed, and Simplyhealth has not only an opportunity but a mandate to fill the gap.

It has become clear that policymakers will face tough decisions about how to fund the NHS, and in turn, what the NHS can afford to offer to UK citizens. My speculation is that it will have to concentrate on providing excellent emergency, inpatient, and specialist care. This may well come at the need to find new funding models for primary care and outpatient services, including mental health, physiotherapy, ophthalmology, and dentistry.

That is where Simplyhealth comes in, and that is what we are preparing the Company for.

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**Performance in 2022**

Everyone reading this report will be acutely aware of the macroeconomic challenges facing not only this country but the world. Even in this environment, we have managed to make positive progress although, largely as a result of unrealised losses in the investment portfolio, we ended up recording a total loss on the year of £24.5m.

Our Corporate business has shown strong growth over the year, increasing the number of customers served by 28k to almost 600k. This was partly due to market sentiment and demand from companies who, in a post-Covid era, are looking to offer their employees enhanced health benefits in particular. But it was also partly due to a restructured and refreshed sales team who have a new set of tools, methodologies and incentives resulting in excellent outcomes.

Unfortunately, our Consumer business has been particularly challenged by the economic environment. Many of our long-standing customers have had to make the difficult choice between essential household services, including food and heating, and their Simplyhealth policy. This has meant we have seen the portfolio decline by 25k customers over the year to 382k customers; but we are not alone – this trend has been similar amongst many of our competitors, and indeed others have withdrawn from new sales in the Consumer market entirely.

The dental market has seen the greatest level of NHS/private disruption across the UK healthcare markets. This has resulted in significant growth in our Denplan business with new sales higher than any single year over the last decade – a testament to the strength of the product and the hard work of our colleagues. We ended the year looking after 1.4m people's dental plans. In 2023, we will be undertaking a strategic exercise to reimagine our future in the dental space as the market evolves.

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## **People**

We are taking a three-pronged approach to our workforce, which was initiated some years ago and will continue as we undergo core transformation.

The first is to ensure that our employee value proposition is outstanding and that people actively choose to come and work for us and then stay with us. An example of this is our strong commitment to help employees deal with the current cost-of-living crisis, which included a £1,000 cash payment we gave to all employees on a lower salary.

The second prong is to increase operational efficiency to the business so that we can put our customers' funds to the very best use. This comes from a programme of digitisation and automation, allowing our people to spend more time interacting with customers and each other.

The third prong is to develop a new culture that is increasingly commercially focused, thinks of the customer at every step and is empowering to ensure ownership and accountability are taken at all levels of the organisation. Cultural transformation is a long game, but 2022 saw huge internal advances in this space.

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**Preparing ourselves for the future**

There are three additional milestones achieved in the year that we are immensely proud of.

The first was the award of B Corp certification which we achieved in the summer, being the very first health insurance Company in the UK to do so. The certification is testament to our deep rooted and very evident commitment to the environment, society and good governance. It is a rigorous process to gain B Corp certification, and it allowed us the opportunity to reengineer how we conduct ourselves and how we do business. A very real example is the charitable donations that we have made, not only to help those in need in the UK, but to support those torn apart by the war in Ukraine, to whom we committed £150,000.

The second was the launch of Simplyhealth Venture Capital, an evergreen £60m Venture Capital fund that is investing in the very best digital health technology available and bringing that to our customers to improve their lives. We made three investments in the year which are performing well.

The last, but certainly not the least, was the inception of Simplyhealth Foundry, which is the place where we can dream up and develop brand new businesses that will sustain our organisation into the future, give us access to customers that we have not engaged with before, and provide life and health enhancing services.

Despite what can sometimes look like a gloomy picture on many fronts for 2023, I remain extremely optimistic about the opportunity Simplyhealth has to help individuals and families in this country with their everyday health needs.

**Nicholas Potter**  
**Acting Chief Executive and Chief Financial Officer,**  
**Simplyhealth**

## **STRATEGY**

### **Purpose-driven strategy**

Simplyhealth's strategic focus is aligned to Our Purpose - improving access to healthcare for all in the UK. We will help people to access services for outpatient healthcare and, in doing so, help to take pressure off the NHS. Our strategy continues to be driven by our heritage and deep-rooted purpose, while also reflecting the changing healthcare environment in which we are operating.

### **Summary of our strategy**

Our strategy is focused on driving further growth in our core businesses through enhanced products, features and digital solutions. We continue to strengthen our foundations, to enable us to deliver ongoing innovation to the UK health market. Simplyhealth is on a strategic journey to move from the provision of traditional health financing solutions to health delivery solutions. This will ensure we can broaden access to healthcare in the UK to many more people in a digital and personalised manner.

We are achieving this through innovation in our core businesses, and we have also established two new routes to market. During 2022, we established two new entities within the Simplyhealth Group: Simplyhealth Foundry and Simplyhealth Venture Capital. Simplyhealth Foundry has been established to build and incubate new business ventures; and Simplyhealth Venture Capital is a new venture capital vehicle through which Simplyhealth invests in health tech start-ups aligned to our strategic objectives.



## **Growth strategy for a new UK landscape**

Simplyhealth continues to be the clear market leader in our core strategic areas of health cash plans and dental payment plans. We remain confident that there is significant demand and potential for growth in the provision of cover for the outpatient services provided for by these solutions. However, while our core products remain very relevant to a broad customer base, the NHS landscape in the UK is shifting. We are committed to building a new set of products which provide even better coverage in the outpatient and dental spaces, to ensure we evolve to offer health solutions that support the areas that people are finding increasingly difficult to access.

### **Cash plan:**

As mentioned in the CEO report, we are focusing on the evolution of cash plans next year to include new health delivery solutions, moving us beyond just health financing solutions. We are revising our product portfolio to provide access to a broader range of in-demand health services which meet the needs of a new generation of consumers, as well as continuing to help spread the cost of outpatient cover. We are focused on innovations to support NHS gaps, giving our customers access to services ranging from diagnostics to personalised health journeys. To enable this, Simplyhealth has made significant investments into becoming an increasingly digital, data-led business, empowering us to bring new products to market more quickly and focused on delivering the best possible customer experience.

### **Denplan:**

The dental market has also seen a significant landscape shift over the past year, with many traditionally NHS patients unable to access NHS dental services and turning to private dentistry to fill the gap. A survey undertaken by the BBC this past summer showed that nine out of ten NHS practices in the UK were no longer accepting NHS patients, and eight out of ten were not even accepting children under the NHS. Within private dentistry there



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has also been a structural ownership change, as many dental practices continue to be purchased by large corporate groups. We are currently reviewing our Denplan business in light of all these changing dynamics, to build upon its strong heritage in the industry with products and services tailored to meet the needs of changing segments of dentists and their patients. Our focus will be on innovation tailored to suit the various customer segments, as well as delivering on excellent customer experience and value.

**Progress on investments in IT infrastructure, data and digitisation, enabling better customer experience**

In order to deliver on our strategy of helping more people access healthcare, we made significant investments last year in a new technology platform and our data management capability. The aim was to enable us to develop more relevant, digital and personalised healthcare solutions along with better customer experiences. Our new platform is now in place and already driving better customer experiences, faster product development, more personalisation, and creating good operating efficiencies for the business. We have also focused on simplifying our legacy product estate and aligning all our terms and conditions to provide a consistent customer experience.

In 2023, our focus will be threefold:

1. The migration of all customer policies onto our new platform, ensuring our customers can benefit from the improved capabilities and experience
2. Data and digitisation – we are continually improving the way we use data throughout the business, to ensure we are customer-led in everything we do, and digitising where possible to speed up processes and remove any barriers to customers being able to access whatever they need at their convenience
3. Bringing new products and services to market, either internally or through working with an ecosystem of digital healthcare providers, offering them to customers when and where they need them most

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## **Culture**

Simplyhealth's cultural transformation is underway, moving us towards being agile, ambitious, innovative and commercially disciplined, while always keeping the customer firmly at the centre. We have added several new strategic hires into the business, to bolster capability to deliver on our ambitions, and have restructured our target operating model to reflect a product and customer-led business. We are continuing to recruit, as well as upskill our current colleagues, to ensure we have the internal capability and culture focused more on delivering an excellent customer experience. It is the culture of an organisation that really defines its sustained success, and our leadership is committed to delivering this important transformation to set us up for another 150 years.

## **Looking ahead**

As 2022 draws to a close, we are confident that we are well positioned for a successful 2023, with a strong leadership team in place, a solidified strategy already driving modernisation and growth, and a newly energised culture focused on innovation and being customer led in everything we do. We are pleased by all the progress made to date, and excited for all the new health delivery solutions we are poised to deliver next year, as we continue to make a difference to customers' health outcomes and deliver on our purpose.

## **BUSINESS REVIEW**

### **Business performance**

As the world entered 2022, there was a renewed sense of optimism with Covid seemingly under control and life settling into a 'new normal' as the world re-opened. Unfortunately the year saw the start of a cost-of-living crisis, with an increase in energy prices not seen since the 1970s. The impact on households in the UK has been felt through the following inflationary impact across the economy and the subsequent action taken by the Bank of England to address this through interest rate rises. This has led to pressure across the business – customers, colleagues and suppliers – that have been appropriately addressed while keeping our purpose at heart.

In the first quarter of the year, we successfully returned £9m to customers (including the processing cost), delivering on the promise made at the end of 2021. This was well received by customers as much from the acknowledgement of their restricted ability to use the product as the financial amount returned to them.

### **What we delivered**

During the year, we also recognised that enabling customers to better understand their products will lead to improved usage, satisfaction and retention. To this end, we embarked on a process of reducing, simplifying and ensuring the language used was accessible by all throughout our policy terms and conditions.

Utilising this clarity, a new consumer proposition was launched that distilled the essence of Simplyhealth, 1-2-3:

- 1 – Get Seen; use the policy to speak to a GP 24/7 within 3 hours
- 2 – Get Healthy; claim back treatment costs quickly and easily
- 3 – Get Rewarded; as a Simplyhealth member access discounts and special offers curated for our customers

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Since launch in July the new proposition has sold 3,937 new policies, with the majority of new sales being through a fully digital journey. This was enabled by the launch of our new technology platform, Ski, which went live in July for the consumer segment of the business. Work continues on developing the platform for the corporate segment, for launch in 2023.

**Membership and claims**

During the year, the business grew membership by 28k and revenue increased by £15.1m. Growth was primarily delivered through the Corporate and Denplan markets. The former illustrating the growing importance employees are placing on the health packages employers put in place to attract and retain them. The dental market continues to see a shift from NHS to private practice. This has further increased the relevance of the Denplan product which allows people to manage the cost of preventative dentistry over the year.

Claims remained relatively flat in terms of both volumes and average cost. Claiming patterns by customers showed some signs of returning to pre-pandemic levels, but at a much slower pace than initially anticipated. Average costs were down by 2% on 2021 with lower average value offset by increased access to lower cost treatments. This was a compensatory action for the high increases seen in 2020 when, for example, dental average claim costs were 23% higher than before the pandemic.

**Our people**

Operational costs increased during the year, reflecting the increased business activity in sales and marketing post-Covid.

The Company also recognised the impact the inflationary environment was having on colleagues and put in place a series of support schemes, financial and non-financial, across the year. This was a targeted series of measures focused on those most in

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need. For example, the business announced that it would follow the London living wage as its 'minimum wage band', and in the last quarter a cost-of-living payment of £1,000 was made to all those earning less than £45k.

**New propositions**

During the year, two new business entities were created.

Simplyhealth Venture Capital has been established to invest capital into UK digital healthcare start-ups that will enable them to grow more rapidly and enable early access to their healthcare solutions for our customers. During the year, we made three minority investments, totalling £1.4m, in exciting start-ups that are all well positioned to make a material impact on the UK healthcare sector in the coming years.

Simplyhealth Foundry was created to enable the business to seed, acquire and rapidly grow our own digital business ventures. In March a 65% share of Ocuplan was acquired to deliver improved solutions to those in the UK with long-term chronic eye conditions such as Meibomian gland dysfunction and glaucoma. Toward the end of the year, we commenced our first digital venture build that will come to market during 2023.

**Investments**

The financial markets remained volatile in 2022, with bond markets significantly hit given the inflationary environment and the interest rate action taken by central banks. This has led to an unrealised loss on the portfolio of £22.6m (excluding the £0.8m gain on unlisted investments). The portfolio remains high quality, with investments expected to return to par value at maturity.

**Outcome**

As a result of the investment performance the year ended with a comprehensive loss of £18.7m. This also impacted the Company's assets which decreased by £25.0m. However, the solvency ratio of the Group remained extremely strong at 344.5% (2021 – 338.5%).

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**KPIs**

**Key performance indicators ('KPIs')**

The Simplyhealth Group manages its business based on the following key financial and other performance indicators.

		<b>2022</b>	2021	<b>Change</b>
Total customers	'000	<b>2,387</b>	2,359	<b>28</b> <b>(+1.2%)</b>
Total technical income	£m	<b>213.3</b>	198.2	<b>15.1</b> <b>(+7.6%)</b>
Claims loss ratio (CLR) <sup>1</sup>	%	<b>67.4</b>	72.0	<b>(4.6)</b> <b>(9.8)</b>
Loss before tax	£m	<b>(24.5)</b>	(14.7)	<b>(-66.7%)</b>
Solvency ratio <sup>2</sup>	%	<b>344.5</b>	338.5	<b>6.0</b>
Customer experience index <sup>3</sup>	%	<b>67.5</b>	74.0	<b>(6.5)</b>
Adjusted operating profit <sup>4</sup>	£m	<b>9.9</b>	6.8	<b>3.1</b> <b>(+45.6%)</b>

**Notes**

- <sup>1</sup> The claims loss ratio is calculated by dividing claims incurred in the statement of comprehensive income by the total technical income.
- <sup>2</sup> The solvency ratio is defined as eligible own funds divided by the Solvency Capital Requirement. The Group's capital reserves primarily comprise retained profits (page 198 and note 4f).
- <sup>3</sup> The Group uses a customer experience index to track its performance in meeting the needs of our customers and the quality of service they receive (page 64).
- <sup>4</sup> Adjusted operating profit is designed to illustrate the Group's trading performance on its core activities by excluding the results of discontinued activities, one-off projects, and transactions and items such as goodwill, amortisation and returns on the investment portfolio that are incidental to these activities.

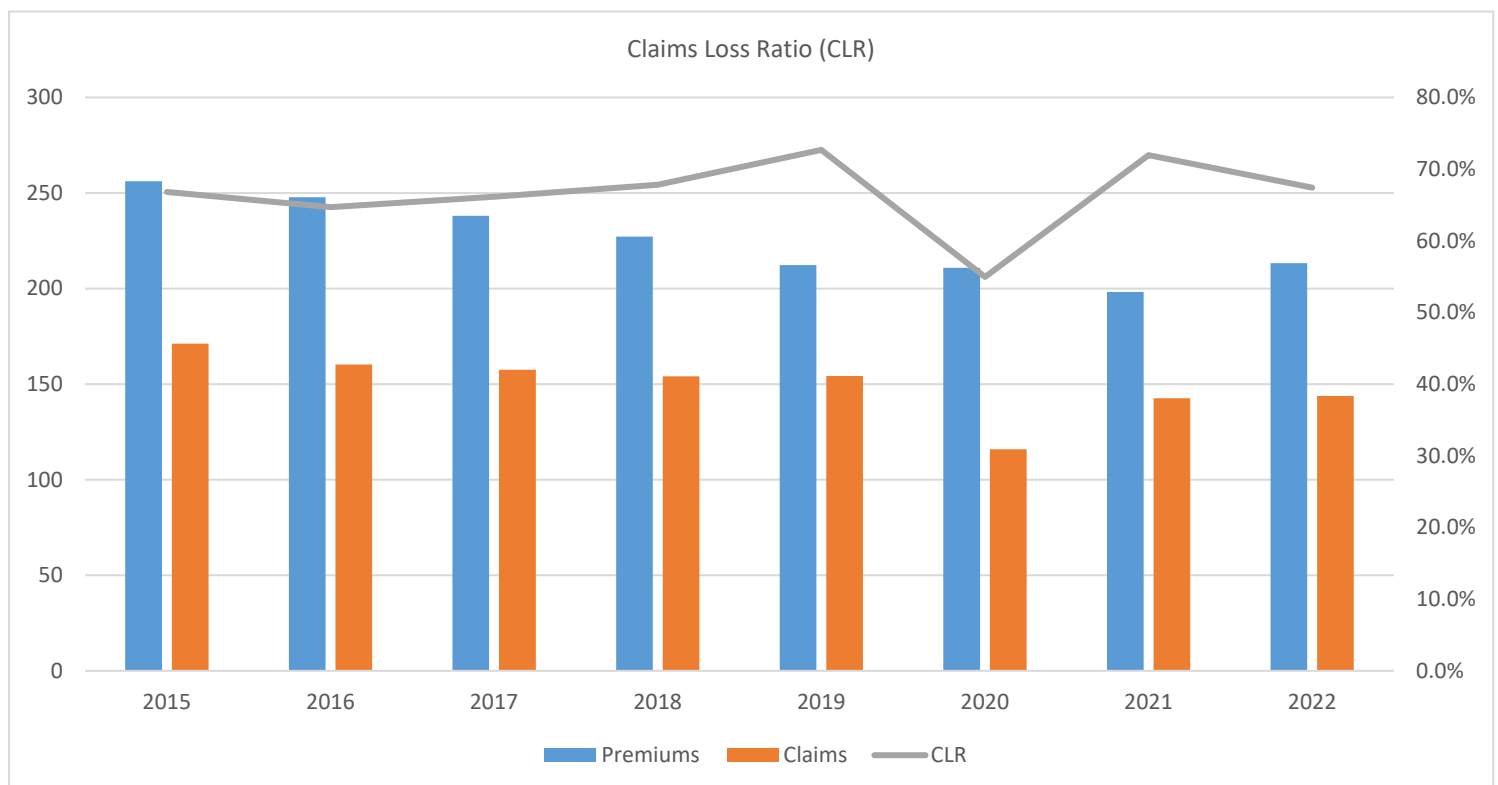
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**Financial highlights**  
***Technical account***

Total technical income increased by 7.6% to £213.3m.

After the bounce back in 2021, total claims incurred finished the year £1.2m higher at £143.8m, with a CLR of 67.4% which is very close to the pre-pandemic average of 67.6%.

With growth in income and only a small increase in claims, net technical income increased to £69.5m (2021 -£55.6m).



*CLR is defined as claims incurred net of handling charges as a ratio of premium income*

The balance on the general business technical account broke even (2021 loss - £6.1m), an improvement of £6.1m, with some of the growth in net technical income offset by cost increases. The two major areas of cost growth are an additional £3.5m of marketing spend and £1.2m of staff costs mainly due to supporting our colleagues through the cost-of-living crisis.

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***Non-technical Account***

Other income relates to our dentist capitation business ‘Denplan’ which continues to perform well, and other charges represent the cost of operating this business together with the initial start-up costs for our new venture’s strategy. After completing the amortisation of the Denplan goodwill in 2021 the non-technical account has also benefited by £11.5m in 2022.

Our investment portfolio remained primarily in fixed income markets, as we sought to avoid potential higher volatility in equity markets. Investment returns have been significantly impacted by the financial market’s reaction to the UK and wider global economy and the continued recessionary fears, though have outperformed other markets and remain unrealised, as we anticipate recovery in future years.

The loss on investments, realised and unrealised losses, investment income and investment expenses, of £23.1m (2021 profit £0.4m) gives a final reported UK GAAP loss on ordinary activities before tax of £24.5m (2021 – loss £14.7m), a significant movement of £9.8m.

***Adjusted operating profit***

Adjusted operating profit is defined as the surplus on the general business technical account and income and expenses of running the non-technical business, including central management expenses. It is designed to illustrate the Simplyhealth Group’s trading performance on its core activities one-off projects and transactions, and items such as goodwill, amortisation and returns on the investment portfolio that are incidental to these activities.

The adjusted operating profit is reconciled to the loss before tax in the statement of comprehensive income as follows:



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	<b>2022</b>	<b>2021</b>
	<b>£m</b>	<b>£m</b>
<b>Statement of comprehensive income:</b>		
<b>(loss)/profit on ordinary activities before tax</b>	<b>(24.5)</b>	<b>(14.7)</b>
Adjustments		
Add back donations	0.5	0.9
Exclude investment loss/(return)	23.1	(0.4)
Add back Policy 2.0 transformational expenses	5.6	4.8
Add back other corporate transformation expenses	2.3	6.2
Add back initial investment in digital ventures	2.9	1.4
Add back amortisation of goodwill and other intangibles	0.0	12.0
Add back reorganisation costs	0.0	0.7
Impairments	0.0	(4.1)
<b>Adjusted operating profit</b>	<b>9.9</b>	<b>6.8</b>

The majority of adjustments seen in the table below have already been explained. In addition, our transformation expenses are now focused on our new technology platform, improving the experience for customers and the ability for us to streamline our operations.

In 2022 we continued to develop our approach for the new digital ventures as referenced in the Strategy section (pages 13 to 16). This will be a growing investment in 2023 and a key part of the business strategy to innovate and modernise our offerings to the market.

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***Cash flow***

Simplyhealth Group's cash, and cash equivalents, decreased by £2.9m during the year (2021 - £13.2m). Our operations led to a net cash outflow of £4.2m (2021 – *inflow of £1.7m*), primarily as a result of the increase in net technical income (Premiums less Claims) being offset by the payment of £9m of customer rebates. Our investments in transformational projects continued with a focus on our new technology system and a further £2.3m (2021 - £2.2m) was invested in the Group's IT infrastructure and systems. We also increased our investment in our new Venture Capital and Foundry businesses spending £1.9m on our first four investments and a further £2.9m in start-up costs.

On 31 December 2022, the Group held cash and cash equivalent balances totalling £32.3m (2021 – £35.2m). The Group's other financial liabilities, which comprise accruals, trade and other creditors total £29.2m (2021 – £37.6m), reflect the fact that we completed the return of surplus profits, committed to in 2021.

***Solvency***

Our Own Risk and Solvency Assessment (ORSA) demonstrates a robust capital strength, which would allow us to absorb substantial shocks and still retain significant headroom above our capital holding requirement. We have tested our solvency against a number of scenarios, including large membership lapses, financial market shocks and various levels of economic downturn including lapse risk from the general economic downturn. In all these scenarios our solvency position remains secure.

### ***Solvency position – capital surplus***

Simplyhealth Group remains in a strong solvency position at the end of the year with Eligible Own Funds of £221.8m (2021 - £238.2m) compared to its Solvency Capital Requirement (SCR) of £64.4m (2021 - £70.4m), giving a solvency ratio of 344.5% (2021 – 338.5%). The primary driver for the fall in solvency ratio is the reduction in valuations of our investments and changes in market risk. While decreasing, the ratio is significantly in excess of regulatory requirements, and these KPIs are clear indicators of a strong, sustainable business that our customers can trust to be around to support them with their healthcare needs for the long term.

Capital headroom of £131.7m (2021 – £139.7m), a decrease of £8.0m (2021 – £38.2m decrease), as set out in note 4f, continues to give us the capacity to invest for growth and to deliver our strategy, as well as being able to absorb any potential market shocks and other stresses, which are tested through our ORSA. The capital surplus is above our regulatory capital requirements, adjusted for Simplyhealth Group's risk appetite. The risk appetite has been agreed with the Board and includes a capital buffer in excess of the SCR.

### ***Taxation***

The Group recorded a tax credit of £5.8m in the year (2021 – 1.8m). The tax charge is higher than the effective rate of corporation tax of 19% as certain costs are not allowable as expenses for tax purposes.

A deferred tax asset of £7.4m (2021 £2.0m) is carried forward and will be fully utilised against future profits over the next three years. In addition, a tax debtor of £2.1m (2021 £1.7m) is expected to be recovered in 2023.

During the year, we received a £1.6m refund from the HMRC relating to our Partial Exemption Special Method for VAT.

## **Outlook**

Looking ahead, the pressures on the UK economy and household finances are expected to continue into 2023, with inflation running significantly ahead of the Bank of England's 2% target.

Pressure on the NHS is expected to increase, with long waiting times no longer the exception and a reduction in the range and quality of services offered.

It is against this backdrop that Simplyhealth will continue to invest in new customer propositions that better meet the needs of the UK population, with healthcare still very much a key concern of consumers and employers.

We expect growth across all business channels in the coming years, with improved underwriting margins as inflationary pressures on the cost of healthcare provision reduce. The optimisation of our cost base will continue at pace as we deliver the benefits associated with our new technology platform, including the decoupling of legacy processes and systems.

Innovation will continue across the business with a focus on making the best use of the technologies we have invested in, with more advanced use of artificial intelligence in servicing our customers, automated claims processes and the digitisation of customer workflows at all levels and in all segments. This will move us towards the delivery of sustainable, profitable growth.

Outside of the core business, we will continue to seek opportunities to invest in new ventures through Simplyhealth Foundry and Simplyhealth Venture Capital, developing new propositions that support our purpose to improve access to healthcare for all in the UK.

We are proud of our loyal membership base, which we will continue to value and serve in the best possible way with flexible

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propositions supporting their evolving healthcare needs. Our delivery of new digital propositions, such as the 1-2-3 consumer offering, will enable us to appeal to a wider customer base and will remain a key focus in 2023.

In the Corporate market, we will deliver a modular proposition and new digital interface for our clients and intermediaries, based on extensive and successful market testing, to help employers support the healthcare needs of their people.

We expect continued sustainable growth in Denplan driven by increased patient penetration within existing practices and bringing more new practices into the Denplan family, as we support our Denplan dentists with the provision of high-quality treatment and practice management.

## PURPOSE-LED SUSTAINABILITY

The health of our business underpins our ability to help improve the health of individuals. In turn, this supports strong communities and ultimately benefits society as a whole. This is our 'Healthier Sustainability' model, supported by our framework for action.

At Simplyhealth we have been walking this path to do good in the world for decades, and this year we celebrated 150 years of sustained impact:

- Through our positive impact on the **environment**
- In the way we contribute to society and **social** change
- By **governing** ourselves in a responsible way

It may not have been called ESG ('Environmental, Social and Governance') back in 1872, but our intent throughout this time has remained the same. To us, ESG and sustainability is about more than just being 'green', it's about using business as a force for good in the world, always driven by our purpose.

Information contained in this section relates to all entities within Simplyhealth Group Limited.

## Simplyhealth's role and responsibilities

We're constantly looking outwards, beyond our organisation, to the world around us. We do this because believe we have a duty and responsibility:

- to our **customers** - to help them manage and find solutions to the (healthcare) challenges they face
- to our **communities** – to those locally, nationally and globally, who need our support and stewardship
- to our **colleagues** - to help them cope and adapt to our changing environments, to better meet our customers' needs

We do this with a firm focus on how we can deliver our purpose more powerfully and improve health outcomes for our customers, communities and colleagues.

We're constantly looking inside our organisation too. We ensure that every working day, every decision and every action – big or small – not only helps improve the health of our Company, customers and communities, but also the health of everyone and everything we hold dear, including our planet.

We are committed to complying with and staying ahead of evolving legislation. We have ambitious sustainability aspirations and goals to help to create value for all our stakeholders, whilst reducing our negative impacts.

## **Holding ourselves to the highest impact standards**

Our approach to sustainability has been informed by best practice, research forums, governance frameworks and through memberships, which continue to challenge our thinking, help us assess our current impact and plan for the future. These include, but are not limited to:

- Aligning to the UN's Sustainable Development Goals (SDGs)
- Being a member of Business in the Community
- Becoming a B Corp certified business using the B Impact Assessment tool
- Working towards consistency with the Task Force Climate-related Financial Disclosures (TCFD)
- Independent assessment and advice from Carbon Footprint Ltd
- Understanding best practice from University of Cambridge Institute for Sustainable Leadership ('CISL')



## **Engaging our stakeholders and understanding our impacts**

Our stakeholders are important to us, and we regularly reflect on the issues that are important to them. Engagement with our stakeholders helps us to understand our impact across the value chain and gain insight into the topics that matter most to them. We have identified who we consider to be our key stakeholders under our s172(1) statement (see pages 72 to 83), which outlines how we engage with each of them to ensure their views are considered when making decisions.

## **Our evolving ESG strategy**

Since 2019, Simplyhealth has had a formal ESG strategy in place underpinned by a series of aspirations, goals and KPIs.

In 2021's report, we shared these goals publicly for the first time around four areas of focus:

1. Healthy Changes Start Here
2. We are Healthier Inside and Out
3. Happier and Healthier Customers
4. From Neighbours to the Whole Nation

We are continuing to report on our progress against these goals which we have been working hard to deliver, because we believe in building engagement and accountability through transparency.

## **Investing in ESG**

During 2022, we took the decision to invest in two brand new roles to create a dedicated ESG team at Simplyhealth, focused on evolving our ESG strategy, aligning our efforts and accelerating our plans.

Aligning ESG to every part of our business strategy and functional areas through our Leadership team is one important way we ensure sustainability is embedded into everything we do, and every decision we make. We are committed to sustainability across all levels of our business and our Objectives and Key Results Framework ('OKR') keeps our ESG agenda front and centre.

Our Healthier Sustainability Committee is chaired by our Head of Strategy and Chief of Staff, and continues to be accountable for the shaping and delivery of our sustainability plan.

The Committee comprises representatives from across the business and meets at regular intervals throughout the year.

ESG is also considered at a Board level; most recently at December's Board Meeting, where we reviewed our progress and ambitions for the future.

## **Looking ahead to 2023-25**

In 2023, we will be introducing a new ESG Framework to strengthen the progress we have already made and direct our efforts and investments for future years. Following a review of our 2022 progress against our goals (contained in this report), we will be restating our 2023-25 ambitions. In many cases, this will include sharpening goals already in place. With new systems and data available, we will also be challenging ourselves to go further and extend our impact in more and different ways.

Finally, as the business continues to evolve, some goals have changed or the original KPI is no longer available, for example, where a customer proposition no longer exists and has been superseded by new ones.

As our aspirations, goals and KPIs are revisited, we remain committed to ensuring our programme of change works towards the global 2030 agenda for sustainable development, with a focus on SDG 3 Good Health and Wellbeing and the UK Government's 2050 Net Zero ambition. Our progress towards our commitments, within the context of these goals, will continue to be monitored internally by our new ESG team, by our Healthier Sustainability Committee and externally by independent sustainability experts.

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**Non-financial statement**

This separate statement has been compiled in accordance with the Companies Act 2006, Section 414CA and 414CB.

ESG is managed through the Board committees covering all aspects of sustainability, including the impact on society and climate change. The committees ensure that ESG is integrated within all operations, processes and investment decisions.

This report contains non-financial information and reflects our material sustainability issues, including the key performance indicators we use to manage these in our business. This statement supplements and cross references to the report as follows:

<b>Reporting requirement</b>	<b>Section of report</b>
Stakeholders	S.172 Statement: Engagement and Principal Decisions, pages 72 - 83  Happier and Healthier Customers, pages 64 - 65
Environmental Matters	Healthy changes start here, pages 38 - 49
Employees	Our people – We are Healthier Inside and Out, pages 50 – 63
Respect for human rights	Human Rights, page 54
Anti-bribery and corruption	Anti-bribery and corruption, page 54
Social Matters	From Neighbours to the Whole Nation, pages 66 - 71
Description of Principal Risks and impact of business activity	Principal Risks and Uncertainties, pages 119 - 127
Description of the Business Model	Business Model, page 13-16
Non-financial Key Performance Indicators	KPIs, pages 38 - 71

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**BECOMING THE UK'S FIRST B CORP HEALTH INSURER**

In July 2022, we were proud to be certified as the UK's first Health Insurer to be awarded B Corp status. We've always stood for a healthier world and have been walking the path to do good in the world for decades— which is why we are honoured to be recognised as a B Corp certified Company.

To become a certified B Corp (a Company dedicated to using business as a force for good), companies must commit to achieving high standards of social and environmental performance.

We wanted to become B Corp certified because:

- It is our genuine (and legal) commitment to uphold our purpose, our values and beliefs. To continue to care for our customers, our community, the environment and our colleagues
- It gives us a framework to measure our actions, hold ourselves accountable and continuously improve our business
- It provides us with the chance to support other businesses become a force for good. To carry the beacon that others can follow

## **Our B Impact Assessment**

To qualify, companies must achieve a minimum verified score of 80 points on the 'B Impact Assessment' which measures impact on governance, workers, suppliers, community and the environment.

After undertaking the rigorous assessment process and providing evidence, we were delighted to have achieved a score of 91.9.

- Governance 19.6
- Workers 33.8
- Community 14.6
- Environment 12.5
- Customers 11.4

"We are incredibly proud to have achieved a score of 91.9 in our B Impact Assessment, which measured our impact on governance, workers, suppliers, community and the environment – but we are not done. We are under no illusion that action is what is required to ensure we deliver on our purpose more powerfully and use business as a force for good."

## **Business as a force for good**

At Simplyhealth, we are able to reinvest our profits into helping our customers access the healthcare they need and supporting our communities.

Becoming a B Corp means we've now joined a global movement of likeminded, purpose-led businesses. In 2022, there were over 5,000 Certified B Corporations across 83 countries and 153 industries.

On 24 November 2022, we were headline sponsor for a prestigious B Corp event and campaign at London's iconic Natural History Museum, to celebrate 1,000 UK companies achieving B Corp certification.

## Championing B Corp change and taking action

**Internally**, since our certification we're cementing the B Corp mindset and behaviours into our everyday processes. Working with companies with a strong ESG outlook and seeking out other B Corp certified businesses (suppliers, distributors and contractors) to partner with. We're setting ambitious targets for our B Corp progress, undertaking an internal annual B Impact Report, to ensure we are always progressing.

In time, individuals' and teams' objectives will contribute to our progress on B Corp, with 'B Keepers' through our business upholding the values, aims, mission and certification.

**Externally**, as a key part of our evolving ESG strategy, we aim to grow in our role as B Corp ambassadors with our corporate customers and partners. We will use our heritage and experience to spread the word, share best practice and mentor others on their own B Corp journey.

We're looking forward to sharing our continued progress in our first B Corp Impact Report in mid-2023.

## **HEALTHY CHANGES START HERE**

We're constantly looking inside our organisation to ensure that every working day, every decision we make and every action we take – big or small – not only helps improve the health of our Company, customers and communities, but also the health of everyone and everything we hold dear. We think globally and act locally to protect our environment.

### **Our approach and progress to date**

This year we are delighted to share our first voluntary Task Force on Climate-related Financial Disclosure ('TCFD') submission – see pages 84 - 107. During the year, we have been laying the groundwork and taken essential steps to make this voluntary disclosure ahead of full mandatory reporting next year. This has included improvements to our finance systems and reporting processes, data capture and investment strategy discussions.

Our business-wide actions over the last 12 months have continued to build on our five areas of focus from 2021 into 2022. They include:

- Minimising the impact of print and marketing activities
- Digitising our customer relationships
- Cutting the impact of our operational waste
- Reducing and balancing our carbon emissions
- Supporting more colleagues in making more sustainable choices

### **Minimising the impact of our print and marketing activities**

We are minimising the impact of our print and marketing activities in two ways: sourcing responsibly and digitising our customer communications.

We committed to being FSC (Forest Stewardship Council) accredited and using 100% sustainably sourced paper by 2020. FSC is the world's most trusted mark for sustainable forestry.



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We're proud to report that we have sustained this target throughout 2022. We have also reduced the carbon emissions associated with our overall paper volumes by 58% during 2022, from a 2019 baseline and by 53% compared with last year. This is as a direct result of digitising our customer communications.

**Table A. Reducing the impact of print and marketing activities**

**Aspiration:** 100% sustainably sourced paper for customer communications that meets with FSC Mix standards. All forest-based materials in products or packaging bearing the FSC Mix label must either be from FSC-certified forests, verified as recycled or classed as controlled wood. Controlled wood is not from FSC-certified forests but it mitigates the risk of the material originating from unacceptable sources.

**By When:** 2020/2022

**Method:** Paper reduction, sustainable sourcing and FSC accreditation

Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 results	2022 results
Reducing the impact of our print and marketing activities	% sustainable paper products purchased	94% (2018)	100%	2020	100%	100%
	FSC Accreditation	No accreditation (2018)	FSC Accreditation	2020	Accreditation retained for 2022	Accreditation retained for 2023

## **Digitising our customer relationships**

We are continuing with our work to digitise customer communications, and have significantly accelerated our progress against our target of 95% digital customer communications for policy and claims administration by 2025.

By the end of 2022, 56% of consumer and 92% of corporate claims had been made online. While our consumer and corporate online claim numbers have reduced slightly from 2021, we have seen an increase towards the end of 2022 and are now tracking in the right direction.

Since the formal launch of our Digital Adoption project, our newly mobilised Digital Support team have had 17,564 customer conversations about a move to digital communications and claims. After speaking to the team, 1,996 customers went immediately to register on our App, with the majority actioning this the next time they claimed.

Through these conversations we've identified a further 3,339 customers who are classed as digitally vulnerable - those customers who have limited access to our online platforms. We've made a commitment to help these customers and so far we have processed 841 telephone claims for digitally vulnerable customers. Taking a sensitive and supportive approach towards digitally vulnerable customers is important to us.

In September 2022, all Simplyhealth colleagues were enrolled on a 'Digital Vulnerability' Learning module, on SimplyLearn (Learning Management System). At the end of 2022, 90.7% of colleagues had completed their online training.

By the end of 2022, a small proportion of our contact had resulted in 288 customer complaints linked to the business's move to a more digital approach.

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Due to changes in our approach, we are no longer tracking the level of pulse letter templates being digitally enabled, which had been reported in previous years.

**Table B: Digitising our customer relationships**

<b>Aspiration:</b> 95% digital customer communications <b>By when:</b> 2025 <b>Method:</b> Digital only for policy and claims admin						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 results	2022 results
Digitising our customer relationships	% of customers making claims online	39% consumer cash plan (2019)	95%	2025	59%	56%
		73% corporate (2019)	95%	2025	97%	92%

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## Cutting the impact of our operational waste

We have an active approach to reducing the impact of our operational waste, including sending zero operational waste to landfill, recycling as much of our waste as technically possible and recycling our computers and electrical waste.

We have continued to make progress on cutting our operational waste, and during 2022 we are pleased to report a 45% reduction in overall impact, compared to 2019 (baseline). This was the -25% target we fell slightly short of achieving in 2021 and have worked hard to address. We are in the process of reviewing our targets and timelines in this area as part of our evolving ESG strategy. One of our priorities is to now also improve our waste profile which has improved in the last 12 months, but shows we are tracking behind our two original targets to reduce the percentage of waste we send for energy recovery and increase the percentage of waste we recycle. This is largely because of the waste our colleagues generate while in our offices.

Our waste profile will also continue to change as a result of key business decisions. For example, in November 2022, we took the decision to pause the use of our Hambleden House office building.

**Table C: Reducing the impact of our operational waste**

<b>Aspiration:</b> 90% recycled waste <b>By When:</b> 2021 <b>Method:</b> Reduce total waste by 5% p.a., Increase proportion waste to recycling						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Reducing the impact of our operational waste	Total waste tonnage	95.7t (2019)	-25%	2021	- 22.8% (73.855t)	-45% (53.349t)
	Reduce % waste to energy recovery	54% (2019)	10%	2021	69% (53.57t)	46% (24.979t)
	Increase % waste to recycling	46% (2019)	90%	2021	31% (23.74t)	51% (27.582t)

## **Reducing and balancing our carbon emissions**

We have been working on mapping our path to net zero based on two parallel pathways: reducing our total emissions and balancing our emissions through offsets. When calculating our carbon emissions, we include all our direct and indirect emissions including the carbon emissions created by our colleagues working from home. This currently excludes some indirect Scope 3 emissions, for example purchased and sold goods and services as part of our supply chain.

We secured Carbon Neutral Plus status in March 2022, based on our 2021 emissions. Our data was appraised and our certification provided by Carbon Footprint Ltd and is valid for 12 months.

Based on our 2022 market-based emissions, we are proud to report we have reduced our overall carbon footprint by 45% from 2019 (baseline) and 4% from 2021.

We are continuing with our commitment to lower our Scope 1 emissions by switching our fleet to 100% hybrid and electric vehicles by 2024. In 2022, 88% of our Company cars were hybrid or electric vehicles ('EV') and we are pleased to have reached this target ahead of time. Our attention now moves to accelerating our full EV roll out plans and we are optimistic in meeting this target ahead of our 2030 goal, providing the car manufacturers can meet demand and the UK government continue to invest in EV infrastructure. To support our EV fleet and promote EV adoption, we have continued to invest in our own EV infrastructure, installing a further two EV charging points at our Anton House office, bringing the total to eight. They are also freely available to colleagues who have their own personal EVs.

As expected, all emissions relating to colleague travel (Scope 1 & 3) except for ferry travel and flights, have increased from 2021 to 2022. This is our first full year of travel emissions reporting post pandemic which is why we have seen an increase. We are

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pleased to report that except for rail and taxi travel, our 2022 travel-related emissions are still significantly below our original baseline measure from 2019 (283.24t of CO<sub>2</sub>e in 2022 compared with 987.24 t of CO<sub>2</sub>e in 2019).

We have continued to lower our Scope 2 carbon emissions from 213.55t of CO<sub>2</sub>e (2021) to 142.61t of CO<sub>2</sub>e (2022), and we continue to purchase electricity which is independently certified as 100% 'green' under the Renewable Energy Guarantee of Origin (REGO) scheme. In February, we delivered a significant milestone as we successfully decommissioned our old data centre in Alan Child House, the culmination of a three-year project to simplify our IT, reduce our systems complexity and improve our security.

Our 2022 Greenhouse Gas ('GHG') emissions have been independently assessed following the GHG Protocol and has used the 2022 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the GHG Protocol dual reporting methodology for reporting both location-based and market-based Scope 2 from electricity usage. The financial control approach has been used.

The GHG assessment was prepared in accordance with GHG Protocol . This standard requires an estimation of likely error based on error analysis, to identify any uncertainty in the calculations. This analysis demonstrates an overall percentage uncertainty of +/- 16%, of which 50% is associated with Home Working because certain assumptions have been made around hybrid working activity for colleagues.

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Our detailed 2022 GHG Emissions are:

Scope	Activity	Location-Based Tonnes CO <sub>2</sub> e	Marked-Based Tonnes CO <sub>2</sub> e
Scope 1	Site Gas	123.46	123.46
	Refrigerants	8.35	8.35
	Company Car Travel	160.65	160.65
Scope 1 Sub Total		292.47	292.47
Scope 2	Electricity generation	142.61	0.00
Scope 2 Sub Total		142.61	0.00
Scope 3	Home Workers	307.12	307.12
	Paper	69.73	69.73
	Well to Tank	114.15	76.93
	Electricity Transmission & Distribution	13.05	0.00
	Employee-owned Car Travel	12.98	12.98
	Flights	5.25	5.25
	Hotel stays	4.72	4.72
	Hire cars	2.98	2.98
	Cash opt out Cars	10.72	10.72
	Waste	1.12	1.12
	Water (and waste water)	0.33	0.33
	Rail travel	7.24	7.24
	Taxi travel	1.37	1.37
	Company Electric Vehicles (charged off site)	5.12	5.12
Scope 3 Sub Total		555.89	505.62
Total Tonnes CO <sub>2</sub> e		990.96	798.08

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The table below sets out our specific KPIs and how we have performed against these targets in 2022. We continue to review our targets to ensure they remain relevant and challenging. During 2023, we will refresh our 2023-25 targets as part of our path to reaching net zero.

**Table D: Reducing and balancing our carbon emissions**

<b>Aspiration:</b> Net Zero operational GHG emissions <b>By When:</b> 2030 <b>Method:</b> Carbon footprint reduction – Scope 1 and 2 (energy and some business travel)						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Decrease direct Scope 1 and 2 operational GHG emissions (Market - based)	Direct GHG emissions (tCO <sub>2</sub> e)	981 tCO <sub>2</sub> e (2018)	447 tCO <sub>2</sub> e (-50%)	2025	503.92 tCO <sub>2</sub> e (-48%)	435.08 tCO <sub>2</sub> e (-56%)
			0 tCO <sub>2</sub> e (-100%)	2030	503.92 tCO <sub>2</sub> e (-48%)	435.08 tCO <sub>2</sub> e (-56%)
Transition of fleet to zero GHG emissions	% Company cars hybrid	0% (2019)	100%	2024	80%	81%
	% Company cars zero emissions	0% (2019)	100%	2030	5%	8%
Carbon neutrality	Certified Carbon neutral		Certified Carbon Neutral Plus (with offsetting)	2020	Feb 2021 – Carbon Neutral Plus	Feb 2022 – Carbon Neutral Plus



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<b>Aspiration:</b> Indirect GHG emissions have significantly decreased <b>By When:</b> 2025 <b>Method:</b> Carbon footprint reduction – Scope 3						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Decrease indirect GHG emissions to 50% of 2019 base year (Market-based)	Indirect emissions – Scope 3	820.44 tCO <sub>2</sub> e (2019)	410.22 tCO <sub>2</sub> e – (-50%)	2025	620.82 tCO <sub>2</sub> e (-25.26%)	555.89 (-32.25%)

In 2022, we continued our year on year reduction in total energy consumption. Simplyhealth's total energy consumption for 2019, 2020, 2021 and 2022 in kWh is:

kWh	2019	2020	2021	2022
<b>Totals</b>	4,370,833	3,032,167	2,656,712	2,244,028

We also saw a continued downward trend in total GHG emissions. Simplyhealth's GHG emissions since the 2019 base year in total tonnes of CO<sub>2</sub> equivalent reported in dual format is:

tCO <sub>2</sub> e	2019*	2020*	2021	2022
Market based	1,461.02	970.07	831.76	798.08
Location based	2,060.08	1,392.46	1,124.73	990.96

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Our Intensity Ratio's since the 2019 Base Year are:

<b>Tonnes of CO<sub>2</sub>e (Market-based)</b>	<b>2019*</b>	<b>2020*</b>	<b>2021</b>	<b>2022</b>
Per employee	1.32	1.21	0.86	0.83
Per £1m turnover	5.69	4.05	3.74	3.39

\*Reporting for periods 2019 and 2020 have been restated to include 'Well to Tank' emissions, and will differ from previously reported annual totals

Following an appraisal of our 2022 GHG emissions data, for 2023 Simplyhealth has been certified as a CO<sub>2</sub>e Assessed Organisation, CO<sub>2</sub>e Reducing Company, Carbon Neutral and a Carbon Neutral Plus Organisation.

## **Supporting more colleagues in making more sustainable choices**

Colleagues tell us as part of joining and working for a responsible business, they want to do their part when it comes to making more sustainable lifestyle choices, recognising we all have a part to play.

During 2022, we've supported our colleagues through a number of sustainability focused webinars, as part of our All Together Healthier wellbeing series.

## **OUR PEOPLE – WE ARE HEALTHIER INSIDE AND OUT**

The health and happiness of all our people, physically and mentally, is our key priority. We want to create opportunities and experiences for everyone, delivering a more diverse, equal and inclusive workforce. We aspire to be widely recognised as a healthy workplace by both colleagues and partners, through the achievement of industry awards.

As of 31<sup>st</sup> December 2022, Simplyhealth Group has 936 employees (Full Time Equivalent ('FTE') of 889).

### **Our approach and progress to date**

During 2022, we have continued to progress with the same areas of focus as in 2021, putting our efforts into embedding many of the initiatives and programmes we established over the previous period. Our people approach is built on the following action areas:

- Our culture and values
- Upholding universal principles, rights and standards
- Becoming a more diverse, equal and inclusive workplace
- Supporting health and wellbeing
- Enhancing training and education

### **Highlights**

- *We are a certified London Living Wage Employer*
- *68% of colleagues completed our first diversity and inclusion survey in 2022*
- *60% of colleagues completed our annual wellbeing survey in 2022*
- *90% response rate in our bi-monthly colleague engagement survey*
- *97% of colleagues have engaged with SimplyLearn, our learning experience platform, in 2022*

## Our culture and values

As we shared in our last report, during 2021 we defined and then launched three new values and associated behaviours to guide 'how' we do business at Simplyhealth and the culture we aspire to:

- **Courage and curiosity** – we are ambitious, and we push boundaries to deliver great results for our customers and for our business. We speak up for what we believe in to make a difference.
- **Trust and kindness** – trust is at the heart of everything we do. We work hard to build trust with colleagues, customers and partners to get the best results. We treat everyone as individuals, embracing diversity and inclusion.
- **All Together Healthier** – we are here to help others live their best lives. We help to define the latest healthcare trends. We work together to innovate, driving change so we can provide the best healthcare for our customers.

Our efforts over the last 12 months have been focused on increasing everyone's awareness and understanding of each value, including what they mean for every team and colleague and their roles.

## Value-led leadership

We started this with our Executive Committee and wider Leadership team, investing in Leadership Development sessions to help our leaders explore their role in championing our new values. An important part of this process was helping every senior leader to develop their own personal story, incorporating one of our values with examples of how they bring it to life in their day-to-day activities.

## **Value-led recognition**

In early 2022 we created the Living Our Values Everyday ('LOVE') Awards, so together we can celebrate, recognise and say thank you to those who are leading the way in living our values and acting as custodians of our culture.

We have three different types of LOVE Awards that colleagues can nominate each other to receive.

Since launching our new LOVE awards in April, we have received 709 nominations in total and awarded 372 Love Awards, 73 150 Awards and 9 Game Changer Awards.

## **Colleague engagement and embedding our values**

We believe that engaging our people should be an active, dynamic and reflexive process. Every other month we share our employee engagement survey called Chatterbox. The anonymised results of the surveys are shared with all colleagues who are invited to continue discussions openly and anonymously if they prefer.

Over the last 12 months we have included specific questions about our three values, asking colleagues to share their experiences on how well we are living our values. Our survey results are regularly monitored and reviewed at a Board level, to ensure that colleague voices actively influence decision-making at the very highest levels of the business.

During 2022, we hosted a series of quarterly virtual colleague briefings where Simplyhealth's Company-wide progress and results were shared. This included overall employee engagement, customer feedback, and the financial and economic performance of each business area and of the Company as a whole, with the opportunity for senior leadership to engage directly. Two-way

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communication with all colleagues remains a high priority for us, especially as part of our approach to Smart Working.

### **Smart Working**

Over the last 12 months our approach to Smart Working has continued to evolve. We recognise that Smart Working is not a one size fits all, so we've worked hard to consider all our colleagues different needs.

In February, we opened our first bookable hot desks, so colleagues could visit the office at a time that was convenient for them, while managing office headcount capacity. This was quickly followed by the official launch of our first newly modernised, collaboration space in Anton House, called 'The Lab'. Designed for teams to come together to learn, collaborate, create and improve the way we do things, it proved to be an immediate hit.

In November, we also enrolled all colleagues into a new SimplyLearn module, covering mandatory Health and Safety training, which provided useful tips and advice to help to keep safe and healthy whilst working from home.

### **Upholding universal principles, rights and standards**

We comply with all global and UK regulation and legislation, and work hard to ensure that these rights are protected through all levels of our supply chain. We have long-standing relationships with many of our suppliers who are subject to ongoing evaluation and feedback.

#### **Case Study: Supporting colleagues through the cost-of-living crisis**

We recognise the financial pressure our people are under with increased inflation and higher energy bills. During 2022, we took a number of steps to support colleagues which totalled an additional £2 million investment.

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We are proud to be a certified London Living Wage Employer because we believe no one should have to worry about the cost of day-to-day living. In addition, we doubled our budgeted pay review in early 2022, enabling an average pay increase of above 5%.

We supported colleagues in a number of additional ways, which included:

- A one off £1,000 cost of living support payment
- A monthly winter warmer allowance
- A new and dedicated cost of living hub
- Promotion of MyDiscounts – a way of saving money at high street retailers
- Free financial health checks
- Employee Assistance Programme ('EAP')
- Flexible spending accounts.

## **Human rights, anti-bribery and corruption**

Simplyhealth is committed to upholding the highest level of ethical standards and sound governance arrangements; we set high standards of impartiality, integrity and objectivity in the management of our activities.

Our risk management framework is designed to ensure compliance with all international laws, rules and regulations, and to develop a culture that protects the Simplyhealth Group's reputation. Simplyhealth condemns corruption in all its forms, and we will not tolerate it in our business or in those we do business with. It is our policy to conduct all of our business in an honest and ethical manner.

We adopt a zero-tolerance to modern slavery and human trafficking and all forms of corruption and bribery directly and indirectly associated with these criminal acts. We fully support the Government's objectives to eradicate Modern Slavery and Human Trafficking, and we call upon all organisations we engage with to influence their global supply chains by improving transparency and accountability.

We apply core human rights principles throughout the organisation, and through our vendor selection screening processes we ensure that all key partners and suppliers also uphold those principles.

We continue to educate and inform our colleagues, making clear commitments, progressing against those commitments and owning the challenges faced. Over the last 24 months, all Simplyhealth colleagues have been enrolled into a 'helping you keep Simplyhealth compliant' learning pathway comprising of a series of SimplyLearn modules to build awareness and understanding of key topics, including Modern Slavery, Conduct Risk, Fraud, and Anti-bribery and Corruption.

All our policies and procedures remain under review and adaptable to any changes in risks faced by Simplyhealth. For more information, please see our Modern Slavery and Transparency in Supply Chains statement on our website.



## **Becoming a more diverse, equal and inclusive workplace**

Justice, equity, diversity and inclusion is an important part of Simplyhealth's agenda and values. We are committed to supporting, developing and promoting an inclusive culture free from discrimination and based on fairness, dignity and respect.

During 2022, we prioritised two key areas of focus:

- to learn more about and celebrate who we are today as colleagues
- to develop new people policies to educate ourselves and support our employment practices and activities for the future

In May, we launched our first pulse themed survey (68% response rate) focused on diversity and inclusion, and we had a lot to celebrate:

To support us in becoming a more diverse, equal and inclusive workplace we provide everyone with access to facilities, personal and career development opportunities and employment on an equal basis regardless of race, nationality or ethnic origin, disability, age, gender, sexual orientation, pregnancy or maternity, transgender identity, religion or belief.

We want every individual to grow and be the best they can be so as part of our recruitment processes, we provide an application, assessment and onboarding journey that is fair, consistent, diverse and inclusive for all, allowing us to hire top talent based on skills and behaviours.

We will make reasonable adjustments for all applicants and colleagues who are, or become disabled to accommodate their needs, ensuring we give full and fair consideration to all applicants. We also invest in our hiring managers as part of our Interview Skills Accreditation. At the end of 2022, 69% of hiring managers had completed this training.

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Over the last 12 months, we've recognised that we're not quite there with being fully diverse. We've got more to do, and in 2022 we started to lay some more of these foundations.

In 2022, we introduced a new Diversity and Inclusion policy. It outlines Simplyhealth's commitment to Diversity and Inclusion, some key definitions, plus the expectations of the role we all play in fostering an inclusive workplace.

This was quickly followed by the launch of our new Trans and Non-Binary Inclusion Guidance.

We are pleased to report that we are on track to meet our 2025 goals, focusing on attracting, developing, encouraging and promoting women, and recruiting and retaining young adults (see tables E & F). Whilst we are in line with the 33% UK labour market benchmark (2019), we have seen the percentage of women we employ in leadership roles take a slight dip compared to 2021 and we have plans in place to address this during 2023. We have also increased our focus on the recruitment and retention of young adults in order to achieve our goal of 15% by 2025, but are no longer specifically tracking promotions or secondments as we have previously reported against.

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**Table E**

<b>Aspiration:</b> Create the same opportunities and experience for everyone, delivering a more diverse workforce <b>By when:</b> 2025 <b>Method:</b> Delivery and implementation of Diversity & Inclusion (D&I) strategy						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Attract, develop, encourage and promote women	% women in leadership roles (L1-3)	41% at Simplyhealth compared to 33% occupations within the highest paid category of managers, directors and senior officials in UK labour market (2019)	The percentage of women in leadership roles (benchmark in line with UK labour market average – 33%)	2025	37%	33%
	% women in all roles	67% at Simplyhealth compared to 46% in UK labour market (2019)	The percentage of women in employment (benchmark in line with UK labour market average – 46%)	2025	66%	67%

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**Table F**

<b>Aspiration:</b> A recognised leading employer of young adults (18-24) <b>By When:</b> 2025 <b>Method:</b> Encourage and nurture the employment of young adults (18-24) through various means, including employer branding and social advertising						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Young adults are recruited	% 18–24-year-olds employed against total population	133 (14%) of 976 colleagues (2020)	15%	2025	7%	7%

## Supporting colleagues' health and wellbeing

We are passionate about safeguarding and supporting the mental and physical health of our people, and we aim to always be a healthy workplace.

Nearly three years on from the launch of our new Health and Wellbeing Strategy, we have continued to make strong progress.

Our ENERGISE YOU wellbeing programme has evolved into our All Together Healthier annual wellbeing programme, to reflect one of our new core values and demonstrates our commitment to a healthy, happy workplace.

Our bespoke programme has been designed by award-winning and fellow B Corp accredited wellbeing Company, Kamwell. Through our carefully selected suite of industry specialists and speakers, we aim to empower all colleagues to take control of

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their own health and wellbeing, enabling them to live their best lives and thrive at work and home.

During 2022, the programme consisted of key modules that reflected the personal priorities of our people, gathered via our 2021 annual wellbeing survey. These focused on:

- Mental health
- Women's health
- Men's health
- Physical health
- Family health
- Financial wellbeing

The panel discussions have been a particular highlight, covering topics such as burnout, menopause, mental health and masculinity, and body image and mental health. All featured colleagues from across Simplyhealth, who shared their own personal and powerful stories and learnings.

We had over 4,000 tune-ins and 580 playbacks across the programme in 2022.

In the summer, we ran our third annual health and wellbeing survey (60% response rate). The response rate was lower than in 2021, largely due to the timing of the survey. As over half of our colleagues completed the survey this is still representative of their opinions and aligned to the insight themes we receive through our more regular bi-monthly Chatterbox survey.

Using the insights from both surveys has enabled us to shape our 2023 All Together Healthier programme and tailor our support available. In future annual colleague surveys, we will consider the timing, promotion and incentivisation to increase overall colleague response rates in line with our target.

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We finished 2022 with a total of 30 mental health first aiders across the business, with a further 13 due to qualify in January 2023. Health Assured, our independent Health Advisors, have advised that one mental health first aider for every 50 colleagues is good business practice.

We are extremely pleased to continue to perform in line with the Health and Wellbeing Financial Services benchmark (Peakon Chatterbox survey), with an average score of 8.0 out of 10, including in all areas of mental wellbeing, physical wellbeing and social wellbeing.

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**Table G**

**Aspiration:** To be acknowledged by both colleagues and partners, through the achievement of industry awards, as a healthy workplace

**By when:** 2023

**Method:** Annually survey the health and wellbeing of our colleagues. Design the appropriate initiatives to support both personal wellbeing goals and organisational wide wellbeing areas identified. Educate on wellbeing issues via monthly webinars and wellbeing publications.

Goal	KPI	Baseline measure	Target Measure	Target Date	2021 Results	2022 Results
Engagement of employees in wellbeing initiatives and programme	Annual ENERGISE YOU wellbeing survey	No baseline data available as survey not in place	79% response	2021 (and sustain)	75% response	60% response
Deliver a mental health awareness programme for people managers and colleagues and measure impact.	Deliver a mental health awareness programme for people managers and colleagues and measure impact.	No baseline data available as programme not in place	100% Managers 42% of Colleagues attend Programme.	2025	94% Managers 45% Colleagues	Following a successful 2021 programme roll out, in 2022 we improved our offering by piloting two new programmes – ‘Setting the Tone’ with 35 leaders and ‘Mixed Mental Arts’ with 20 colleagues.

## **Enhancing our training and education**

We have a learning culture at Simplyhealth, and we actively provide and promote learning opportunities for our colleagues.

It's been 18 months since the launch of SimplyLearn, our new learning experience platform, and 97% of registered users have accessed the platform during 2022. SimplyLearn now hosts 50 internal programmes, as well as over 8,594 LinkedIn Learning courses and online wellbeing resources.

Collectively, colleagues have now completed over 7,694 hours of training.

Unfortunately, the percentage of colleagues completing CPD annually and our apprenticeship investments both decreased in 2022, compared to the previous year. In 2023, we have plans to address this including a promotional campaign as part of National Careers Week (March) and a series of Apprenticeships webinars throughout the year.

We are confident of bringing these results back on track to deliver our 2025 target.

During 2023, we will be undertaking a number of regular quality assurance checks to ensure individual and team objectives are aligned across the business and Personal Development Plans ('PDP's) are helping colleagues and the business to grow.



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**Table H**

<b>Aspiration:</b> Promote learning opportunities creating the conditions to embed a learning culture <b>By When:</b> 2025 <b>Method:</b> Personal development plans ('PDP'), Personal development - Learning Experience Platform, On the job training - CPD, policies, Levy spend						
Goal	KPI	Baseline Measure	Target Measure	Target Date	2021 Results	2022 Results
Embed a learning culture	% of colleagues completing CPD achieved yearly	2020 - No baseline data available	100%	2025	96%	81%
Invest in apprenticeships	% spend of levy pot (Rolling 2 year cumulative)	33% (2020)	75%	2025	42%.	28%

## **HAPPIER AND HEALTHIER CUSTOMERS**

We exist to improve access to healthcare for our millions of customers. Our health plans support them, their families and their business with their everyday health concerns, as we believe that no one should go without the healthcare support they need.

### **Our approach and progress to date**

We are proud that we continue to play a part in supporting our customers' health. We understand and respond to the challenges they're facing in these uncertain times and continue to help them take responsibility for their personal health and the health of their family, employees or patients.

Customer satisfaction measurement ('CSAT') remains high with 67% of surveyed customers 'very satisfied'. Both Simplyhealth and Denplan Trustpilot scores have taken a slight dip compared with 2021, reflecting the challenging sales market and essential operational improvements we have been making in the last year.

At weekly Trading Committee and monthly Customer Committee meetings, Simplyhealth senior leaders continue to carefully track our customer KPIs and outcomes, including the speed we pay claims, process administration changes and answer the telephone, as well as first contact resolution ('FCR') for any complaints received.

Since the early part of 2022, we have continued to see volumes of customer contact increase. We've taken proactive steps to increase the resource available to meet this demand.

We're confident as we head into 2023, with our drive for digital adoption, we can ensure all customers have their needs met. We hold ourselves to the highest customer standards and we are proud that our Simplyhealth Trustpilot scores continues to perform above average for the UK.

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- Our Purpose helps more than 2.3 million customers to access healthcare when they need it the most
- We support over 8,000 businesses through our network of corporate clients
- Trustpilot scores in 2022 are 4.3 for Simplyhealth (2021 score: 4.6) and 3.8 for Denplan (2021 score; 4.1)
- Group-wide Customer Satisfaction scores in 2022 stands at 67% (74.6% in 2021)

**Enabling more people to take proactive actions to improve their health**

Throughout 2022, as part of putting our new Survive, Drive and Thrive Strategy into action, we have been progressing with our plan to develop new products and propositions.

As a result, in 2022 we took the decision to decommission SimplyMe, one of our customer health apps.

We recognise that our customer impact area requires further defining, to ensure we are focused on new customer health outcome targets, to enable more people to take proactive actions to improve their health.

In line with our refreshed customer aspirations, goals and KPIs, SimplyMe will be replaced with more relevant customer measures, as we launch new propositions in the marketplace.

2022 has been a year of laying these foundations to deliver sustainable health solutions for future years. This activity has included:

- Migrating to our Consumer and Corporate Customer self-service portal
- Launching a single Client Administration portal
- Launching a new 1-2-3 Consumer Product
- Mobilising business-wide Product Squad
- Creating a Financially Vulnerable Customers Taskforce
- Investing in Simplyhealth Venture Capital and Foundry

## **FROM NEIGHBOURS TO THE WHOLE NATION**

Communities matter. That's why we're proud to work closely with people and charities at a local, regional and national level. Looking out for each other can be a big gesture, or a small offer of help. We're here for it all, with an aim to always do better.

### **Our approach and progress to date**

Communities are such a large driving force for Simplyhealth and, in our 150<sup>th</sup> year, we've continued to reflect and explore our role in society.

Our societal impact stretches deeply, into our local communities, communities of health interest across the UK, through a national lens and on the global stage, including financial investments and humanitarian support.

During 2022, we have continued focus on two key areas:

- Maximising value through our community investments
- Supporting our communities through volunteering and giving

We were delighted to be joined in person by a number of the local and national charities we support at our Simply150Fest celebrations in the summer. Colleagues were able to learn first-hand about the positive impact of our financial support and sign up for future volunteering opportunities.

To continue to deliver further positive impact in our communities, from early 2023 we will be launching a new Simplyhealth Giving Strategy & Framework, aligned to a three-tiered approach.

With clearer guidance and signposting in place, we're confident we can deliver our purpose more powerfully, using our minimum £1m of charitable giving every year more effectively.

- £150k donated to support the Ukraine crisis
- £150k donated to help with the cost-of-living crisis in winter 2022/23

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- £506k donated to local and national charities or charitable causes
- 1,001 hours volunteered by colleagues
- £44k donated by colleagues through fundraising activities

This year we have maintained our support for Test Valley Borough Council in their pursuit of the redevelopment of Andover town centre, as part of Andover Vision.

### **Maximising value through our investment portfolio**

We aim for an investment portfolio that not only delivers a return, but also makes a positive impact into wider social and environmental areas.

As a responsible business we plan to do this in a manner appropriate with the economic and market risks and wider context. Given the volatile nature of the financial markets throughout 2022, this remains a challenging target.

Our investments portfolio is split with 50% in a low-risk credit portfolio and 50% in a pooled diversified credit fund. Both investment managers have ESG considerations as part of their investment decision process

We are currently developing a plan to accelerate our progress towards our ESG investment ambition.

## **Supporting our communities through volunteering and giving**

Through a combination of funds, we are delighted to report in total we have donated over £506k to health and community related charities (2021 - £626k). In 2022, some of our larger partnerships and donation activity included:

### **Nationally:**

- Lady Garden Foundation & Ovarian Cancer Action – to support and promote women’s health and raise awareness of gynaecological cancers
- Trekstock – to help ensure no young adult faces cancer alone
- CMV Action – to support families affected by congenital cytomegalovirus (CMV)
- SameYou – to support brain injury survivors and their loved ones through emotional, mental health and cognitive recovery
- Macular Society – to help raise awareness and beat macular disease, because no-one should have their sight stolen from them

### **Locally (within a 20 mile radius of our Andover Head Office):**

- Winchester GoLD – offering a variety of support to adults with learning disabilities
- Trinity (Winchester) – to help address the effects of homelessness and vulnerability
- MHA Test Valley – to enable older people to stay living independently for as long as possible, with the best quality of life
- The Boaz Project (near Winchester) – to support an inclusive farm-based setting for people with learning disabilities and autism

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We'd like to pass on a huge congratulations to Guy Deacon, a retired British Army Colonel with Parkinson's Disease, who with our financial support, undertook a solo 12,000 mile drive from the UK to Cape Town to raise awareness of the realities of living with Parkinson's and to raise funds for Cure Parkinson's. This was an incredible achievement, and we look forward to working with Guy and Cure Parkinson's to share more about his journey in 2023.

Over the course of 2022, our colleagues also came together to provide fundraising support for several charity partners and campaigns.

- **Supporting the Disasters Emergency Committee ('DEC') Ukraine Humanitarian Appeal.** In March, following the devastating news of the conflict in Ukraine, we made a commitment to raise funds for the DEC. In an incredible response from our colleagues, as well as our corporates, dentists and customers, who raised £60,000, we proudly matched their efforts donating £120k. These funds have been used to provide essential hygiene supplies, blankets and emergency food for those in Ukraine. In December, with no sign of the war resolving, we committed a further £90k to three further charities, to support those impacted by the conflict.
  - **£30k to Computer Aid**
  - **£40k to HALO Trust**
  - **£20k to Unity (local charity)**

We have also donated to Crisis, The Rainbow Trust, The Trussell Trust and Sport in Mind as part of key fundraising campaigns. In addition to these we have donated to charities on behalf of our colleagues through our matched funding scheme and additional fundraising activities where together, with our colleagues, we have collectively raised £75,737 for charities.

We are committed to pledging a minimum of £1m per annum to charities and charitable giving, to continue to deliver on our purpose more meaningfully. This reflects our current business

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position where we are prioritising operational and strategic investments.

We also continue to invest our time and skills in support of charity partners and community partners. The number of work hours used by colleagues to volunteer has trebled during 2022, when compared to the previous year due to more colleagues volunteering post pandemic. Additionally, our percentage of colleagues undertaking volunteering activities has doubled over the same time period, both of which we're delighted to see.

We have plans in place to continue to grow our support through an increase in volunteering hours and fundraising initiatives. Over the last 12 months, colleagues have shared a desire to undertake more team-based volunteering projects. This is largely as a consequence of Smart Working and teams wanting to do something community focused with their time when they do come together face to face.



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**Table I**

<b>Aspiration:</b> Inspiring personal development and fulfilment by supporting our colleagues to volunteer time and skills with local charities and matching any fundraising they undertake. Providing five years' worth of human resources to local charities every year. <b>By When:</b> 2025 <b>Method:</b> Enabling colleagues to volunteer at local charities and fundraising through sponsorships by match funding both types of activity						
Goal	KPI	Baseline Measure	Target Measure	Date	2021 Results	2022 Results
Double the number of colleagues who volunteer in local communities	Total employee hours dedicated to volunteering	1,800 hours (2018)	3,700 hours	2025	360 hours (*COVID impacted)	1,001 hours
	% of employees volunteering	20% (2018)	50%		6.8% (*COVID impacted)	14.7%
Increase colleague charity donations	Total employee donations and fundraising for charities	£50,000 (2018)	£100,000		£36,475.52	£43,638.29
	Total match funding per annum from Simplyhealth	£25,000 (2018)	£50,000		£15,577.85	<b>£15,905</b> (through our Give As You Earn monthly payroll scheme) <b>£16,193.67</b> (through fundraising efforts)

## **SECTION 172(1) STATEMENT**

We align all our decision making to the vision, values and purpose of the Company, regularly reviewing the progress of our strategic priorities, providing due consideration of all stakeholders.

On an annual basis, and throughout the year we:

- consider our principal stakeholders when reaching decisions
- assess whether we have any additional stakeholder groups, whose interests may be related to the Company's operations
- strive to achieve consistency and transparency in our decisions

Our principal stakeholders are set out in this section, including the additional stakeholders we have identified in the last 12 months. Here we explain who they are, why we consider them to be an important stakeholder, and how we engage with each of them.

## Customers

Direct Customers	
<p><b>Why direct customers are a key stakeholder</b></p> <p>Health and wellbeing is Our Purpose – our direct customers are the very reason we're here, helping them to navigate a fast-changing health landscape, maintain their personal everyday health and making it easier for them to access the healthcare they need, when they need it. Their needs are at the forefront of our decisions.</p>	<p><b>How we engage with our direct customers</b></p> <p>We work with our direct customers, to ensure we continue to deliver on Our Purpose through extensive research with our customer panel - providing us with a clear insight into their healthcare priorities and needs.</p> <p>Through our Customer Satisfaction Surveys and monitoring of reviews on Trustpilot, we are able to measure our customers' experience across the Simplyhealth Group, quickly steering us to the areas where we need to improve and how we can address their evolving needs.</p>

<b>Corporate Customers &amp; Brokers</b>	
<p><b>Why corporate customers and brokers are key stakeholders</b></p> <p>We value all our business relationships. We recognise that our corporate customers have a unique set of healthcare challenges and opportunities as employers. Our long-term relationships with our key brokers serve to meet the needs of our corporate customers.</p>	<p><b>How we engage with our corporate customers and brokers</b></p> <p>Our network of Key Account Managers have regular reviews with our corporate customers and through key events, meetings and surveys in the year, listen to their feedback and involve them in new proposition development and service enhancements.</p>
<b>Healthcare Practitioners</b>	
<p><b>Why healthcare practitioners are key stakeholders</b></p> <p>The delivery of everyday healthcare relies on a strong network and supply of highly competent healthcare practitioners. We develop quality delivery partnerships with dentists, ophthalmologists and other private medical facilities and services.</p>	<p><b>How we engage with our healthcare practitioners</b></p> <p>Through regular forums we canvass their opinions on industry-wide challenges and opportunities, helping to shape our business priorities and to meet their needs.</p>

<b>Voting members</b>	
<b>Why voting members are key stakeholders</b>  As a business without shareholders, our voting members help to hold our business to account on the delivery of our vision, values, purpose, business plan and performance.	<b>How we engage with our voting members</b>  Through our annual general meeting we share our progress and invite questions and feedback. Our Executive Leadership team also make themselves available to meet informally with voting members.

## Communities and other stakeholders

<b>Charities and community groups</b>	
<b>Why charities and community groups are key stakeholders</b>  It's always been in our DNA to support health-related charities and community work. Our 2022 business plan considered how we continue to support this work through the delivery of our Healthier Sustainability Plan.	<b>How we engage with charities and community groups</b>  For full details on how we interact with charities and community groups please see pages 66 to 71 of our 'From neighbours to the whole nation' report.

<b>Regulators</b>	
<p><b>Why regulators are key stakeholders</b></p> <p>Doing the right thing and acting with integrity is core to our culture. We operate within a robust governance and risk management framework which links to the regulatory environment in which we operate, including the requirements of the UK financial services regulators and the Solvency II Directive. Business strategy, decision-making and capital management decisions are all made with reference against this framework to ensure ongoing compliance.</p>	<p><b>How we engage with our regulators</b></p> <p>We have proactively engaged with regulators on key strategic decisions and encourage and welcome an open dialogue. Furthermore, we aim to ensure we meet the expectations of a modern corporate citizen, through the responsible and proactive application of legal, regulatory, environmental and ethical practices.</p>

<b>Suppliers</b>	
<p><b>Why suppliers are key stakeholders</b></p> <p>We value all our business relationships and have long-term contracts with our key suppliers, to deliver for our customers and support Our Purpose.</p> <p>We recognise that we have a joint responsibility with our suppliers to improve the impact we have on the environment throughout our supply chain.</p> <p>We are proud to be one of 270 companies who have received the 2022 Fast Payer Award</p>	<p><b>How we engage with our suppliers</b></p> <p>We maintain regular and ongoing dialogue with our key suppliers, to ensure our operational activities are working efficiently and effectively.</p> <p>Our Vendor Manager Framework sets out how we work together with our suppliers.</p> <p>Where we need to partner with a supplier to assist us with specialist skills, knowledge, or resources to support in the effective delivery of our purpose - we expect the same high standards from them. We regularly review their performance each year and over the life of the contract in line with regulatory and internal requirements.</p>

<b>Partners &amp; Investees (Commercial or Distribution)</b>	
<p><b>Why partners and investees are key stakeholders</b></p> <p>Through Simplyhealth Venture Capital and Foundry investments, as well as commercial and distribution partnerships, we are now investing in more businesses to help shape the future of predictive and preventative healthcare.</p>	<p><b>How we engage with our partners and investees</b></p> <p>Through effective research, development and due diligence we really get to know our partners and investees. We create an open dialogue and maintain transparent conversations about what's expected from each party. Together, we regularly review our performance.</p>

<b>Wider environment</b>	
<p><b>Why the wider environment is a key stakeholder</b></p> <p>From climate change to plastic pollution, and species extinction. The environmental challenges we face are enormous and urgent. The responsibility for tackling them lies with all of us.</p> <p>Our business is health. And we know that without a healthy planet, humans won't be healthy either. So, we take our environmental responsibilities seriously for many reasons.</p>	<p><b>How we engage on wider environmental issues</b></p> <p>Our sustainability programme is extensive and covers everything. We've worked with experts to set targets for positive change. These will ensure we continuously improve our environmental footprint.</p> <p>For full details on how we interact with stakeholders on environmental issues, please see pages 38 to 49 of our Sustainability report.</p>



## Colleagues

Colleagues (current and future)	
<p><b>Why colleagues are a key stakeholder</b></p> <p>Our people are fundamental to the successful delivery of our vision, as is attracting and retaining top talent.</p> <p>The health, safety and wellbeing of our colleagues is considered as part of all key decisions, and we strive to manage our people's performance and personal development, whilst continuing to act as a responsible employer in our approach to the pay and benefits our employees receive.</p>	<p><b>How we engage with our colleagues</b></p> <p>We engage with our colleagues throughout the year through our internal engagement surveys and initiatives such as the Simplyhealth Business Forum. Colleagues also have the opportunity to anonymously open two-way dialogue with senior management to explore any issue, or area of interest. Survey results are monitored and reviewed at Board level on a regular basis.</p> <p>This year we also created the Living Our Values Everyday ('LOVE') Awards, to allow colleagues to recognise those individuals who have gone the extra mile.</p> <p>Full details of how we engage with our colleagues is included on page 51 of the "Our People – We are healthier inside and out".</p>

## Principal decisions

The Board considers ‘Principal Decisions’ to be those decisions which have significant long-term implications and consequences for the Company and/or its stakeholders to distinguish these from the normal, ordinary course decision-making processes the Board engages in.

Below are some examples of principal decisions that have been taken during 2022, and how stakeholders were considered as part of the decision-making process.

<b>Key Decision:</b>	A recommitment to deliver a minimum of £1m per annum to health-related charities or charitable causes	
<b>Stakeholder considerations and outcomes:</b>	Customers	We are committed to Our Purpose, and customers expect us to return a purpose-dividend to the communities who we serve and exist to support.
	Colleagues	We want our colleagues to be proud to work for Simplyhealth, and we recognise that everyone will have particular charities close to their heart that they are supporting through fundraising. Our commitment on charitable causes allows us to provide a matched funding scheme to boost their fundraising efforts.
	Communities	Charities and community groups are under huge strain, and we recognise Simplyhealth can continue to play an important role in removing some of the burden and providing practical and financial support.

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<b>Decision:</b>	Changes to senior leadership team, with the appointment to a new Chief Customer Officer and Chief Product & Commercial Officer	
<b>Stakeholder considerations and outcomes:</b>	Customers	The appointments bring new skills, insight and further improved the diversity to our senior leadership team. This has provided both a fresh and diverse aspect on the core business, combined with the necessary experience to support our investment into new ventures for members and customers
	Colleagues	Boosting our senior leadership team provides a greater clarity on the organisational structure and demonstrates our investment in people. These appointments will boost capacity and ensure our colleagues remain highly motivated.
	Regulators	Ensuring new appointments meet the requirements set out by the regulator to take on these leadership positions.

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<b>Decision:</b>	Investing in new ventures	
<b>Stakeholder considerations and outcomes:</b>	Customers	We completed the creation of Simplyhealth Venture Capital and invested c£1.4m of minority stakes in businesses where there is mutual value for such business and Simplyhealth. Benefits will be seen by our customers from new and enhanced technology and initiatives. We formed Simplyhealth Foundry, where we own and create new companies developing new healthcare solutions for customers, increasing their access to healthcare.
	Colleagues	This is an exciting step for the business which demonstrates our commitment to achieving our goals. The new ventures will bring in individuals with different skillsets to the benefit of the wider Group.
	Healthcare Practitioners	The launch of Simplyhealth Foundry has commenced with a c£1.4m investment in launching new healthcare solutions for practitioners to allow them greater time and flexibility to meet the needs to the consumer.

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<b>Decision:</b>	Moving to a product-led organisation	
<b>Stakeholder considerations and outcomes:</b>	Customers	Moving to a product-led business will place the customer's needs right at the heart of our decision-making. By dedicating separate segments of the business to each customer group, it will enable us to bring new healthcare solutions faster, helping us to meet the ever-increasing demands of our customers
	Colleagues	By making the change, we will allow our colleagues to work in smaller, more focused groups, empowering them to make decisions, and delivering on our business strategy.
	Regulators	Ensuring that we bring products to market in a clear compliant manner, aligned to both consumer duty and our values.

By understanding the stakeholders and their interests, the Board consider that they have both individually and collectively through exploration and debate been able to factor their interests into decision-making throughout the year and ensure that any decision taken is one which is most likely to promote the success of the Company in line with the Directors' duty under S172 of the Companies Act 2006.

## **TASK FORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE ('TCFD')**

We welcome and support the Task Force on Climate-related Financial Disclosures ('TCFD') and its recommendations. We recognise these regulations form part of the concerted effort from government, regulators and businesses to deliver on the government's Net Zero strategy, published on 19<sup>th</sup> October 2021.

We are making TCFD aligned disclosures for all areas at a Group level only, apart from some elements of Scope 3 GHG emissions which we are not currently reporting (for example, purchased and sold products and services and investments). During 2023, this will be progressed, and further consideration will be given to all 'should consider' disclosures which apply to each TCFD pillar below and are not included in this year's disclosure.

This 2022 disclosure has been included voluntarily by Simplyhealth Group to evidence consistency with some of the TCFD recommendations and recommended disclosures set out within the 2021 TCFD implementing guidance. . This is 12 months ahead of mandatory climate-related financial reporting. We have chosen to make this disclosure now, ahead of time, to be as transparent as possible and ensure we are taking the appropriate and responsible steps to reach full consistency without issues.

An additional overview is provided on page 34 as part of our non-financial statement , which reflects the key sustainability performance indicators we use to manage climate-related risks and opportunities in our business.

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A summary of our voluntary TCFD progress and disclosure is provided below.

<b>TCFD Pillar</b>	<b>TCFD Action</b>	<b>Full consistency voluntary disclosure recommendations?</b>	<b>Summary/ Explanation</b>	<b>Section of report</b>
Governance	a) Describe the Board's oversight of climate-related risks and opportunities	Yes	Board have oversight. During 2023, additional climate-related Board oversight will be included to cover budgets, business plans, performance objectives, major investments, acquisitions, or divestments for the current year.	Page 93
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Yes	Statement of Responsibilities, oversight of risks and opportunities by Committee Governance and Subject Matter Experts within.	Page 94

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Strategy	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term	Yes	Climate Change Risk Assessment completed with time horizons, impact and likelihood scales assessed.	Page 95
	b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning	No	Consideration is provided for the overall Group impact on the business, strategy and financial planning included. During 2023, for each risk identified additional consideration will be given to financial performance, position, and planning, as well as adaptation and mitigation activities, investment in research and development, acquisitions, and divestments, including interdependencies, materiality, and value creation over time. We have started to identify the opportunities arising from our response to climate change and ESG matters, however these will be explored comprehensively in 2023, with a clear articulation in next year's report.	Page 95
	c) Describe the resilience of the	Yes	Two different scenarios have been considered.	Page 107



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	organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		This included an evaluation of the Early Action scenario proposed by the Prudential Regulation Authority and the potential stressed results on our investment portfolio, as well as a 2°C temperature increase scenario.	
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Risk Management	a) Describe the organisation's processes for identifying and assessing climate-related risks	No	Simplyhealth's current assessment is undertaken at a Group level only.  During 2023, further consideration will be given to geography, business type or products, related to physical, transition and liability risks.	Page 108
	b) Describe the organisation's processes for managing climate-related risks	No	Clear processes in place. During 2023, further key tools and instruments will be explored and assessed, to understand how they can be adapted to ensure appropriate climate-related pricing and product development for the future.	Page 108
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Yes	Climate-related risks are categorised under the 'Climate Change & ESG' subcategory in Simplyhealth's overall Risk Management Framework.	Page 109

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Metrics & Targets	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management practices	No	<p>Clear metrics in place.</p> <p>During 2023, additional consideration will be given to cross-industry, climate-related metrics and targets, and specific metrics and targets associated with each one of the physical and transition risks and opportunities identified.</p>	Page 110
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Yes	Scope 1, 2 and 3 GHG emissions are provided.	Page 110
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Yes	Targets are provided and examples of how performance is assessed through external certifications.	Page 112

### **Why climate change matters to us and our stakeholders**

We recognise that the health of our customers, communities and colleagues is dependent on the health of our planet.

Extreme weather events and patterns will become more prominent, causing damage, loss of life and disruption to supply chains. Climate-related migration is already impacting where and how communities work and live. And the business community are now better understanding the implications and exposure to new climate risks, such as stranded assets and pricing repercussions.

### **Climate Change: Our role and responsibility**

Urgent action is now required, to prevent more widespread damage and mitigate the physical and social impacts of climate change on our environment and society.

Everything is going to be affected by climate change, which means everything will need to change and transition, involving all business sectors, including our own.

Awareness of the risks, impacts and opportunities associated with climate change is growing, and governments, businesses and individuals are gradually realising the urgency of the situation and the need to act. Simplyhealth has been tracking and taking steps to reduce our GHG emissions since 2019, and we are looking forward with optimism. You can view our progress on pages 43 to 48.

The world is at a defining moment, where the future of all generations will be decided by the decisions we make today. As a Board and as colleagues, we take our role very seriously. We remain committed to measuring, assessing, and investing in our path to net zero, including a just transition, while managing our associated climate risk impacts and opportunities across our operations.

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**Our pathway to full disclosure is as follows**

**Progress 2022**

In May 2022, the Financial Governance and Accounting Director conducted a gap analysis to evaluate our progress towards full disclosure and consistency against the 11 disclosure recommendations within TCFD, ready for in 2023.

This was reviewed by the Head of Risk and Financial Crime, as well as the ESG team who have undertaken training at the Cambridge Institute for Sustainability Leadership (CISL), and undertake regular reviews of best-practice.

In July and December 2022, we continued to measure and review our Scope 1 and 2, and the majority of our Scope 3 GHG emissions, in line with Streamlined Energy and Carbon Reporting on pages 43 to 48.

In September 2022, we undertook an additional new scenario review, following the 'early action' scenario proposed by the Prudential Regulation Authority ('PRA'). This stress tested our investment portfolio against an earlier transition to a net zero economy. The result showed a £0.3m impact to our Schroders Investment Fund and a £0.6m loss to our Pimco Investment Fund, supporting the view that this scenario is unlikely to cause a material impact to Simplyhealth.

Materiality at Simplyhealth Group is defined as a minimum of £1m of financial impact aligned to Simplyhealth's Risk Management Framework and associated risk appetites agreed at a Board level.

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Over the last two years, Simplyhealth have been developing its Climate Change Risk Assessment ('CCRA'). The process for generating this has included the following steps:

1. An initial assessment in 2019, led by Simplyhealth's Risk team
2. A review of this initial assessment in 2021, by Simplyhealth's Operations Committee (where further stakeholder inputs were gathered, discussed and challenged)
3. Our first formal CCRA reviewed and approved in September 2022, by Simplyhealth's Group Finance Committee

For the first time, in 2022 this included further considerations following a geopolitical risk assessment. The CCRA was then submitted and reviewed by the Risk & Capital Committee. On an annual basis the CCRA will be updated and reviewed by Management and Board Committees.

**Future plans 2023**

- Scope 3 GHG emissions for purchased and sold products and services, and investments, will be modelled using available financial reporting.
- Develop and agree a robust plan with short, medium and long-term science-based milestones for Simplyhealth's path to net zero.
- Further detailed scenario planning and a high-level financial review of associated climate-risks and opportunities – balancing our view
- More detailed 'should consider' factors will be introduced to expand our assessment beyond the Group level only

## **Governance**

Our system of governance is designed to ensure that we are well positioned to deliver our Healthier Sustainability Programme, which is built on science-based research and frameworks, and takes a proactive approach towards exploring and mitigating climate-related risks and opportunities.

### **a ) Describe the Board's oversight of climate-related risks and opportunities.**

On an annual basis the Climate Change Risk Assessment is reviewed by the Risk & Capital Committee (delegated by the Board) following a review of the Group Finance Committee. This includes a refresh of our risks and opportunities of climate-related change, including financial, physical and transitional risks.

Oversight of the Climate Change Risk Assessment is delegated by the Board to the Risk & Capital Committee, who review our climate-related risk exposures on at least an annual basis (last reviewed September 2022). This is delivered as part of Simplyhealth's overall risk management approach which includes:

- Agreement of Board risk appetite statements
- A risk management system
- Regular risk monitoring and reporting
- An effective risk and control culture

Further information on each is provided on pages 113 to 131.

Additionally, financial investments are a key metric within Simplyhealth's Objective and Key Results Framework ('OKRs'). These targets are reported on monthly and are reviewed by the Board on a quarterly basis. The bi-monthly CEO report to Board also acts as an additional communication channel between management and the Board to monitor and oversee progress against climate-related goals and targets.

For an overview of how our Board and Committees are structured, please view pages 132 to 141.

**b) Describe management's role in assessing and managing climate related risks and opportunities.**

Regulatory accountability for the financial risks of climate change is held by the Chief Finance Officer and documented in his Statement of Responsibilities (SoR). The financial risks of climate change are overseen by the Group Finance Committee, who review our risk exposure prior to submission to the Risk & Capital Committee.

These are also overseen, tracked and managed under the governance of our Healthier Sustainability Committee, chaired by our Chief of Staff & Head of Strategy. The Committee meets bi-monthly and ensures we continue to progress on our environmental impact, and we maximise the opportunities from a transition to a net zero economy.

Subject Matter Experts involved in assessing and managing these climate-related risks and opportunities regularly undertake CPD training (conferences, webinars and courses) to stay abreast of best-practice.



## Strategy

Our Climate Change Risk Assessment continues to be evaluated against three different time horizons. These are defined as:

- Short term (0-3 years)
- Medium term (3-10 years – we break this down further into two specific timeframes across 3-5 years and 5-10 years)
- Long term (10-30 years)

These time horizons are expressed in the heatmap summary table as 0-3 years, 3-5 years, 5-10 years and 10-30 years. Exposures beyond 30 years are considered to be outside the risk horizon.

Using impact and likelihood scales our management team can assess, track and manage the identified risks.

**a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.**

**and**

**b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning.**

Since 2018, Simplyhealth has been transitioning towards a low-carbon economy by reducing our overall GHG emissions. In recent years these steps have included reducing the number of office buildings we occupy, investing in fleet hybrid and electric vehicles ('EV'), installing EV office charging points, 100% of waste to energy recovery (not landfill) and 100% green (renewable) energy purchased, an increase in waste to recycling, a reduction of print and paper output and much more.

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A summary of key activities, targets and progress for 2022 is provided as part of our Healthier Sustainability Strategy and Programme: Healthier Changes Start Here on pages 38 to 49.

This is built upon five action areas which focus explicitly on our approach to environmental and climate- related matters. This strategy has, and continues, to focus on:

- Minimising the impact of our print and marketing activities
- Digitising our customer relationships
- Cutting the impact of our operational waste
- Reducing and balancing our carbon emissions
- Supporting more colleagues to lead healthy, more sustainable lifestyles

Looking ahead to the next short-term period, our transition plan will focus on delivering continued emission reductions aligned to our five action areas. This will include:

**For Scope 1 and 2**

- A move to use one office building only to reduce our physical footprint (and associated operational emissions)
- The investment and installation of solar panels at our office building (we already use renewably sourced electricity, but solar panels will ensure we have the capacity to deliver the majority of our renewable electricity requirements onsite)
- The elimination of gas for office building heating (transferring to renewable sources)
- An acceleration of our Electric Vehicle fleet roll-out plan

In addition to the sustained Scope 1 and 2 emissions, we have already made we are confident that our transition plan will ensure we will reach net zero operational emissions ahead of our 2030 target.

### **For Scope 3**

- Continued paper reduction via our Digital Adoption Programme
- Review and reclassification of what Simplyhealth classes as essential travel (to reduce our travel emissions)
- Further analysis of our Home Workers activity (to look for opportunities to reduce emissions while colleagues are working from home)
- A review of all Simplyhealth Tier 1, 2 and 3 suppliers (tracking spend and modelling emissions in order to identify opportunities to reduce our overall supply chain footprint through collaboration with our suppliers)
- Launch of Simplyhealth's Environmental Procurement Policy (to help guide what we purchase and from who)

These steps and more, continue to ensure we are a responsible, sustainable business, and in turn have plans in place for transitioning to a low-carbon economy.

In addition, the following physical and transition risks have been identified and the impact assessed. None of the risks were assessed as being material in the short to medium term.

### **Physical risks**

Physical risks relate to the direct impact of frequent or more severe weather events, such as flooding, droughts and storms. The first risk has been amended to focus on the hot weather, droughts and wildfires being experienced across the UK and Europe, which may lead to supply chain issues and increased costs to potential and existing consumers. As a UK only based business, with a modest supply chain, no manufacturing or distribution of goods sold and a Smart Working (homeworking) model we have considered this impact at a Group level only.

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Ref	Physical Risk Description	0-3 years	3-5 years	5-10 years	10-30 years	Impact on organisation's business, strategy and financial planning
P1	<b>ACUTE</b> The risk that extreme weather events (including drought), lead to food shortages and increased prices.					The 2022 summer drought has demonstrated that climate change is already having a significant impact on the UK and global economy. The impact of this current drought will likely be increased costs for food and other essential items, where the production and manufacture has been disrupted. This will add further pressure to consumers, who are already facing significant challenges. This could impact new business and lapse rates negatively across Simplyhealth Group.

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P2	<b>ACUTE</b> The risk that an increase in injuries and heat-related illnesses, due to more severe weather patterns, results in higher value/volume of customer claims					An initial assessment of our historic claims experience suggests very limited correlation against our existing benefits. Climate risk should be a consideration in product design to ensure concentrations are limited in benefits with greater perceived sensitivity, such as skin melanoma or cardiovascular issues.
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P3	<b>ACUTE</b> The risk that our employees lose power and/or communication channels as a result of flooding and/or coastal erosion, leading to decreased productivity					By 2100, 100,000 homes in the UK are expected to be at risk of coastal erosion or flooding. This process will, however, be slow and mitigations can be put in place such as coastal reinforcement, therefore the impact is likely to be limited. Whilst Andover (Simplyhealth's Head Office) is close to a river and therefore at some risk, our Smart Working model, including homeworking offers mitigation, as do the robust measures at the CoL location where our core systems are served offsite.
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P4	<b>CHRONIC</b> The risk that increasingly hot weather/working conditions make current working schedules unviable or reduce productivity, resulting in higher operational costs or loss of income					Labour supply and productivity are projected to decrease under future climate change, primarily in tropical regions, which are expected to reduce productivity by c. 20% in a 2°C increase scenario. This may in the long-term lead to the need to offset this reduction by changing working patterns, remuneration or staffing levels.
P5	<b>CHRONIC</b> The risk that the supply of clean water is reduced, leading to dehydration, sickness and absence of our employees					It is reported that the UK may face pressure on its clean water supply within 25 years based upon climate change. The impact is likely to be limited, but should be monitored.

## Transition risks

Transition risks relate to changes driven by a move towards a less polluting, green economy. The first risk has been updated to reflect more specifically upon the PRA's recent 'Early Action' scenario conducted in its Climate Biennial Exploratory Scenario (CBES). The CBES exercise encourages consideration of two possible routes to net-zero UK GHG emissions by 2050, with one of them being through Early Action.

Ref	Transition Risk Description	0-3 years	3-5 years	5-10 years	10-30 years	Impact on organisation's business, strategy and financial planning
T1	<b>POLICY &amp; REGULATION</b>  The risk that early action to accelerate net zero targets disrupts organisations and global supply chains					Simplyhealth is already driving our Healthier Sustainability ESG agenda, including recently achieving B Corp certification, and by targeting net zero operational carbon emissions by 2030. This relates to Simplyhealth's Scope 1 and 2 emissions. A detailed breakdown is provided on page 47. These initiatives are expected to limit future impact, however some risk remains due to the potential for further requirements/early action. Analysis from Pimco/Schroders suggest a potential £0.9m investment portfolio impact following an 'early action' scenario.



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T2	<p><b>POLICY &amp; REGULATION</b></p> <p>The risk that our current assets (including buildings and vehicles) become obsolete due to non-conformance with government requirements</p>					<p>The UK Climate Change Committee has called for all light-duty vehicles sold to be fully battery-electric vehicles by 2032 at the latest. This may have a small impact on our fleet of vehicles, however 88% of our Company cars are hybrid or electric vehicles. More significant impacts could arise should our remaining buildings become obsolete/devalued.</p>
T3	<p><b>REPUTATIONAL</b></p> <p>The risk that our client and customer preferences shift in favour of more climate-centric organisations</p>					<p>There is a shift towards potential clients and partners requesting climate-related and ESG-related information as part of their own due diligence. Whilst our Healthier Sustainability goals are expected to reduce the risk to Simplyhealth failing to demonstrate climate-centricity, this may lead to deselection when competing with other climate-centric organisations if we do not sustain or increase our progress.</p>

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T4	<p><b>MARKET</b></p> <p>The risk that our investment portfolio declines due to unmitigated climate risk concentrations</p>					<p>We continue to monitor our investment portfolio against the market average environmental credentials in accordance with our risk appetite. Our investments portfolio is split with 50% in a low-risk credit portfolio and 50% in a pooled diversified credit fund. Both investment managers have ESG considerations as a part of their investment decision process. We are currently developing a plan to accelerate our progress towards our ESG investment ambition of having up to 25% of our investment portfolio in an ESG equity fund above market average. This ambition will continue to be reviewed in a manner appropriate to market conditions (risk and return) and the speed at which investment funds are able to demonstrate and evidence suitable ESG reporting frameworks. In 2022, our investment portfolio totalled £177.8m.</p>
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T5	<b>REPUTATIONAL</b> The risk that our own appetite may prevent us from providing services to certain corporate groups whose business practices pose a reputational risk from a climate-centricity perspective					We are not aware of any corporate clients that currently present a reputational risk due to a lack of climate-centricity.
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## **Opportunities**

As part of the 2022 Climate Change Risk Assessment we have undertaken, the following opportunities were identified:

1. The opportunity to engage new and different partnerships following Simplyhealth's B Corp certification and overarching business, commercial and ESG strategy (see page 35 to 37);
2. The opportunity to engage more deeply with communities, charities and corporate partners in alignment with our Purpose and as part of the B Corp community;
3. The opportunity for delivering further cost reductions and general process efficiencies, linked to our continued decarbonisation, as part of our path to net zero;
4. The opportunity that our net zero goals require us to innovate, with the innovation having a positive impact on the business as a whole; and
5. The opportunity to improve our ability to attract and retain great talent because of the reputational benefits of being a B Corp, linked to our ESG credentials

Simplyhealth's Executive Committee is responsible for designing and delivering upon the business strategy and financial planning cycles which are then approved by the Board. This is managed through an Objectives and Key Results ('OKR') Framework. Where required, metrics associated with these opportunities were incorporated into the 2022 OKRs.

**c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including 2° or lower scenario**

Following Simplyhealth's Climate Change Risk Assessment which takes into consideration many areas relating to the delivery of Simplyhealth's strategy, we have concluded our strategy is resilient to climate-change over the short to medium term. Longer term impacts will be managed prior to becoming a reality, for example, through adapting pricing models and product benefits. These represent some of the key tools and instruments we can use to manage climate-related risks within our product portfolio alongside a strong solvency capital requirement.

In addition, two different climate-related scenarios have been considered.

Firstly, we have evaluated the Early Action scenario proposed by the PRA for banks and larger insurers and the potential stressed results of an earlier transition on our investment portfolio.

Secondly, we have evaluated the output of a 2°C temperature increase scenario. Using historical claims data we wanted to determine whether there was a statistically significant correlation between past temperature changes and claims performance and the potential impact to Simplyhealth of a 2°C temperature increase. While there was a positive relationship between claims and temperature, the correlation was low and is not statistically significant (this was also the case against different customer age bands).

Across both scenarios evaluated, having considered the key physical and transition risks, we do not consider that climate change will have a material impact on the delivery of Simplyhealth's strategy in the short to medium-term. This is due to the flexibility of our products and current business model.

## **Risk management**

During 2022, we invested in two new dedicated roles, appointing an ESG Lead and Sustainability Specialist, to ensure that we have relevant expertise in respect of climate change and our journey towards becoming a net zero business (see update on page 35).

### **a) Describe the organisation's process for identifying and assessing climate-related risks.**

Throughout the year, risk owners were challenged to consider climate risks appropriately, ensuring any emerging and additional risks that were identified and escalated. Climate risks are defined as any financial, physical and transitional risk to the business and its stakeholders (see pages 72 to 82) associated with the transition to a net zero economy.

Climate-related risks are then assessed and reviewed on at least an annual basis at both the Operations Committee and the Group Finance Committee, to ensure consideration of both operational and financial/commercial impacts, in line with Simplyhealth's Risk Management Framework (see page 115). As a result, none of the risks identified and outlined on pages 98 to 105 are currently considered principal risks compared to non-climate related risks.

Simplyhealth's Head of Compliance is responsible for scanning the regulatory landscape and regularly produces and shares GAP analysis against emerging regulatory requirements and consultation papers.

### **b) Describe the organisation's processes for managing climate related risks.**

Simplyhealth's journey to becoming a net zero business has already begun and we continue to take steps as part of our Healthier Sustainability Programme to drive forward further improvements, aligned with our published goals and KPIs. A summary is provided within this TCFD section (pages 93 to 94)

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and within the Sustainability section of this report (pages 28 to 71).

The risks identified to date are non-material over the short to medium term, and are consequently accepted on the basis of their non-material impact, with the exception of the risk of early action to accelerate net zero targets, which is being mitigated through our strategy to reach operational net zero emissions by 2030. Longer-term impacts will be managed prior to becoming a reality, for example, through adapting pricing models and product benefits. These represent some of the key tools and instruments we can use to manage climate-related risks within our product portfolio. Changes to risk profile warranting further action are evaluated on an annual basis through management and Board-level committees.

**c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**

Climate-related risks are categorised under the 'Climate Change & ESG' subcategory in Simplyhealth's overall Risk Management Framework (see page 115).

Relevant ESG focused management information is overseen by the ESG Committee. As part of this the Board remain committed to and there is a risk appetite in place for maintaining 'green investments'.

Our current climate-related risks can be viewed in tables on pages 98 to 105. They were assessed in line with the defined criteria for assessing emerging risks. Where assessed to be material and outside of appetite, steps will be taken to agree mitigating actions to bring the risk exposure set by the Board to within appetite. The strategy deployed to mitigate the risk would depend on the nature of the risk itself, how the business and stakeholders were impacted, and the financial investment and operational requirements.

## Metrics and targets

Since 2019, Simplyhealth has been developing its data and reporting mechanisms in order to provide a baseline for performance, through which we set realistic and stretching goals for the future.

### **a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**

A number of relevant goals are reported at the ESG Committee, including minimising the impact of our print and marketing activities, cutting the impact of our operational waste, reducing and balancing our carbon emissions, and supporting more colleagues in making more sustainable choices. Additionally, our investments are also benchmarked by investment managers providing a cross-industry view and form part of our metrics and targets. Each include metrics with associated targets which can be viewed on pages 38 to 49.

During 2023, additional consideration will be given to cross-industry, climate-related metrics and targets, and specific metrics and targets associated with each one of the physical and transition risks and opportunities identified in this voluntary disclosure.

### **b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG), emissions, and the related risks**

Included in Simplyhealth's Annual Report and Healthier Sustainability section (see page 48), full Scope 1 and 2 breakdowns are provided, and the majority of Scope 3 (excluding purchased and sold products and services and investments, due to further work required on underlying operational reporting



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systems). These disclosures include all metrics and associated methodologies as evidence of our consistency with this disclosure recommendation.

These end of year figures are independently calculated and assessed by Carbon Footprint Ltd, using government recognised conversion factors and the dual reporting methodology for assurances around estimation of likely error based on error analysis, to identify any uncertainty in calculations. As described on pages 38 to 48 this information is also used to fulfil our SECR and B Corp certification obligations.

**c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets**

In addition to the targets set out in our Healthier Sustainability section (see pages 38 to 49) and transition plan activities outlined above, we maintain a risk appetite for Climate Change & ESG, in addition to external certifications which includes maintaining Simplyhealth's carbon neutral plus status and FSC accreditation. Carbon neutral plus status is defined by Carbon Footprint Ltd where the carbon emissions caused by a business are balanced out, or improved, by funding an equivalent amount of carbon savings elsewhere in the world (offsetting), in addition to measuring and reducing the carbon footprint the business has direct control over. Simplyhealth uses Carbon Footprint Ltd to manage its carbon offsets.

Carbon Footprint Ltd, are certified under the Quality Assurance Standard ('QAS'). The QAS independently reviews all Carbon Footprint Ltd's carbon offsetting to a rigorous 40-point plan annually. The review is completed by Ricardo, global experts who produce the annual UK Carbon Conversion factors and methodology.

## **RISK MANAGEMENT**

### **Oversight**

The Board and the Executive Committee ('Exco') consider risk management to be a fundamental part of Our Purpose and a significant aspect of corporate governance. The effective management of risk is central to our culture and decision-making, and provides an essential contribution towards achieving our goals.

The Board is ultimately responsible for overseeing and maintaining the adequacy and effectiveness of the risk management and internal control systems. It is responsible for determining the nature and extent of the principal risks the Simplyhealth Group is willing to take in achieving its strategic objectives, including the setting of its overall risk appetite. The Board delegates oversight and scrutiny of risk management to the Risk and Capital Committee, who regularly report and provide recommendations to the Board.

The day-to-day responsibility for implementation and maintenance of the internal control system rests with Simplyhealth's various senior management functions, as defined under the FCA and PRA Senior Managers and Certification Regime ('SMCR'). Second line oversight and challenge of Simplyhealth's risk management and reporting processes rest with the Group Risk function. The consolidated Risk report produced by this function is firmly embedded in the Group's management and Board reporting. This report enables the monitoring of risk-taking measured against agreed risk limits, using a suite of Key Risk Indicators linked to risk appetite.

We have a comprehensive Enterprise Risk Management framework ('Risk framework') and Internal Control Framework ('Control framework') that stipulates the minimum standard for risk

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management and internal control for the Simplyhealth Group, and for all material categories of risk.

In turn, this enables reasonable assurance to be provided to the Exco, Board and external stakeholders that Simplyhealth is achieving its risk management and internal control objectives.

The effectiveness of the Risk and Control frameworks are independently assessed as part of the programme of activity carried out by the Internal Audit function in the Third line of defence, the results of which are reported to the Audit Committee.

### **Risk management approach**

We adopt a responsible and balanced approach to risk-taking, so that significant risks are identified and managed. This supports long-term sustainability and growth and enables the Simplyhealth Group to respond dynamically to strategic opportunities, whilst maintaining an appropriate and proportionate approach to running the business.

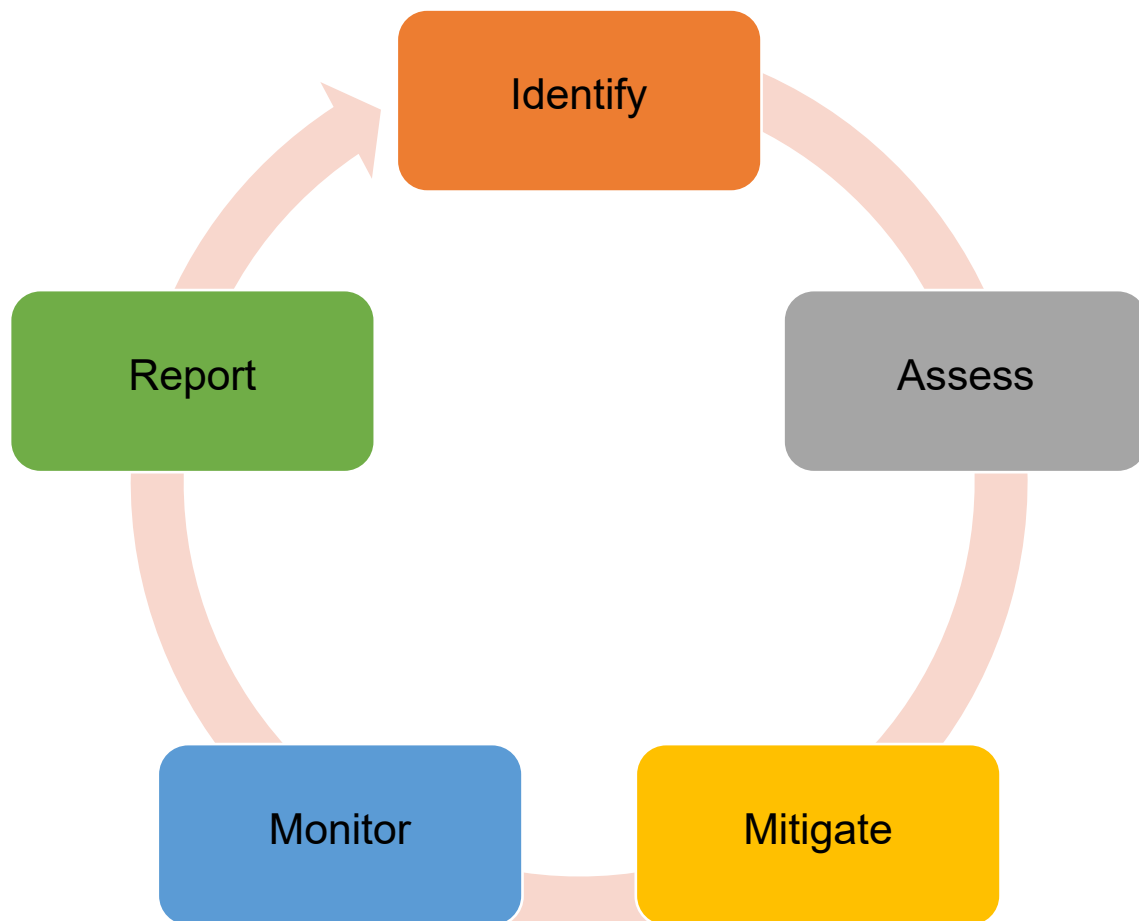
Our approach to risk management consists of the following components:

- Agreement of Board risk appetite statements in relation to defined risks, which sets the principles, preferences and high-level measures for the level of risk the Simplyhealth Group is willing to accept.
- A risk management system, which ensures that all principal and enterprise risks are identified, assessed and managed in accordance with the Enterprise Risk Management framework.
- Regular risk monitoring and reporting, ensuring any concentration of risk, entity or function is assessed and management action agreed on a timely basis.
- An effective risk and control culture, which is focused on the sustainability of Simplyhealth, risk awareness, ethical behaviour and the outcomes received by our customers and employees.

## **Enterprise Risk Management framework**

Our Risk framework links our operating environment, business strategy, decision-making and capital management, alongside defined risk appetites.

The framework sets out the processes involved in the identification, assessment, mitigation, monitoring and reporting of risk required to meet the Simplyhealth Group's commercial, strategic and regulatory objectives, including the requirements of the UK financial services regulators, such as Solvency II.



The responsibilities for overseeing each of our principal and enterprise risks is aligned to our Performance & Governance framework, as detailed in our Corporate Governance section, with each committee having a responsibility for ensuring the effective oversight of nominated risks.

## **Internal Control Framework**

During the year, we designed and delivered a revised Internal Control Framework to enhance our visibility of the performance of the critical controls for the Group.

The framework, which is embedded within the ERM risk management system and processes, allows an overview and insight into whether the organisation's key risks are being effectively managed in accordance with risk appetite, through the implementation and effective operation of internal controls.

The framework sets minimum standards for the testing of the design and effectiveness of critical controls by the First Line. The framework also sets out the minimum requirements for independent testing from the Second or Third Line.

## **Three Lines of Defence**

The Simplyhealth Group has adopted the 'Three Lines of Defence' operating model, to define risk management accountability within roles and responsibilities.

### **First Line of Defence**

- Performs risk management activities in line with risk standards, including ensuring adequate assessment of both the risk and control strategy.
- Includes the day-to-day management of risk, as well as risk-based decision-making within risk appetite.
- Establishes and reports against a range of key risk and control indicators.
- Proactively monitors the risk and tests critical controls relevant to their part of the business in line with control standards.

## **Second Line of Defence**

- Responsible for developing and overseeing the Simplyhealth Group risk management strategy, the framework for identifying and managing risk, and the risk standards which support the Simplyhealth Group operating within its risk appetite.
- Responsible for developing and overseeing the Internal Control Framework, setting minimum standards for the identification, monitoring and testing of critical controls.
- Supports the setting of Board Risk Appetite and monitors business adherence to the associated statements and measures.
- Acts as a business partner, helping the business analyse risk-taking against risk appetite, to better support the strategic direction of the business.
- Regulatory and legislative horizon scanning, the interpretation of new and changed requirements and advice and challenge to the organisation regarding compliance risk.
- Monitors the key processes, risks and controls being managed and delivered by the First line.
- Performs evaluations of risk management effectiveness against a range of external benchmarks.

## **Third Line of Defence**

- Provides independent, objective assurance over the effective and efficient operations of the roles, responsibilities and activities of the First and Second lines.

## **Developments in the risk and control environment**

To enable Simplyhealth to respond to opportunities and threats in an efficient and informed manner, we continuously review and evolve our risk and control environment, ensuring it remains aligned to our strategic direction and external risk environment.

During 2022, we have continued to make further improvements to our risk and control framework. As outlined above we have implemented a new Internal Control Framework that clearly articulates the critical controls for the organisation, with clear ownership and accountability for ensuring that they are designed appropriately and are operating effectively. Whilst the framework sets minimum requirements for testing, over the course of 2023 each of the controls will be subject to independent testing, to support the activity to embed the framework.

We have successfully implemented our Governance, Risk and Compliance (GRC) application, to enable us to centrally manage our risk and controls to support First line ownership and Second line oversight and monitoring. The GRC application is now fully integrated and is the platform for our risk and reporting activities.

We have continued to enhance and embed our quarterly Risk & Control Self-Assessment process, we have improved the quality and granularity of risk reporting, delivered a refreshed Policy Governance Framework and further enhanced our suite of regulatory compliance training for all staff. We are also taking steps to ensure our risk and control framework meets the new Consumer Duty requirements that come into force in 2023.

In addition, during the year we have rebuilt our quantitative Own Risk and Solvency Assessment (ORSA) capital model. The new simplified model will allow a more dynamic risk assessment of key strategic decision-making ensuring we fully understand the capital impact of material changes to our risk profile.



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**Principal risks and uncertainties**

The overall risk profile is determined by:

- the environment in which Simplyhealth does business; in particular competitor activity in the healthcare market, the changing health needs and claiming behaviour of customers, climate-related changes, regulatory changes and an uncertain economic environment; and
- the business strategy, which focuses on developing existing businesses, creating new opportunities including those linked to a transition to a net zero economy, and delivering sustainable returns, with a focus on developing outstanding customer relationships with products and services that meet our customers' needs in a changing healthcare market.

The primary risk exposures under Solvency II are underwriting risk, market risk, credit risk, insurance operational risk, liquidity risk, non-insurance profit risk and non-insurance operational risk. Further details on how the Simplyhealth Group manages these risks are given in note 4 to the financial statements.




To ensure that the key risks faced by Simplyhealth are identified and managed within risk appetite, we have assessed and categorised our exposures into four principal risks, underpinned by a number of more granular enterprise risks.


The definitions of our four principal risks are outlined below:

- **Strategic Risk:** The risk of significant loss or damage arising from business decisions impacting the long-term interests of the business, or from an inability to innovate and adapt.
- **Financial Risk:** The risk of Simplyhealth having inadequate earnings, cash flow or capital to meet current or future requirements and the delivery of the strategy.
- **Operational Risk:** The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- **Regulatory and Conduct Risk:** The risk that the execution of Simplyhealth's business activities leads to non-compliance with regulation or legislation, and/or unfair customer outcomes.


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Our principal risks and the most material associated ‘enterprise risks’, which if crystallised, could adversely impact on the delivery of the strategy, are outlined below.


Key:  Improving  
 Worsening  
 Stable

Principal risks	Key enterprise risks	Mitigation	Change in year
<b>Strategic</b>	<p><b>Long-Term Sustainability &amp; Viability:</b></p> <p>There is a risk that we fail to generate business volumes or reduce costs, to ensure we maintain capital and deliver on our purpose.</p>	<p>Whilst we do not have material concerns relating to the long-term sustainability of the organisation, we recognise the need to refresh our product suite in order to ensure continued relevance into the future and take advantage of the transition to a net zero economy. We are also actively developing our infrastructure to ensure that our technology platforms adequately support our aspirations, and we are identifying and acting upon opportunities to drive operational and cost-efficiency.</p> <p>We have delivered the first stage of our Policy 2.0 programme, in which we have implemented the new policy administration platform. We are now planning the migration of our existing customer portfolio onto this new platform. The platform also enables more flexibility in our product design approach. Work is underway to refresh our suite of products for launch in 2023.</p>	



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	<p><b>Product Demand:</b></p> <p>There is a risk that we fail to deliver innovative or desirable products and services as a result of failing to capitalise on opportunities or responding to threats.</p>	<p>We continue to invest in our core propositions, including the development of the cash plan and Denplan businesses.</p> <p>Our consumer sales have improved with the launch of the 1-2-3 Healthplan in 2022, and work is underway to drive the next generation of these products, working with partners where possible to ensure improved access to healthcare.</p> <p>We continue to develop our new corporate product which will allow greater flexibility for our corporate and SME clients. The new enhanced product will be available in 2023.</p> <p>In addition, 2023 will see a full review of our Denplan proposition to ensure it continues to fully meet the needs of our member dentists, and we are leading a 'green' approach to dentistry in the market.</p>	
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<p><b>Financial</b></p>	<p><b>Economic Uncertainty:</b></p> <p>There is a risk that the market uncertainty around inflation, elevated interest rates and other government measures will impact on income, increasing costs and creating barriers to deliver on our strategy.</p>	<p>The UK economy remains volatile with rising borrowing costs and inflation exceeding 10%, and there remains a high degree of uncertainty, which will continue to impact the performance of our business and our investment portfolio.</p> <p>To ensure we are able to respond to these threats, we run a series of stress scenarios to assess the impact of a deterioration in the economy on our financial performance. These outcomes are overseen through our governance structure, enabling management to act where appropriate.</p> <p>We continue to assess the risks to the economy and are mindful of the emerging inflation risks and the impact that this will have on the business.</p>	
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	<p><b>Cost Base:</b>  There is a risk that we are unable to manage our cost base in line with income and increasing claims to deliver profitability.</p>	<p>Inflationary costs continue to be the main driver of our cost base risk, with economic pressures continuing to increase the cost of contractual renewals. Prudent planning is in progress to deliver cost savings, where viable, including headcount reductions and the re-evaluation of our property strategy, however there are material cost benefits attached to the migration of our customers to our new policy platform, and supporting our customers in utilising our new digital products.</p>	
	<p><b>Claims Uncertainty &amp; Volatility:</b>  There is a risk that we are unable to predict our future claims experience, due to cost and utilisation deviating from historical performance.</p>	<p>We monitor claims volumes closely and conduct stress tests, to ensure that we can meet our claims liabilities even in severe scenarios.</p> <p>During the year, and post the COVID-19 pandemic, claims volumes and values stabilised below initial expectations; however, the higher inflationary environment projected for 2023 poses a risk of future volatility.</p> <p>Where appropriate, and whilst maintaining our focus on ensuring fair customer outcomes, we will reprice our products to reflect this increased cost.</p>	

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<b>Operational</b>	<p><b>People Capability &amp; Capacity:</b></p> <p>There is a risk that we fail to recruit, develop, reward and retain the required talent to deliver on our strategy</p>	<p>We continue to see competition for key skills and capabilities as we deliver on our strategic aims; however, our Purpose, strategy and hybrid working approach is helping us to secure key talent.</p> <p>The organisation is transitioning towards a product-led structure which is expected to improve our agility and pace of delivery. That change, coupled with the delivery of our strategy, will require new capabilities which will need to be hired and embedded during 2023.</p>	→
	<p><b>Change does not deliver the expected benefits:</b></p> <p>There is a risk that we do not deliver the expected benefits from our transformational change due to delays in delivery or alteration of scope</p>	<p>As we deliver our technical, structural and product changes it is critical that we realise the benefits expected.</p> <p>The delivering of the new technology platform and our drive to pivot our customers towards digital products remain the two initiatives with the most material associated strategic and operational efficiency benefits.</p> <p>There are a number of factors that, if poorly managed, could place these benefits at risk, including dependence on key resource and customer sentiment following the changes. These benefits and their risk drivers are being closely monitored with intervening actions taken where necessary.</p>	↘

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	<p><b>Failure of a Technology Service:</b> There is a risk that our technology services are unavailable and/or we fail to recover the service within risk appetite.</p>	<p>We continue to deliver our simplification programme, which will replace or upgrade our IT infrastructure over the coming years.</p> <p>Whilst demonstrating our capability to deliver change, we are in the middle of this programme, and as a result are operating both new platforms and solutions and those that we plan to decommission during 2023 and 2024.</p> <p>Therefore, whilst the new solutions provide increased IT and security resilience, we recognise during 2023 that there will be a greater surface area for disruptions. We continue to undertake disaster recovery tests, to ensure we can effectively respond to significant events.</p> <p>As part of this programme, we are moving more of our infrastructure into the cloud. Whilst this reduces the risk of legacy technology, we are mindful that the services result in a differing risk profile that will need to be managed appropriately.</p>	
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	<p><b>Data Breach:</b></p> <p>There is a risk of compromise of customer or employee data as a result of a successful cyber-attack or external threat</p>	<p>We continue to actively monitor our internal and external security threats, to ensure we safeguard our customer and Company data.</p> <p>We have made improvements to our security operations and response capabilities during the year, which continuously monitor our IT estate for any indicators of compromise.</p> <p>We continue to patch our systems as updates are released and deliver our planned penetration testing.</p> <p>Regular security awareness training, including phishing testing, is in place for all staff to support awareness of the risk with performance reported to senior management.</p>	
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<b>Regulatory &amp; Conduct</b>	<p>Non-compliance with material regulation and/or laws:</p> <p>There is a risk that we do not maintain compliance with regulatory requirements</p>	<p>We have processes in place to help ensure we remain compliant with key regulatory and legislative requirements. We continue to respond to the volume of regulatory changes. We have a robust regulatory horizon scanning process, to ensure we are able to respond appropriately to current and emerging regulations and have regulatory compliance training in place for all staff.</p> <p>Our key areas of focus are to continue identifying and supporting vulnerable customers, in particular the financially and digitally vulnerable, noting the current economic environment and the trend towards digital customer journeys, and delivering the Financial Conduct Authority Consumer Duty requirements in 2023.</p> <p>In addition, the inclusion of our first and voluntary TCFD submission in this year's report, one year ahead of mandatory reporting, demonstrates our commitment to transparency towards climate-related risks and opportunities and additional compliance in this space. We are comfortable that our Board-approved action plans will meet the requirements before the deadline.</p>	
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## **Climate change risk**

Climate change risk continues to be monitored by the business and the Board through the Risk & Capital Committee. During the year, we have completed our annual Climate Change Risk Assessment on our business model, products and services, with the results feeding into our business planning process.

In addition, we consider the impact of climate change and the financial risks of climate change as part of our Own Risk Solvency Assessment (ORSA) via scenario analysis. This included an evaluation of the Early Action scenario proposed by the PRA in their 2021 Climate Biennial Exploratory Scenario and the potential stressed results on our investment portfolio from an earlier transition to a net zero economy. The full results are shared in our first, and voluntary, TCFD submission on page 84.

In summary, as a result of our analysis we do not consider that climate change will have a material impact on the delivery of Simplyhealth's strategy in the short to mid-term, noting the flexibility of our products and the nature of our business model.

As detailed in our summary of physical and transition climate-related risks within our TCFD section on pages 98 to 105, during 2022 the UK did experience evidence of the potential crystallisation of climate change risks following record-breaking temperatures in September 2022, which led to 11 of the 14 Environment Agency areas in England declaring a drought. This development, brought to focus the risk that future droughts could impact food supply, driving shortages and price inflation, ultimately impacting the disposable income of our customers. Adverse increases to our claims and lapses are stressed within our ongoing risk management controls, and we are comfortable with the financial results, however we will continue to monitor the physical and transition risks, and act in the event that new exposures are identified.

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We have embedded the oversight and ongoing monitoring of climate risk into our risk management frameworks, in accordance with regulatory requirements, to ensure that climate change considerations are reflected and acted upon as our strategic direction and/or risk exposures evolve. We have set out more detail about our intention and progress to meet TCFD requirements for 2023, within the TCFD section of this report.

**Digital Security Risk**

As outlined in the Strategy section earlier in this report, a key tenant of our strategy is to digitise our business through the update or replacement of our IT infrastructure. As part of the strategy, we are moving more of our infrastructure into the cloud. We have fully considered the security risks when deciding which technology partner and platforms to utilise, and are mindful that the services resulting in a differing security risk profile will require appropriate management.

The First line Cyber Security and Business Resilience team are responsible for the day-to-day management of security risk and all control activity, such as vulnerability and patch management, penetration testing, and working alongside our third party Security Operations Centre ('SOC') provider. There is a clear link to our broader technology resilience, so this team is also responsible for business continuity planning and co-ordinating our operational resilience activity. All work in this area is overseen by a dedicated member of the Risk function.

The management of security risk is fully embedded within our Enterprise Risk Management Framework. We have a clear risk appetite and measures which track our security risk exposure and any remedial actions required. Our performance against these measures is overseen on a monthly basis by our Operations Committee with quarterly reporting to Executive Committee and Risk & Capital Committee.

During the year, there have been no material security incidents.

## **Own Risk and Solvency Assessment ('ORSA')**

We calculate our solvency requirement under the Standard Formula Solvency Capital Requirement, which we believe is an appropriate reflection of our risk profile and therefore forms the basis of our risk appetite.

The ORSA is used to assess the capital requirements of the Simplyhealth Group and validate the appropriateness of the Standard Formula Solvency Capital Requirement through the production of a bespoke economic capital assessment. The ORSA considers the future development of the organisation's solvency position and risk profile over its business planning period under a central set of assumptions that reflect the Board's best estimate of the performance of the organisation, and relevant changes to its external business environment.

The ORSA is designed to provide the Board and key stakeholders of the business with a comprehensive understanding of Simplyhealth's financial resilience, following consideration of a range of plausible, yet severe scenarios relating to the achievement of the Company's strategic ambitions and demonstrates that Simplyhealth remains well capitalised throughout the planning period.

During the year, we have built a new ORSA model. The ORSA is an important part of the strategic and decision-making process, as well as our Risk framework and our new model fully reflects the current business model and risk profile. The new model has been designed to be dynamic to support ongoing business decision-making throughout the Group and to effectively incorporate future business model changes into our capital modelling.

The Board plays an active part in the development of the ORSA, which includes the approval of the decision to update the model

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itself, and challenge and approval of the severe, yet plausible and reverse stress testing scenarios. We determine our own solvency needs over the business planning period, using this Board input by reference to the projected own funds, future capital requirements as determined by the SCR and ORSA, and a capital buffer aligned to the Board approved risk appetite. A full report detailing the outcomes of those processes is produced for review and approval by the Board at least annually and where there are any material changes to the business model.

## **CORPORATE GOVERNANCE**

Simplyhealth Group Limited is a company limited by guarantee.

Our system of governance is designed to ensure that we are well positioned to continue to deliver Our Purpose while effectively managing risk. This system and associated frameworks are reviewed annually by the Board. As Simplyhealth has neither shareholders nor a requirement to distribute profits to members, the roles of voting members and the Board in providing effective governance are particularly important.

Our decision-making and organisational structure supports the effective governance of the business in meeting our strategic goals, our delivery of excellent customer service, and our adherence to regulations. The governance model is designed to be proportionate to the nature, scale and complexity of the risks we face.

### **The role of the Board**

The Board is collectively responsible for ensuring Simplyhealth is successful for the benefit of our stakeholders, setting Simplyhealth's strategic direction, providing entrepreneurial leadership and overseeing the effective management of key risks faced by the business.

As set out in a Matters Reserved for the Board policy, the Board is accountable for ensuring effective governance, overseeing financial control of the business, ensuring that investments are managed properly, that all material business risks are managed and that funding is allocated efficiently and according to capital adequacy requirements. It is also accountable for ensuring that we stay true to Our Purpose.

The Board assesses and regularly reviews the ethical and economic position of the business and considers significant changes affecting factors such as the organisation, operations, customers, external environment, the financial position and risk profile.

## **Board composition**

On 31 December 2022, the Board comprised of two Executive Directors and six Non-Executive Directors, including a Non-Executive Chair. The Board periodically reviews its composition and succession planning framework, to ensure that appointments create an appropriate mix of skills and experience, and a level of diversity and independence that supports the Simplyhealth Group's objectives.

## **Our committee structure**

To assist the Board in carrying out its duties, it delegates some of its responsibilities, although not accountability, to a number of committees as outlined below (the 'Board Committees') and to the Chief Executive Officer. The Board Committees operate under delegated authority from the Board, with specific terms of reference in force for each committee that allow specific matters to be considered in depth and reported back to the Board and, where appropriate, make recommendations for final decision by the Board.

During the year, we have refreshed the terms of reference for each Board Committee and the Delegations of Authority Framework that underpins decision-making across the organisation. This has been designed to support effective and swift decision-making whilst ensuring appropriate oversight and challenge of material decisions by the Board.

## **Board Committees and Responsibilities**

### **Remuneration Committee** **Chaired by M A Hall**

- Developing and recommending to the Board the remuneration principles (including performance- related pay principles) for the , Chief Executive, Executive Directors, Company Secretary and the Exco ('the Executive'), and the Chair; Approving the total individual remuneration packages, including performance related pay for the Executive. Setting and reviewing the principles and parameters of the remuneration policy for the whole Group.

### **Governance & Nominations Committee** **Chaired by G Baldwin**

- Evaluating and monitoring the governance framework, including the governance structure and governance principles, to ensure they meet the Group's current and future strategic needs and support best practice.
- This includes recommending candidates for appointment to the Board, to ensure that collectively, we have the balance of skills, experience, independence, knowledge and diversity appropriate for Simplyhealth's operations and the regulated environment in which it operates.



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**Audit Committee**  
**Chaired by T Dunley-Owen**

- Reviewing the effectiveness of the system of control for managing financial and non-financial risks.
- Monitoring the integrity of the financial statements, including significant reporting judgements contained within them.
- Reviewing and monitoring the effectiveness and objectivity of both the internal and external audit function, and reviewing their reports and recommendations.
- Reviewing the effective implementation and operation of regulatory requirements and obligations.
- Review and recommend for Board approval the actuarial function holder report, (other than in respect of matters relating to pricing and risk ).  
Monitor and regularly review the activities, structure, resourcing and effectiveness of the Compliance function.

**Risk & Capital Committee**  
**Chaired by J Knott**

- Overseeing, understanding and reviewing the Group's risk profile and advising the Board on principal risk exposures and future risk strategy, including recommending the levels of key risk appetite for the business.
- Ensuring that future capital requirements of the business are appropriately and adequately considered and planned for over the business horizon.
- Overseeing and advising the Board on the embedding and maintenance of a suitable risk management culture in Simplyhealth, in accordance with the risk management framework.
- Reviewing the reporting, recommendations and effectiveness of the Chief Actuary in relation to Underwriting Risk, Pricing and role of the Second line and management responses to issues raised.  
Review and recommend for Board approval the actuarial function holder report (other than in respect of matters relating to reserving).

**Investment Committee**  
**Chaired by D Lawrence**

- Assess and recommend any investment proposals to the Board for approval.
- Provide oversight of the performance of the Simplyhealth Venture Capital Limited ('SHVC') team, function and investment portfolio performance.
- Approve any stage-gated investments into Simplyhealth Foundry Limited ('SHF') companies in line with the Business Plan as approved by the Board.
- Report to the Simplyhealth Board on at least an annual basis, with a review of the performance of SHVC and SHF portfolio companies.
- Recommend for Board approval the disposal of SHVC portfolio companies.
- Approve the investment & divestment criteria for SHF and SHVC, and monitor the organisation's performance against it.
- Responsible for decisions on timing of Board approved exits or divestments, where SHVC has influence over exit decisions.

## **Chief Executive Officer delegated authority**

The Board delegates the responsibility to lead Simplyhealth to the CEO, and the CEO in turn delegates defined levels of responsibility for strategic and operational decision-making and oversight to members of the Exco via a robust operational governance structure. These delegations are clearly outlined within our Delegations of Authority Framework, which is approved annually by the Board.

The CEO's authority includes directing and promoting the successful operation and development of Simplyhealth, and implementing the strategy set by the Board to deliver Our Purpose in a way that is consistent with our values and risk appetite.

Overall responsibility for defined areas of business activity sits with a number of senior managers within Simplyhealth, who have been formally approved by the PRA and/or FCA in relation to their specific roles.

## **Executive committee**

The Exco now comprises the CEO, Chief Financial Officer, Chief Product & Commercial Officer, Chief Customer Officer, Chief Risk Officer, Chief People Officer, Chief Digital and Technology Officer, Chief of Staff & Head of Strategy and the General Counsel & Company Secretary.

During the year, we appointed a new Chief Product & Commercial Officer and a new Chief Customer Officer.

Exco responsibilities include:

- Formulating (for Board approval), reviewing, communicating and managing the delivery of the Simplyhealth Group's strategy, taking into account Our Purpose, risk profile, capital requirements and solvency position.

**Simplyhealth Group Limited**  
**STRATEGIC REPORT**  
**Year Ended 31 December 2022**

- Leading performance across the Simplyhealth Group, including operational, financial and people matters, and reporting results to the Board and its committees as required.
- Maintaining an effective organisational structure which supports the delivery of strategic and operational plans and manages succession planning for key roles.
- Ensuring the Simplyhealth Group maintains an effective internal control framework which supports compliance with relevant legislation and regulations.
- Monitoring and reviewing the risk profile of the Group, such that this enables it to mitigate significant strategic, financial, operational and regulatory and conduct risks, in line with the Simplyhealth Group's risk appetite and reporting these to the Board as required.
- Being role models for the business, promoting and displaying the values and behaviours needed to create the right culture in Simplyhealth.

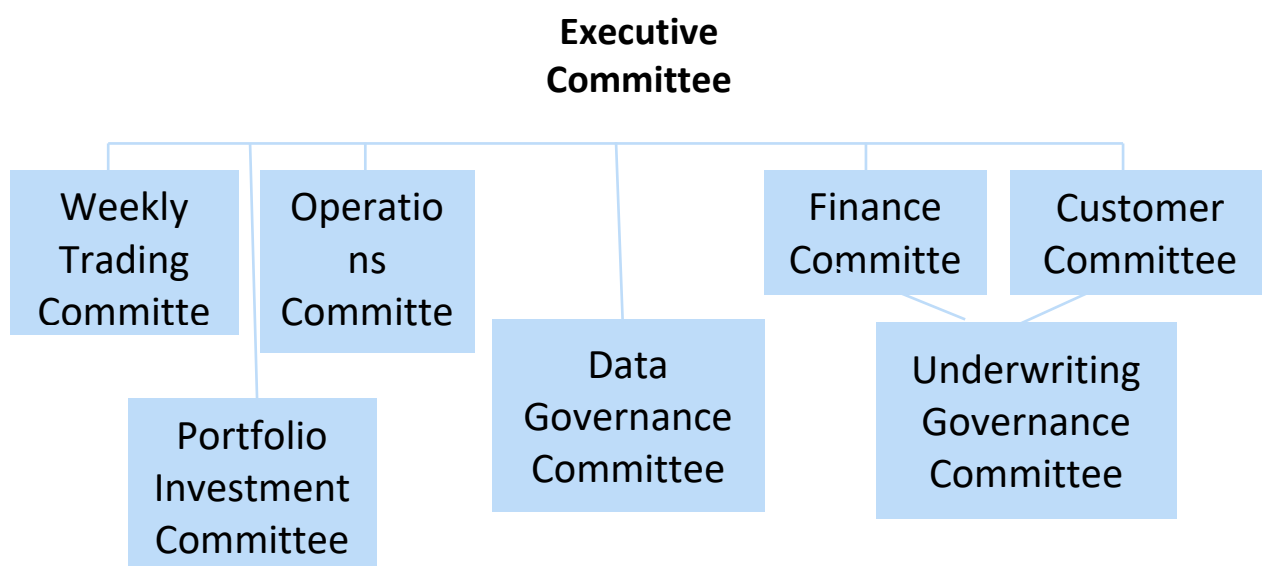
**Performance & Governance framework**

In 2021, we incorporated a new Executive Performance and Governance Framework project to design and deliver a new governance framework that:

- supports the successful and timely execution of the strategy and business plan
- enables effective and demonstrable decision-making and risk oversight
- supports engagement and disciplined empowerment across the leadership population
- is appropriate for an organisation of our size and complexity

**Simplyhealth Group Limited**  
**STRATEGIC REPORT**  
**Year Ended 31 December 2022**

During 2022, we continued to embed the new Framework to ensure it is operating as effectively as possible. To support this Framework, we have a clear Executive Committee structure to ensure effective and efficient decision making. The structure is outlined below



### **Chief Risk Officer delegated authority**

The Chief Risk Officer (CRO) leads the Group Risk and Group Compliance functions. The CRO has a formal reporting line to the CEO but there are open communication lines with the Non-Executive Directors. The CRO has private meetings with the Chair of the Risk & Capital Committee and Chair of Audit Committee without the presence of Executive Directors.

### **Group Risk function**

The Group Risk function is responsible for developing and overseeing the framework for identifying and managing risk across the Simplyhealth Group.

The Group Risk function is responsible for ensuring the Board has visibility of the key risks that the Simplyhealth Group is subject to, which is facilitated on a quarterly basis with a formal

**Simplyhealth Group Limited**  
**STRATEGIC REPORT**  
**Year Ended 31 December 2022**

risk report presented to the Risk and Capital Committee. The Group Risk function owns and manages the delivery of the ORSA.

The Group Risk function is also responsible for managing the Simplyhealth Group's exposure to Fraud and Financial Crime.

**Group Compliance function**

The Group Compliance function is responsible for the identification, interpretation and assessment of emerging and current regulatory, conduct and data protection risks that may impact the Simplyhealth Group. The possible impact of changes to the regulatory and legal environment is considered on an ongoing basis and reported to the Executive Committee, Audit Committee and Board.

Group Compliance owns the Compliance Monitoring Plan, which details the schedule of activities the team undertake to provide assurance to the Board and relevant senior managers that the risks are being appropriately managed. The plan, which is approved and overseen by the Audit Committee, enables the Group Compliance function to provide oversight of key compliance changes driven through regulatory change, to ensure fair customer outcomes and regulatory adherence by the business.

**Internal Audit function**

The Internal Audit function provides independent, objective assurance to the Board, the Audit Committee and all levels of management on the internal control environment at Simplyhealth. The Internal Audit Charter provides the framework for achieving this by setting out the objectives, scope, responsibilities, authority, independence and accountability for the Internal Audit function.

**Simplyhealth Group Limited**  
**STRATEGIC REPORT**  
**Year Ended 31 December 2022**

The Internal Audit function owns the Internal Audit Plan, which is approved and overseen by the Audit Committee. The plan articulates how the Internal Audit function will provide assurance over the effectiveness of key processes, systems and controls.

To ensure we maintain sufficient skills and experience within the Internal Audit function, during 2022 we outsourced the role of Head of Internal Audit ('HoIA') to an external party. The HoIA is supported by an internal team which includes a Deputy Head of Internal Audit ('DHoIA')

However, from January 2023, the HoIA role will be undertaken in-house, with the current DHoIA being promoted into the role supported by external co-source arrangements.

The HoIA formally reports to the Chair of the Audit Committee and there are open communication lines between the HoIA and Non-Executive Directors. The HoIA has private meetings with the Chair of the Audit Committee and Non-Executive Directors without the presence of Executive Directors. There is an administrative link to the CRO but to avoid any conflicts of interest the CRO has no day-to-day involvement in the activities of the team.

The Strategic Report was approved by the Board of Directors and signed on their behalf by,

**Nicholas Potter, Acting Chief Executive and Chief Financial Officer**

**30 March 2023**

**DIRECTORS REPORT**

**Year Ended 31 December 2022**

**DIRECTORS' REPORT**

The Directors present this report together with the Strategic Report, Financial Statements and Auditor's Report for the year ended 31 December 2022.

**Directors**

The Directors who served during the year and up to the date of approval of these financial statements were:

Gil Baldwin	Non-Executive Chair
Tracy Dunley-Owen	Non-Executive
Michael Hall	Non-Executive
Jenny Knott	Non-Executive
Duane Lawrence	Non-Executive
Nicholas Potter	Acting Chief Executive and Chief Financial Officer
Martin Stead	Non-Executive
Sneh Khemka	(resigned 10 February 2023)
Richard Gillies	(resigned 30 September 2022)

**Secretary**

The Company Secretary who served during the year was:

David Pugh



**DIRECTORS REPORT**

**Year Ended 31 December 2022**

**Directors' Report disclosures**

As permitted by section 414C (11) of the Companies Act 2006, certain information is not included in the Directors' Report due to its inclusion in the Strategic Report. This information is:

- Principal activities of the Company
- Business review and outlook
- Principal risks and uncertainties
- Employment policies, including those relating to disabled persons and future developments
- Statement on engagement with suppliers, customers, regulators and others in a business relationship with the Company
- Energy and carbon disclosures
- Research and development, with reference to investments made on technology.

The Simplyhealth Group's financial instruments comprise its financial investments, cash and various items arising directly from operations such as insurance and other debtors, technical provisions and creditors. The main risks to which the Simplyhealth Group is exposed are insurance risk, operational risk, liquidity risk, credit risk and market risk. The Simplyhealth Group's approach to management of these risks is disclosed in the Strategic Report, with further information contained in note 4 to the accounts.

**DIRECTORS REPORT**

**Year Ended 31 December 2022**

**Going concern**

The Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Simplyhealth Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of these financial statements. We retain a strong capital position in business as usual and under stressed scenarios. We are closely monitoring the economic headwinds on all aspects of our business, including how it will impact our customers, employees and our other key stakeholders. Full details of our assessment of the business impact during 2022 is detailed in the Business Review section of the Strategic Report on pages 17 to 27.

In addition, the assessment concluded that like any business, future performance will be impacted by the general macroeconomic conditions.

**Post-Balance Sheet events**

There are no Post-Balance Sheet events to report

**Use of financial instruments**

The financial risks management objectives and policies are included in note 4 of the financial statements. The derivatives are allowed for the purpose of risk mitigation or seeking active risks as part of efficient portfolio management.

**Dividends**

The Company does not have any shareholders and therefore no dividends are proposed.

**DIRECTORS REPORT**

**Year Ended 31 December 2022**

**Directors' indemnities**

During the year and at the time the Directors' Report was approved, the Company's Directors were the beneficiaries of qualifying indemnity provisions in respect of proceedings brought by third parties (subject to the conditions set out in section 234 of the Companies Act 2006) provided by Simplyhealth Group Limited.

**Political contributions**

During the year, no donations were made by the Company for political purposes (2021: £nil)

**Branches outside the UK**

The Simplyhealth Group has no branches registered outside of the United Kingdom.

**Disclosure of information to the auditor**

Each of the persons who are Directors of the Company at the date when this report was approved confirms that:

- So far as each Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- Each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

## **Simplyhealth Group Limited**

### **DIRECTORS REPORT**

**Year Ended 31 December 2022**

#### **Independent auditor**

The auditor, Deloitte LLP has indicated its willingness to be continue in office and a resolution that it be reappointed will be proposed at the Annual General Meeting.

The Directors' Report was approved by the Board of Directors and signed on their behalf by,

**Nicholas Potter, Acting Chief Executive and Chief Financial Officer**

**30 March 2023**

Simplyhealth Group Limited (05445654) is a private company limited by guarantee, registered in England and Wales.

**DIRECTORS RESPONSIBILITIES STATEMENT**

**Year Ended 31 December 2022**

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts'. Under Company law the Directors must not approve the financial statements, unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Simplyhealth Group and of the profit or loss of the Company and Simplyhealth Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Simplyhealth Group's transactions, that disclose with reasonable accuracy at any time the financial position of the Company and Simplyhealth Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and

## **Simplyhealth Group Limited**

### **DIRECTORS RESPONSIBILITIES STATEMENT**

**Year Ended 31 December 2022**

Simplyhealth Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company and Simplyhealth Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Simplyhealth Group Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 24

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, 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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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



**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but 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 economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

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.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, risk and compliance and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included regulatory solvency requirements and the regulations of the Prudential Regulation Authority and the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as tax, actuarial, IT, valuation and financial instruments specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address this are described below:

- Selection and application of actuarial methodologies and models used in estimating the gross outstanding claims provision, as disclosed in note 21:
  - We gained an understanding of relevant controls in the process of estimating the gross outstanding claims provision.
  - Together with our actuarial specialists, we performed the following procedures:
    - Assessed and challenged management's selection of actuarial methodologies and benchmarked to market practice, where appropriate.
    - Assessed the implementation of the chosen methodologies through inspection of management's actuarial models.

**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

- Calculated an independent projection of the gross outstanding claims reserve to challenge that the model is functioning as intended and accurately implementing management's selected methodologies and to determine a point estimate against which management's estimate can be benchmarked. We assessed the reasonableness of any differences noted in the comparison of our internal estimates with that of management.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with the Prudential Regulation Authority and the Financial Conduct Authority.

**INDEPENDENT AUDITOR'S REPORT**

**Year Ended 31 December 2022**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT  
Year Ended 31 December 2022**

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Holland, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, UK  
30 March 2023

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year Ended 31 December 2022**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 December 2022**

Figures are in millions of pounds

Technical Account	Note	2022	2021
<b>General business</b>			
<b>Earned premiums</b>			
Gross premiums written		215.7	198.6
Change in the gross provision for unearned premiums	21	(2.4)	(0.4)
<b>Total technical income</b>		<b>213.3</b>	<b>198.2</b>
<b>Claims incurred net of reinsurance</b>			
<b>Claims paid</b>			
Gross claims paid		(143.5)	(144.0)
<b>Change in the provision for outstanding claims</b>			
Gross	21	(0.3)	1.4
<b>Total claims incurred</b>		<b>(143.8)</b>	<b>(142.6)</b>
<b>Net operating expenses and other charges</b>	5	<b>(69.5)</b>	<b>(61.7)</b>
<b>Total technical charge</b>		<b>(213.3)</b>	<b>(204.3)</b>
<b>Balance on the general business technical account</b>		<b>(0.0)</b>	<b>(6.1)</b>

# Simplyhealth Group Limited

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year Ended 31 December 2022

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year ended 31 December 2022

Figures are in millions of pounds

<b>Balance on the general technical account</b>		<b>(0.0)</b>	<b>(6.1)</b>
<b>Non-Technical Account</b>			
<b>Investment returns</b>			
Income from investments	7	1.8	2.1
Gains/(losses) on realisation of investments		(2.2)	0.2
Unrealised gains / (losses) on investments		(21.8)	(1.3)
Other investment charges and expenses		(0.9)	(0.6)
Other income		22.1	24.1
Other charges	5	(20.6)	(24.8)
Share of profit/(loss) in joint ventures		-	0.2
Impairment of investments		-	4.1
Profit on disposal of operations	12	0.2	0.3
Revaluation of land and buildings		(1.8)	-
Donations		(0.5)	(0.9)
Amortisation of goodwill and other intangibles	9	(0.8)	(12.0)
<b>Profit/(loss) on ordinary activities before tax</b>		<b>(24.5)</b>	<b>(14.7)</b>
Tax on profit/(loss) on ordinary activities	8	5.8	1.8
<b>Profit/(loss) for the financial year</b>		<b>(18.7)</b>	<b>(12.9)</b>



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Year Ended 31 December 2022**

The Group has no recognised items of other comprehensive income other than those included above.

The notes on pages 167 to 234 form an integral part of these financial statements.

The Company has taken advantage of Section 408 of the Companies Act 2006 and consequently a statement of comprehensive income for the parent company alone is not presented. The profit on ordinary activities after taxation for the financial year dealt within the accounts of the parent company is £15.2m (2021: loss of £1.6m).

# Simplyhealth Group Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Figures are in millions of pounds

As at 31 December	Note	2022	2021
<b>ASSETS</b>			
<b>Intangible assets</b>			
Other intangible assets	9	4.7	2.4
<b>Investments</b>			
Land and buildings	10	4.1	6.2
Other financial investments	13	189.1	217.9
Derivative assets	13	0.2	0.4
Investment in joint ventures		-	1.8
<b>Debtors</b>			
Debtors arising out of direct insurance operations	4c	93.0	89.2
Other debtors	15	11.8	9.9
Deferred taxation	17	7.4	2.0
<b>Other assets</b>			
Tangible assets	16	1.7	3.2
Cash and cash equivalents	14	32.3	35.2
<b>Prepayments and accrued income</b>			
Accrued interest		0.4	0.3
Deferred acquisition costs	18	1.3	1.1
Other prepayments and accrued income		1.6	3.0
<b>Total assets</b>		<b>347.6</b>	<b>372.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Profit and loss account	19	219.1	237.8
Revaluation reserve		0.4	0.6
<b>Liabilities</b>			
<b>Technical provisions</b>			
Provision for unearned premiums	21	80.5	78.1
Provision for claims outstanding	21	18.0	17.7
			-
<b>Creditors</b>			
Derivative liabilities	13	0.4	0.8
Other creditors	20	17.1	24.0
Accruals and deferred income		12.1	13.6
<b>Total equity and liabilities</b>		<b>347.6</b>	<b>372.6</b>

## **Simplyhealth Group Limited**

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2022**

The notes on pages 167 to 234 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 30 March 2023.

Signed on behalf of the Board of Directors

Nicholas Potter,  
Acting Chief Executive and Chief Financial Officer'

# Simplyhealth Group Limited

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

## COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

Figures are in millions of pounds

As at 31 December	Note	2022	2021
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments in group undertakings	11	<b>128.7</b>	123.7
<b>Debtors</b>			
Amounts due from group undertakings	15	<b>9.5</b>	7.0
<b>Other assets</b>			
Cash and cash equivalents	14	<b>5.6</b>	7.4
<b>Total assets</b>		<b>143.8</b>	138.1
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Profit and loss account at start of the year		<b>126.7</b>	128.3
Total comprehensive profit/loss for the year		<b>15.2</b>	(1.6)
Profit and loss account	19	<b>141.9</b>	126.7
<b>Liabilities</b>			
<b>Creditors: Amounts falling due within one year</b>			
Amounts due to group undertakings	20	<b>1.9</b>	11.4
<b>Total equity and liabilities</b>		<b>143.8</b>	138.1

## **Simplyhealth Group Limited**

### **COMPANY STATEMENT OF FINANCIAL POSITION**

**As at 31 December 2022**

The notes on pages 167 to 234 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 30 March 2023.

Signed on behalf of the Board of Directors

Nicholas Potter,  
Acting Chief Executive and Chief Financial Officer

# Simplyhealth Group Limited

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

Figures are in millions of pounds

	Revaluation reserve	Profit and loss account	Total shareholder funds
<b>Balance as at 01 January 2021</b>	0.6	250.7	251.3
Total comprehensive income/(loss) for the year	-	(12.9)	(12.9)
<b>Balance as at 31 December 2021</b>	<b>0.6</b>	<b>237.8</b>	<b>238.4</b>
Total comprehensive income/(loss) for the year	<b>(0.2)</b>	<b>(18.7)</b>	<b>(18.9)</b>
<b>Balance as at 31 December 2022</b>	<b>0.4</b>	<b>219.1</b>	<b>219.5</b>

## Simplyhealth Group Limited

### COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

### COMPANY STATEMENT OF CHANGES IN EQUITY

As at 31 December 2022

Figures are in millions of pounds

	Profit and loss account
<b>Balance as at 01 January 2021</b>	128.3
Total comprehensive income/(loss) for the year	(1.6)
<b>Balance as at 31 December 2021</b>	<b>126.7</b>
Total comprehensive income/(loss) for the year	<b>15.2</b>
<b>Balance as at 31 December 2022</b>	<b>141.9</b>

The notes on pages 167 to 234 form an integral part of these financial statements.

The balance on the profit and loss account for both the Company and the Group comprises total comprehensive income accumulated in prior years.

# Simplyhealth Group Limited

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2022

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2022

Figures are in millions of pounds

As at 31 December	Note	2022	2021
<b>Net cash flows from operating activities</b>	22	<b>(4.2)</b>	1.7
<b>Cash flows from investing activities</b>			
Investment in joint ventures net of capital repayments		-	2.5
Purchase of tangible fixed assets		(0.4)	(0.6)
Purchase of intangible assets		(3.3)	(1.6)
Disposal of intangible assets		0.2	-
Purchase of debt securities and other fixed income securities		(86.8)	(300.9)
Purchase of shares in subsidiaries held for resale		-	(4.1)
Purchase of Unlisted Investments		(1.4)	-
Proceeds on disposal of Other investments		3.8	-
Proceeds on disposal of debt and other fixed income securities		89.2	289.1
Settlement of derivative contracts		-	0.7
<b>Net cash flows from/(to) investing activities</b>		<b>1.3</b>	<b>(14.9)</b>
Net increase/(decrease) in cash and cash equivalents		(2.9)	(13.2)
Cash and cash equivalents at beginning of year		35.2	48.4
<b>Cash and cash equivalents at end of year</b>		<b>32.3</b>	<b>35.2</b>
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		32.3	35.2
<b>Cash and cash equivalents at end of year</b>		<b>32.3</b>	<b>35.2</b>

The notes on pages 167 to 234 form an integral part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**1. CORPORATE INFORMATION**

The Company is limited by guarantee and is incorporated in the United Kingdom, registration number 05445654. The address of the registered office is detailed on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report.

**2. ACCOUNTING POLICIES**

The principal accounting policies are summarised below.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ('FRS 102') and FRS 103 "Insurance Contracts" ('FRS 103') and the Companies Act 2006.

The functional currency of the Group and the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a company cash flow statement and remuneration of key management personnel of the Company.

**Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income, and expenses are eliminated on consolidation.

**Going concern**

The Directors have considered in detail the forecast performance of the Group and Simplyhealth Group company, in a number of scenarios, as well as its capital and liquidity resources, in each case. These forecasts have been stressed tested through our scenario modelling, evaluating the impact on our financial performance and solvency in a number of economic best and worst case scenarios, over a number of years. The group remains able to trade as a going concern through the strength of its capital base and liquidity even when faced with severe, yet plausible scenarios/events.

Our operational stress testing has included both internal assessments of risk through our Own Risk & Solvency Assessment (ORSA) process and the external regulatory capital requirements contained within Solvency II, under both of these tests, and respective scenarios the business is able to continue to support our customers and trade as a going concern.

The Groups Investment Strategy remains unchanged with funds split between a portfolio managed under a segregated mandate, and a more diversified income fund that is managed as a unit trust for multiple investors. Even in stressed scenarios, such as those experienced over the past six months, we are able to liquidate our investments at short notice. Our portfolio value at the end of 2022 was £177.8m, and the value of our portfolio as at 24 March 2023 was £180.3m.

Our Solvency ratio at the end of 2022 was 344.5% (2021: 338.5%). In this year's ORSA, we conducted a range of scenarios to determine our financial resilience when faced with severe, yet plausible events. The

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

outcome of each scenario demonstrated that we remain solvent with significant headroom above our own economic view of our capital requirements, the SCR and our risk appetite buffer. On this basis, the Directors have confidence that the Group has sufficient capital and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing these financial statements.

**Other intangible assets**

*Brands, customer relationships and licences*

Intangible assets are recognised on acquisition of subsidiary undertakings and businesses where the Directors believe that it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost or value of the asset can be measured reliably.

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles through the statement of comprehensive income on a straight-line basis over their expected useful economic life, which the Directors consider to be ten years for intangible assets arising in respect of capitation plans and insurance products.

*Research*

Research expenditure is written off as incurred.

*Computer software and development costs*

Purchased computer software is carried at historical cost less accumulated amortisation and amortised over a useful life of between

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

two and four years, on a straight-line basis. Provision is made for any impairment.

The Directors review internal development expenditure annually. If the Directors are satisfied as to the technical, commercial, and financial viability of individual projects internally developed computer software is capitalised as development expenditure. Development expenditure is not capitalised until it is implemented in the live environment at which point it is reclassified as computer software and amortised over a period of seven years.

Development expenditure that does not meet the criteria is expensed as incurred. Development costs previously expensed are not recognised as an asset in a subsequent period.

In cases of staged live implementations, costs relating to the expected benefits of the relevant modules are reclassified from development expenditure to software and amortised over a period of seven years. The carrying value of the asset and its expected future cash flows are assessed annually for impairment.

**Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Motor vehicles	4 years
Computer hardware	2 to 4 years
Fixtures, fittings and office equipment	4 to 10 years

Assets in the course of construction are not depreciated and are reviewed annually for indicators of impairment.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Revaluation of properties**

Individual freehold properties are revalued to fair value every year using professional external valuers.

Where the fair value of an individual property exceeds historical cost, the surplus is credited to a revaluation reserve and recognised as other comprehensive income. If a deficit is identified which exceeds a previously recognised surplus relating to the same property, this deficit is charged to the statement of comprehensive income within the non-technical account. A reversal of such a deficit is credited to the statement of comprehensive income within the non-technical account.

**Financial instruments**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

*(i) Financial assets and liabilities*

All financial assets and liabilities, including debtors and creditors receivable or payable within one year with no stated interest rate, are initially measured at transaction price (including transaction costs), except for those financial assets classified as 'at fair value through profit or loss', which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

Derivative financial instruments are measured at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

Debt instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Debt instruments due in more than one year, other than those designated at fair value through profit or loss as part of the Group's trading portfolio, are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled, or expires.

*(ii) Investments*

Investments in non-convertible preference shares and non-puttable ordinary or preference shares (where shares are publicly traded or where their fair value is reliably measurable) are measured at fair value through profit or loss.

Investments in debt securities and collective investment schemes held by the Group as part of the trading portfolio have been designated by the Group as fair value through profit or loss. This group of instruments is managed and its performance evaluated on a fair value basis in accordance with the Group's investment strategy and information is provided internally on that basis to the Group's key management personnel.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

Where fair value cannot be measured reliably, investments are measured at cost less impairment.

Investments in subsidiaries are measured at cost less impairment.

*(iii) Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using an appropriate valuation technique such as a discounted cashflow or industry specific EBITDA multiple.

*(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is an unconditional and a legally enforceable right to offset the recognised amounts in all circumstances (including the default by, or insolvency or bankruptcy of, the Group or counterparties), and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Realisation of a financial asset and settlement of a financial liability are treated as simultaneous only when the settlements are executed at the same time, or within a single settlement process or cycle, resulting in no or insignificant credit and liquidity risk.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Impairment of assets**

Assets, other than those measured at fair value, are assessed for indicators of impairment at each statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the statement of comprehensive income as described below.

*Non-financial assets*

If there is an indication of possible impairment, the recoverable amount of the asset is estimated and compared with its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

At each subsequent reporting date a new assessment of impairment is carried out and if the circumstances that previously caused the impairment no longer exist or if there is clear evidence of an increase in the selling price because of changed economic circumstances the previous impairment is reversed.

*Financial assets*

For financial assets carried at amortised cost, the recoverable amount is determined as the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the recoverable amount is the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

**Investments - Company**

Investments in a subsidiary company are held at cost less accumulated impairment losses.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash balances, deposits, and other financial instruments with maturity less than 90 days. This includes funds held on behalf of third parties that are not available for use by the Group or Company. The offsetting liability is included in 'Other creditors' in note 20.

**Contingent assets**

Contingent assets are not recognised, in the financial statements. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

**Third party funds**

Third party funds comprise cash held on behalf of customers to administer claims under service contracts and are maintained in separate bank accounts. Following generally accepted industry practice, these amounts are disclosed separately within cash, with a corresponding creditor disclosed. The inclusion of these funds on the statement of financial position therefore has no impact on the net assets of the Company or Group.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Foreign currencies**

Monetary assets and liabilities held in foreign currencies at the statement of financial position date are expressed in sterling at rates ruling on that date. Income and expenditure denominated in foreign currencies are translated at rates ruling at the date on which the transaction occurs. All resulting exchange gains and losses are included within the non-technical account in the statement of comprehensive income.

**Premiums**

The Group accounts for its insurance business on a monthly or annual basis depending on the period of cover provided by the contract. Claims are only payable where customers continue to pay premiums. Premiums written relate to business incepted in the year, together with any differences between booked premiums for prior years and those previously accrued, and are recognised as written on a receivable basis with an adjustment for any unearned element. Gross premiums are stated net of any Insurance Premium Tax as applicable.

**Unearned premiums**

Earned premiums represent gross premiums written after adjusting for changes in unearned premiums. The unearned premium provision represents the proportion of premiums written in the financial year that relate to periods of risk in future accounting years. It is calculated separately for each insurance contract and on a pro rata basis. The change in this provision is taken to profit or loss in order that revenue is recognised over the period of risk.

**Investment income**

Investment income includes dividends, interest, gains and losses on the realisation of investments and unrealised gains and losses. Income from fixed interest securities together with interest, rents and

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

associated expenses are accounted for in the year in which they accrue. Dividends are included in the statement of comprehensive income when the securities are listed as ex-dividend. Realised gains and losses on investments are calculated as the difference between the net sale proceeds and original cost. Unrealised gains and losses on investments represent the difference between the valuation of investments at the statement of financial position date and their original cost or, if they have been previously valued, the valuation at the previous statement of financial position date. The movement in unrealised gains and losses recognised in the year also includes the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current year.

**Other income**

Other income is recognised on an accruals basis, net of any value added taxation.

**Unexpired risk provision**

An unexpired risk provision is made where necessary to cover any amount by which future claims and related acquisition costs on business in force at the statement of financial position date are expected to exceed the provision for unearned premiums at that same date. The amount provided is determined after considering the individual pattern and profile of specific homogeneous risk groups. Any provision for unexpired risks is included within the 'Technical provisions' in the statement of financial position.

The Group assesses at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Pension costs and other employee benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Differences between amounts due in the year and amounts actually paid are shown as either accruals or prepayments in the statement of financial position.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

**Claims**

Claims are recognised on the occurrence of the loss event which is the date the individual incurs the treatment.

Claims incurred comprises claims reported and settled during the year or awaiting settlement at the year end, an estimate for claims incurred but not yet paid and an allowance to cover expenses in connection with the settlement of the claims incurred. The provision for outstanding claims at the year-end is based on claims experience and current expectations. Any over or under provision is adjusted as part of claims incurred in the following year.

Claims incurred and the provision for outstanding claims include direct, and an allocation of indirect, expenses connected with the settlement of claims. The allocation of indirect expenses is performed in a manner that fairly reflects the running of the business.

Claims also include other direct costs related to the provision of insured benefits. It includes but is not limited to, the provision of an Employee Assistance Program (EAP), a General Practitioner (GP) service and the provision of various health checks.

The provision for outstanding claims represents an estimate of the ultimate cost of settling all claims (including direct and indirect claims settlement costs) which have occurred up to the statement of financial position date. This includes a provision for claims incurred but not yet paid, the value of which is based on a best estimate plus a provision for

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

adverse development within a range of possible outcomes. These figures are based on the overall claims risk profile as measured by the cost, frequency, deviation from historic trends and sensitivity of claims to market factors and include a fixed level of prudence based on the Group's risk appetite. The basis and calculation of both the estimates and the provision for adverse development are reviewed annually against claims experience.

**Acquisition costs relating to insurance contracts**

All costs of acquiring new business together with the associated initial processing costs, and an allocation of indirect costs, are accounted for as acquisition costs in the statement of comprehensive income in the year in which they were incurred. Similarly, the costs of monitoring existing business and the general running of the Group are treated as administrative expenses. The commission paid in respect of insurance contracts incurred during a financial year is deferred to the extent that it relates to unearned premiums at the statement of financial position date and is amortised over the period in which the related revenues are earned.

**Taxation**

The Group is liable to taxation on its profit or loss on ordinary activities. Current tax is provided for at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at that date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) or liability that is recognised in a business combination is different from the value at which it is recognised, a deferred tax asset or liability is recognised for the additional tax that will arise in respect of that difference. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date that are expected to apply to the reversal of the timing difference.

Deferred tax assets and liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets and liabilities are not discounted.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Leases**

Payments in respect of operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Whilst climate change risk is one of the most significant challenges facing the world, with Simplyhealth having its part to play in shaping policies and practices that contribute to managing climate risk challenges, the year-end balance sheet does not include any significant judgements that are underpinned by a particular climate change scenario. As a consequence, we do not believe that climate change risk is currently a key source of estimation uncertainty.

**Critical judgements in applying the accounting policies**

No critical judgements, apart from those involving estimations (which are presented separately below), have been made by the directors in the process of applying the Group's accounting policies.

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

*Claims incurred arising from insurance contracts*

The estimation of the ultimate liability arising from claims made under insurance contracts is a critical accounting estimate. Management estimates use historical analysis and an extrapolation of current trends to inform claims provisioning, this is then subject to formal management review. A 5.7% deviation in the final outturn would lead to a shortfall in reserves of £1.0m.

There is uncertainty as to the loss ratio the Group will experience as claims are settled. Key assumptions are based upon anticipated loss ratios, which are based upon historical experience, and updated for expectations of future changes in claims inflation and incidence rates.

There are a number of uncertainties that determine how much the Group will ultimately pay with respect to such contracts. This includes whether a claim event has occurred or not, how much it will ultimately settle for and changes in the business portfolio which affect factors such as the number of claims and their typical settlement costs.

The insurance liabilities recorded on the statement of financial position include a provision for adverse development in addition to the best estimates for future claims. The margin over and above the best estimate is a fixed amount, based upon technical provisions net of reinsurance, and is subject to annual review. Further discussion, including analysis of the sensitivity of profit or loss to changes in the claims loss ratio, is presented in note 21.

The claims best estimates attempt to reflect the impact of COVID-19 and its inherent uncertainties, including such items as claims inflation and volumes.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

*Company investments*

Investments in a subsidiary company are held at cost less accumulated impairment losses. During 2022 management completed an impairment review of the investment held in subsidiaries and based upon current profitability and asset levels there has been no requirement to adjust the carrying value of the investment (2021:£nil)

**Other sources of estimation uncertainty**

*Fair value of financial instruments*

On 31<sup>st</sup> December the group held loan notes in an unlisted entity that can be converted into equity. The entity's cashflows and profitability have become predictable and provide reliable data for an estimate of fair value. The fair value has been calculated by taking the mid-point of the entity's normalised EBITDA and a high and low industry earnings multiplier. The valuation of £9.8m (2021 £9.0m) represents a share price of 62p (2021:57p) per share and an increase in fair value of £0.8m (2021:£7.5m).

*Deferred tax asset*

The deferred tax asset at the 31st December of £7.4m (2021:2.0m) is recognised on the basis that the company will make profits in the future in accordance with its five year financial plan. The primary reason for the loss is the £25.5m decline in the investment portfolio caused by the current economic crises with global inflationary pressures leading to interest rates rises. The financial markets are expected to recover over the planning period recovering the losses on the portfolio. In addition, the underlying trading profits are expected to continue in the future as the company executes its strategy of digitalisation, product development and rationalisation. The asset is expected to be recovered by the end of 2026.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**4. FINANCIAL RISK AND CAPITAL MANAGEMENT**

The Group is exposed to financial risk through its financial assets and insurance liabilities. The most important components of financial risk are credit risk, liquidity risk, interest rate risk, currency risk and equity price risk.

There have been no significant changes from the prior period in the nature of the financial risks to which the Group is exposed. The Group's objectives and policies for managing these risks and the methods used to measure risk exposure are consistent with those adopted during the prior period.

The Group uses derivatives for the purpose of efficient portfolio management and to reduce risk in aspects of the Group's investment activities. The Group uses forward foreign exchange contracts and fixed interest futures for these purposes.

The Group monitors its exposure to risks through regular reviews of its portfolio of assets and liabilities and their underlying characteristics. The Directors have chosen not to apply hedge accounting to the Group's derivatives

The Group has designated debt instruments, derivative assets and liabilities, cash equivalents and equity shares in its investment portfolio as fair value through profit and loss. All other financial assets and liabilities are held at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**a) Categories of financial assets and liabilities**

**Figures are in millions  
of pounds**

<b>As at 31 December 2022</b>	<b>Held at fair value</b>	<b>Held at amortised cost</b>	<b>Total</b>
Cash at bank and in hand	-	32.3	<b>32.3</b>
Other financial investments	189.1	-	<b>189.1</b>
Derivative assets	0.2	-	<b>0.2</b>
Other financial assets	-	98.7	<b>98.7</b>
Other financial liabilities	(0.4)	(41.3)	<b>(41.7)</b>
<b>Total</b>	<b>188.9</b>	<b>89.7</b>	<b>278.6</b>

<b>As at 31 December 2021</b>	<b>Held at fair value</b>	<b>Held at amortised cost</b>	<b>Total</b>
Cash at bank and in hand	-	35.2	35.2
Other financial investments	213.8	4.1	217.9
Derivative assets	0.4	-	0.4
Other financial assets	-	97.7	97.7
Other financial liabilities	(0.8)	(50.4)	(51.2)
<b>Total</b>	<b>213.4</b>	<b>86.6</b>	<b>300.0</b>

**b) Measurement of fair value**

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

The different methods of valuation are categorised into a hierarchy as follows:

Level 1: assets and liabilities for which fair values have been measured using the unadjusted quoted price in an active market for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The following table analyses the Group's financial assets and liabilities that are held at fair value according to the above hierarchy:

Figures are in millions of pounds

As at 31 December 2022	Level 1	Level 2	Level 3	Total
Debt securities	-	94.9	-	94.9
Unit trusts	-	82.9	-	82.9
Unlisted investments	-	-	11.3	11.3
<b>Financial assets held at fair value</b>	<b>-</b>	<b>177.8</b>	<b>11.3</b>	<b>189.1</b>
<b>Derivative assets</b>	<b>-</b>	<b>0.2</b>	<b>-</b>	<b>0.2</b>
As at 31 December 2021	Level 1	Level 2	Level 3	Total
Debt securities	-	103.2	-	103.2
Unit trusts	-	100.1	-	100.1
Unlisted investments	-	-	10.5	10.5
<b>Financial assets held at fair value</b>	<b>-</b>	<b>203.3</b>	<b>10.5</b>	<b>213.8</b>
<b>Derivative assets</b>	<b>-</b>	<b>0.4</b>	<b>-</b>	<b>0.4</b>

### c) Credit risk

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

The Group has exposure to credit risk, which is the risk that counterparties will cause a financial loss to the Group by failing to discharge an obligation, from the following areas:

- cash deposits held with banks;
- counterparty defaults on debt securities;
- amounts due from insurance premium debtors; and
- amounts due from other group undertakings and guarantees offered to other group entities.

The carrying value of its financial assets best represents the Group's maximum exposure to credit risk. The Group's risk policies limit the maximum exposure to credit risk outside of UK Government and with any single counterparty to £45m.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### *Debtors arising out of direct insurance operations*

Debtors arising out of direct insurance operations comprise premiums due from policyholders and they comprise the Group's most significant exposure to credit risk. An allowance for doubtful debts is maintained and regularly monitored as part of the Group's internal financial reporting process. The maturity of premium debtors, net of allowances for doubtful debts, is as follows:

**Figures are in millions of pounds**

Days past due	Premium debtors not yet due	0-30 days overdue	30-60 days overdue	60-90 days overdue	Over 90 days overdue	Total
Amount outstanding						
<b>As at 31 December 2022</b>	<b>88.3</b>	<b>2.8</b>	<b>1.0</b>	<b>0.6</b>	<b>0.3</b>	<b>93.0</b>
As at 31 December 2021	85.3	3.2	0.6	0.1	-	89.2

Premium debtors are stated net of a provision for doubtful debts of £0.5m (2021: £0.5m).

At 31 December 2022, there are impaired amounts due from insurance policyholders of £0.5m (2021: £0.5m). Where contractual payments are in arrears for more than three months, the relevant assets are classified as past due and impaired.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

*Financial investments*

The credit risk exposure from financial investments and cash deposits is managed by monitoring credit ratings assigned to counterparties by international credit rating agencies.

The Group manages its direct investment holdings by placing the following limits on the credit ratings of its investment counterparties with the appointed investment managers through the Investment Management Agreement:

Maximum limit of BBB-rated securities 30%

Maximum limit of A-rated securities 65%

Securities below the limit of BBB are not rated

The balance of the portfolio is represented by cash held by our investment custodians

No investment is allowed in unrated bonds

If a bond is downgraded to below investment grade, it would normally be sold within 6 months.

The limits set out in the Investment Management Agreement were adhered to throughout the period.

*Derivative financial instruments*

The Investment Manager has a credit risk policy that governs the assessment of credit risk and the process for selection of derivative counterparties. The Company maintains strict control on open derivative positions by amount and term. The use of International Swaps and Derivatives Association Master Agreements allows for close-out netting to reduce pre-settlement credit risk and provide a right of set-off upon the event of default. Additionally, where material, collateral may be received or pledged to reduce the level of credit risk in derivative contracts.

*Other financial assets*

The carrying amount of policyholder debtors and other financial assets represents the Group's maximum exposure to credit risk. The amounts presented in the statement of financial position are net of allowances for doubtful receivables.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

Cash balances are regularly reviewed to identify the quality of the counterparty banks and to monitor and limit concentrations of risk. The Group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well diversified spread of such debtors. The debt investments portfolio consists of a range of fixed interest instruments including government securities and corporate bonds, preference shares and other interest-bearing securities.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### *Financial assets bearing credit risk*

The financial assets bearing credit risk are summarised below, together with an analysis by credit rating. The maximum exposure that the Company has to credit risk at the balance sheet date is the carrying value of the assets shown below.

**Figures are in millions of pounds**

Category of assets	2022	2021
Debt securities	94.9	103.2
Unit trusts	82.9	100.1
Unlisted investments	11.3	14.6
Derivative financial instruments	0.2	0.4
Debtors arising out of direct insurance operations	93.0	89.2
Other debtors	5.3	8.2
Cash at bank	32.3	35.2
Accrued interest	0.4	0.3
<b>Total</b>	<b>320.3</b>	<b>351.2</b>

Analysis by credit rating	2022	2021
AAA	27.6	38.3
AA	41.4	31.5
A	122.2	144.5
BBB	19.4	24.3
BB	-	0.2
Below BBB or not rated	109.7	112.4
<b>Total</b>	<b>320.3</b>	<b>351.2</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**d) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities or insurance contract liabilities when they fall due. The Group is exposed to daily calls on its available cash resources from claims arising from insurance contracts and to settle its financial liabilities. The Group has robust processes in place to manage liquidity risk and has available cash balances and other readily marketable assets in case of exceptional need. The Group's risk policies are designed to manage the risks associated with asset and liability matching.

At 31 December 2022, the Group held cash and cash equivalent balances totalling £32.3m (2021: £35.2m) to meet both current and potential liquidity requirements under stressed conditions. In addition to these balances the Investment funds contained within the segregated portfolio managed by Schroders Investment management and through the Pimco Diversified Income Fund could be liquidated into cash within a one month period.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

The following table shows the maturity profile of the Group's insurance contract liabilities at the undiscounted amounts of their contracted future cash flows:

**Figures are in millions of pounds**

<b>Provision for unearned premiums</b>	<b>2022</b>	<b>2021</b>
Within one year	<b>80.5</b>	78.1
<b>Provision for outstanding claims</b>	<b>2022</b>	<b>2021</b>
Within one year	16.3	16.0
Between one and five years	1.4	1.4
After more than five years	0.3	0.3
<b>Total</b>	<b>18.0</b>	17.7

All of the Group's other financial liabilities total £29.2m (2021: £37.6) and are payable within one year.

Information about the expected timing of the net cash outflows resulting from recognised insurance liabilities is given in note 23.

### **e) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group has potential material exposure to four types of market risk: interest rate risk, equity price risk, currency risk and credit risk.

The exposure to interest rate risk arises primarily from valuation movements on financial investments that are measured at fair value and have fixed interest rates. The investment strategy is set by the

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

Board and management follows this strategy in making investment decisions. The investment portfolio is reviewed by the Risk and Capital Committee to ensure that investments are maintained in line with the investment strategy.

The Risk and Capital Committee oversees the management of all investments, including cash balances, of the Group. The Committee meets quarterly to discuss and provide challenge to the decisions of management and of the investment manager appointed by the Board. External advisors are consulted to provide both investment and actuarial advice to support the Committee in setting the investment policy and strategy and to supplement the internal resource in challenging the investment manager's advice.

The Group's exposure to currency risk arises from the investment portfolio, with some purchased investments denominated in currencies other than sterling. This risk is managed through the use of foreign exchange forward contracts and diversification of currency exposures.

The Group's exposure to credit risk arises from potential changes in the risk profile of investment counterparties leading to increased risk of defaults. The management of this risk is further explained in note 4 (c).

The Group's only exposure to market risk is through its financial investment portfolio. The value of financial investments and cash equivalents at 31 December 2022 is £221.4.0m (2021: £218.3m). The stress tests applied are weighted to reflect the value of the portfolio that is exposed to each variable.

The sensitivity of reserves to movements in market risk variables, each considered in isolation, is shown in the following table:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

Figures are in millions of pounds

Variable	Change in variable	Potential increase/(decrease) in profit after tax and equity	
		2022	2021
Interest rate risk	<b>-150 basis points</b> (2021 -50 bps)	<b>10.7</b>	3.4
	<b>+150 basis points</b> (2021 +200 bps)	<b>(10.3)</b>	(12.0)
Equity price risk	<b>+10% global equity market *</b>	<b>3.6</b>	2.3
	<b>-10% global equity market *</b>	<b>(3.7)</b>	(2.3)
Currency risk	<b>+15% spot rate against USD and EUR *</b>	<b>6.8</b>	(0.4)
	<b>-15% spot rate against USD and EUR *</b>	<b>(7.5)</b>	0.8
Credit risk	<b>-50 basis points *</b>	<b>6.4</b>	6.7
	<b>+100 basis points</b> (2021 +50 bps)	<b>(12.2)</b>	(6.6)

\* Variables unchanged from 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

The analysis of market risk sensitivity has been derived by the Group's independent external investment managers, using standard valuation techniques that are the same as those applied in the previous year. It has been assumed that:

- the value of fixed income investments will vary inversely with changes in interest rates;
- equity prices will move by the same percentage across all territories;
- currency gains and losses will arise from a change in the value of sterling against all other currencies moving in parallel; and
- credit spreads will move by the same percentage across all instruments and counterparties.

The change in profit and loss is stated after tax at the standard rate applicable to the Group.

The Group continues to review its Investment Strategy, reflecting the latest macro-economic conditions. No major change to its investment strategy has been made during the year. The portfolio value as at 24 March 2023 was £180.3m.

Whilst not invested in specific ESG funds, we consider ESG and climate change as part of our decision-making process working with our investment managers to ensure that our investment philosophy is aligned to this purpose.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**f) Capital risk management -**

*Capital Management Policy*

The Capital Management Policy seeks to optimise the balance between risk and return while maintaining economic and regulatory capital within the Group's risk appetite. This policy guides the definition, measurement, reporting and projection of capital, assessing the current and potential sources and uses of capital, addressing:

- The assessment of the optimal overall capital balance required to support appropriate financial strength and flexibility, with reference to the Group's risk appetite, regulatory requirements and the reasonable expectations of stakeholders including customers and suppliers.
- The allocation of capital within the organisation to ensure that legal entities, and the Group, hold adequate capital for the effective operation of their businesses.
- The rationing of capital to investment opportunities with the aim of delivering on Simplyhealth's long-term goals, growing the capital base and diversifying the risk profile of the Group's invested capital.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

*Capital Management Principles*

The Capital Management Policy exists to provide guidance and governance over the holding and investment of the Group's overall capital.

The Group is required to maintain a solvency capital position in accordance with the Solvency II rules.

Capital headroom is represented by the capital surplus above our regulatory capital requirements, and adjusted for the Group's risk appetite. The risk appetite has been agreed with the Board of Directors and includes a capital buffer in excess of the higher of the Solvency Capital Requirement and the ORSA estimate of capital requirement as set out in the table below.

Capital above this buffer comprises resources which may be allocated to continued investment in the development of the Group's operations, subject to its risk appetite and targeted rates of return on capital. The Group sets a target rate of return for investment proposals to qualify for funding.

The Group's capital position is monitored on a regular basis as part of the standard performance reporting and review process and it has complied with the capital adequacy requirements of the Solvency II rules throughout the year.

*Capital Management*

The Group operates a single fund in respect of its general insurance business. The table below shows the capital available on a regulatory basis available to meet the regulatory Solvency II capital requirements for its general insurance business, which continues to represent a strong position:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

Figures are in millions of pounds

Available capital resources	2022	2021
UK GAAP net assets	219.5	238.4
<b><u>Adjustments onto regulatory basis:</u></b>		
Intangible assets	(4.7)	(2.4)
Deferred acquisition costs	(1.3)	(1.1)
Investment in joint ventures	-	(1.4)
Unlisted investments	-	(2.1)
Other debtors	(0.5)	(0.8)
Other liabilities	-	0.1
Adjust technical provisions to Solvency II basis	10.5	8.8
Deferred tax valuation adjustments	(1.7)	(1.3)
<b>Solvency II eligible own funds</b>	<b>221.8</b>	<b>238.2</b>
<b>Solvency II Capital Requirement ('SCR')</b>	<b>64.4</b>	<b>70.4</b>
<b>Capital Surplus</b>	<b>157.4</b>	<b>167.8</b>
<b>Solvency 'Buffer' at 40% of SCR</b>	<b>(25.7)</b>	<b>(28.1)</b>
<b>Available Capital ('Headroom')</b>	<b>131.7</b>	<b>139.7</b>
<b>Solvency II Capital Multiple</b>	<b>344.5%</b>	<b>338.5%</b>

The Group has used the Standard Formula as defined by Solvency II regulations to determine the SCR without undertaking-specific parameters or simplifications.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

*Governance arrangements*

The Chief Financial Officer owns the Capital Management Policy on behalf of the Board of Directors. The Board owns and agrees the definition of the Group's risk appetite. Governance over the implementation and operation of capital management is provided by the Risk and Capital Committee, a sub-committee of the Board.

Revision of key elements of the Capital Management Policy, such as an alteration of the Group's approach to meeting regulatory capital requirements or the composition of its own funds, is subject to approval within this governance structure.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

5. NET OPERATING EXPENSES AND OTHER CHARGES

Particulars of business

The Group has a single operating segment with one line of business that operates solely within the United Kingdom. Therefore, no segmental analysis has been presented.

Figures are in millions of pounds

**Technical Account - Net operating expenses**

	<b>2022</b>	<b>2021</b>
Acquisition costs	26.6	23.8
Change in deferred acquisition costs	(0.2)	(0.2)
Administrative expenses	43.1	38.1
<b>Net operating expenses and other charges</b>	<b>69.5</b>	<b>61.7</b>

The commission for direct insurance business for 2022 is £3.8m (2021: £3.4m)

The other charges include the operating expenses of the non-insurance businesses. The charge in the statement of comprehensive income includes the following:

Figures are in millions of pounds

**Non-technical account - Other charges**

	<b>2022</b>	<b>2021</b>
Administrative expenses	20.6	24.8

Amounts charged as administrative expenses in both the above tables include costs of £7.9m (2021: £11.0m) relating to our Transformation Programme.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

Profit/ (Loss) on ordinary activities before tax is stated after charging/ (crediting):

<b>Figures are in millions of pounds</b>	<b>2022</b>	<b>2021</b>
Depreciation of buildings and tangible assets (Notes 11, 18)	<b>1.0</b>	1.1
Revaluation (gain)/loss on buildings	<b>1.8</b>	(0.1)
Amortisation of intangible assets		
- Computer software (Note 10)	<b>0.1</b>	0.1
- Brands and other intangibles (Note 10)	<b>0.7</b>	0.4
Operating lease rentals		
- Motor vehicles	<b>0.3</b>	0.2
- Buildings	<b>0.0</b>	0.0
Amortisation of goodwill (Note 9)	-	11.5

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Auditors' remuneration**

**Figures are in millions of pounds**

<b>Auditors' remuneration</b>	<b>2022</b>	<b>2021</b>
Fees payable to the Company's auditor for:		
- the audit of the Company's financial statements	0.1	0.1
- audit related assurance service fees	0.1	0.1
Fees payable to the Company's auditor for the audit of the Company's subsidiaries	0.5	0.4
Additional costs relating to prior year audit	-	0.1
<b>Total auditors' remuneration</b>	<b>0.7</b>	<b>0.7</b>

The Group had audit-related assurance service fees payable of £60,000 (2021: £55,000).

Fees for the audit of the Company's financial statements of £102,000 (2021: £95,000) were borne by another group company.

The fees above include VAT.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 6. STAFF COSTS

Figures are in millions of pounds

Staff costs include the following:	2022	2021
Wages and salaries	38.5	38.3
Redundancy costs	1.6	1.4
Social security costs	4.8	4.2
Other pension costs	4.8	4.6
<b>Total staff costs</b>	<b>49.7</b>	<b>48.5</b>

The average number of employees during the year was as follows:	2022	2021
Operations	659	660
Finance and other administrative services	301	341
<b>Total staff number</b>	<b>960</b>	<b>1,001</b>

The Company had no employees during the year (2021: Nil).

### Directors' Remuneration Policy

The Company recognises the importance of the Board of Directors in setting the values and direction of the Company. In order to attract and retain Directors with the required skills and experience, the Company must be competitive in the rewards offered to its Directors while ensuring that their remuneration promotes the long term success of the Company and Group. All rewards are set by the Remuneration Committee, comprised of Non-Executive Directors of the Board, after comparison with market data received from external consultants.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Non-Executive Directors**

The role of the Non-Executive Directors is to provide challenge and advice, and to oversee the performance of the Company and Group. Simplyhealth therefore regards it as inappropriate that they should be financially incentivised on the Group's profitability or other financial performance measures. Each Non-Executive Director is paid a fee, with further allowances paid to those who take on extra roles, such as chairing one of the Board sub-committees, or acting in the capacity of Senior Independent Director.

The Non-Executive Directors are not employees of any company in the Simplyhealth Group and are appointed to three-year terms. It is normal company policy to rotate the Non-Executive Directors in order that they retain their independence and objectivity.

**Executive Directors**

The role of the Executive Directors is to run the Company and Group on a day-to-day basis and Simplyhealth therefore regards it as essential that they are incentivised to meet its business goals. It is the Company's belief that each Executive Director must deliver and contribute to the overall success of the business and work effectively within the Executive Team, as they cannot deliver alone. Therefore, they are rewarded on both personal and collective performance. Executive Director remuneration is made up of the following elements:

- Salary and benefits – which are contractual as an employee of the Company and Group and are set competitively against market norms. Salary will not be increased in line with market norms where individual performance and leadership behaviours are not at the level required for successful stewardship of the business.
- Annual bonus – the level of which is decided based on the achievement of the overall business objectives for the year and



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

the individual performance and leadership behaviours of the Executive.

- Long Term Incentive Plan – The Group operated three LTIP schemes during the year. The 18-24 was based on the achievement of business objectives over a seven year period and was open to the company's directors, the scheme was closed in January 2022. The 21-23 continues and a new 22-24 was introduced this year. These two schemes offer directors and key management staff an incentive to take decisions in the long term interest of the business and to promote a sustained improvement in the medium to long term performance and to retain key talent. The two open schemes are currently accruing at 50% of target.
- The Executive Directors are permanent employees and employment continues until terminated by either party under the terms of the contract of employment. The notice period of these contracts is either six or twelve months.

**Pension contributions**

During the year £36,667 (2021: £nil) was paid on behalf of an Executive Director in respect of pension contributions.

The other Executive Directors have opted to receive a cash payment in lieu of further pension contributions. These payments are included in the benefits figures below

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Pay and benefits in the year**

The following amounts are paid or payable to the Directors for their service during the year:

**Figures are in millions of pounds**

<b>The directors' emoluments were as follows:</b>	<b>2022</b>	<b>2021</b>
Aggregate emoluments	1.7	1.6
Aggregate emoluments receivable under long-term incentive schemes	(0.2)	(0.1)
Compensation for loss of office (excluding shares)	0.3	0.1
Benefits	0.1	0.1
<b>Total directors' emoluments</b>	<b>1.9</b>	<b>1.7</b>

In respect of long-term incentive schemes, the negative amount in the table above represents performance adjustments and members leaving the scheme. The amount receivable by directors at the 31st December 2022 is £46,000 (2021:£188,137).

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

No advances or credits granted to any director subsisted during the year. Also, no guarantees on behalf of any director subsisted during the year.

<b>The highest paid director's emoluments were as follows:</b>	<b>2022</b>	<b>2021</b>
Aggregate emoluments including receivable under long-term incentive schemes	0.5	0.7
Compensation for loss of office (excluding shares)	-	-
Benefits	-	-
<b>Total highest paid director's emoluments</b>	<b>0.5</b>	<b>0.7</b>

Key management includes members of senior management excluding the directors disclosed above. The compensation paid or payable to key management for employee services is shown below:

<b>Key management compensation was as follows:</b>	<b>2022</b>	<b>2021</b>
Salaries and other short-term benefits	1.7	1.3
Aggregate emoluments receivable under long-term incentive schemes	0.1	0.1
<b>Total key management compensation</b>	<b>1.8</b>	<b>1.4</b>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

7. INCOME FROM INVESTMENTS

Figures are in millions of pounds

	2022	2021
Bank and other interest	1.8	2.1

All income from investments relates to continuing operations.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 8. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES

The Group's tax (credit)/charge for the year is as follows:

Figures are in millions of pounds

	2022	2021
United Kingdom corporation tax at 19% (2021: 19%)	(0.4)	-
Adjustment in respect of prior years		(1.8)
<b>Total</b>	<b>(0.4)</b>	<b>(1.8)</b>
Current year deferred taxation	(3.9)	0.5
Adjustment in respect of prior years	(0.3)	0.1
Impact of change in tax rate from 19% to 25%	(1.2)	(0.6)
<b>Total deferred taxation</b>	<b>(5.4)</b>	<b>-</b>
<b>Tax charge/(credit) on profit/(loss) on ordinary activities</b>	<b>(5.8)</b>	<b>(1.8)</b>

The corporation tax charge for the year is higher than (2021: *higher*) the standard rate of corporation tax in the UK at 19% (2021: 19%) on the accounting loss as shown below:

Figures are in millions of pounds

	2022	2021
Loss on ordinary activities before taxation	(24.5)	(14.7)
Tax credit on loss at UK rate of 19% (2021: 19%)	(4.7)	(2.8)
Fixed asset differences	0.0	0.1
Expenses not deductible for tax purposes	1.2	2.2
Income not subject to tax	(0.8)	(0.8)
Remeasurement of deferred tax for changes in tax rates	(1.2)	(0.5)
Adjustment in respect of prior years	(0.3)	-
<b>Tax charge/(credit) on profit/(loss) on ordinary activities</b>	<b>(5.8)</b>	<b>(1.8)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

The tax rate for the current year is lower than the tax rate for next year, due to changes in UK Corporation Tax rate, which increases from 19% to 25% on 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

9. OTHER INTANGIBLE ASSETS

Figures are in millions of pounds

Group	Computer software	Brand and Other intangibles	Total
<b>Cost:</b>			
At 1 January 2022	19.1	0.1	19.2
Additions	3.3	-	3.3
Disposals	(0.3)	(0.1)	(0.4)
<b>At 31 December 2022</b>	<b>22.1</b>	<b>-</b>	<b>22.1</b>
<b>Accumulated amortisation and impairment:</b>			
At 1 January 2022	16.7	0.1	16.8
Amortisation for the year	0.8	-	0.8
Elimination on disposal	(0.1)	(0.1)	(0.2)
<b>At 31 December 2022</b>	<b>17.4</b>	<b>-</b>	<b>17.4</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>4.7</b>	<b>-</b>	<b>4.7</b>
At 31 December 2021	2.4	-	2.4

Research and Development costs of £3.8m (2021: £7.3m) have been expensed during the year and are included in administration expenses in note 5.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

10. LAND AND BUILDINGS

Figures are in millions of pounds

Group	Freehold land	Freehold buildings	Total
<b>Valuation:</b>			
At 1 January 2022	1.8	4.4	6.2
Revaluation gain/(loss)	(0.6)	(1.5)	(2.1)
<b>At 31 December 2022</b>	<b>1.2</b>	<b>2.9</b>	<b>4.1</b>
<b>Accumulated depreciation:</b>			
At 1 January 2022	-	-	-
Charge for the year	-	(0.1)	(0.1)
Increase in revaluation surplus	-	0.1	0.1
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>1.2</b>	<b>2.9</b>	<b>4.1</b>
At 31 December 2021	1.8	4.4	6.2



## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

The freehold and investment properties of the Group were professionally valued in accordance with the RICS Appraisal and Valuation Manual at 31 December 2022 by Colliers International UK plc, an independent external valuer.

The valuations have been arrived at by considering market evidence of similar office buildings after deducting normal purchasers' acquisition costs.

If freehold land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

Figures are in millions of pounds	2022		2021	
	Freehold land	Freehold buildings	Freehold land	Freehold buildings
Cost	1.2	11.8	1.2	11.8
Accumulated depreciation	-	(5.8)	-	(5.7)
<b>Historical cost value</b>	<b>1.2</b>	<b>6.0</b>	<b>1.2</b>	<b>6.1</b>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

11. FIXED ASSET INVESTMENTS

Figures are in millions  
of pounds

Company	Investment in subsidiary undertakings	Total
<b>Cost:</b>		
At 1 January 2022	151.3	151.3
Additions	5.0	5.0
Disposals	(13.2)	(13.2)
<b>At 31 December 2022</b>	<b>143.1</b>	<b>143.1</b>
<b>Impairment:</b>		
At 1 January 2022	27.6	27.6
Disposals	(13.2)	(13.2)
<b>At 31 December 2022</b>	<b>14.4</b>	<b>14.4</b>
<b>Net book value</b>		
<b>At 31 December 2022</b>	<b>128.7</b>	<b>128.7</b>
At 31 December 2021	123.7	123.7

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2022**

The details of investments in the subsidiary undertakings held by the Company as at 31 December 2022 are as follows:

<b>Name of company</b>	<b>Principal activity</b>	<b>Class and percentage of shares held</b>
Simplyhealth Holdings Limited *	Non-trading	Ordinary shares 100%
Simplyhealth People Limited *	Provision of staff and procurement services for Group activities	Ordinary shares 100%
Simplyhealth Nominees Limited *	Non-trading	Ordinary shares 100%
Denplan Limited *	Provision of dental scheme administration	Ordinary shares 100%
Simplyhealth Guidance Limited *	Non-trading	Ordinary shares 100%
Simplyhealth Access	Provision of insurance services	Ordinary shares 100%
Simplyhealth Funding Services Limited	Arrangement of loans to dental practices	Ordinary shares 100%
Simplyhealth Venture Capital Limited	Provision of investment in health solution companies	Ordinary shares 100%
Simplyhealth Foundry Limited	Provision of health solutions	Ordinary shares 100%
Ocuplan Limited	Provision of ophthalmology services	Ordinary shares 65%

\* Directly held by Simplyhealth Group Limited.

The registered office of all subsidiaries held at the year-end is Hambleden House, Waterloo Court, Andover, Hampshire, SP10 1LQ.

## Simplyhealth Group Limited

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

The following subsidiary undertakings were disposed of during the year:

Name of company	Disposal	Date
Leeds Hospital Fund	Dissolved	4 January 2022
Simplyhealth Wellbeing Limited	Dissolved	4 January 2022
Simplyhealth Business Services Limited	Dissolved	4 January 2022
Simplyhealth Limited	Dissolved	4 January 2022
Simplyhealth Partnerships Limited	Sold	14 April 2022
Mapplewell Dental Practice Limited	Sold	14 April 2022
Crescent Dental Care Limited	Sold	14 April 2022
Clover House Dental Practice Limited	Sold	14 April 2022

All other investments are held through 100% controlled subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 12. SALE OF UNDERTAKINGS

Through the sale of four subsidiaries, the group disposed of its eight remaining dental practices on the 14 April 2022. The carrying value of the investments at the date of sale and the profit on disposal is shown below:

**Figures are in millions of pounds**

Type of Asset/(Liability)	Legal Entity	Number of practices	Accounting policy	Carrying value
Joint venture	Simplyhealth Partnerships Limited	5	Equity	1.8
Subsidiary held for resale	Crescent Dental Care Limited, Clover House Limited	2	Equity	4.1
Consolidated subsidiary	Mapplewell Dental Practice Limited	1	Fair Value	0.1
Derivative liability			Fair Value	-0.4
<b>Carrying value</b>				<b>5.6</b>
Disposal Proceeds				5.8
<b>Profit on sale</b>				<b>0.2</b>

The disposal proceeds comprised of £3.8m cash and a 5 year loan of £2.0m which is included in other debtors (note 15)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 13. OTHER FINANCIAL INVESTMENTS AND DERIVATIVES

Figures are in millions of pounds

	2022		2021	
Financial assets	Fair value	Cost	Fair value	Cost
Debt and other fixed income securities	94.9	102.0	103.2	104.9
Derivative assets	0.2	-	0.4	-
Unlisted investments	11.3	8.6	10.5	7.2
Subsidiaries held exclusively for resale	-	-	4.1	4.1
Unit trusts	82.9	100.0	100.1	100.0
<b>Total</b>	<b>189.3</b>	<b>210.6</b>	<b>218.3</b>	<b>216.2</b>

Financial liabilities	Fair value	Cost	Fair value	Cost
Derivative liabilities	(0.4)	-	(0.8)	-

The fair values of investments quoted in an active market are based on their bid market prices. For unlisted securities and all other financial assets for which there is no active market, the Group establishes fair value using appropriate valuation techniques.

These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value of fixed interest futures and foreign exchange forward contracts are based on market prices.

Fixed interest futures are exchange traded and currency forward contracts are traded over the counter. Both have been classified as Level 2.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Net gains or losses arising from changes in the fair value of the derivative financial instruments are recognised immediately in the statement of comprehensive income within the heading 'Investment Returns'.

**Figures are in millions  
of pounds**

Derivatives	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forwards	0.2	(0.4)	0.4	(0.3)
Fixed interest futures	-	-	-	(0.1)
Joint ventures futures	-	-	-	(0.4)
<b>Total</b>	<b>0.2</b>	<b>(0.4)</b>	<b>0.4</b>	<b>(0.8)</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Offsetting**

The Group does not offset financial assets and liabilities in the statement of financial position unless there is a legally enforceable right to offset and the Group has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

Except for fixed interest futures and foreign exchange forward agreements, the Group has no financial assets and financial liabilities that have been offset in the statement of financial position as at 31 December 2022 (2021: *£nil*).



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 14. CASH AND CASH EQUIVALENTS

Figures are in millions of pounds

Group	2022	2021
Cash at bank	29.6	32.2
Third party funds held under trust	2.7	3.0
<b>Total</b>	<b>32.3</b>	<b>35.2</b>

The Company's cash balance at 31 December 2022 was £5.6m (2021: £7.4m).

The Group administers a number of trust and client accounts under agreements between the Company and dentists in accordance with the declaration of trust for each account. The accounts are used to manage cash collected by the Company from patients for onward payment to dental practices. No right of set-off exists between the trust accounts and any other bank accounts of the Company.

Total balances held in the trust accounts at 31 December 2022 amounting to £2.7m (2021: £3.0m) were included in the cash at bank and in hand on the Company's statement of financial position with an offsetting liability included in "Other Creditors" (note 20).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

15. OTHER DEBTORS

Figures are in millions of pounds

Group	2022	2021
<b>Amounts falling due within one year:</b>		
Non-insurance trade debtors	7.7	8.2
Corporation tax	2.1	1.7
<b>Total</b>	<b>9.8</b>	<b>9.9</b>
<b>Amounts falling due after more than one year:</b>		
Non-insurance trade debtors	2.0	-
<b>Total</b>	<b>11.8</b>	<b>9.9</b>

**Company**

The Company has a debtors balance of £9.5m (2021: £7.0) at 31 December 2022 relating to amounts due from group undertakings. The amounts due from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand except for the amount due from Ocuplan Ltd disclosed in note 24.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

## 16. TANGIBLE ASSETS

Figures are in millions of pounds

Group	Computers and office equipment	Leasehold improvements, fixtures and fittings	Total
<b>Cost:</b>			
At 1 January 2022	7.6	3.9	11.5
Additions	0.3	0.1	0.4
Disposals	(0.6)	(0.4)	(1.0)
<b>At 31 December 2022</b>	<b>7.3</b>	<b>3.6</b>	<b>10.9</b>
<b>Accumulated depreciation and impairment:</b>			
At 1 January 2022	5.8	2.5	8.3
Charge for the year	0.6	0.3	0.9
Disposals	(0.3)	(0.2)	(0.5)
Impairment	-	0.5	0.5
<b>At 31 December 2022</b>	<b>6.1</b>	<b>3.1</b>	<b>9.2</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>1.2</b>	<b>0.5</b>	<b>1.7</b>
At 31 December 2021	1.8	1.4	3.2

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 17. DEFERRED TAXATION

The Group's deferred tax assets calculated in accordance with FRS 102 were as follows:

**Figures are in millions of pounds**

	2022	2021
Asset relating to timing differences on fixed assets	1.8	1.8
Asset relating to short term timing difference	0.2	0.2
Unused tax losses	5.4	-
<b>Total</b>	<b>7.4</b>	<b>2.0</b>

The movement in the Group's deferred tax asset during the year was as follows:

	2022	2021
<b>At 1 January</b>	<b>2.0</b>	<b>2.0</b>
Adjustment in respect of prior years	0.3	(0.1)
Current year deferred tax	5.1	0.1
<b>At 31 December</b>	<b>7.4</b>	<b>2.0</b>

The deferred tax asset expected to reverse in 2023 is £0.1m (2022 £0.1m) and relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisations. The remaining asset is expected to reverse by 2026 and relates to the remaining £1.9m of timing differences and £5.4m of carried forward tax losses.

The deferred tax balance has been calculated using the planned increase of the rate to 25% on 1 April 2023.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

18. DEFERRED ACQUISITION COSTS

Figures are in millions of pounds

	Gross Provision	
	2022	2021
<b>At 1 January</b>	1.1	0.9
Additional costs incurred	3.0	3.0
Amortisation through statement of comprehensive income	(2.8)	(2.8)
<b>At 31 December</b>	<b>1.3</b>	<b>1.1</b>

Costs are only deferred and amortised if they are considered repayable in the event of cancellation.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 19. CAPITAL AND RESERVES

#### Group

Group capital consists only of accumulated profits as the Group has no issued share capital. Accumulated retained profits at 31 December 2022 were £219.1m (2021: £237.8m).

#### Company

The Company's capital consists only of accumulated profits as it has no issued share capital. Total reserves at 31 December 2022 were £141.9 (2021: £126.7m).

### 20. OTHER CREDITORS

Figures are in millions of pounds

	2022	2021
<b>Amounts falling due within one year:</b>		
Creditors arising out of direct insurance operations	1.5	10.4
Third party funds	2.7	3.0
Insurance premium tax	5.8	4.9
Other taxation and social security	-	1.0
Other creditors	7.1	4.7
<b>Total</b>	<b>17.1</b>	<b>24.0</b>

#### Company

The Company has a balance of £1.9m (2021: £11.4m) at 31 December 2022 relating to amounts due to group undertakings. The amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2022

### 21. TECHNICAL PROVISIONS

Figures are in millions of pounds

<b>Gross Provisions:</b>	<b>Provision for Unearned Premiums</b>	<b>Provision for Outstanding Claims</b>
At 1 January 2022	78.1	17.7
Movement in provision	2.4	0.3
<b>At 31 December 2022</b>	<b>80.5</b>	<b>18.0</b>

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts. A formal policy for managing insurance risk is in place and is overseen by the Risk and Capital Committee.

#### **Gross provisions**

The lines of risk underwritten by the Group are restricted to health insurance in which the Group has substantial experience. Where the Group wishes to enter into new lines this is done using a controlled approach in order to manage the risk associated with new areas of business. The Group's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of the accounting period, plus an amount in respect of claims incurred but not yet reported. Trends in claim rates and other market data are reviewed on a regular basis and premiums

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

for new contracts adjusted accordingly. Each class of contract has a large population of homogeneous policyholders, and no insurance contracts are subject to concentration risk as policyholders are based throughout the UK. No one client represents more than 10% of total turnover. Therefore, no insurance contracts are deemed subject to concentration risk.

The Directors have assessed that a deterioration of 10% (2021:15%) is the highest reasonably possible change in the loss ratio. Such a deterioration in the loss ratio of the health plan book during the year would have resulted in a reduction in profit before tax of £21.3m (2021: £30.9m *reduction in profit before tax*) and a reduction in equity of £17.3m (2021: £25.0m). The latter represents 8.0% (2021: 10.5%) of the Group's capital. The Group's claims loss ratio has been disclosed in the Strategic Report as a key performance indicator.

Uncertainty about the amount and timing of claims payments is typically resolved within one year. Consequently, disclosure about claims development is not presented as this information is not considered relevant to the evaluation of the nature and extent of risks arising from insurance contracts.

**Insurance contract maturities**

The net cash outflows resulting from recognised insurance liabilities have the following estimated maturities:

- Unearned premium reserves are estimated to result in cash flows arising within 12 months of the year end date; and
- For outstanding claims provisions, including the provision for claims incurred but not reported, approximately 90.6% (2021: 90.4%) of the provision is expected to crystallise as cash outflows and inflows respectively within 12 months of the year end date. The remaining cash flows of £1.7m, represent an immaterial amount of these provisions with the maturity disclosed within note 4d)

Due to the short-term claims nature of our products, we do not include an annualised claims triangle in our report.



**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**Assumptions**

The Group follows a process of reviewing its reserves for outstanding claims on a monthly basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review, further review by external actuarial specialists, a management sign-off process and ultimately the Board committees.

The most significant assumptions in determining the net insurance reserves are the forecast monthly claims loss ratios by homogeneous risk group, and the extent to which reinsurers will share in the cost.

**Changes in assumptions**

During the year we have seen claims volumes increase but remain below the pre pandemic levels. Average values remain above pre pandemic levels and our claims provision assumptions reflect these changes

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**22. NOTES TO THE CASH FLOW STATEMENT**

**Reconciliation of profit/ (loss) on ordinary activities before tax to net cash flows from operating activities**

**Figures are in millions of pounds**

	<b>2022</b>	<b>2021</b>
<b>Profit/(Loss) on ordinary activities before tax and exceptional items</b>	<b>(24.5)</b>	<b>(14.7)</b>
Adjustments for:		
Reversal of Impairment of land and buildings	(0.1)	-
Realised and unrealised loss on investments	24.4	(1.1)
(Decrease)/Increase in insurance technical provisions	2.7	(1.0)
Loss on disposal of tangible assets	0.5	-
Profit on disposal of operations	0.2	(0.3)
Depreciation	1.0	1.1
Amortisation of intangible assets and goodwill	0.8	12.0
Revaluation of Land and Buildings	2.1	-
Impairment of tangible fixed assets	0.5	0.4
<b>Operating cash flow before movement in working capital</b>	<b>7.6</b>	<b>(3.6)</b>
Decrease/(Increase) in debtors	<b>(3.1)</b>	<b>(4.8)</b>
Increase/(Decrease) in creditors	<b>(8.7)</b>	<b>11.2</b>
<b>Cash generated by operations</b>	<b>(4.2)</b>	<b>2.8</b>
Taxation (paid)/received	<b>0.0</b>	<b>(1.1)</b>
<b>Net cash flows from operating activities</b>	<b>(4.2)</b>	<b>1.7</b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**23. FINANCIAL COMMITMENTS**

**(a) Capital commitments**

Financial commitments to capital expenditure primarily relate to refurbishment of buildings.

**Figures are in millions of pounds**

<b>Group</b>	<b>2022</b>	<b>2021</b>
Capital expenditure	<b>0.2</b>	0.8

**(b) Other financial commitments**

<b>Group</b>	<b>2022</b>	<b>2021</b>
Sponsorship authorised and contracted for by the Board of Directors	<b>1.2</b>	1.6

**(c) Leasing**

The Group has the following future minimum lease payments under non-cancellable operating leases:

<b>Group</b>	<b>2022</b>	<b>2021</b>
Operating leases which expire:		
- within one year	<b>0.2</b>	0.2
- between one and five years	<b>0.3</b>	0.3
- in more than five years	-	-
<b>Total</b>	<b>0.5</b>	0.5

**NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2022**

**24. RELATED PARTY TRANSACTIONS**

The Group provided a loan of £650,000 during the year to its 65% owned subsidiary, Ocuplan Limited. The loan is for 5 years and carries a rate of interest the higher of 5% or 4% above base rate. On the 31st December 2022, the balance on the loan account was £657,258 with £29,313 of interest having been received during the year.

A director, who owns the remaining 35% minority interest in Ocuplan Limited, provided a loan for £327,318 on the same terms as outlined above. The balance on the loan at 31 December 2022 was £331,036 with the director receiving interest of £14,774 during the year.