

# VERIFICATION OPINION DECLARATION: GREENHOUSE GAS EMISSIONS

## To: The Intended Users and Stakeholders of Discovery Limited

- **Organization:** Discovery Limited
- **Address:** Group Head Office, 1 Discovery Place, Sandton, 2196, Gauteng
- **Verification Standard:** ISO 14064-3:2019 'Specification with guidance for the verification and validation of greenhouse gas statements'
- **Verification Criteria:** WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, 2004, and subsequent Amendments.
- **GHG Consolidation Approach:** Operational Control
- **GHG Inventory Period:** 01 July 2022 to 31 June 2023 (FY2023)
- **GHG Statement:** Refer to: *Discovery\_GHG Inventory\_FY23\_v7\_VERIFIED.xlsx*

Discovery Limited ("Discovery") is a South Africa (SA) based global financial services organization operating in the healthcare, life assurance, short-term insurance, banking, savings and investment products and wellness markets. The Group's primary markets are in SA and the United Kingdom (UK) where it owns and operates the financial services provider/insurer. Through a USA-based subsidiary Vitality Group, as well as partnerships with other leading international insurers, Discovery also offers its Vitality wellness and insurance products globally.

Discovery engaged Verify CO<sub>2</sub> to conduct independent third-party verification of the Group's greenhouse gas (GHG) emissions inventory for the financial reporting period 01 July 2022 to 30 June 2023 (FY2023). This *GHG Verification Opinion Declaration* is issued following an in-depth review of the GHG Inventory calculations and supporting information for the stated inventory period, based on the scope of work detailed below.

## Responsible Parties

Discovery nominated a third party<sup>1</sup> to prepare the *GHG Statement* set out below but retains sole responsibility for its preparation and fair presentation in accordance with the stated criteria.

Verify CO<sub>2</sub>'s responsibility is to express an independent assurance opinion on Discovery's FY2023 *GHG Statement* based on the evidence obtained regarding:

1. Conformance with the principles and reporting requirements of the *GHG Protocol Corporate Standard*.
2. Completeness and accuracy of the activity data and GHG emissions quantification.
3. Achievement of Discovery's target to reduce global scope 1 and scope emissions by 5% against FY2022 as well as zero waste to landfill against FY2019.

The ISO 14064-3 Standard requires that ethical standards are upheld in planning and performing the verification to obtain the agreed level of assurance that the GHG Statement is free from material misstatement.

## Level of Assurance

The verification activities provided a limited level of assurance on the final *GHG statement* below. A materiality threshold of 5% per emission source was applied.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit carried out in accordance with the ISO 14064-3 Standard will always detect a material misstatement when it exists. Misstatements are considered material if, individually or taken together, they could reasonably be expected to influence the intended

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<sup>1</sup> Collation of activity data and GHG quantification were carried out by GCX on behalf of Discovery.

user's decisions. Verification activities performed to achieve a limited level of assurance are less extensive in nature, timing, and extent than those for reasonable assurance.

Furthermore, GHG quantification is subject to inherent uncertainty as the methods used to estimate GHG emissions rest upon incomplete scientific knowledge.

## GHG Verification Activities

Evidence-gathering procedures included but were not limited to:

- Risk assessment based on a high-level overview of the initial FY2023 GHG data and historical GHG reporting.
- Communication with Discovery and GCX to clarify anomalies and deviations, and to provide supporting evidence as required.
- Analytical procedures to assess completeness and accuracy of the GHG data, including year-on-year variance checks, recalculation, and tracing of primary data to GHG information.
- Evaluation of the appropriateness of emission factors, estimation methodologies and assumptions.
- Evaluation of the accuracy and consistency of the GHG emissions and GHG intensity calculations.
- Liaison with Discovery and GCX regarding the verification findings and recommended corrective action.
- Evaluation of conformity of the *GHG Statement* with the verification criteria referenced above.
- Evaluation of progress made towards GHG and waste reduction targets.
- Discovery provides financial services with no complex GHG emitting activities, so site visits are not necessary.
- Due to the maturity of Discovery's GHG reporting, and that GHG emissions are low (verified scopes 1 and 2 have been below 36,000 tCO<sub>2</sub>e for the past 5 years), an independent review was not performed.

## Verification Scope & Exclusions

### GHG Boundaries:

- No significant structural changes took place during FY2023.<sup>2</sup>
- In accordance with the operational control approach for consolidating emissions, the GHG boundary included scope 1 and scope 2 GHG emissions for all operationally controlled facilities occupied by Discovery.
- Discovery reports on 8 out of the 15 scope 3 categories, only 4 of which were verified: Category 1 Purchased municipal water; Category 5 Waste generation; Category 13 for sublet space at the Head Office and Category 14 Franchise utility consumption.

### Reporting Exclusions

The following facilities/emissions sources were excluded due to data availability:

- SA: Nanolabs – new acquisition in FY2023<sup>3</sup>
- SA: Solar energy consumption at PE was excluded as the plant was only operational from June 2023.
- UK: Scope 2 natural gas heating for the new London office

## GHG Statement

After correction of misstatements, the FY2023 *GHG Statement* below was finalized on 22 August 2023:

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<sup>2</sup> Discovery operations in VHIA countries (Nigeria, Mozambique, DRC, Zambia, Kenya and Ghana are not operationally controlled by Discovery and are therefore not exclusions.

<sup>3</sup> Discovery acquired a 52% stake in Nanolabs on 01 July 2022. This entity has 5 facilities of 12m<sup>2</sup> each.

FY2023: GHG Emissions	South Africa Tonnes CO <sub>2</sub> e	UK Tonnes CO <sub>2</sub> e	USA Tonnes CO <sub>2</sub> e	TOTAL Tonnes CO <sub>2</sub> e
Scope 1	2 096	351 <sup>4</sup>	0	2 447
Scope 2 (location-based)	26 539	395	210	27 145
Scope 2 (market-based) <sup>5</sup>	26 539	63	199	26 802
<b>Total Scopes 1 &amp; 2 (location-based)</b>	<b>28 635</b>	<b>747</b>	<b>210</b>	<b>29 592</b>
<b>Total Scopes 1 &amp; 2 (market-based)<sup>6</sup></b>	<b>28 635</b>	<b>414</b>	<b>199</b>	<b>29 249</b>
Category 1 – Municipal Water	85	N/R	N/R	85
Category 5 - Waste <sup>7</sup>	42	N/R	N/R	42
Category 13 – Leased Assets <sup>8</sup>	682	N/R	N/R	682
Category 14 – Franchises <sup>9</sup>	613	N/R	N/R	613
<b>Scope 3: Verified</b>	<b>1 422</b>	<b>0</b>	<b>0</b>	<b>1 422</b>
Outside of Scopes – HCFC R-22 <sup>10</sup>	80	0	0	80

N/R = not reported

CDP: Additional FY2023 Verified Information	SA	UK	USA	Discovery Ltd.
Purchased non-renewable electricity (MWh)	25 519	157	347	<b>26 023</b>
Purchased 100% renewable electricity (MWh)	0	1 727	0	<b>1 727</b>
Electricity generated & consumed on-site (MWh) (renewable via direct line)	489	0	0	<b>489</b>
Total electricity consumed (MWh) <sup>11</sup>	26 008	1 884	347	<b>28 239</b>
Municipal Water Consumption (kl) <sup>11</sup>	92 240	Not reported		<b>92 240</b>
Year-on-Year Change in emissions	Scope 1; Scope 2; Scope 1 & 2; Scope 3 (Water & Waste)			

### Scope 3 - Category 5 Waste – SA only<sup>12</sup>:

Waste Destination	Tonnes waste	% Contribution	Tonnes CO <sub>2</sub> e
Incineration	13.74	3%	12.09
Landfill	21.62	5%	23.79
Recycling/AWT	192.55	43%	3.88
Compost	219.01	49%	1.95
<b>TOTAL</b>	<b>446.92</b>	<b>100%</b>	<b>41.71</b>

<sup>4</sup> Carbon offsets provided by gas contract for 1,303,497 kWh natural gas (~264 tCO<sub>2</sub>e) were not deducted.

<sup>5</sup> Various contractual instruments are available in the UK and USA. For FY2023, the UK offices used mostly 100% green energy (from a mix of sources including hydro, wind, solar, biomass and landfill gas) backed by UK REGOs or European GOs which met with the GHG Protocol's *Scope 2 Quality Criteria*.

<sup>6</sup> Scope 2: No residual mix emission factor is currently available for SA.

<sup>7</sup> Includes recycling, composting and alternative waste treatment (i.e., general waste diverted from landfill and repurposed).

<sup>8</sup> Due to reduced need for office space post Covid, Discovery now sublets part of 1 Discovery Place to 3rd party tenants. Sublet space doubled since FY2022. Only electricity and water consumption are reported.

<sup>9</sup> This includes electricity and water usage for 26 DCS franchises which Discovery does not operationally control.

<sup>10</sup> Fugitive GHG emissions of refrigerant gases not listed under the Kyoto Protocol are reported outside of the scopes.

<sup>11</sup> Includes 489MWh direct supply solar energy. Excludes DCS franchise and sublet tenant electricity and water consumption.

<sup>12</sup> Includes grease trap/oil separator waste. Final disposal varies, but 98% was diverted from landfill.

## GHG Verification Findings and Qualifications

### Findings:

#### GHG Reporting:

- **GLA:** Vitality-occupied space for the Stockport and Better Health offices in the UK, as well as some of the DFCs in SA was initially incorrect. Since GLA is used to adjust or estimate office consumption it should be accurate.

#### GHG Quantification:

- The following GHGs are applicable to Discovery's business activities: CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs and HCFCs.
- IPCC AR5 100-year GWPs were applied to all GHG conversions.
- **Scope 1:**
  - SA Generator diesel: There was a significant increase in usage due to increased load shedding incidents. The site housing Discovery's main data centre consumed more than 60% of total FY2023 diesel.
  - SA Generator diesel: Diesel purchases were used a proxy for consumption was initially 4.2% under-reported. Despite this having been corrected, diesel may still be under-reported as
  - SA Natural gas: Consumption at 1 Discovery Place (1DP) increased almost 3-fold.
  - UK Natural gas: Carbon offsets linked to gas supply contracts were not used to reduce the reported 264 tCO<sub>2</sub>e emissions from gas consumption for heating the Stockport and Bournemouth offices.
- **Scope 2:**
  - Consumption for all non-SA sites was initially duplicated in the GCX dashboard.
  - SA: Final emissions decreased due to loadshedding and a lower Eskom emission factor, but this was offset in part by the increased use of generators.
  - SA: *Scope 2 Quality Criteria:* No RECS were generated for 3<sup>rd</sup> party-owned solar PV energy consumed by Discovery, and Discovery had a unique claim to this energy's zero carbon environmental attributes.
  - Gas heating consumed at leased premises in multi-tenanted buildings (London, Better Health and Chicago offices) was recategorized as scope 2 in accordance with the GHG Protocol's *Scope 2 Guidance*.
  - Energy consumed directly from landlord-owned on-site solar PV at Discovery SA facilities (Sable Park and 1 Discovery Place) was accounted for at zero CO<sub>2</sub>e for both the location- and market-based calculations (Both landlords confirmed that no RECs were created for the solar energy generated).
- **Scope 3:**
  - Municipal Water:**
    - The increase in FY2023 water usage is correlated with more employees returning to the workplace.
  - Waste:**
    - Discovery only reports on waste for the 5 main offices in SA where a waste management program has been implemented.
    - Grease trap/oil separator waste was reported in FY2023 for the first time. Final disposal varies, depending on post-treatment level of safety and disposal options available. Only 2% ended up in landfill, the remainder was either treated and discharged as wastewater, composted, or reused in animal feed.
    - Landfilled waste was materially under-reported for the KZN facility as for the first few months of FY2023 (and the whole of FY2022) WastePlan's consolidated waste report included an average bin weight rather than the sum of bin weights collected during the month.

## Qualifications:

The following qualifications were raised in relation to the unmodified verification opinion:

- **GHG Quantification:** Estimation was used if consumption was known to have taken place but was not available (mostly for June 2023 and all franchises).
- **GHG Intensity Ratios:** These metrics could not be verified as they were not submitted with the *GHG Statement*.
- **GHG Protocol Corporate Standard Compliance:** Although this information is included in the GCX Analytics dashboard, neither a breakdown of GHGs in metric tonnes per gas nor a base year GHG emissions profile were included in the *GHG Statement*.

## Future Recommendations

- **GHG Data Management:**
  - Limited time is available to verify the GHG data required for public disclosure due to the time lag for the submittal of invoices which oftentimes ends up being estimated. To reduce estimation, monthly data can be reported using the landlord's invoice date rather than the actual month during which consumption occurred. For example: for 1DP Growthpoint's June invoice can be used for June instead of for May; for Sable Park RPA's June invoice can be used for June instead of for April.
  - Due to the frequent openings, closures, and relocations of these sites, as well as the inconsistent naming, to prevent double counting or omission, a unique site code should accompany all DFC/DCS information submitted.
  - DFC/DCS consumption is estimated using a consumption rate per m2 calculated from a sample of sites and applied to the remaining sites' GLAs. Accurate reporting therefore depends on accurate GLAs. Due to the above-mentioned site changes, GLAs should be rechecked for each reporting period.
- **GHG Protocol Corporate Standard Compliance:**
  - A breakdown of GHGs in metric tonnes per gas, as well as a base year GHG emissions profile should be included with the *GHG Statement*.

## Conclusion and Final Verifier Opinion - Unmodified

Based on the evidence obtained in conducting the limited assurance procedures in accordance with ISO 14064-3 and applying the stated criteria, misstatements were identified and duly rectified.

Notwithstanding the above qualifications, it is our opinion that Discovery has established appropriate systems for the collection, aggregation, and analysis of data for quantifying the GHG emissions for the stated period and boundaries. There is no evidence that the *GHG Statement* set out above:

1. has not been prepared in accordance with the principles and requirements of the WRI/WBCSD *GHG Protocol Corporate Accounting and Reporting Standard*; and
2. does not provide a true and fair representation of Discovery's GHG emissions data and information for the stated inventory period and boundaries.
3. **Scope 1 and 2 Target:** FY2023 scope 1 and 2 market-based GHG emissions decreased by 2.7% compared to FY2022 (6.9% lower than the FY2022 absolute target and 2.2% lower than the FY2023 absolute target).

**Landfilled Waste Target:** For FY2023 95% of all waste generated by SA facilities was diverted from landfill.

This *Verification Opinion Declaration* provides assurance only for Discovery's FY2023 *GHG Statement* above. The information presented in the GCX Analytics dashboard cannot be verified, as the verifier has no control over changes that may be made on this platform after the verification has been completed. Verify CO2 did not conduct any work outside of the agreed scope, and our opinion is therefore restricted to the agreed subject matter.

## Statement of Competence, Independence, and Impartiality

Verify CO<sub>2</sub> has more than 10 years' experience in leading corporate GHG verification projects, and therefore has the competence and proficiency required to lead verification engagements.

We conducted this verification independently and, to our knowledge, there has been no conflict of interest. No member of the verification team has a business relationship with Discovery beyond that required of this assignment.

### Attestation:

A handwritten signature in black ink, appearing to read "Kerry Evans".

**Signed:** Kerry Evans  
Lead GHG Verifier  
Verify CO<sub>2</sub>  
**Date:** 31.08.2023