# CLIMATE REPORT

for the year ended 30 June 2024

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## NAVIGATING OUR REPORTING SUITE

This is an interactive report. Navigation tools at the bottom right of each page and within the report are indicated alongside.

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Clickable points of interest

**Our reporting suite is best viewed in Adobe Acrobat for desktop, mobile or tablet.** Click to download or update to the latest Adobe Acrobat Reader

Our Climate Report is supported by a comprehensive suite of reports that provide our stakeholders with a holistic overview of the Group, its prospects and performance during the 2024 financial year. These reports can be accessed on our website.

## OUR REPORTING SUITE

Integrated Annual Report

Our primary report to our shareholders, providers of financial capital and other key stakeholders, detailing how we created, preserved or eroded value during the year.

Group Annual Financial Statements

Group audited consolidated annual financial results for Discovery Limited, the Embedded Value Statement and Five-year Review.

Sustainability Report

An overview of the Group's performance against our Integrated Sustainability Framework and, where appropriate, against relevant standards and frameworks.

THIS REPORT

Climate Report

Describes the Group's approach to climate change and provides climate-related disclosures regarding governance, strategy, risk management, metrics and targets.

Governance Report

Outlines the Group's governance philosophy, leadership and compliance with the King Report on Corporate Governance™ for South Africa, 2016 (King IV™)*.

Remuneration Report

Outlines our remuneration policy and implementation approach, along with factors influencing our remuneration-related decisions.

Tax Transparency Report

Communicates material tax disclosure information to demonstrate our commitment to tax transparency and operating as a force for good through our tax contributions.

Annual financial results presentation and booklet

ESG Databook

Notice of Annual General Meeting (AGM)




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# About *this report*

Our 2024 Climate Report describes Discovery's approach to managing the impacts of climate change and provides climate disclosures related to governance, strategy, risk management, and metrics and targets. In addition, we provide insights into how we minimise our climate-related impacts and leverage climate-related opportunities to create value.

## REPORTING SCOPE AND BOUNDARY

This Climate Report provides a holistic view of Discovery Limited (Discovery or the Group) from 1 July 2023 to 30 June 2024 (FY2024). We also include all material events up to the date of Board approval. Furthermore, this report includes information relating to the performance of our market-specific composites: Discovery South Africa (SA) and Vitality (Vitality United Kingdom (UK) and Vitality Global).

## FRAMEWORKS APPLIED

In preparing this report, we were guided by the:

- Global Reporting Initiative (GRI) standards
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures recommendations*

* *The TCFD was disbanded in 2023 following the release of the International Sustainability Standards Board IFRS S1 and S2. We will continue to report against the TCFD recommendations as it has become the foundation for climate-related financial disclosures globally, and we are working to align with IFRS S2 Climate-related Disclosures.*

## FORWARD-LOOKING STATEMENTS

Certain forward-looking statements regarding the Group's future performance and prospects may be included in this report. These statements cannot be considered guarantees of future performance or outcomes as they may be influenced by emerging risks, future events, changing circumstances and other important factors that cannot be predicted and are out of Discovery's control. These events may cause actual results to differ materially from our current expectations as disclosed in this report.

## COMBINED ASSURANCE

Discovery is committed to disclosing accurate information that supports a variety of stakeholders in their decision-making. Our Combined Assurance Model integrates the efforts of our management and internal and external assurance providers to assure the integrity of this report. In the year under review, our reporting suite was assured as follows:

- Joint external assurance of Annual Financial Statements by KPMG and Deloitte
- Limited external assurance of selected sustainability information by Nexia SAB&T
- Limited assurance of selected factual and quantitative financial and non-financial information by Group Internal Audit
- Limited assurance of selected greenhouse gas (GHG) emissions inventory by Verify $CO_2$
- Verification of B-BBEE rating by Honeycomb BEE Ratings

Based on these engagements, Group Internal Audit believes the quantitative and qualitative information in this report accurately reflects the Group's performance for FY2024.

This report is the culmination of a Group-wide process led by the Group Finance function, with the oversight of the Group Climate Steering Committee and Group Executive. Our Group Social and Ethics Committee reviews the process and recommends the report to our Board for approval.

## BOARD APPROVAL

Discovery's Board of Directors is responsible for the integrity of this report. After reviewing this report, the Board believes it accurately and comprehensively explains Discovery's response to climate change.

The Board unanimously approved this report on 14 October 2024.

**Sir Mark E Tucker**
**Independent Non-executive Chairperson**

**Adrian Gore**
**Group Chief Executive**

***We welcome your feedback on our reporting suite.***
***To submit any comments, email sustainability@discovery.co.za.***

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# A message from *our leadership*

Discovery is a purpose-led organisation grounded in its values and committed to being a force for good, and our Shared-value model extends to the environment in which we exist. From this base, we recognise the urgency for climate action and unwavering commitment to doing what is right for our environment. In the face of the undeniable trajectory of climate change – impacting people globally through displacement, water shortages, air pollution, extreme weather events and health crises – we are steadfast in our resolution to leverage our capabilities to respond with real-world impact.

This reporting year has seen several significant climate events, highlighting the unequivocally pronounced impact of climate change. South Africa experienced flooding, storms and damaging wildfires in the Western Cape, a major hailstorm in Gauteng and flooding in KwaZulu-Natal, while the UK experienced heatwaves. In the face of these extreme events, we remain true to our purpose of making people healthier and enhancing and protecting their lives. We recognise that these events and other global trends deepen our understanding of our climate-related risks and opportunities, driving our investments in impactful climate solutions and strengthening our collaboration with peers and partners.

For Discovery, the question has never been whether to be part of the climate solution; only how best to be of service in this space through our Shared-value model. Recognising that access to clean energy at scale will play a crucial role in meeting our 2050 net zero ambition, we have applied our Shared-value model to green energy, investing in innovations that led to the creation of Discovery Green. Our dedication is underscored by commitments to global sustainability initiatives, including the Paris Agreement, the principles of the United Nations Global Compact (UNGC), the United Nations Sustainable Development Goals (SDGs) and the United Nations Environment Programme Finance Initiatives (UNEP-FI) Principles for Sustainable Insurance.

This report, our fourth in line with the TCFD's recommendations, reflects our work to deliver on our climate change strategy during the year. In this report, we communicate our commitment to climate-related issues and demonstrate our progress to key stakeholders.

Senele Mbatha

Deepak Jobanputra

## DEVELOPMENTS IN OUR EXTERNAL ENVIRONMENT

The climate-related regulatory landscape continues to evolve, highlighted by the enactment of the South African Climate Change Act and the UK's Financial Conduct Authority moving towards mandatory sustainability disclosure requirements from 2026. At the same time, the impact of climate-related physical risks is increasing globally, affecting our primary and partner markets. As we navigate these changes, we remain committed to transparency and resilience in our climate reporting, ensuring we address increasing transition risks and the physical impacts of climate change on our business.

This year, we transition from a TCFD Report to a Climate Report, reflecting the TCFD's disbandment and the introduction of the ISSB's IFRS S1 and S2. While continuing to align with TCFD recommendations, we are taking a phased approach towards alignment with the ISSB standards.

To ensure we remain well positioned to respond to these and other developments, we continue to refine our scenario analysis, recognising that our data and risk management capabilities are key strengths in remaining resilient in an evolving landscape.

## PROGRESS AGAINST OUR CLIMATE CHANGE STRATEGY

Our climate change strategy outlines our path to achieving net zero by 2050 or earlier, supported by short-term and medium-term goals and a commitment to publish our Net-Zero Transition Plan in Q4 2025.

To meet our climate change goals, we are guided by three strategic pillars. Firstly, we **align** across practices and properties, reducing emissions in our operations to align with global climate ambitions. Secondly, we **amplify** through our portfolio and partnerships, recognising the role we can play in collaboration with suppliers, partners and other stakeholders in managing our indirect emissions. Finally, we make an **impact** by supporting adaptation through developing market-transforming products and services that empower our client base to be part of the climate solution.

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## 01 Align across practices and properties

To meet our short-term and medium-term climate goals, we focus on reducing our own emissions to ensure alignment across the Group's practices and properties. In parallel, we are refining our strategic response to achieving net zero, which includes decarbonisation plans for Scope 1, 2 and 3, energy reduction pathways and new technologies. Our final Net-Zero Transition Plan, including consolidated targets and science-based reduction trajectories, is on track to be published in Q4 2025.

Pleasingly, we achieved our short-term goal for FY2024, cumulatively reducing the Group's Scope 1 and 2 emissions by 21.4% against our 2019 baseline (FY2023: 18.5%). This achievement is due to our continued initiatives to identify and improve resource and energy source efficiencies across our operations. During the year, highlights included identifying heating, ventilation and air conditioning efficiencies and introducing a battery energy storage system to reduce diesel consumption at our data centre. Our rooftop solar installations continue to help us reduce our reliance on the grid and generators, contributing 4% of the Group's energy needs from renewable resources. While loadshedding continued to be a challenge in FY2024, it decreased in the latter half of the year, and the improved energy availability reduced our reliance on diesel overall.

Importantly, our investment in Discovery Green was realised when we launched the renewable energy wheeling platform in September 2023. Discovery Green is set to supply 1 Discovery Place with 100% renewable energy by 2027. Based on this development, we re-examined our medium-term goal of achieving carbon neutrality by 2025, and after careful deliberation during the year, we decided to extend our carbon neutral goal to 2027 for our SA and US operations. With this decision, we will remain true to our ethos of creating real-world impact by directly reducing our operational emissions through renewable energy provision, as a preferred approach to purchasing carbon offsets.

Refer to page 26 for more on our strategic decision to defer our carbon neutral goal to 2027.

Vitality UK remains on track to achieve carbon neutrality by 2025. The business made good progress in this regard during the year, achieving 99% renewable energy in Vitality-occupied offices and transitioning its nurses' fleet to 100% hybrid vehicles.

## 02 Amplify through portfolio and partnerships

We recognise that we can amplify our progress against our climate commitments by incorporating environmental considerations into our portfolio and partnerships. Understanding our Scope 3 emissions – indirect and highly variable emissions from our value chain – is key to developing meaningful decarbonisation plans. As such, this strategic objective is crucial to our goal of achieving net zero by 2050.

We are committed to collaborating with peers, partners and industry bodies to develop more credible and stable Scope 3 emissions data. During the year, we made significant progress in analysing our Scope 3 emissions, including establishing an accurate baseline for our financed emissions, assessing data availability and developing a roadmap for improved data accuracy and measurement. We also engaged with asset managers on investment-related emissions, started assessing UK healthcare emissions data and collaborated with industry bodies to standardise Scope 3 methodologies.

Our active engagement role in climate change forums, regulatory changes and evolving frameworks ensures we stay informed and extend our influence over climate-related developments. By collaborating with our peers and industry bodies, we strive to support an orderly, timeous and just transition to net zero in the industries in which we operate.

## 03 Impact through incentives and innovation

Our business is built on incentivising behaviour change and sharing the resulting value with our clients and society. We recognise the immense potential of this model to make a positive climate impact. By leveraging our data capability and intellectual property, we continue to actively respond to the challenges posed by climate change and develop climate-related innovations aligned with our purpose.

As the link between climate change and human health becomes clearer, the opportunities presented by our Vitality behaviour-change model become more evident. By understanding the correlations between behaviour and outcomes through this model, we can target areas with the greatest potential to mitigate risks, including those related to climate change, for long-term resilience.

Our research and development capabilities support us in developing responsible products, such as Discovery Green, which aims to provide South African businesses with access to simplified renewable energy from 2026. To date, Discovery Green has procured 1.3 GW in solar and wind generation, making good progress towards its goal of facilitating large-scale renewable energy over the coming years.

We will continue to explore products and services aimed at encouraging and incentivising clients and broader society to reduce personal emissions by simplifying sustainable solutions.

# LOOKING AHEAD

As climate change intensifies, so does our resolve. Despite the challenges posed by an evolving regulatory landscape and the complexities of Scope 3 data availability, we are energised for the work ahead. We are encouraged by the significant progress the Group has made over the past year in making real-world impacts and enhancing our long-term resilience.

We welcome the ISSB standards and the common language they bring, alongside the TCFD recommendations, to disclose the financial impact of climate-related risks and opportunities. As we work on aligning our reporting with these industry standards, we recognise that compliance brings benefits, particularly given the long-tail and often uncertain nature of climate change impacts.

Our commitments remain unwavering. We will publish our Net-Zero Transition Plan in Q4 2025, and until then, we will continue working to meet our short-term and medium-term climate goals and deepening our understanding of our Scope 3 emissions. In developing our transition plan, we are investigating a commitment to a net zero framework like the Science-based Targets Initiative (SBTi) or the Net Zero Asset Owner's Alliance (NZAOA) to verify our targets against science-based methodology.

Our journey to net zero will be a collective effort that involves stakeholders from every corner of our business. With our climate commitments championed at the highest level, we are embedding net zero considerations into our culture and strategic decisions. We support government policies that drive meaningful climate action and recognise the power of collaboration across industries to achieve global goals.

The urgency of the climate crisis is clear. As a responsible corporate citizen and a force for good, we face the future with confidence, strengthened by our capabilities and robust climate change strategy.

**Senele Mbatha**
**Group Chief Risk Officer, and Executive Sponsor of the Climate and Environment Steering Committee**

**Deepak Jobanputra**
**Chief Sustainability Officer, and designated Senior Manager Function, Vitality UK**

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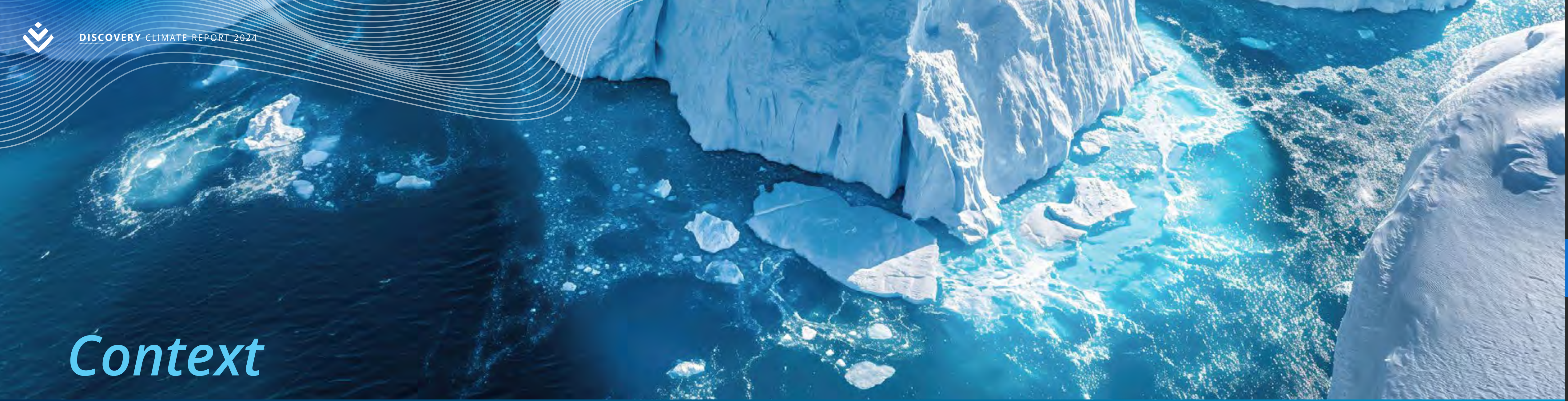

# Context

The urgency for climate solutions has never been greater, with the World Meteorological Organization confirming 2023 was the hottest year on record. As temperatures rise, extreme weather events and related adverse impacts continue to increase, causing long-term systemic effects, particularly on food, water and health. Current global warming trajectories indicate that at least one climate tipping point – where the state of the system will be fundamentally altered – could be passed within the next 10 years. Breaching these critical thresholds will trigger profound and lasting changes, fundamentally requiring us to reassess and deepen our understanding of the risks posed by climate change.

The 2024 World Economic Forum Global Risk Report underscores the dominance of environmental risks, with extreme weather and critical changes to Earth systems identified as the most severe global threats for this year and the coming decade. This aligns with the urgency under the Paris Agreement, signed by nearly 200 countries in 2015, which aims to limit global warming to below 2°C and pursue efforts to limit this to 1.5°C. The Intergovernmental Panel on Climate Change (IPCC) suggests that potentially irreversible tipping points, such as ice sheet instability or ecosystem loss from tropical forests, become high risk from 1.5°C of global warming. According to most scenarios outlined by the IPCC, the 1.5°C threshold may be exceeded in the first half of the 2030s.

The window of opportunity for action is rapidly closing, and the solution requires nothing short of global transformation, with all sectors of society working together towards net zero emissions by mid-century. Central to this effort are Nationally Determined Contributions (NDCs), detailing signatory countries' specific plans to reduce greenhouse gas (GHG) emissions and adapt to climate change impacts.

South Africa welcomed the adoption of a Global Goal on Adaptation (GGA) at the 28th UN Climate Change Conference (COP28) in 2023. Parties agreed on a GGA framework, which emphasises the need for financial, technological and capacity-building support from developed countries. This support is crucial for South Africa to achieve its NDC targets by 2030 and facilitate a just transition, especially for vulnerable populations facing an abrupt shift to a low-carbon economy. The South African government's Just Energy Transition Implementation Plan outlines a required investment of US$1.5 trillion over five years to support a just transition to a low-carbon, climate-resilient economy.

At COP28, global leaders endorsed the inaugural Health and Climate Change Declaration, emphasising the severe health impacts of climate change and the urgent need to address these intertwined issues. Furthermore, the World Health Organization has prioritised climate change and health in their General Programme of Work, with the Director-General labelling the climate crisis as a health crisis.

Given the interdependencies between climate, health and insurability, insurers must play a critical role in addressing the climate crisis. Climate change adversely affects health through air pollution, disease, extreme weather events, forced displacement, food insecurity and pressures on mental health. If current trends continue, climate-related deaths could reach 3.4 million per year by the end of the century. In addition, healthcare systems account for 4% of global $CO_2$ emissions, highlighting the industry's responsibility to collaborate to drive sustainable change.

With its extensive experience in risk pooling and managing emerging risks, the insurance sector is uniquely equipped to mitigate the severe economic and societal impacts of climate change despite these challenges. By ensuring its products promote prevention and responsible behaviour change, the sector can effectively address its greater exposure to climate-related financial risks compared to other financial sectors.

The collective efforts of governments, businesses and individuals to address climate change will have long-lasting impacts for future generations. In this complex context, Discovery's Shared-value model positions it to be an integral part of the climate change solution. As an organisation built on incentivising behaviour change, we recognise the power of our model to make a positive impact, and we will continue to develop products and services that support the transition to a lower carbon economy.

Refer to page 23 for more information on how our shared value approach supports climate solutions.

> **The South African government's Just Energy Transition Implementation Plan outlines a required investment of US$1.5 trillion over five years to support a just transition to a low-carbon, climate-resilient economy.**

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> **We recognise that the physical environment directly and indirectly impacts people's health. As such, delivering on our purpose of making people healthier and enhancing and protecting their lives requires us to consider environmental impacts on health and wellbeing.**

# Our position on *climate change*

As a global financial services organisation, we recognise that our ability to do business is fundamentally linked to the resilience of the communities we serve.

We recognise that the physical environment directly and indirectly impacts people's health. As such, delivering on our purpose of making people healthier and enhancing and protecting their lives requires us to consider environmental impacts on health and wellbeing.

We have an opportunity to make real-world impact and be part of the climate change solution by extending our Shared-value model into this space. Since inception, Discovery has seen the power of aligning our interests with those of our clients and society. Applying our business model to address planetary health is the next step in the evolution of our shared-value thinking.

Our Group climate change strategy guides us in mitigating risks and reducing our negative climate-related impacts through three goals that span the short, medium and long term, ultimately aiming to achieve net zero by 2050 or earlier. The strategy outlines clear targets to reduce our GHG emissions and our plans to integrate climate-related issues into our overall business strategy. This includes guidance on innovation, product development, risk assessments, investment policies, procurement processes, facilities and operational processes, employee training and corporate culture. Our climate change strategy is underpinned by clear governance structures and includes Board and executive oversight to ensure the Group delivers on its climate change-related goals.

We focus on creating real-world impact by directly reducing our operational GHG emissions and procuring renewable energy. In FY2024, we made the decision to defer our Group's 2025 carbon neutral goal to 2027, when Discovery Green is projected to provide 1 Discovery Place (which accounts for 60% of total Group emissions) with 100% renewable energy.

Discovery Group Climate Change Strategy

Refer to page 26 for more detail on our carbon neutral goal.

Given the evolving landscape, we take an iterative approach to planning and refining our commitments over time. We are committed to aligning with best practice, advocating for a low-carbon future and engaging at a sector and industry level.

KEY: R Reporting S Signatory

**RELATED COMMITMENTS INCLUDE:**

| Commitment | Reporting | Signatory |
|---|---|---|
| The UN Principles for Responsible Investment (PRI) | R | S |
| The Carbon Disclosure Project (CDP) | R | |
| TCFD recommendations* | R | |
| The Alliance for Climate Action South Africa | | S |
| The UNEP FI Principles for Sustainable Insurance (PSI) | R | S |
| UN Global Compact | R | S |
| Global Reporting Initiative (GRI) | R | |
| Sustainability Accounting Standards Board (SASB) | R | |

** The TCFD was disbanded in 2023 following the release of the International Sustainability Standards Board IFRS S1 and S2. We will continue to report against the TCFD recommendations as it has become the foundation for climate-related financial disclosures globally, and we are working to align with IFRS S2 Climate-related Disclosures.*

Refer to page 14 for detail on our engagements on climate-related developments.

Discovery supports a fair, responsible and just transition to a low-carbon economy, recognising it will enhance economic, societal and financial system resilience in line with the Paris Agreement. In SA, our home market, we are mindful of the unique challenges faced in the real economy across emerging markets and sectors.

We support our asset managers' approach in engaging with investees on their transition plans and strive to adopt this approach with our existing and prospective business partners. Ninety One, an asset management firm with a global footprint that manages most assets under our management, has a net-zero transition plan aligned with Science Based Targets initiative (SBTi) methodology. Ninety One advocates for a reframing of investors' role in achieving net zero, emphasising real-world carbon reduction and portfolio returns that support a just and inclusive transition. Ninety One engages with higher-emitting companies on their strategic response to climate change, applying Transition Plan Assessment and Climate Strategy Assessment frameworks to ensure plans and strategies are ambitious, credible and aligned with the Paris Agreement. Our other investment partners are signatories of the PRI, the Net Zero Asset Managers Initiative, and/or Climate Action 100+, indicating their collective commitment to mitigating climate risk.

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# Our strategic response to *climate change*

## Discovery's climate change strategy outlines the following objectives:

01 Assess and acknowledge potential climate-related risks and opportunities and formulate appropriate strategies.

02 Integrate climate change-related issues into Group policies and practices – including investments, procurement and partnerships.

03 Set science-based targets aligned with global best practice for direct and indirect GHG emissions.

04 Innovate to develop climate-friendly products and services that positively influence society.

05 Drive climate action and advocacy through industry and policy engagement.

06 Disclose and report on climate-related risks, strategies, targets and progress aligned with TCFD recommendations.

## Our climate change strategy is aligned with our values and governed by the following principles:

- Science-led and aligned with global initiatives that incorporate best practice
- Linked to our core purpose and integrated into the Group strategy informed by a clear business case
- Focused on Discovery's areas of greatest impact to manage its sphere of influence
- Committed to collaborating and contributing meaningfully on relevant public policy issues to promote a just transition
- Underpinned by effective governance, empowered people and a commitment to transparency and accountability

## Our three climate-related goals form the foundation of our response to climate change:

**SHORT-TERM GOAL**
**Annual reduction against our 2019 baseline**

Reduce Scope 1 and 2 emissions cumulatively by 21% (28 358 $tCO_2e$) for FY2024 and 23% (27 680 $tCO_2e$) for FY2025 against a 2019 baseline of 35 897 $tCO_2e$ (aligned to science-based methodology)

**MEDIUM-TERM GOAL**
**Carbon-neutral operations by 2027***

Achieve carbon neutrality in our SA and US operations by 2027 and in our UK operations by 2025 (Scope 1 and 2 emissions)

**LONG-TERM GOAL**
**Achieve net zero by 2050 or earlier**

Extend beyond Scope 1 and 2 to include all GHG emissions across the organisation

Publish our plan in Q4 2025 to achieve net-zero GHG emissions by 2050 or earlier

Collaborate with strategic partners to enable a low-carbon future

**THESE GOALS ARE ENABLED BY THREE PILLARS, EACH WITH SPECIFIC COMMITMENTS:**

**01 Align across practices and properties**
Reduce Group GHG emissions to align with global climate ambitions

**02 Amplify through portfolio and partnerships**
Integrate climate-related issues into investment, procurement and partnership decisions and policies

**03 Impact through incentives and innovation**
Develop and scale products and services that reduce GHG emissions and support adaptation

**THESE PILLARS COME TO LIFE THROUGH THREE DEDICATED WORKSTREAMS TO HELP US REACH OUR CLIMATE CHANGE GOALS:**

**OPERATIONS**
All property and facility-related operations that contribute to our carbon emissions, including energy provision and management, fleet management, employee services and waste management.

**PEOPLE**
Our engagement with and impact on employees and external stakeholders (partners, suppliers, ratings agencies) that affect our carbon footprint and goals.

**PRODUCT**
Considering potential climate change impacts in product development, and specifically developing new products and services to encourage and incentivise clients and society to reduce their personal emissions and make sustainable choices.

We will continue to assess, report on and update our goals to ensure we adhere to the latest science-based recommendations for business and industry transformation.

** Refer to page 26 for more information on our decision to defer our Group's 2025 carbon neutral goal to 2027.*

Discovery Group Climate Change Strategy

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# Our climate *reporting journey*

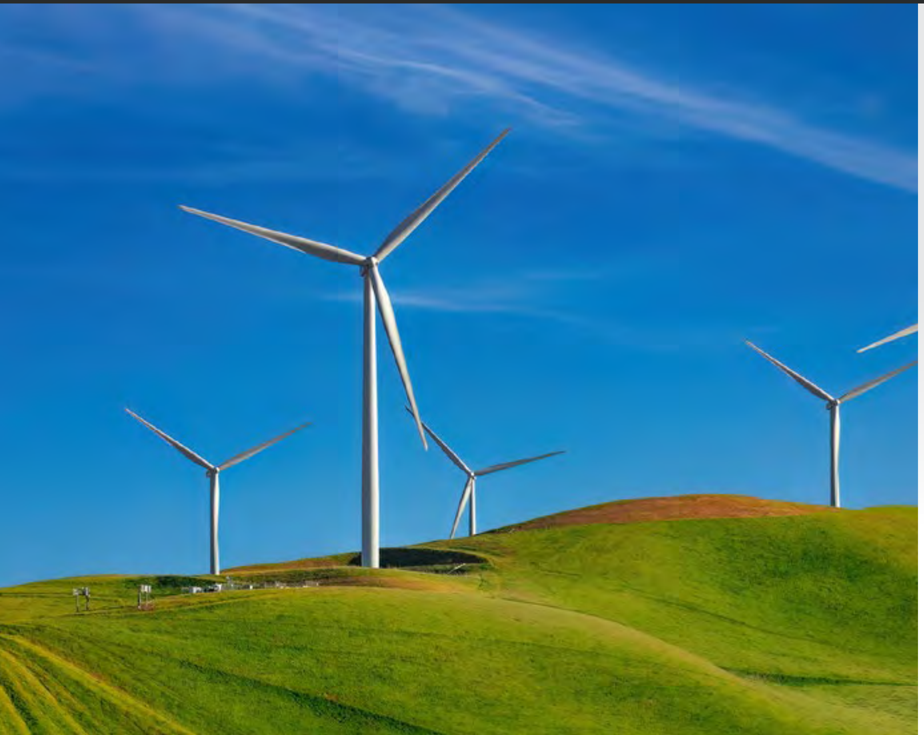
Discovery has reported in line with the TCFD recommendations, which form the most widely accepted climate-related financial disclosure framework, since 2021. Guided by our commitment to disclosing climate-related risks and opportunities more effectively, we support the ISSB standards, which build on the TCFD framework to provide a global baseline for sustainability disclosures.

4 486
companies support the TCFD recommendations

Companies supporting the TCFD represent a combined market capitalisation of over
US$29.5 **TRILLION**

**MORE THAN**
1 800
financial institutions, responsible for assets of
US$222.2 **TRILLION,**
support the TCFD

*Source: TCFD 2023 Status Report*



The TCFD recommendations have become foundational to climate-related disclosures globally, with many governments, regulators and stock exchanges now encouraging or mandating disclosure. In the UK, it is mandatory for premium listed companies, as well as private companies with over 500 employees and £500 million in turnover, to disclose climate-related financial information in line with the TCFD.

With the TCFD's integration into global disclosure regimes and its recommendations endorsed by 19 jurisdictions comprising nearly 60% of global GDP in 2022, the framework's influence is undeniable. The sixth and final TCFD status report, published in October 2023, outlined ongoing improvements and highlighted areas needing more urgent progress, particularly related to transparency in the actual and potential impact of climate change and the effects of climate-related issues on financial statements. While the Task Force was encouraged by climate-related disclosure progress and the support of governments, regulators and other authorities, it remained concerned that not enough companies disclose decision-useful climate-related financial information supporting the appropriate assessment and pricing of climate-related risks.

The TCFD was disbanded in 2023 following the release of the ISSB's first two standards, which signified a culmination of the Task Force's work. The standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, were developed through global consultation. IFRS S1 outlines general sustainability-related disclosure requirements, while IFRS S2 specifies climate-related disclosure requirements, incorporating the TCFD recommendations. From 2024, the ISSB will assume the TCFD's monitoring responsibilities as the ISSB standards start being applied globally.

For detail on our application of the TCFD recommendations, refer to our application register on page 34.

Now in our fourth year of climate-related reporting, Discovery remains committed to transparency in this evolving landscape. We continue to enhance our reporting practices in line with the TCFD recommendations and intend to progress towards alignment with the ISSB standards. This commitment is underscored by our endorsement of the COP28 declaration of support. We take a phased approach to advancing our climate-related disclosures, as detailed on the following page. Our reporting continues to be informed by the latest climate science, and we intend to monitor and report against regulatory guidelines and leading international climate-related standards as they develop.

For detail on our progress in modelling impacts, refer to scenario analysis on page 21.

# OUR PHASED APPROACH TO ADVANCING OUR CLIMATE REPORTING

Our phased approach to advancing our climate reporting is rooted in the four pillars of the TCFD recommendations. We will continue to report against the TCFD recommendations as it has become the foundation for climate-related financial disclosures globally.

In **PHASE 1**, we established a foundation for climate-related financial disclosure against the TCFD recommendations by addressing key requirements in the governance and risk management pillars. In **PHASE 2** we focused on enhancements and additions to strategy, metric and target disclosure elements, which are considered especially useful by interested stakeholders.

Once we have refined the use of climate-related scenario analysis, we anticipate we will be able to disclose our strategy's resilience under different climate-related scenarios under **PHASE 3**. As new data is produced and the science and research evolve, we will further integrate this information into our strategy and align our reporting.

Following the publication of the ISSB sustainability disclosure standards, we conducted a gap analysis to identify disclosure requirements that require further consideration. We will amend our implementation plan in light of the gap analysis and enhance our reporting as we transition to aligning with IFRS S2. While recognising the challenges associated with aligning to a new standard, we are committed to advancing our climate reporting.

## Phased alignment to global reporting standards and regulatory guidelines

### PHASE 1

**Foundation**

| | | |
|---|---|---|
| G | Board oversight | Disclosed |
| G | Management's role | Disclosed |
| RM | Risk identification and assessment processes | Disclosed |
| RM | Risk management processes | Disclosed |

### PHASE 2

**Enhancements and additions**

| | | |
|---|---|---|
| G | How the Board considers climate-related issues in reviewing capital expenditure, acquisitions and divestiture | In progress |
| S | Material climate-related issues by sector and geography | Disclosed |
| S | How these issues affected the business and strategy | Disclosed |
| MT | Key metrics used to measure and manage climate-related issues over the past three years | Disclosed |
| MT | Scope 1 and 2 GHG emissions disclosed over the past three years | Disclosed |
| MT | Climate-related targets related to GHG emissions, timeframes and base year | Disclosed |
| MT | KPIs used to assess progress against climate-related targets | Disclosed |

### PHASE 3

**Enhancements and additions of strategy resilience**

| | | |
|---|---|---|
| G | How the Board considers climate-related issues in reviewing and guiding strategy | Disclosed |
| RM | Consideration of existing and emerging regulatory requirements related to climate change | Disclosed |
| S | Timeframe (short, medium and long term) | Disclosed |
| S | How material climate-related issues affect financial planning | In progress |
| S | How climate-related scenarios inform strategy/financial planning | In progress |
| S | Resilience of strategy to climate-related issues, including an indication of range | Not started |
| S | Climate-related scenarios and associated time horizon(s) used | In progress |
| S | Sensitivity to carbon pricing, if applicable | In progress |
| MT | How climate-related performance metrics are incorporated in remuneration policies | Disclosed |
| MT | Methodologies used to calculate or estimate climate-related metrics | In progress |
| MT | Scope 3 GHG emissions over the past three years | In progress |
| MT | Identification of climate-related targets as absolute or intensity based | In progress |
| MT | Methodologies used to calculate or estimate climate-related targets | In progress |

**KEY:**

- G Governance
- RM Risk management
- S Strategy
- MT Metrics and targets

- Disclosed
- Not started
- In progress

*Source: TCFD Illustrative implementation plan based on expert users' ratings, September 2020*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# Governance

Governance is essential to creating and preserving value. It ensures strategic decisions balance short-, medium- and long-term outcomes, aligning the interests of the Group, stakeholders and society.

**The following governance commitments underpin Discovery's climate change strategy pillars:**

**Assign** Board and executive-level responsibilities for delivering on our climate change strategy

**Assess**, **manage**, and publicly **disclose** climate-related risks and opportunities across the Group

**Review** capabilities, organisational structure and remuneration to achieve climate ambitions and goals

## GROUP GOVERNANCE FOR OUR CLIMATE CHANGE RESPONSE

The governance of climate-related matters is integrated into our established and wide-ranging governance structures, ensuring it is managed by the business in day-to-day operations and communicated to the Board. The Board considers trade-offs related to risks and opportunities in their decision-making, including decisions related to our response to climate change.

The Group Governance Framework further defines governance structures and interrelationships that are in place for the Group, its composites and its subsidiaries.

For detail on Discovery's governance structures, see our Governance Report.

### GROUP BOARD

Sets the strategic direction of the Group's climate change response

**Social and Ethics Committee**

Analyses the climate context and challenges to ensure alignment of the Group's strategy with best practices

Monitors performance against the Group climate change strategy and specific climate-related metrics

**Risk and Compliance Committee**

Oversees the management of climate-related risks and opportunities for the Group

Monitors mitigation plans to manage identified risks

**Audit Committee**

Oversees disclosure included in external financial reporting

**Remuneration Committee**

Oversees the Group scorecard which includes financial and sustainability performance measures that link back to executive remuneration

### Group Executive Committee

Approves, develops and implements the climate change strategy objectives

### ESG Executive Committee

Ensures appropriate reporting to the Social and Ethics Committee, incorporating all relevant aspects of ESG

### Group Climate and Environment Steering Committee

Supports senior management in developing and implementing the climate change strategy

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## Board responsibility

At the highest level, the **Group Board** oversees our climate change response, which is championed by the Group Chief Executive. The Group Board approves the strategic direction, policies and recommendations for managing environmental issues including energy, waste, water, climate change and biodiversity. It also oversees the development and rollout of climate-related products and services and investments.

The **Social and Ethics Committee** meets at least four times per year and reviews, as a standing agenda item, performance against the Group's climate change strategy, focusing on metrics related to energy, water and waste, as well as climate change programmes and action plan implementation. The chairperson of the committee reports to the Board on a quarterly basis.

The **Risk and Compliance Committee** oversees climate-related risk and opportunity management. The committee is supported by the Group Chief Risk Officer who ensures:

- Risk management policies and frameworks adequately allow for climate-related financial and non-financial risks and opportunities
- Climate-related risks and opportunities are identified, assessed, monitored and managed in line with these policies and frameworks, at a business and Group level
- Exposure to climate-related risks and opportunities is adequately included in internal, regulatory and public reporting.

The **Audit Committee** reviews and approves public disclosures in external financial reporting such as the Integrated Annual Report and Group Annual Financial Statements.

The **Remuneration Committee** oversees the Group scorecard, which includes both financial and sustainability performance measures, linking climate-related targets and executive remuneration.

## Management responsibility

Our Group Chief Executive chairs the **Group Executive Committee**, responsible for formulating and implementing strategies, policies and risk management plans. This includes integrating climate change issues into the business model and strategic priorities and driving the delivery of the stated operational, strategic and innovation goals. Updates are provided to the Social and Ethics Committee quarterly and to the Board as necessary.

The **ESG Executive Committee**, a subcommittee of the Group Executive Committee, ensures appropriate reporting to the Social and Ethics Committee on a periodic basis, incorporating all relevant aspects of ESG. It is responsible for establishing and driving implementation of the ESG strategy across the Group. More specifically, it oversees climate-related transformation initiatives, including corporate targets, employee incentives, research and development, and budget considerations.

The **Climate and Environment Steering Committee**, with representatives from several business functions, is convened monthly at Group level to manage and drive climate-related transformation. Members include the Group Chief Risk Officer, the Chief Sustainability Officer of Vitality UK, Head of Investor Relations and ESG, and other representatives responsible for driving climate-related transformation and implementing the TCFD recommendations. The Group Chief Risk Officer is the executive sponsor of this steering committee, reporting to the Group Executive Committee as necessary on climate-related issues, risks and opportunities.

Discovery also has teams and processes in place to stay updated on existing and emerging regulatory requirements related to climate change in the key markets in which we operate and from international policy bodies. This extends to supervisory requirements in Discovery's SA, UK and US markets, as well as legal developments that may affect partners.

Internal and external subject matter experts are consulted to provide support on key issues. Any potential impacts on the Group's business activities will be reported periodically to the Board.

## Our governance processes and controls

Discovery has a Group-wide Combined Assurance model in place designed to address the business's significant strategic, sustainability, financial, operational and compliance-related risks, including those related to climate.

This model integrates the efforts of management and assurance providers, both internal and external, to ensure material risks facing Discovery are assured efficiently and that suitable controls exist to mitigate these risks to an acceptable level and is achieved by:

- Linking risk management and assurance activities
- Providing the basis for identifying any areas of potential assurance gaps and resource duplication
- Informing the Board, Audit Committee and Risk and Compliance Committee of the combined assurance status
- Providing an integrated assurance service and enhancing accountability
- Ensuring an adequate and effective risk-control environment that aligns with the risk appetite and the integrity of risk-related reports for better decision-making

The Group's three lines of defence governance model further strengthens the Board's governance and clearly separates business management from governance and control structures.

1. Our **first line of defence** consists of business management who is responsible for the day-to-day management of risks and controls within the business operations, as well as delivering the strategy and optimising business performance within our agreed governance and risk framework.

2. The **second line of defence** consists of risk management functions, compliance functions and actuarial functions which operate independently of day-to-day management and provide a level of assurance to the Board on the adequacy and effectiveness of the overall risk management system.

3. The **third line of defence** consists of the Group's assurance functions, including Group Internal Audit, external audit and other assurance providers, and provides an independent and balanced view of the effectiveness of the first- and second-line functions.

Refer to page 20 of our Governance Report for more information on our combined assurance model.

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# BOARD COMPETENCE ON CLIMATE CHANGE-RELATED ISSUES

The **Nominations Committee** ensures the Board has the appropriate balance of skills, qualifications and experience for it to execute its duties effectively. It reviews the Board members' skills and knowledge based on their previous and current experience on other boards and in other roles, and oversees the Board's performance assessment, its committees and Non-executive Directors. We leverage the diversity of our Board members' skills and experience, as they enable us to address climate change-related issues.

The Board not only draws on its own skills and knowledge, but also leverages the specialised knowledge and experience of our subsidiary boards. By actively engaging with subsidiaries, the Board ensures alignment across the Group. This approach strengthens our governance framework and enhances decision-making at Group level, while ensuring our subsidiary boards are able to meet the challenges and opportunities in their markets.

We continually assess the training and development requirements of our Board and provide training on key issues as needed. In FY2024, this included training on Discovery's Own Risk and Solvency Assessment and regulatory developments. The Audit Committee also received updates related to sustainability- and climate-related disclosure developments, which included the ISSB's IFRS S2, and alignment with financial reporting. In the UK, Board training supports climate fluency. Given the important and evolving nature of environmental matters and related reporting standards, we will continue to focus on training for the Board and its committees in this regard.

The Board and its committees may engage with subject matter experts or independent advisers as needed.

# EMPLOYEE CAPACITY BUILDING ON CLIMATE CHANGE-RELATED ISSUES

Our employee capacity-building initiatives equip our people with the essential knowledge and skills to drive behaviour change from within the business. Furthermore, these initiatives strengthen our first line of defence by enabling employees to identify and manage climate-related risks in their daily roles.

During the year, initiatives included:

- Developing environmental modules (to be rolled out in FY2025) as annual employee training on the Group Environmental Policy, climate change strategy and goals and Discovery Green
- Updating our employee network with communication and resources on climate change, including practical tips and challenges to motivate our employees to partner in our environmental journey
- Using a Green Screen – a visual communication channel – at 1 Discovery Place to create awareness and educate our employees, service providers, visitors and clients on our environmental sustainability commitment and initiatives
- Vitality UK recruiting several new Green Champions to ensure good representation across the business. The Green Champions meet at least quarterly to share ideas for employee engagement

Refer to page 14 for details on our engagements with external bodies to stay informed on climate-related developments and best practice.

# GOVERNANCE OF CLIMATE-RELATED MATTERS IN THE UK

Vitality UK, a business composite and intermediate holding company of the Discovery Group, has a constituted Board that operates autonomously and independently of the Discovery Group Board. Minutes of these constituted Board meetings are tabled at Group Board meetings to ensure monitoring and alignment with the Group's Strategic Framework.

Reporting to the Discovery Group structure for its climate change response, Vitality UK's Board and executives are responsible for identifying, assessing, managing and disclosing climate-related risks and opportunities as well as meeting regulatory requirements.

The Vitality UK Sustainability Committee, chaired by the Chief Sustainability Officer (CSO), develops and oversees the UK's climate- and sustainability-related strategy and risks and opportunities, and manages and drives climate-related transformation. Committee members represent several business functions, including People, Property and Facilities, Risk, Finance, Sourcing, Vitality Partners, Research and Development, Distribution, and Marketing. These functions own the necessary actions and work closely with the sustainability team to set and meet their targets. The Sustainability Committee reports to the Vitality UK Board and its related committees, and the committee Chairperson provides quarterly updates to the Vitality UK Executive Committee on climate-related risks and opportunities.

Vitality UK is required to disclose climate-related financial information in line with Streamlined Energy and Carbon Reporting (SECR) and TCFD recommendations from 2023. These governance structures support compliance to meeting this requirement and alignment to the Group's climate change strategy and response.

Climate change governance is guided by the regulator, the Prudential Regulation Authority, through their Supervisory Statement (SS3/19), the Financial Conduct Authority, the UK Department for Business, Energy and Industrial Strategy and Association for British Insurers.

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# Risk *management*

Discovery's well-established and mature Enterprise Risk Management (ERM) Framework, underpinned by a comprehensive set of risk policies, frameworks and guidelines, ensures we effectively embed processes and procedures to manage risk appropriately. We incorporate climate-related risks into our ERM Framework, considering the various time horizons over which climate change could impact our business, in alignment with TCFD guidance.

For more information on our ERM Framework, refer to our Integrated Annual Report.

## OUR RISK MANAGEMENT PROCESS

Our overarching climate-related risk management process has not changed from FY2023. Our risk taxonomy sets out the Group's universe of risks, which include climate change and other sustainability related risks. We determine our risk appetite for the climate change risk categories and then seek, avoid or accept depending on the risk. To manage our climate-related risks, we follow a process to identify, assess, treat, report and monitor exposures. Our approach to managing these risks is guided by our risk management strategy, which is implemented in line with our risk policies, frameworks and guidelines.

Our risk management process as applied to climate-related risks is further explained alongside.

Our risk management process also helps identify areas of opportunity, which vary depending on the regions, markets and industries where we operate. By identifying climate-related opportunities through our risk management process, we can leverage our data capability and intellectual property to develop innovations that deliver on our purpose – to make people healthier and enhance and protect their lives.

Refer to page 23 for examples of climate-related opportunities.

**As risk management is a dynamic process, we will continue to refine our approach to climate change risk.**

### 1 IDENTIFY

We identify climate-related risks through our ongoing risk management process, including involving subject matter experts to brainstorm risks and risk responses using the ERM Framework's tools. This work includes identifying risks within our governance structures and considering risks identified by the consultants and trade bodies we work with. To effectively identify climate-related risks, we follow the TCFD's guidance, focusing on transition and physical risk categories. These risks are then tailored to our business context through our risk taxonomy, which sets out key risk classes including strategic, business, credit, market, liquidity, insurance, operational, technology and regulatory risks.

### 2 ASSESS

We assess the identified risks qualitatively and quantitatively (where data is available) over short-, medium- and long-term horizons. We categorise risks as current or emerging and rate and prioritise them based on likelihood of occurrence and potential impact on Discovery at a Group and business entity level. Furthermore, emerging risks consider our influence over materialisation and the velocity at which they are likely to materialise.

The nature of the risk will determine whether Discovery aims to seek or avoid it, and our appetite for risks we seek is higher than for risks we aim to avoid. We consider a risk's rating from an inherent and residual perspective, where residual ratings take established mitigation measures into account. We check residual risk ratings against risk appetite statements to determine if ratings are within Discovery's appetite.

For more information on the Group's top risks and their classification based on severity, refer to our Integrated Annual Report.

We assess risk in line with best practice and as our understanding of the risk develops. The Group also uses stress and scenario analyses to help identify and quantify risks to assess the resilience of our climate change business strategy. We aim to align our stress and scenario analysis to best practice. We are exploring scenarios set out by the Network for Greening the Financial System and will adapt our approach as our understanding grows.

### 3 TREAT

We identify risk treatment actions and controls to manage risks in line with our risk appetite. These actions are implemented and managed at business and Group levels.

### 4 REPORT

We continually review, challenge and report on climate-related risks to the appropriate governance forums as part of the risk management cycle through our formal risk registers. Any breaches to the Group's risk appetite are escalated and reported in line with our governance structures. Business risk profiles are reported to each business executive committee and the Group Risk and Compliance Committee, which meets at least four times a year. In addition, we include risks and scenario results in our Own Risk and Solvency Assessment (ORSA) reports that are provided to the Board and the relevant regulators.

### 5 MONITOR

We monitor climate change risks by tracking our progress in implementing the relevant risk treatment actions and developments in internal and external business environments. This includes progress against the climate change strategy and other treatment actions identified. Our climate change risk indicators continue to evolve, with certain metrics available and reported on appropriately while other measures are still being investigated.

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# OUR ASSESSMENT OF CLIMATE-RELATED RISKS

Given the control and management actions identified in our risk management process, climate change risk is within our appetite. Actions include implementing our climate change strategy; bolstering the procurement process (including third-party engagement and outsourcing procedures); leveraging reinsurance to reprice, reserve and transfer risk; and improving public disclosures.

Our assessment indicates transition risks will have a higher impact than physical risks in the short term, yet we have already observed the effects of physical risks within our short-term insurance business. As part of our ORSA process, we conduct specific climate change scenario analyses to assess the impact of transition and physical risks. While the effects of physical risks, such as increased claims or interruptions to our business operations, are expected to arise beyond the business planning time horizon, we consider these qualitatively to further understand their potential impacts and necessary mitigating actions.

We invest resources and implement initiatives to continually reassess climate change risk as the industry's understanding of climate change matures. Accordingly, our assessment of climate change risk may shift over time.

# CLIMATE-RELATED DEVELOPMENTS

Risk management is an ongoing process. Our policies and frameworks are reviewed periodically, and our risk and opportunity profiles are reviewed and updated regularly. This ensures we consider factors relevant to the unique and evolving challenges of climate-related matters.

We keep abreast of climate-related developments and participate and engage through representation on several climate change and industry forums within key areas, including:

## NATIONAL AND INTERNATIONAL ENGAGEMENT ON CLIMATE CHANGE

- Maintained active membership of the National Business Initiative (NBI) in South Africa, contributing to several strategic platforms, including the NBI CEO Initiative, NBI Membership Council, Advisory Committee for Environment and Society and the Just Transition Pathways and Science Based Targets Network working groups
- Proactively engaged with the South African Prudential Authority Climate Task Team (PACTT) by commenting on its proposed guidance notes for banks and insurers
- Participated in the Department of Forestry, Fisheries and the Environment (DFFE) Climate Change Adaptation Working Group, focused on the private sector's role in national and international climate change adaptation
- Responded to the Financial Sector Conduct Authority's Sustainable Finance survey to assess sustainable and responsible investment practices in the investment providers industry, aiming to shape regulations for a more innovative, inclusive and sustainable financial system

## CLIMATE-RELATED REGULATORY AND LEGISLATIVE DEVELOPMENTS

- Monitored developments related to the SA Carbon Tax Act and assessed potential risks and opportunities
- Reviewed the DFFE's draft National Environmental Management: Biodiversity Bill
- Monitored developments related to South Africa's Climate Change Bill and commented through the South African Insurance Association (SAIA)
- Monitored developments related to South Africa's JET IP, which was approved by parliament after COP28

## CLIMATE-RELATED FRAMEWORKS AND REPORTING

- Committed to advancing the adoption of the ISSB's climate standard as the global climate baseline at COP28
- Continued to be a signatory to the UNEP FI PSI and submitted our annual disclosure
- Continued to be a signatory to the PRI and incorporate ESG issues into our investment decision-making and ownership practices through our asset managers in line with the PRI's principles and objectives

## INDUSTRY FORUMS

- As a member, Vitality UK engaged with the Association of British Insurers (ABI) and the Independent Hospital Provider Network (IHPN) on net zero challenges between insurers and healthcare providers. We also engaged in the ABI's net zero working and steering groups
- Through ABI membership, engaged in public consultation on the International Association of Insurance Supervisors' climate risk supervisory guidance
- Participated in industry engagements, including presenting at the ABI Climate Change Summit and attending monthly EY Sustainable Finance Forum meetings and other industry conferences
- Maintained representation on SAIA's climate change forum, a platform for industry discussions and knowledge transfer on topical climate-related matters impacting the industry. The forum covers regulatory developments, reporting and disclosure frameworks and emerging climate issues
- Maintained membership of the Association of Savings and Investment South Africa (ASISA), which represents the industry on various national working groups – in which we participate where possible – including the Climate Change Forum
- Contributed to the World Wildlife Fund Business Network as a member to support its work, including conservation, biodiversity and low carbon transitions
- Participated in knowledge sharing sessions as a member of the Alliance for Climate Action SA

## ACTUARIAL SCIENCES

- Represented in the Actuarial Society of SA's climate change committee, which aims to provide climate change support to actuaries within their businesses and consulting practices
- Presented on climate change modelling at the UK Institute and Faculty of Actuaries (IFoA) Life Conference and participation in the IFoA Sustainability Early Careers Board

# OUR REGULATORY LANDSCAPE

We continually monitor and consider existing and emerging regulatory requirements related to climate change in our key markets.

We actively participate in policy and framework consultations on climate change and sustainability-related matters where appropriate. Furthermore, we participate through collective industry submissions and with our regulators on climate-related regulatory developments and frameworks. All input we provide in this regard undergoes appropriate approvals to ensure any views put forward are consistent with Discovery's policies and our Group climate change strategy.

For details on participation in climate-related regulatory engagements, refer to page 14.

**SA's NDCs** commit the country to reducing emissions in line with global targets and reporting progress towards a just transition to net zero by 2050. To this end, the government has introduced legislation and guidance such as a carbon tax, sectoral emission targets and energy and green transport strategies. The **JET IP**, published in 2023, further sets out the scale of need and the investments required to achieve our NDC decarbonisation commitments. In addition, the **National Climate Change Adaptation Strategy** (NCCAS) provides a common vision of climate change adaptation and resilience for the country, outlining priority areas for achieving this vision. The NCCAS builds upon South Africa's existing policies and plans, ensuring a comprehensive approach to addressing both mitigation and adaptation needs.

The **South African Climate Change Act**, which was signed into law in July 2024, aims to provide a comprehensive legal framework for addressing climate change. The Act ensures an effective response across all government spheres at national, provincial and local government levels. This legislation defines legal responsibilities for reducing GHG emissions, adapting to climate change and financing the country's climate response, thereby supporting South Africa's just transition and climate resilience.

Complementing these legislative developments, the **SA Presidential Climate Commission** adopted two pivotal research reports in June 2024: the inaugural South African State of Climate Action Report and a Just Transition Financing Mechanism Report. These reports emphasise actionable strategies and financial frameworks to drive a just transition towards a low-carbon economy. The adoption of these documents highlights the country's commitment to progressive climate action, integrating both governmental and financial sector roles in addressing climate challenges.

In August 2023, the **SA Prudential Authority** published four guidance notes designed to strengthen the management of climate-related risks among banks and insurers. These guidance notes align with the principles the TCFD and ISSB set forth, focusing on governance and strategy, risk management, scenario analysis and disclosure. They require financial institutions to embed climate risks within their existing operational frameworks and ensure transparent, consistent reporting on their climate risk management and performance.

In 2019, the **UK** updated its **Climate Change Act**, committing itself to a net-zero emissions by 2050 target, with staggered targets set for 2030 and 2035. Vitality UK monitors these developments closely. The UK updated its NDC in September 2022 and remains committed to reducing economy-wide GHG emissions by at least 68% by 2030, compared to 1990 levels. These updates aim to facilitate clarity, transparency and understanding of accompanying information.

The **Financial Conduct Authority** (UK) is expected to propose mandatory sustainability disclosure requirements based on UK-endorsed ISSB standards, including climate transition plan disclosures, starting from accounting periods after 1 January 2025, with reporting beginning in 2026.

In addition, the Financial Conduct Authority (UK) will provide guidance for listed companies on transition plan disclosures, referencing the **Transition Plan Taskforce's** (TPT) Disclosure Framework. The TPT, established by the UK government, is developing a gold standard for private sector transition plans. Its Sector Summary, finalised in April 2024, offers transition plan guidance for 30 sectors, providing a practical overview for transition plan preparers and users. The TPT Sector Deep Dive Guidance, also published in April 2024, offers detailed sector-specific guidance for seven high-emission sectors, focusing on leveraging existing guidance to enhance transition plan disclosures.

In March 2024, the **US Securities and Exchange Commission** adopted its final climate rules, signifying a shift from voluntary to mandatory climate reporting for public companies in the US. The rules aim to enhance and standardise climate-related disclosures, requiring detailed disclosures on climate risks, management strategies and the financial implications of climate-related events and policies.

The US continues to implement its long-term strategy to reach net zero by 2050, as submitted to the **UN Framework Convention on Climate** Change, influencing its domestic legislation and policies. Furthermore, the introduction of the Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency Act of 2023 (PROVE IT Act) marks a critical development in establishing a carbon border tax, emphasising the need for domestic and international emissions scrutiny.

**Discovery is committed to meeting the relevant requirements everywhere we operate. We monitor and remain up to date with relevant local regulatory developments and global practices. This ensures we remain compliant in a dynamic regulatory environment and contribute to local and global efforts to respond to climate-related risks and opportunities by adapting our strategies, business models, and financial planning.**

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# Strategy

As a financial services provider, Discovery understands that climate change risks can manifest across our business in many ways. This section details how actual and potential climate-related risks and opportunities impact our business.

Our climate change strategy outlines our commitments to achieving net zero by 2050 or sooner. As we continue this journey, we increasingly understand the climate-related risks and opportunities we face. We continue to investigate the feasibility of scenario analysis for our business, considering challenges regarding quantifying financial implications, the availability of business-relevant data and tools, and ensuring scenarios are decision-useful in a business context.

Current assessments confirm the Group's climate-related risks remain within appetite, based on our latest understanding and information. As such, our current response to transition and physical risks does not require significant deviation from our strategic and financial planning.

## CLIMATE-RELATED RISKS

Climate-related transition and physical risks impact various parts of our business across short-, medium- and long-term horizons. Our Group strategy considers the materiality of these impacts and climate-related opportunities in the sectors, products and geographies in which we operate.

### TRANSITION RISKS

These include policy changes that either restrict activities contributing to adverse climate effects or promote adaptation strategies. These risks could also manifest in legal, market, reputational and technology areas during the transition phase.

### PHYSICAL RISKS

These are acute and chronic physical climate change effects, including extreme weather events, high rainfall and flooding, high temperatures, drought and rising sea levels. Physical risks can also include operational risks.

We categorise our risks and opportunities as short term (less than one year), medium term (one to five years), or long term (beyond five years), and these terms are aligned to our Group strategic and planning time horizons. Due to the inherent uncertainty of climate-related risks, projecting their timing and impact is challenging. Transition risks are expected to emerge sooner, yet we have already observed the effects of physical risks within our short-term insurance business. We continuously conduct internal and external environmental scanning and will adapt our strategies as new developments arise.

Throughout our climate reporting journey, we consider the impact of climate-related risks on strategy, financial planning and financial performance. Our current approach to managing transition and physical risks largely aligns with our strategic and financial planning. In product development, for example, product changes and innovation are integrated into our strategic approach and are considered on a regular basis as we respond to risk, client, business and operating environment needs. The impact of climate-related risks and opportunities on financial performance is not disclosed in our Annual Financial Statements as it is not considered material in terms of International Financial Reporting Standards. We continue to work with the Group Finance function to ensure we consider and address climate-related risks and opportunities in our financial reporting as they evolve.

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*Climate-related risks continued*

**The following pages outline the potential risks to Discovery, as well as their impact and our related actions.**

Risk rating: Very high High Medium Low

Time frame: Short term Medium term Long term

# TRANSITION RISKS

## POLICY RISKS

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Because of our global footprint and ongoing expansion, Discovery is subject to multiple regulatory regimes, which vary in levels of maturity across the jurisdictions in which we operate.

Discovery seeks to comply with laws, regulatory requirements and codes of conduct applicable to our operating industries in all jurisdictions we operate in. We continually assess whether regulatory changes require changes to our business strategy, ERM Framework or processes. While the activities related to implementing regulatory requirements may increase operating costs and reliance on other resources, we recognise that compliance brings benefits. These include providing stakeholders with critical information for informed decision-making and creating opportunities to leverage our Shared-value model for favourable outcomes through product design.

In SA, our operations are subject to compliance with the Carbon Tax Act. Although our business activities do not result in high emissions overall, we have energy efficiency measures and other initiatives in place to reduce our fossil fuel consumption. This minimises the impact of carbon tax on Discovery. Although further rate increases are expected from 1 January 2026, we anticipate minimal impact on our business due to our ongoing work to achieve carbon neutrality and our net-zero targets.

The South African Climate Change Act, enacted in July 2024, will establish GHG emission thresholds to determine carbon budgets for companies, as well as sectoral emissions targets. While the sectoral emissions targets will have more significant implications for industries with high emissions, particularly those reliant on fossil fuels, we recognise the potential transition risk related to this development. The Act will require provincial adaptation strategies to mitigate risks from extreme weather events, potentially paving the way for comprehensive risk mapping across provinces. The upcoming regulations are expected to detail enforcement mechanisms and penalties for non-compliance with carbon budgets or sectoral targets, essential for aligning with South Africa's global climate commitments.

In FY2024, the South African Prudential Authority issued guidance on climate-related governance and risk management practices and climate-related disclosures for banks and insurers. These guidelines, which are influenced by the ISSB recommendations, advocate that companies view climate risks as core financial risks and prepare for mandatory climate-related disclosures in the near future.

Our UK and US entities are subject to more advanced climate change-related regulation. In the UK, it is mandatory for premium listed companies – as well as private companies with over 500 employees and £500 million in turnover – to disclose climate-related financial information in line with the TCFD. Vitality UK has been following the guidance issued by the Prudential Regulatory Authority since 2021. Vitality UK published its inaugural TCFD Report in 2023.

Discovery recognises the UK's leadership in enhancing transparency through mechanisms like the Streamlined Energy and Carbon Reporting (SECR) and Energy Savings Opportunities Scheme (ESOS). Regulations continue to evolve, including the Sustainability Disclosure Standards' anticipated endorsement of IFRS S1 and S2, which build on the TCFD recommendations and guidance from the Transition Plan Taskforce, and the integration of the Taskforce on Nature-related Financial Disclosures' (TNFD) recommendations.

The PROVE IT Act proposes establishing a framework for the US's first carbon border tax. The legislation will require the Department of Energy to study emissions released during the domestic and foreign manufacturing of certain goods. In January 2024, the Act successfully passed the Senate Environment and Public Works Committee with bipartisan support. The introduction of trade and tariff restrictions could impact the SA economy and have broader macroeconomic consequences. We continue to monitor changes relating to these types of restrictions and other emerging regulations in the US.

## LEGAL RISKS

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Globally, climate-related litigation is on the rise, often initiated by citizens, corporations and non-governmental organisations against governments and major carbon-emitting organisations to create social awareness and influence legislative changes. The UN Environment Programme's 2023 Global Climate Litigation Report identifies key trends in climate litigation cases: climate change impact on human rights, non-enforcement of laws, fossil fuel restrictions, transparency and greenwashing, corporate responsibility for climate harms, and failure to adapt.

Discovery remains averse to litigation and mitigates this risk through our climate change strategy, through which we are reducing our carbon footprint, as well as robust governance, due diligence and a disclosure framework that considers potential risk exposures.

## REPUTATIONAL RISKS

ST MT

Public awareness of climate change is increasing, influencing client behaviour and expectations. Discovery faces reputational risk, which could result in a loss in revenue, if we are perceived as not acting responsibly or aligning with best practice or clients' expectations. In the UK, this has been reinforced by the Financial Conduct Authority's anti-greenwashing rule, ensuring that firms are fair, clear and not misleading regarding the sustainability of financial products and services.

To mitigate this risk, we continually invest in research and development of products and services that extend our Shared-value model into the environmental space, enabling our clients to live more sustainably and building our brand.

Refer to page 23 for more information on related opportunities and product development.

Discovery's climate change strategy publicly commits us to achieving three climate-related goals over the short, medium and long term. The interdependencies of these goals, compounded by local challenges like persistent loadshedding in South Africa and reliance on the decarbonisation of other sectors and our suppliers, impact our ability to deliver on our commitments, which poses reputational risk.

We mitigate this risk by aligning with best practice and engaging with strategic advisers to create a Net-Zero Transition Plan we can achieve. We continually evaluate the effectiveness of our decarbonisation approach and adjust our climate change strategy as needed to ensure Discovery makes a real-world impact.

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*Climate-related risks / Transition Risks continued*

Risk rating: Very high High Medium Low

Time frame: Short term Medium term Long term

## MARKET RISKS

MT LT

Climate change could impact the demand for Discovery's products in several ways – mainly relating to product offerings, impacts on the insurance industry, and investment returns.

Because client behaviour is influenced by increased public awareness of climate change, there is market risk related to not responding with **product offerings** that meet client expectations and support our growth ambitions. We continually work to leverage products and services like Vitality to positively impact climate aspirations by driving more sustainable, climate-conscious behaviour, such as healthier living – which leads to a healthier climate – and improved driver behaviour, which increases fuel efficiency.

**Insurance products** become more expensive as weather-related events increase across the globe. As a result, the regions most at risk of natural disasters may require significant repricing or become uninsurable. For our short-term insurance business (Discovery Insure), a longer-term risk exists for the potential knock-on impact of repricing due to increased claims for physical risks. This could drive insurance premium pricing to become unaffordable and, coupled with higher living costs, could drive policyholders to consider non-traditional forms of insurance cover. This may limit the insurance sector's growth and affect product availability. In addition, greater volatility from physical risks may lead to increased claim fluctuations.

We mitigate this risk by developing innovative insurance products that are relevant and competitively positioned in the market. Conversely, the increase in coverage related to products designed to leverage climate-related opportunities may contribute to our insurance-related market risk exposure by presenting additional challenges.

The increase in coverage due to solar power, battery installations, and electric vehicles could impact the pricing for our short-term insurance products, as certain elements are capital intensive, and poor installation of batteries in homes could increase fire risk.

Furthermore, climate change could potentially impact economic growth and **investment returns**. Investments in carbon intensive companies or those with sub-par ESG performance risk losing value or becoming stranded assets unless they have robust transition plans in place.

Our current exposure to carbon-intensive investments is limited. As a responsible asset owner and a signatory to the PRI, we recognise our role related to responsible investment. Our Responsible Investment Policy mitigates risk resulting from investment exposure by setting out requirements for our asset managers to actively engage with investees, including in carbon-reduction behaviour. Acquiring data at the required level is progressing but remains challenging, and any ambition to reduce such emissions would not be under Discovery's direct control. However, we identified that we could effect significant change within Discovery-managed funds, where data is most accessible. We do not expect a forced sell-off to pose a high risk, and there is minimal exposure to potential stranded assets.

Most of our investments are held on behalf of clients who have purchased linked policies such as retirement and living annuities. Discovery's own investments are held in government and corporate debt instruments, collective investment schemes, pooled funds and bank deposits.

Refer to our 2024 Sustainability Report for more information our responsible investment approach and an overview of our assets under management.

## TECHNOLOGY RISKS

ST LT

Like the rest of the financial services industry, Discovery uses technology assets that consume energy, including laptops, equipment, data centres and server rooms. As technology evolves and improves, it becomes more energy efficient in some instances; however, the resources necessary to drive AI and Machine Learning are energy intensive, which must be considered in strategic decisions.

Discovery has made significant investments to decrease carbon emissions through its operations, driven by our climate change strategy. Beyond our annual emission reduction targets, we aim to neutralise our absolute Scope 1 and 2 emissions across the Group by 2027. During the year, we agreed terms with Discovery Green to provide renewable energy to 1 Discovery Place in 2027, when it is projected to provide the premises with 100% renewable energy. We are also gaining a comprehensive understanding of our Scope 3 emissions to achieve our 2050 net-zero goal, which will extend to our value chain.

1 Discovery Place has a six Green Star rating from the Green Building Council of South Africa and our Cape Town office has a five Green Star rating. Projects to reduce emissions during the year included implementing heating, ventilation and air-conditioning efficiencies and installing a battery energy storage system at our data centre, which will help reduce our reliance on diesel during loadshedding. While loadshedding continued to be a challenge in FY2024, it decreased in the latter half of the year, and the improved energy availability reduced our reliance on diesel overall.

As of FY2024, Vitality UK nurses' cars are 100% plug-in or self-charging hybrid electric vehicles. Almost 100% of our Vitality-occupied office buildings' electricity is sourced from renewable sources backed by Renewable Energy Guarantees of Origin. In addition, our UK employees have access to a carpooling scheme and an eco-platform on which they can complete their carbon footprint survey. We also offer UK employees the opportunity to lease electric or hybrid vehicles through a salary sacrifice.

Refer to the metrics section on page 25 for detail on our GHG emissions, resource and energy source efficiencies and employee engagement.

We continually consider the risk related to the downstream impact of climate change on our supply chain before engaging and contracting with third parties. Our sustainability scorecard and Procurement Policy ensure sustainable procurement processes that prioritise an optimal combination of quality, price and sustainability.

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*Climate-related risks continued*

Risk rating: Very high · High · Medium · Low

Time frame: Short term · Medium term · Long term

## PHYSICAL RISKS

The impact of climate-related physical risks is increasing globally, affecting our primary markets. In South Africa, this has included hailstorms in Gauteng and floods in KwaZulu-Natal and the Western Cape in recent years, while the UK and China has experienced several heatwaves. We continue to monitor physical risks and their impacts on our business.

### ACUTE RISKS

MT — LT

Acute risks are event-driven and include extreme weather events like cyclones, hurricanes or floods. They are considered an inherent risk to our short-term insurance business due to the unpredictability of the potential impacts thereof. Potential impacts include increased motor and property claims resulting from increased rainfall, floods, hail damage and wildfires. Discovery must be able to absorb the impact of extreme weather events on our balance sheet and increases in insurance claims due to damaged infrastructure. These extreme weather events could also increase accidental deaths and injuries for our life insurance companies.

Discovery has tools to help clients prepare for and avoid these events, if possible, by sending early warning indicators for expected weather events.

### CHRONIC RISKS

MT — LT

Chronic risks involve a gradual worsening in weather pattern variability. The impacts for the general insurance companies within the Group are similar to those noted under acute risks alongside. Our life and health businesses could also be impacted by chronic physical risks such as increased mortality and morbidity rates resulting from poor air quality caused by pollution, and rising temperatures from rising sea levels, which could impact water and food supply.

Dramatic temperature increases may result in the population spending more time indoors and being less physically active. These can potentially increase health-related issues like cancer and mental wellness, vector-borne diseases like malaria, pandemics and epidemics, and asthma and respiratory issues. These risks would be offset to the extent that the population becomes immune to a condition; for example, those living in areas with a high risk of malaria usually have a better tolerance to the disease.

Our Vitality model, which leverages personalised healthcare to drive behaviour change, is expected to enable adaptation to the potential health implications introduced by chronic risks.

Refer to the opportunities section on page 23.

Refer to our 2024 Sustainability Report for detail on how we are supporting disease prevention and healthy behaviour change.

## INHERENT EXPOSURES

The impact of these risks depends on the sector, product and geographical location. The Group's main inherent exposures are as follows:

### General insurance business

Discovery Insure is a personal lines business, and with its exit from the commercial insurance market (in which it operated as Discovery Business Insurance) in August 2024, its exposure to commercial insurance risks has reduced.

The business experienced increased weather-related claims during the year. Our Gauteng clients are mainly exposed to increases in flooding and hailstorms, which heavily impacted the province during the year. In the Western Cape and in KwaZulu-Natal, our clients have increased exposure to rising sea levels and experienced significant damage due to storms and flooding during the year. The Western Cape is also at risk of increased droughts that could escalate the risk of fires, with the 2023/2024 summer marking one of the most damaging wildfire seasons experienced in the province to date.

Overall, South Africa has experienced less rain but more damaging storms, which, coupled with poor infrastructure (particularly drainage), further exacerbates the severity of the damage and our claims experience. We continue to monitor climate cycles and expect to experience a long dry season as El Niño returns. This may increase the risk of fire, which we manage through catastrophe cover.

To mitigate exposure to flood risk, Discovery Insure employs geo-mapping to identify flood-prone areas. This enables appropriate pricing and repricing, for example, in KwaZulu-Natal, which has been identified as being flood-prone.

The business is also impacted by the hardening of the reinsurance market, which has led to increased reinsurance costs and higher deductibles.

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*Climate-related risks continued*

Risk rating: Very high, High, Medium, Low

Time frame: Short term, Medium term, Long term

## Life (SA and UK) and Health (UK) insurance businesses

**Limited exposure**

The impact of physical risks on health from air pollution, rising temperatures and increased exposure to infectious diseases are expected to impact mortality and morbidity rates. We will continue to research and monitor trends to understand the other implications that climate change has on mortality and morbidity rates. The risk of increased claims related to physical risks impacting mortality and morbidity rates is relatively limited across the Group at present and likely to emerge slowly, which increases adaptive capability.

## Discovery Bank (SA)

**Limited exposure**

Discovery Bank is not a commercial bank, and does not finance infrastructure or other projects nor participate in commercial lending activities. It only lends to retail clients, with the book being self-funded through retail deposits. The bank's home loan offering, launched in FY2024, exposes it to physical risks, which we mitigate through compulsory building insurance. The exposure is current limited and will be monitored as the book grows.

## Health business (SA)

**No claims exposure**

Discovery Health operates as the administrator for Discovery Health Medical Scheme, and other restricted medical schemes, and does not have exposure from a claims perspective. However, we will conduct research to assess the impact on the medical scheme environment.

## Other businesses within the Group (including Vitality Global)

**Limited exposure**

We continue to monitor our exposures, which will be disclosed in future as necessary.

For details on emerging risks and research as they relate to health, refer to our Sustainability Report.

For details on our progress in modelling impacts, refer to the scenario analysis section on page 21.

## TRADITIONAL MITIGATION MEASURES

We manage physical risks to our insurance businesses through traditional mitigation measures like underwriting, repricing, reinsurance, reserving and capital processes. The terms over which we apply these mitigation strategies depend on the nature of the product and our risk appetite. For example, short-term insurance products are easier to reprice than long-term insurance products. Following an unusually prolonged La Niña phase, the reinsurer industry has proposed higher deductibles, which are often accompanied by higher premiums. While this is not a concern at the moment, the potential result of extensive repricing to mitigate the impact of increased systemic risks could make insurance unaffordable and potentially challenge the traditional insurance model.

While physical risks, particularly chronic risks and their impact on claims experience, are generally longer term in nature, we continue to monitor these risks to ensure our mitigation actions are appropriate.

## OPERATIONAL RISKS

LT

Climate-related physical risk is considered an operational business continuity risk in terms of its potential impact on our offices, nearby environment, data centres and the infrastructure to access our facilities. Prolonged periods of no water or electricity supply to our buildings may result in extended periods of systems or service disruption. This risk may also extend to our global outsourcing partners, who may be exposed to more extreme weather changes.

Discovery mitigates this risk through its business continuity plans, which are tested regularly. We diversify this risk through operations being able to switch between physical sites, and IT infrastructure making use of virtual cloud services spread between multiple providers and locations. Extreme weather events have not historically had any material impact on our operations, and our work-from-home strategy has been tested robustly during the pandemic and remains a strong mitigant to such potential risks. We will continue to monitor trends and risks related to extreme weather events.

Refer to our Group risks and opportunities in our Integrated Annual Report for more information on operational resilience risk, including concerns around infrastructure.

Refer to the opportunities section from page 23 for how our businesses are identifying and innovating to mitigate risk.

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# SCENARIO ANALYSIS

Scenario analysis aims to understand how a business might perform under different hypothetical future climate states, thus enhancing strategic decisions and improving strategic resilience. Through climate-related scenarios, a business can build an understanding of how the physical and transition risks of climate change, and related opportunities, might plausibly develop in different ways and how the business might be impacted over time.

Discovery is quantifying the impact of climate change risk on its entities through climate change scenario analysis. This is a complex exercise given the uncertainty and long-tail nature of the risks linked to climate change. We have also started considering how these risks are interlinked, and we are investigating different qualitative scenarios linked to scenarios set out by the Network for Greening the Financial System (NGFS) as well as guidance from the University of Exeter. Our approach for our 2024 Group ORSA is to outline three different scenarios linked to this guidance and outline potential impacts and mitigating actions, as detailed on the next page.

We have also modelled transition and physical risk components separately for specific business lines, which helped us understand some of the components in isolation. These included scenarios for:

- Forced sell-off of equity in sectors exposed to significant carbon emissions, such as energy and transport, and minerals, metals and mining for Discovery Life (with little to no exposure in the rest of the Group)
- Increased claims for Discovery Insure, using multiples of our weather-related claims to understand the sensitivities
- Vitality UK insurance businesses (see extract alongside)

**We include other Group-wide scenarios with stress levers that could be impacted by climate change:**

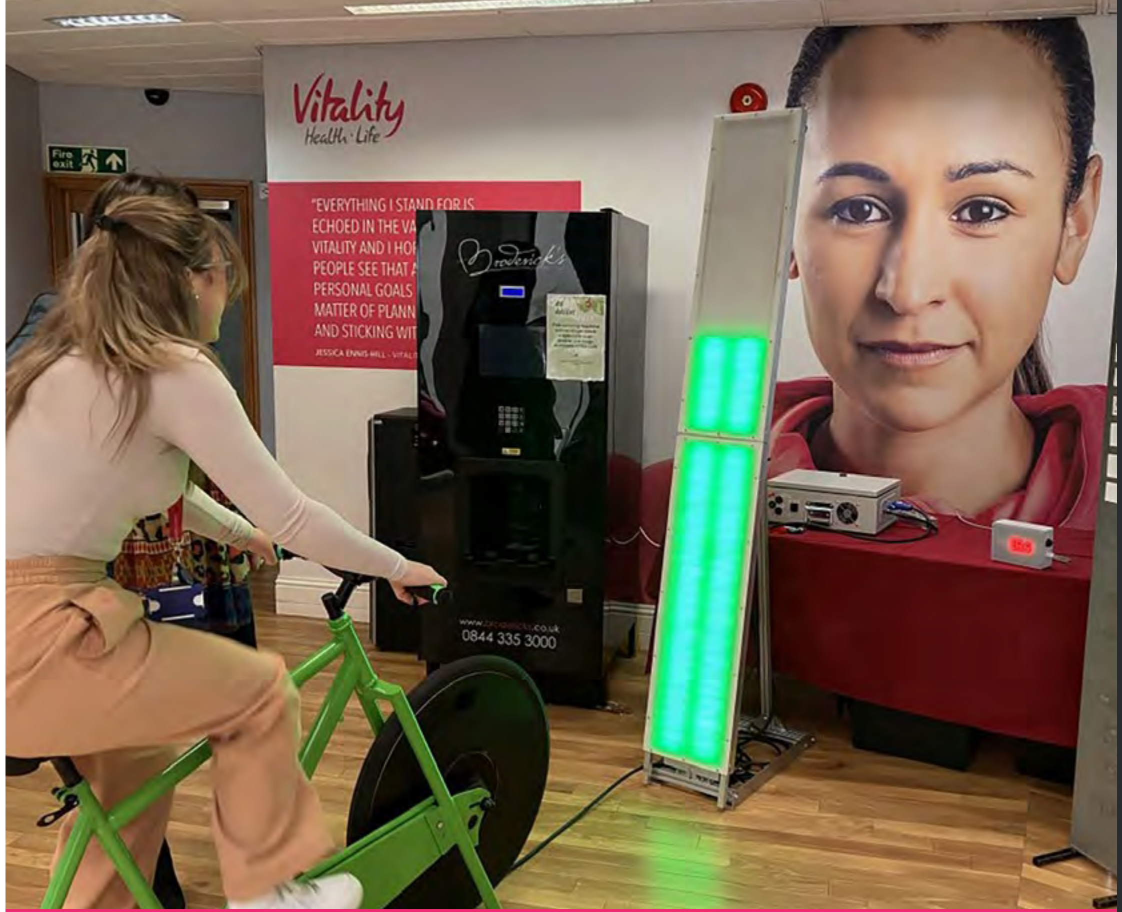
## Reputational scenario

Loss in new business and increased lapses stemming from a scenario where Discovery's reputation is damaged. Reputational damage could result from a partnership with a company not aligned with Discovery's climate change strategy, or a company facing negative media attention due to damaging of the environment. The actions of one entity have the potential to affect the whole Group. Assumptions are made in terms of a mass lapse event across the business and lower new business volumes during the business cycle

## Economic downturn scenario

This scenario considers a significant deterioration in the quality, security and transaction volume of our local markets and the related impact on the Group. Assumptions are made in terms of economic and business factors, stressing yields, inflation, market movements, lapses and new business volumes

As such, the current scenarios are a mix of qualitative and quantitative information. Our approach will continue to evolve as our understanding of the subject matters evolve. We continue to engage with reinsurers and industry bodies to stay abreast of the latest developments, which help inform our planning and scenario models. We will continue to investigate models linked to the NGFS and Representative Concentration Pathways to quantitatively model the impact of these risks within our businesses.




**Vitality UK built on its previous Bank of England (BoE) Climate Biennial Exploratory Scenario (CBES)-based approach to stress testing by using a selection of well-regarded external papers which set out several climate-related scenarios**

Vitality UK's scenario for qualitative analysis was informed strongly by the "meltdown" and "boom and bust" scenarios from a paper titled **No Time To Lose** co-authored by the University of Exeter. Its scenario was also informed by the conclusion that, as a UK insurer, Vitality may experience a small increase in claims, which it could meet from its existing capital.

Based on the scenario analysis, Vitality UK is expected to remain within its solvency and liquidity risk appetites after allowing for management actions. The potential impacts are likely to emerge gradually over time, giving the business time to monitor its experience, identify adverse trends and take appropriate management action as needed.

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## *Scenario analysis continued*

The impacts below are for illustration purposes and may be considered dire in scenarios 2 and 3. This emphasises the need to achieve net zero by 2050. We plan on enhancing these scenarios with quantitative modelling over time, and we recognise the uncertainty of the results given the long-tail nature of the risks.

### Scenario 1

### Medium physical risk, medium transition risk

Orderly transition (net zero 2050)

**This is an ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation introduced immediately and smoothly. In this scenario, net zero $CO_2$ emissions is reached by around 2050.**

**We aspire to this scenario through our climate change strategy and will use it to inform our business strategy. The scenario assumes political will and economic funding across the globe, including assistance to developing countries that need to transition from carbon-intensive energy sources. The transition is expected to be orderly.**

#### Physical risk impact

Gradual, but less extreme increase in claims and loss ratios within the insurance businesses within the Group. It is expected that volatile weather events will continue to be experienced with the general insurance business, but that adaptations can be made to mitigate the risk.

Mortality and morbidity impacts may be experienced over the long term, but our Vitality Programme and other health interventions can continue to adapt to mitigate the risk.

#### Transition risk impact

There are potential impacts related to the development and implementation of our Net-Zero Transition Plan, including cost implications related to our Scope 3 reduction initiatives, and reputational risk related to not meeting the goals in our Transition Plan.

Furthermore, in this scenario, economic implications could lead to increased insurance costs and lower disposable income.

These impacts are expected to be muted compared to the other two scenarios.

### Scenario 2

### High physical risk, low transition risk

Current policies continue

**This scenario assumes that climate change policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. According to the NGFS, this will see emissions increasing until 2080, contributing to temperature increases of up to 3°C. This scenario could result in very high emissions that could have catastrophic consequences in the long term.**

#### Physical risk impact

Critical temperature thresholds would be exceeded, leading to severe physical risks and irreversible impacts like rises in sea levels. Claims would increase over time across all entities, including our general, life and health insurance businesses.

Discovery Bank would have built scale in its mortgage offering, exposing it to potential property damage that would need to be covered by a pressured insurance sector.

Risk would increase around our ability to continue operating if our physical premises are damaged.

#### Transition risk impact

Climate action would be challenged, and there would likely be economic implications due to damaged public infrastructure, increased spending needs by governments and increased geopolitical tensions.

Insurance may become unaffordable to our client base, or certain regions may become uninsurable due to the rising costs of reinsurance. This could impact new business volumes and lapses, potentially necessitating the closure of non-profitable businesses in the most extreme case.

The Vitality Shared-value model would help improve mortality and morbidity rates to some extent, but its effectiveness in improving clients' health and quality of life would diminish with unmanageable temperature increases.

### Scenario 3

### Low physical risk, high transition risk

Delayed transition

**This scenario assumes that global annual emissions only start decreasing from 2030 due to delayed implementation of transition plans. Strong policies would be needed to limit warming to below 2°C from 2030. The pace at which these policies will need to be implemented may result in some economies lagging, leading to potential opportunities for those that embrace climate change investment opportunities.**

#### Physical risk impact

Temperatures would increase, resulting in increased claims and loss ratios across the Group's insurance businesses. The impact and likelihood of claims would be more severe than scenario 1 but lower than scenario 2.

#### Transition risk impact

Transition risk would increase around 2030 and be higher than in the other two scenarios. There may be external market pressures on the economy for those not able to transition at the required pace. At the same time, there may be a potential upside for economies that embrace climate change investment opportunities.

Reputation risk could increase if we transition at a slower pace than the market and activists require.

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# CLIMATE-RELATED OPPORTUNITIES

Efforts to mitigate and adapt to climate change present diverse opportunities across the regions, markets and industries where we operate. Discovery capitalises on these by leveraging our data capability and intellectual property to develop innovations that deliver on our purpose – to make people healthier and enhance and protect their lives.

## Integrating climate-related considerations into our operations and value chain

We are implementing energy efficiency and savings initiatives to reduce our carbon footprint. We also aim to align our business decisions and policies with a net-zero future – including integration of climate-related considerations into risk management, investments and interactions with partners and other stakeholders.

Our Group Procurement Policy accommodates sustainability-related criteria as we intend to reduce the indirect impact of our supply chain through its implementation. In addition, our Responsible Investment Policy includes integration of ESG-related factors, including climate change, into our investment decisions, building on our role as an asset owner.

Our supplier engagement approach supports our aim of reducing the carbon footprint of both our business and our suppliers, thereby embedding our Shared-value model thinking into our supply chain. In FY2024, we worked to better understand the Scope 3 emissions related to the goods and services we procure, including IT software and data centres, printing and couriers, professional services, marketing and sponsorship, and our Vitality partners. We continue collaborating with these suppliers to understand the emissions associated with our demand and are considering options for a more sustainable supply chain.

In the UK, we work with our suppliers and partners to better understand their approach to managing ESG-related issues. As a health and life insurer, our supply chain emissions are heavily affected by our hospital providers and the carbon intensity of the healthcare sector, which contributes to over 4% of global GHG emissions. Our supplier engagement framework enables us to focus on suppliers, such as hospital providers, that are most material to our Scope 3 emissions reduction efforts. We engage with our industry body, the ABI, and the industry body of our healthcare providers, the IHPN, towards improving best practice for decarbonisation in the private healthcare industry.

We are also working with advisers in the UK to share our experiences, support them in their sustainability journey and help them meet the rising expectations of businesses.

## Extending our Shared-value model to provide climate-related solutions

### DISCOVERY GREEN

Launched in September 2023, Discovery Green revolutionises renewable energy access for businesses. It extends our Vitality Shared-value model by making renewable energy accessible, aiding decarbonisation efforts and offering cost stability. Over time, it aims to combat South Africa's electricity shortfall.

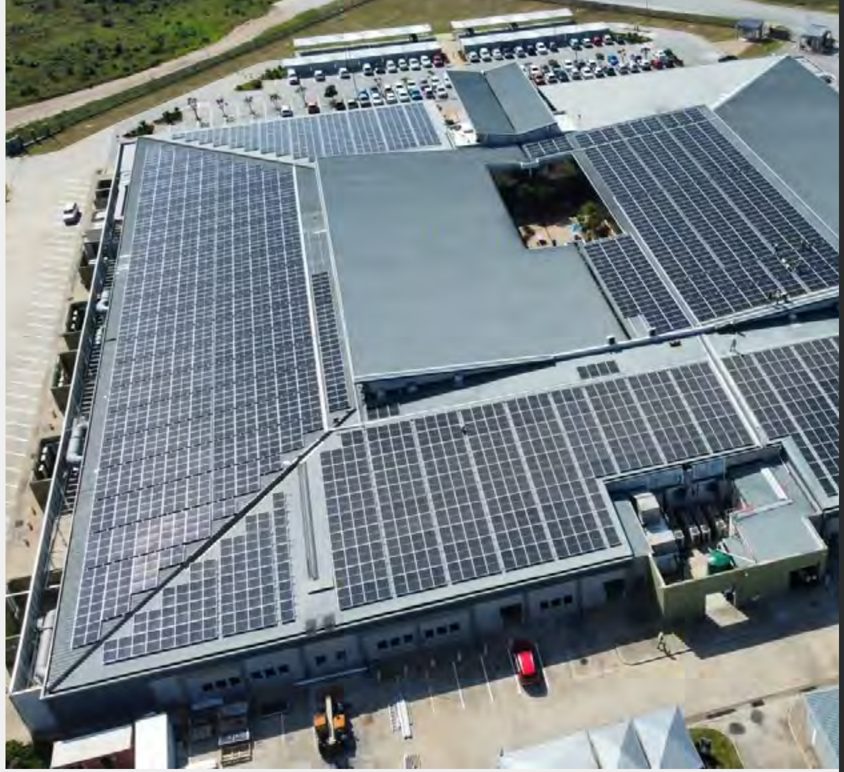
Discovery Green was designed to incentivise sustainable behaviour and provide renewable energy solutions to businesses by 2026. It addresses critical challenges in South Africa's electricity supply, which is heavily reliant on fossil fuels, by facilitating electricity wheeling. With new power wheeling frameworks expected from Eskom, Discovery Green will enable access to renewable energy nationwide.

Leveraging Discovery's actuarial and technology expertise, the platform connects renewable energy plants to businesses through two tailored products:

**Green Saver**: maximises savings by optimising renewable energy generation and consumption

**Green Guarantee**: enables businesses to achieve 100% renewable energy use, significantly reducing carbon emissions

We contracted **Discovery Green** to supply 1 Discovery Place with **100% renewable energy** by 2027. This follows an investment of R35 million in seed capital in FY2023 to fund research and product development related to Discovery Green.



### DISCOVERY BANK'S SOLAR ENERGY PARTNERSHIP

In partnership with Rubicon, a leader in power solutions, Discovery Bank Energy Solutions is advancing sustainable energy access across South Africa by providing solar energy solutions for homes. This initiative not only enhances energy security but also promotes environmental sustainability.

The model simplifies access to solar energy with competitive financing options and straightforward terms, including solar-as-a-service and rent-to-own arrangements. An online calculator offers custom quotes, ensuring solutions are tailored to specific household needs.

By combining Rubicon's technological expertise with Discovery Bank's shared-value financing, this partnership delivers market-leading solar solutions that help reduce carbon emissions and mitigate the impacts of loadshedding.

### Investing in research and development

Our research and development initiatives focus on understanding and mitigating transition risks and capitalising on opportunities associated with climate change. We are developing an action plan for achieving our reduction targets and gaining a better understanding of the impact of climate change on our business and our stakeholders.

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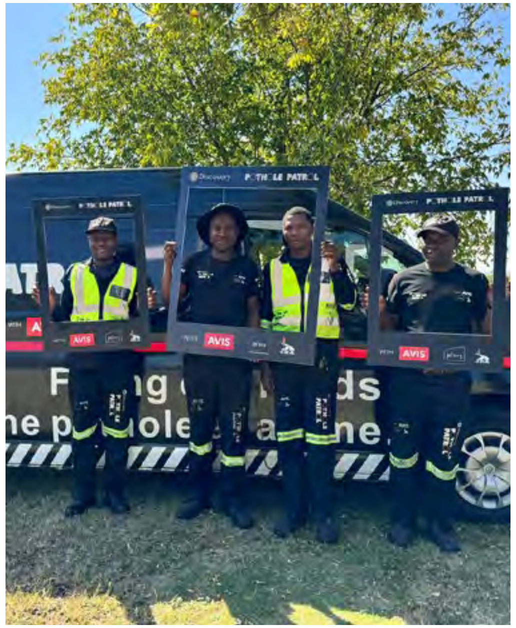
*Climate-related opportunities continued*

## Other product and initiative opportunities include:

Discovery Insure's **Pothole Patrol initiative**, in collaboration with the Johannesburg Road Agency and Avis Southern Africa, identifies and prioritises potholes to be repaired. This helps increase road safety and efficiency.

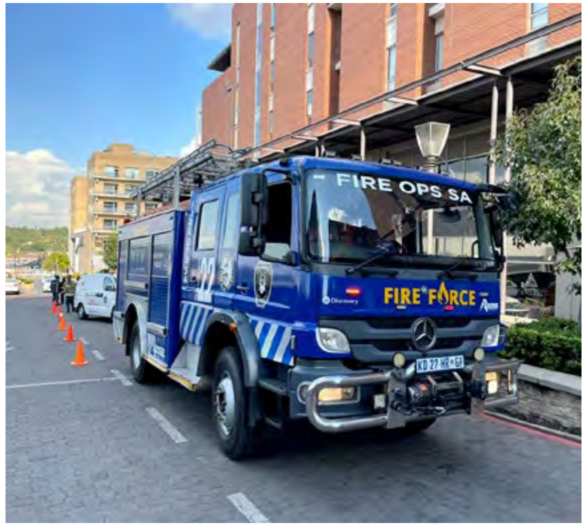



Discovery Invest offers the **Discovery global megatrends fund** that provides access for our clients to **invest in global megatrends**, including technological advancement, environmental sustainability, the future of healthcare and the new-age consumer.

**Discovery Bank has championed environmentally friendly principles** aligned with its predominantly digital model; a strategy designed to minimise environmental impact.

Through VitalityDrive, Discovery Insure incentivises **good driving behaviours** like not speeding and avoiding harsh breaking, which **results in lower carbon emissions**.

**Vitality Health International Africa offers a Vitality Malaria Benefit to reduce the high incidences of malaria**. The disease is preventable and treatable, but variations in climatic conditions, such as temperature, rainfall patterns and humidity, have a profound effect on malaria transmission.




Discovery Insure's **Fire Force** is a robust fire response network that saves lives in Johannesburg by **responding to two fire incidents daily** on average.

**Vitality**, our behaviour-change platform, combines insights from behavioural economics, clinical science, driving habits and personal financial management to **guide and incentivise people to cultivate better behaviours**. By understanding the correlations between behaviour and outcomes, Vitality addresses areas that have the biggest potential to change risk outcomes over the long term, including risks related to climate change.

Refer to the make people healthier section of our 2024 Sustainability Report for more information.

In the UK, we **partnered with Carbon Footprint, a quality assurance standard-certified carbon offset provider**. We fund a range of projects that are internationally verified and adhere to globally recognised and leading standards, such as the Verified Carbon Standard, Gold Standard Verified Emission Reduction and Certified Emissions Reductions.

**Discovery Health** and **VitalityHealth (UK)** are pioneers in using **digital solutions in healthcare**, enabling clients to access and manage care online and to reduce unnecessary travel which, in turn, reduces emissions. Reducing the need to print documents and increasing the number of claims that can be completed end-to-end online will support our reduction of Scope 3 emissions. This will be balanced with the need to continue providing the right care, at the right time, in the right way, to our clients.

In the UK, we are actively seeking opportunities to **collaborate with partners to drive better, more sustainable choices**. We incentivise and reward our clients for making healthier lifestyle choices through Vitality. Most recently, we:

- Provided clients the opportunity to receive double loyalty stamps when using a reusable cup
- Introduced Mindful Chef for clients, who can order a recipe box knowing their food has been ethically supplied and sustainably sourced
- Provided clients the opportunity to book hotels through our partner, Mr & Mrs Smith, enabling them to choose eco-friendly places to stay

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# Metrics *and targets*

## CLIMATE-RELATED COMMITMENTS

Discovery is committed to reducing our environmental impact and improving our environmental performance as an integral part of our business strategy. Our three absolute climate-related goals are designed to directly support these efforts, ensuring we reduce GHG emissions and support the transition to a low-carbon future.

### Short term
**ANNUAL REDUCTION AGAINST OUR 2019 BASELINE**

**Reduce Scope 1 and 2 emissions cumulatively by 21% for FY2024 (28 358 $tCO_2e$) and 23% for FY2025 (27 680 $tCO_2e$) against a 2019 baseline of 35 897 $tCO_2e$ (aligned to science-based methodology*)**

Discovery aims to adopt additional near-term targets, including more science-based targets and targets for material Scope 3 sources. These targets will support our plan to achieve net zero and help form our net zero pathway.

### Medium term
**CARBON-NEUTRAL OPERATIONS BY 2027****

**Achieve carbon neutrality in our SA and US operations by 2027 and in our UK operations by 2025 (Scope 1 and 2 emissions)**

Publish our plan in Q4 2025 to achieve net-zero GHG emissions by 2050 or earlier

### Long term
**ACHIEVE NET ZERO BY 2050 OR EARLIER**

**Extend beyond Scope 1 and 2 to include all GHG emissions across the organisation**

*  Based on a 1.5°C scenario of a 42% absolute reduction against our baseline by 2030.
** Refer to page 26 for more information on our decision to defer our 2025 carbon neutral goal to 2027.

Discovery has made significant investments into lower-carbon operations and recognises that there are opportunities for further reduction in Scope 2 and 3 emissions categories. We continually improve the measurement, monitoring and reporting of our emissions data. This includes monthly reports with detailed insights into energy and emission trends, areas for improvement and project progress. We are making progress in measuring our Scope 3 emissions and will establish near-term targets that address material Scope 3 sources. Our climate-related commitments and performance are detailed on the following pages.

**Specific commitments supporting our emissions targets include:**

- **Transitioning to a science-based target framework** in line with global scientific pathways to keep temperature increases below 2°C and ideally below 1.5°C
- Achieving **Green Star accreditation** for all SA-based buildings by 2026
- By FY2025, **reducing Scope 1 and 2 emissions by a cumulative 23% against an FY2019 baseline** – driven predominantly through energy management interventions
- Formulating and executing our **Net-Zero Transition Plan** – near-term reduction targets and engagement targets
- Sourcing almost 100% of our UK offices' **electricity from renewable sources** and **100% of our nurses' fleet transitioned to hybrid vehicles**
- **Maintaining ISO 14001:2015 certification** for 1 Discovery Place – a leading environmental management systems standard – and **rolling out and implementing** the **ISO 14001:2015** standard at our Cape Town offices in FY2025, and the ISO 50001 (energy management) standard at our Gqeberha office
- **Replacing 100% of 1 Discovery Place's power supply with renewable energy by 2027** through a wheeling agreement via Discovery Green
- **Replacing** coal-based power supply with renewable energy through rooftop **solar photovoltaic installations at our offices**

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*Climate-related commitments continued*

## Reducing Scope 1 and 2 emissions against our 2019 baseline

We developed a detailed roadmap for 2023 to 2030 with an advisory partner, based on our business-as-usual emissions trajectory and various science-based reduction methodologies. As a result, we introduced short-term climate-related targets in FY2022 to track and support reduced emissions annually in line with Paris Agreement guidance and global scientific pathways to keep temperature increases below 1.5°C. Our medium-term carbon-neutral goal will run parallel to and complement our annual science-based methodology-aligned targets, essentially offsetting the emissions over and above our annual reduction goal.

Our short-term goal for FY2024 was to cumulatively reduce the Group's Scope 1 and 2 GHG emissions by 21% against our 2019 baseline (FY2023: 16.8%). We achieved this goal and reached a 21.4% reduction, with Scope 1 and 2 emissions of 28 215 $tCO_2e$ against a target of 28 358 $tCO_2e$, compared with the 2019 baseline of 35 897 $tCO_2e$.

Through our science-based target, we aim to reduce Scope 1 and 2 GHG emissions by 23% against the 2019 baseline in FY2025.

For more details on our GHG emissions, see page 31.

## Carbon neutral by 2027

Discovery's goals for reducing impact are based on a review of our operations and audits of our baseline energy consumption and greenhouse gas emissions. Our energy efficiency efforts to meet our short-term goals, as detailed alongside, will help us reduce emissions in support of our medium-term carbon-neutral goal. We aim to mitigate absolute Scope 1 and 2 emissions across the Group and neutralise any residual emissions by procuring minimal, yet high-quality, carbon offsets.

Our investment in Discovery Green is on track to deliver renewable energy in 2027 - evidence of our value of being a force for good. As a result, we have deferred our carbon neutral goal from 2025 to 2027.

As guided by our climate change strategy, developed in 2021, we planned to source renewable energy from external providers to meet our 2025 goal. However, with Discovery Green's launch in 2023 and changes in our renewable energy strategy, we opted to wait for our own platform to be established, which will not only meet our renewable energy needs but also accelerate SA's renewable energy sector. As such, the procurement of renewable energy provision to our South African properties was delayed. This impacted our ambition of achieving carbon neutrality with minimal purchase of carbon offsets.

Our roadmap to carbon neutrality in 2027 depends on achieving our annual reduction targets, implementing further efficiency measures and transitioning to renewable energy. Our wheeling agreement with Discovery Green will supply 1 Discovery Place with 100% renewable energy by 2027. Currently, wheeling is only possible for 1 Discovery Place, but the Group will investigate wheeling for other properties once regulation allows for wheeling to smaller properties. Our SA operations account for nearly 95% of our emissions profile; as such, our annual reduction targets are focused on these operations.

For more detail on Discovery Green, refer to page 23.

Refer to our 2024 Sustainability Report for more detail on Discovery Green.

Vitality UK is progressing well against the Group climate change strategy, achieving a 95% reduction against its 2019 baseline and almost 100% renewable electricity in its Vitality-occupied offices in FY2024. The UK business remains on track to reach carbon neutrality in its directly controlled operations by 2025.

Resource and energy source efficiencies contributing to our carbon neutral goal are outlined on the next page. These interventions will optimise energy efficiencies until 2030, after which efficiency gains will be challenging as further adjustments will only bring marginal benefits.

We continued to engage with strategic advisers during the year, conducting a data mapping and emissions boundary exercise to ensure all data is accurate, complete and being tracked regularly. Our strategic advisers collaborated with Discovery teams to produce detailed science-based trajectories for year-on-year emissions reductions to 2050. We are investigating different frameworks for near-term targets and reduction strategies, which will drive a more accurate and comprehensive baseline, better processes for data gathering and tracking, and a clear science-based roadmap for year-on-year emissions reduction targets.

*Climate-related commitments continued*

## Net zero by 2050 or earlier

Our journey to achieve net zero by 2050 or earlier is supported by our short-term and medium-term goals and our work to gain a comprehensive understanding of our Scope 3 emissions, which forms part of our larger initiative to assess our overall emissions. Adopting science-based targets will help inform our Net-Zero Transition Plan, which we intend to publish in Q4 2025.

During FY2024, we furthered our Scope 3 analysis, which considers the outcome of an FY2022 relevance assessment that identified our Scope 3 activities against the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This assessment identified investments, purchased goods and services, capital goods and franchises as categories with the greatest potential contribution to our Scope 3 emissions.

Notable progress in our Scope 3 analysis during the year included:

- Engaging with asset managers and assessing the availability of investment-related emissions data
- Considering the measurement of emissions related to Vitality Global insurance partners (franchises) and Vitality programme partners (purchased goods and services)
- Assessing UK healthcare emissions data (which makes up the majority of Vitality UK's Scope 3 emissions) and collaborating with industry bodies such as the ABI and IHPN to standardise methodologies in the UK
- Investigating the classification and inclusion of healthcare emissions in SA that are beyond our value chain, by engaging with Discovery Health Medical Scheme to better understand data availability

## Key objectives of our Net-Zero project

### Scope 1 and 2

Develop a near-term and long-term reduction strategy and pathways for Scope 1 and 2 to support our net-zero ambition

Identify and implement key initiatives to reduce Scope 1 and 2 emissions

### Scope 3

For investments (including financed emissions), Vitality programme partner emissions, Discovery Insure and Discovery Bank associated emissions and other emission sources:

- Establish an accurate baseline
- Develop a roadmap for improving data accuracy and measurement over the short and medium term
- Develop an engagement plan for asset managers, partners and our supply chain

Develop a strategy to target reductions in high-impact areas, and identify and allocate resources to initiatives aimed at achieving these

Understand and measure emissions from the healthcare ecosystem in the UK

Identify and understand mitigation opportunities beyond our value chain

For detail on Vitality UK's engagement with suppliers on emissions data, refer to page 29.

Importantly, we made progress in calculating the Group's financed emissions, with several meetings held with our majority asset manager, Ninety One, on collecting data, quantifying our emissions allocation and setting a baseline. We continue to engage with our asset managers to ensure ongoing data exchange alignment and collective action on emissions.

Although our annual reduction targets are aligned to science-based methodology, these are not verified. We are investigating a commitment to a net-zero framework like the Science-based Targets Initiative (SBTi) or the Net Zero Asset Owner's Alliance (NZAOA) as part of our Net-Zero Transition Plan.

We continue to formulate our strategic response to achieving net zero with the assistance of specialist advisers, which include decarbonisation plans for Scope 1, 2 and 3, energy reduction pathways and new technologies. Our final Net-Zero Transition Plan, including consolidated targets and science-based reduction trajectories, will be guided by the Transition Plan Taskforce's (TPT) Disclosure Framework.

For detail on the TPT Disclosure Framework, refer to page 15.

Discovery's Scope 3 carbon emissions for FY2024 totalled 31 685 $tCO_2e$ (FY2023: 28 476 $tCO_2e$). The greatest opportunities for reductions are in Scope 2 and 3 emissions categories, which increase as we gain an understanding of our Scope 3 emissions and report on them.

Although our Scope 3 boundary is evolving, it has been limited to select categories to date. Within these categories, our increase in Scope 3 emissions is mainly a result of:

- An increase in employee commute as our employees continue to return to the office
- An increase in business travel as travel restrictions have lifted post COVID-19
- Inclusion of fuel- and energy-related activities not included in Scope 1 or 2 (well-to-tank and transmission and distribution losses)
- Inclusion of Purchased goods and services: Data storage as a new sub-category

For more detail on our GHG emissions, see page 31.

For more information on the relevance of Scope 3 categories and the quality of data, see page 32.

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# OUR DIRECT ENVIRONMENTAL IMPACT

## Resource and energy source efficiencies

The initiatives and opportunities below support our short-term and medium-term climate-related goals to reduce GHG emissions throughout our operations. Our goal to achieve net zero by 2050 or earlier will be guided by our approach to innovation and reduction measures.

We continued to implement the recommendations of a Scope 2 emissions neutralisation roadmap, developed in FY2022, including data clean-up, metering, configuration, energy management model calibration, establishing various scenarios and tracking progress through an integrated dashboard.

1 Discovery Place, which houses two-thirds of our total global workforce of over 13 800 employees, is **six Green Star-rated**, signifying world leadership in green building standards. We aim to have all our South African-based buildings Green Star-accredited by 2026.

**1 Discovery Place in South Africa is ISO 14001:2015 certified**, which demonstrates that our environmental management systems conform to a leading standard. Discovery's Environmental Policy provides guidance on environmental protection measures, internal reporting processes and relevant legislation, and was instrumental in our ISO 14001 certification.

**Rooftop solar** at 1 Discovery Place and our Gqeberha office has contributed 4% of total energy savings. Our solar installations help us reduce our reliance on the grid and generators.

During the 2023 holiday season, we rolled out **energy efficiency and behaviour change drives** at 1 Discovery Place, which led to savings of 227 $tCO_2e$ in December.

In FY2025, we plan to implement the ISO 14001:2015 at our Cape Town offices, and the ISO 50001 energy management standard at our Gqeberha office.

Other projects underway to reduce emissions include:

- Identifying **heating, ventilation and air conditioning efficiencies** at our data centre
- Introducing a **battery energy storage system** at our data centre to reduce diesel consumption
- Implementing more **energy-efficient heating, cooling and lighting technologies** in some properties
- Introducing **additional meters to manage our baseline usage**, potentially uncovering opportunities for further energy reduction
- **Optimising** our in-office hybrid working structures to ensure efficient energy use, including reduction of office space, **tweaking light schedules** and other energy-dependent resources to coordinate with operational requirements

## UK-SPECIFIC INITIATIVES

We source almost **100% renewable electricity** at our Vitality UK-occupied offices, backed by Renewable Energy Guarantees of Origin.

We transitioned our Bournemouth operation to a more energy efficient building and are **working towards Fitwel® accreditation** for our Bournemouth and London offices.

Vitality UK nurses' cars are **100% hybrid** (a mixture of self-charging and plug-in).

We have intensified our efforts to **improve data collected** for energy, waste and water use.

## US-SPECIFIC INITIATIVES

Our Chicago office is **certified by the Leadership in Energy and Environmental Design (LEED)** and is close to major transportation hubs (cutting down on employees' transport emissions).

We use **compostable single-use cups and plates** and work with caterers to provide compostable cutlery and serving equipment.

## EMPLOYEE ENGAGEMENT

We engage with employees on climate change-related issues to drive behaviour change from within the business. The UK business continues to drive engagement with employees to drive its sustainability strategy.

During the year, we engaged as follows:

Donated and planted 30 trees via Food and Trees for Africa in Diepsloot, South Africa, with future initiatives being explored

Reminded Vitality UK employees of our electric car leasing scheme, which allows them to lease an electric or hybrid vehicle via salary sacrifice

Continued championing our carpooling scheme at our UK offices to help reduce employee emissions from driving – over 203 employees have registered to date

Encouraged UK employees to participate in a plastic consumption reduction challenge, leading to 6 653 actions over two weeks and 16 $tCO_2e$ savings

38% of UK employees completed their carbon footprint survey via our eco-platform, Pawprint

Multiple biodiversity focused volunteering events for Vitality UK employees in March 2024

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*Our direct environmental impact continued*

## Reducing waste to landfill

1 Discovery Place received net zero waste to landfill accreditation from the Green Building Council of South Africa during the year, and we continue to work towards achieving zero waste to landfill at all our main offices in South Africa. This year, we applied for accreditation for our Cape Town office and recently applied for our KwaZulu-Natal and Gqeberha offices in July 2024.

During the year, we recycled 92% of the Group's waste, with 4.5% going to landfill. While waste forms a small part of our impact from an emissions impact point of view (43 $tC0_2e$), reducing landfill waste to zero has other benefits, including reducing pollution, GHG emissions and demand for raw materials; conserving natural resources; and protecting ecosystems and wildlife.

## Reducing travel, especially air travel

We recognise that air travel significantly contributes to our carbon footprint. As a global business, air travel is often required, and we are focusing management efforts on reducing travel by making use of digitally enabled office working practices and offsetting emissions from unavoidable flights as a final mitigation.

While employee commuting is a Scope 3 activity, it makes up a significant portion of our emissions. Reductions in employee commuting and business travel form part of our hybrid working policies and Travel Policy. These initiatives will be supported by ongoing internal campaigns that empower our people to reduce their emissions.

## Responsible investment

Discovery aims to act in its beneficiaries' best long-term interests as an asset owner and institutional investor. We are a signatory to the Principles for Responsible Investment and seek to incorporate ESG issues into investment practices as required by our Group Responsible Investment Policy.

As a large portion of Discovery's discretionary funds are invested in cash and fixed income investments, it is not always possible to directly influence the climate change policies of these portfolios. Where we have significant equity exposure (through the unit-linked funds in which our clients invest), we work closely with our asset managers to enhance our ESG approach and incorporate achievable climate change objectives through proxy voting and engagement in equity holdings. This may include compliance with environmental legislation; efficient use of resources; pollution prevention and biodiversity conservation; and prevention of or adaptation to climate change. Carbon emissions data at the required level may be difficult to acquire for unit trust or index-tracked investments. However, we have started to analyse Discovery-managed funds as we have access to this data and can influence action.

Our Net-Zero Transition Plan (to be published in Q4 2025) will further analyse our approach and methodology to identify and account for Scope 3 financed emissions.

For details on our responsible investment approach, refer to our Sustainability Report.

## Sustainable insurance

We continue to be a signatory to the UNEP FI PSI as part of our ongoing commitment to environmental sustainability and leadership. We are working towards turning the four principles for sustainable insurance into practice and playing our part in strengthening the insurance industry's contribution to sustainable development as risk managers, insurers and investors. We submitted our annual disclosure to the UNEP FI in FY2024.

## Sustainable procurement practices

Our Procurement Policy sets out that – as a United Nations Global Compact (UNGC) signatory – we aim to conduct business with suppliers that align their business practices to the 10 principles of the UNGC as set out in either a policy or a company statement signed by directors of the supplier company. The policy includes sustainable procurement processes to ensure our procurement evaluations prioritise an optimal combination of quality, price and sustainability.

In the UK, healthcare emissions make up a large proportion of our Scope 3 emissions. Our supplier engagement framework and materiality analysis prioritise suppliers crucial to reducing our Scope 3 emissions, including hospital providers. Our collaborative approach aims to understand and mitigate the emissions linked to our demand. This strategy is designed to reduce the carbon footprint of both our business and our suppliers, thereby integrating our Shared-value model into our supply chain. Our Supplier Code of Conduct clearly outlines the ESG expectations of all our suppliers and partners. We engage with our industry body, the ABI, and the industry body of our healthcare providers, the IHPN, towards improving best practice for decarbonisation in the private healthcare industry.

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# ALIGNING EXECUTIVE REMUNERATION TO SUSTAINABILITY-RELATED METRICS AND TARGETS

Discovery links executive remuneration to sustainability-related metrics and targets, including specific indicators related to the environment, that are assessed annually. This strengthens leadership accountability and responsibility in advancing the Group's climate-related commitments.

Our single incentive plan measures performance over the short and long term and considers management performance at a Group, business and individual level. The Group performance scorecard for FY2024 includes a sustainability measure for climate, specifically focusing on a reduction in Scope 1 and 2 greenhouse gas emissions from the 2019 base year, with a 2% weighting. In addition, overall performance against ESG ratings agencies is assessed as a performance measure.

For details on our executive remuneration refer to our Remuneration Report.

# CLIMATE-RELATED PERFORMANCE

**Overview of our performance against energy, water and waste:**

| | Unit | Trend | FY2024 | FY2023 | FY2022 | FY2021 | FY2020 |
|---|---|---|---|---|---|---|---|
| **Energy** | | | | | | | |
| Energy consumption – total | MWh | Down | **36 244** | 37 107 | 35 180 | 33 722 | 40 626 |
| Fuels | MWh | Down | **7 686** | 8 868 | 5 998 | 5 057 | 6 535 |
| Purchased electricity (renewable and non-renewable) | MWh | Down | **27 408** | 27 750 | 29 015 | 28 503 | 33 935 |
| Electricity generated and consumed on-site (renewable via direct line) | MWh | Up | **1 150** | 489 | 167 | 162 | 156 |
| **Water (SA)** | | | | | | | |
| Water withdrawal – total | Kilolitre | Down | **88 603** | 92 240 | 87 465 | 78 963 | 140 598 |
| **Waste (SA)*** | | | | | | | |
| Weight of waste – total | Tonne | Up | **474** | 447 | 231 | 145 | 401 |
| % Waste recycled | % | No change | **92** | 92 | 88 | 72 | 73 |
| % Waste to landfill | % | Down | **4.5** | 5 | 8 | 23 | 26 |

** Remaining % waste not recycled or sent to landfill was incinerated.*

Group water and energy consumption and waste generation have fluctuated over the years due to COVID-19-related lockdowns in FY2021 and employees subsequently returning to the office due to a shifting hybrid working model. Despite the increase in waste, we made significant progress in reducing our waste to landfill. Energy consumption decreased as energy efficiency initiatives were implemented; however, this was negatively impacted by increased loadshedding, which reduced again in the first half of 2024, and subsequently offset through our solar installations and supply.

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# GREENHOUSE GAS (GHG) EMISSIONS

We calculate and collect carbon emissions in accordance with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition). The GHG reporting boundary is based on our operational control. Discovery measures GHG emissions in its SA, UK and US operations. Our Scope 1 and 2 emissions are generated primarily through electricity and gas consumption, fugitive emissions, vehicle fuels (petrol) and stationary fuels (diesel). Discovery does not currently make use of an internal carbon price. We established 2019 as our base year. To ensure our metrics accurately reflect performance, comparative emissions may be restated and baselines recalculated from time to time due to comparative year data availability, changes in reporting boundary or tariff adjustments.

A third party provides limited assurance on selected GHG emissions in accordance with the ISO 14064-3 specification with guidance for the validation and verification of GHG assertions.

Verify $CO_2$'s independent verification statement is available for download on our website.

## Scope emissions ($tCO_2e$) at 30 June

| Scope | | Item | SA[4] | UK | US | FY2024 | % Change | FY2023 | FY2022 | FY2021 | FY2020 | FY2019 (Base year) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Scope 1, 2 and 3 / Scope 1 and 2 | Scope 1 | Mobile combustion | 869 | 73 | n/a | **942** | | 951 | 864 | 696 | 1 056 | 1 262 |
| | | Product use: Refrigerant gases (Kyoto Protocol) | 508 | – | n/a | **508** | | 313 | 320 | 255 | 746 | 62 |
| | | Stationary combustion[1] | 516 | 234 | n/a | **750** | | 1 221 | 543 | 492 | 519 | 486 |
| | Scope 2 | Purchased electricity (location-based)[2] | 25 727 | 545 | 80 | **26 352** | | 27 145 | 28 862 | 28 569 | 32 799 | 33 929 |
| | | Purchased electricity (market-based) | 25 727 | 206 | 82 | **26 015** | | 26 801 | 28 606 | 28 280 | 32 737 | 34 087 |
| | **Total Scope 1 and 2 (location-based)** | | 27 620 | 852 | 80 | **28 552** | (4%) | 29 630 | 30 589 | 30 012 | 35 120 | 35 739 |
| | **Total Scope 1 and 2 (market-based)** | | 27 620 | 513 | 82 | **28 215** | (4%) | 29 286 | 30 333 | 29 723 | 35 058 | 35 897 |
| Scope 1, 2 and 3 / Scope 3 | Scope 3 | Purchased goods and services: Paper[3] | 47 | –* | –* | **47** | | 52 | 68 | 69 | 71 | 136 |
| | | Purchased goods and services: Water[3] | 83 | –* | –* | **83** | | 85 | 81 | 73 | 130 | 128 |
| | | Purchased goods and services: Data storage (new)[3] | 373 | –* | –* | **373** | | –* | –* | –* | –* | –* |
| | | Fuel- and energy-related activities | 10 478 | 209 | 17 | **10 704** | | 8 774 | 9 183 | –* | –* | –* |
| | | Upstream transport and distribution | 120 | –* | –* | **120** | | 178 | 83 | 64 | 97 | 146 |
| | | Waste generated in operations | 43 | –* | –* | **43** | | 44 | 30 | 51 | 144 | 277 |
| | | Business travel | 6 180 | –* | –* | **6 180** | | 4 182 | 872 | 512 | 3 939 | 5 615 |
| | | Employee commute | 12 610 | –* | –* | **12 610** | | 13 868 | 11 974 | 7 011 | 15 385 | 19 936 |
| | | Downstream leased assets: Purchased electricity | 939 | –* | –* | **939** | | 680 | 287 | –* | –* | –* |
| | | Franchises | 586 | –* | –* | **586** | | 613 | 652 | –* | –* | –* |
| | **Total** | | **31 459** | **209** | **17** | **31 685** | **11%** | **28 476** | **23 230** | **7 780** | **19 766** | **26 238** |
| **Total Scope 1, 2 and 3 (location-based)** | | | 59 079 | 1 061 | 97 | **60 237** | 4% | 58 106 | 53 819 | 37 792 | 54 886 | 61 977 |
| **Total Scope 1, 2 and 3 (market-based)** | | | 59 079 | 722 | 99 | **59 900** | 4% | 57 762 | 53 563 | 37 503 | 54 824 | 62 135 |
| Out of scopes | Out of scopes | Product use: Refrigerant gases (non-Kyoto Protocol) | 10 | – | – | **10** | | 80 | 61 | 95 | 33 | 34 |
| | **Total** | | 10 | – | – | **10** | (87%) | 80 | 61 | 95 | 33 | 34 |
| **Total (location-based)** | | | **59 089** | **1 061** | **97** | **60 247** | **4%** | **58 186** | **53 880** | **37 887** | **54 919** | **62 011** |
| **Total (market-based)** | | | **59 089** | **722** | **99** | **59 910** | **4%** | **57 842** | **53 624** | **37 598** | **54 857** | **62 169** |

** Not reported.*

*1 The decrease in stationary fuel emissions, predominantly diesel combusted in generators, was due to a significant decrease in loadshedding during the second half of FY2024.*

*2 Various contractual instruments are available in the UK and USA. For FY2024, the UK offices used mostly 100% green energy (from a mix of sources backed by UK REGOs or European GOs) which met with the GHG Protocol's Scope 2 Quality Criteria. In addition, SA saw a 135% increase in solar rooftop PV generation from the previous year due to full 12-month generation from 1 Discovery Place and Gqeberha office coming online. No residual mix emission factor is currently available for SA. The location and market- based emissions are therefore identical for SA. In the UK, gas heating consumed at leased premises in multi-tenanted buildings (Bournemouth, London, Better Health and Chicago offices) was categorised as Scope 2 in accordance with the GHG Protocol's Scope 2 Guidance.*

*3 We report on purchased goods and services to the extent that data is available. This category does not yet include healthcare emissions.*

*4 The Eskom emission factor used in FY2024 was 3% lower than the previously published Eskom factor.*

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## *Greenhouse gas (GHG) emissions continued*

### Scope 3 emissions reporting

In line with our commitment to transparency and achieving net zero, we are intensifying our focus on Scope 3 emissions in our forthcoming Net-Zero Transition Plan. This includes refining methodologies to measure indirect emissions, establishing a baseline and navigating challenges like data availability. The maturity of our reporting across each relevant category will develop as we expand our scope for inclusion and our operational control.

**The table below details the Scope 3 categories we report on currently and will work to report on in future.**

| UPSTREAM ACTIVITIES | Relevance | Data quality score |
|---|---|---|
| **1 Purchased goods and services** | | |
| Healthcare emissions (UK) | | |
| Vitality reward partners (SA) | | |
| Other purchased goods and services | | |
| **2 Capital goods** | | |
| **3 Fuel- and energy-related activities** | | |
| **4 Upstream transportation and distribution** | | |
| **5 Waste generated in operations** | | |
| **6 Business travel** | | |
| **7 Employee commuting** | | |
| **8 Upstream leased assets** | N/A | N/A |

| DOWNSTREAM ACTIVITIES | Relevance | Data quality score |
|---|---|---|
| **9 Downstream transportation and distribution** | | |
| **10 Processing of sold products** | N/A | N/A |
| **11 Use of sold products** | N/A | N/A |
| **12 End-of-life treatment of sold products** | N/A | N/A |
| **13 Downstream leased assets** | | |
| **14 Franchises** | | |
| Franchises | | |
| Vitality Global partners | | |
| **15 Investments** | | |
| Investments | | |
| Other banking activities | | |
| Insurance activities | | |

**N/A** N/A

**Relevance** Low — High

**Data quality** High — Low

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# Looking *ahead*

Our core purpose of making people healthier and enhancing and protecting their lives aligns with our planetary health goal of maintaining an environment that enables and sustains good health.

As a purpose-led and active corporate citizen, we are committed to protecting our planet by reducing our direct environmental impact through responsible energy, water and waste management and consumption while exploring solutions to reduce our long-term impact.

We recognise the importance and urgency of climate change and broader sustainability issues impacting our business and the communities in which we operate. To enable the effective disclosure of climate-related risks and opportunities, we will continue to enhance our reporting practices in line with the TCFD recommendations and intend to progress towards alignment with the ISSB standards. We believe that the ISSB standards, which build on the TCFD framework, provide a global baseline for sustainability disclosures.

## WE ENDEAVOUR TO:

- Understand and respond to climate-related risks and opportunities, including how these factor into strategic business decisions and financial planning, while reporting on related financial impacts
- Continually increase employee awareness and training
- Continue advocating through engagement on climate change policy and interventions
- Publish our plan in Q4 2025 to achieve net-zero GHG emissions by 2050 or earlier
- Comply with all relevant regulatory requirements and other compliance obligations
- Achieve carbon neutrality in our SA and US operations by 2027 and in our UK operations by 2025
- Continually monitor and reduce our direct environmental impact, including GHG emissions, by improving our energy use efficiencies, water usage and waste management
- Set science-based targets that align to our transition plan for achieving net zero
- Continue assessing and quantifying the Group's Scope 3 emissions and investigate reduction and engagement strategies
- Receive zero waste to landfill accreditation at our Cape Town, Gqeberha and KwaZulu-Natal offices
- Ensure SA-based buildings are Green Star accredited by 2026
- Monitor and reduce the indirect impacts associated with our supply chain
- Monitor, research and assess the link between climate change and biodiversity and enhance our understanding of nature-related risks and opportunities
- Extend the Vitality Shared-value model into the area of climate change by incentivising appropriate and environmentally conscious behaviours across our value chain
- Disclose our climate-related performance in line with the ISSB standards

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# TCFD *application register*

The recommendations of the TCFD are structured around four thematic areas that are supported by recommended disclosures to enhance the assessment of climate-related risks and opportunities and improve climate reporting. The table alongside provides a cross-reference to our application of these recommendations within this report. We are continually working to advance in our climate reporting journey as outlined on page 9.

Refer to TCFD Recommendations for further details.

| TCFD PILLARS | | TCFD RECOMMENDED DISCLOSURES | RELEVANT CHAPTERS AND SECTIONS IN THIS REPORT |
|---|---|---|---|
| **Governance**<br>**Disclose the organization's governance around climate-related risks and opportunities.** | a | Describe the board's oversight of climate-related risks and opportunities. | Group governance for climate change response – Page 10.; Board responsibility – Page 11. |
| | b | Describe management's role in assessing and managing climate-related risks and opportunities. | Group governance for climate change response – Page 10.; Management responsibility – Page 11. |
| **Risk management**<br>**Disclose how the organization identifies, assesses, and manages climate-related risks.** | a | Describe the organization's processes for identifying and assessing climate-related risks. | Our risk management process – Page 13.; Our assessment of climate-related risks – Page 14. |
| | b | Describe management's role in assessing and managing climate-related risks and opportunities. | Our risk management process – Page 13.; Climate-related developments – Page 14.; Our regulatory landscape – Page 15. |
| | c | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. | Risk management – Page 13. |
| **Strategy**<br>**Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.** | a | Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. | Climate-related risks – Page 16.; Climate-related opportunities – Page 23. |
| | b | Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. | Climate-related risks – Page 16.; Climate-related opportunities – Page 23. |
| | c | Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | Scenario analysis – Page 21. |
| **Metrics and targets**<br>**Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.** | a | Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. | Climate-related commitments – Page 25.; Our environmental impact – Page 28. |
| | b | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks. | GHG emissions – Page 31. |
| | c | Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. | Climate-related commitments – Page 25.; Climate-related performance – Page 30.; Aligning executive remuneration to sustainability-related metrics and targets – Page 30. |

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Discovery

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