DISCOVERY

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

for the year ended 30 June 2022

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ANDREW RAYNER AND DEEPAK JOBANPUTRA

A MESSAGE FROM OUR LEADERSHIP

Discovery supports the Paris Agreement's goals to limit global warming to well below 2°C and to pursue efforts to limit warming to 1.5°C. Accordingly, we are committed to aligning our actions with best practice and advocating for a low-carbon future through engagements at a national and industry level.

Discovery supports the developments in environmental, social and governance standards, frameworks, and disclosure requirements. We embrace the challenges within this complex environment, which include a growing number and diversity of disclosure requirements, and shifting consumer expectations, as we seek opportunities to make a positive contribution.

This report represents our second report in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and reflects the work that has taken place during the year to deepen our understanding of the risks we face due to climate-related issues, as well as the opportunities we see to both lower our impacts and support positive behavioural change through our Shared-value Insurance model.

PROGRESS AGAINST OUR CLIMATE CHANGE STRATEGY

Guided by our Climate Change Strategy, FY2022 was a year of action for the Group. Given the importance and urgency of climate change and broader sustainability issues, the strategy is a core focus area and forms part of our broader Group strategy. It ensures that we take a pragmatic approach to climate change by addressing its effects on our business and reducing carbon emissions to maximise our impact and support collaboration.

The first strategic objective focuses on reducing emissions in our operations to align with global climate ambitions. The second recognises the role that collaboration with suppliers, partners, and other stakeholders can play in managing our indirect emissions. Our third strategic objective aims to support adaptation and develop meaningful, market-transforming climate and environmentally friendly products and services that amplify our impact through our client base, using our behaviour-change and Shared-value model.

01 | ALIGN ACROSS PRACTICES AND PROPERTIES

This year, we made good progress against our goal of reducing emissions across our South African (SA), United Kingdom (UK) and United States (US) based operations. In FY2022, we reduced our Scope 1 and 2 emissions by 5 886 tonnes of CO_2e against the 2019 baseline. This achieved a reduction of 16.4%, which is ahead of our target of 10%.

Our head office in Sandton has a six Green Star rating from the Green Building Council of South Africa. In FY2022, we began installing a photovoltaic plant on the roof of 1 Discovery Place, which is estimated to provide a 3% reduction in purchased electricity. We continued to investigate renewable energy sources through a wheeling power agreement with an independent power producer. In addition, we are replacing older infrastructure with newer generation technology where possible, and continually striving to improve data centre efficiencies.

In the UK, we replaced nearly half of our fleet of Vitality nurses' cars with plug-in hybrid electric vehicles, and we are installing electric vehicle charge points in our Bournemouth and Stockport offices. Pleasingly, 95% of the electricity in our office buildings is sourced from renewable sources. We are implementing smart meters for gas, water and electricity to better understand our consumption and identify efficiency opportunities.

In the US, we took decisive steps to improve the sustainability of the Vitality Global workplace and to educate employees on how to make more eco-friendly choices. We introduced office composting and are in the process of switching to biodegradable utensils, plates and paper towels in our office.

02 | AMPLIFY THROUGH PORTFOLIO AND PARTNERSHIPS

We continue monitoring and integrating climate-related considerations into investment, procurement and partnership decisions and policies.

To support this objective and enhance our understanding of climate-related risks and opportunities, we participated in the United Nations (UN) Global Compact Climate Ambition Accelerator programme, in which two members of our Climate and Environment Steering Committee took part.

03 | IMPACT THROUGH INCENTIVES AND INNOVATION

We understand that our greatest opportunity lies in positively influencing the 39 million plus lives we touch across the globe, by driving environmentally conscious behaviours from clients through the Vitality Shared-value Insurance model. A green Vitality proposition is currently in development, with a goal to launch in 2023. It will include a carbon footprint calculator and several interventions that will be introduced to incentivise low-carbon behaviours.

IN FY2022, WE REDUCED OUR SCOPE 1 AND 2 EMISSIONS BY 5 886 TONNES OF CO_2E AGAINST THE 2019 BASELINE. THIS ACHIEVED A REDUCTION OF 16.4%, WHICH IS AHEAD OF OUR TARGET OF 10%.

LOOKING AHEAD

While we are pleased with the progress made, there is still much to be done, and we face complex challenges as we do so. We are increasingly understanding the climate-related risks and opportunities we face and continue to investigate the feasibility of climate-related scenario analysis for our business given the difficulties we face in this regard. These include concerns about quantifying financial implications, the availability of business-relevant data and tools and ensuring scenarios are decision-useful in a business context.

We believe that we can contribute positively towards building a more sustainable world. We remain focused on our climate-related commitments and have dedicated significant resources to achieve them. Our leadership drives these commitments from the highest level, with the Group Chief Executive championing our climate change strategy, and our Board and its committees providing oversight.

The recommendations of the TCFD play an essential part in communicating our progress in terms of our climate-related targets, risks and opportunities and keeping us accountable to key stakeholder groups.

We constantly work to improve our climate change reporting and welcome stakeholder feedback on our TCFD Report. Feedback can be emailed to sustainability@discovery.co.za.

Andrew Rayner
Group Chief Risk Officer

Deepak Jobanputra
Chief Sustainability Officer, Vitality UK

CONTEXT

Climate change remains a key risk facing businesses and society, with sustained temperature increases leading to a growing number of extreme weather events, among other impacts.

Reports by the UN Intergovernmental Panel on Climate Change (IPCC) make it clear that humans are indisputably warming the planet, and that this warming is already affecting weather and climate in every region across the globe.

Climate change has been linked to more frequent and intense drought, storms, heat waves, rising sea levels, melting glaciers and warming oceans. This can impact food security, livelihoods, communities and society at large. The magnitude of the crisis has necessitated countries to take collective action.

In 2015, nearly 200 countries signed the Paris Agreement, a legally binding treaty on climate change. The treaty aims to keep the increase in global average temperature to below 2°C and pursue efforts to limit this to 1.5°C. This requires global emissions to reduce to net zero by mid-century – an undertaking that demands collaboration from all sectors of society. The Paris Agreement also requires signatories to compile a set of Nationally Determined Contributions (NDCs) towards the global goals to reduce greenhouse gas (GHG) emissions and adapt to the impacts of climate change.

Despite an increasing number of countries committing to net-zero emissions, a significant gap remains between the current targets and the reductions needed to meet the goals of the Paris Agreement. The urgency of addressing the climate crisis continues to accelerate, given the interdependencies between health and climate-related risks. The World Health Organisation estimates that reducing environmental and social risk factors can prevent nearly a quarter of the global health burden.

In 2022, the UN's IPCC released a report providing detailed information on mitigation initiatives to stop temperatures rising above 2°C, and ideally 1.5°C, to avoid the worst consequences of climate change. The report concludes that global GHG emissions must peak by 2025 to have a 50% chance of meeting either goal.

Urgent adoption of carbon-free and low-carbon technologies is needed to meet emission reductions targets. Furthermore, the contribution of individual behaviour changes to reducing GHG emissions has received increased attention. An IPCC study, based on 100 000 relevant social science papers, found that scaled behavioural and cultural change can reduce emissions by 40% to 70%. Eating choices, air travel, building energy use and shopping habits are all areas where people's combined decisions can have a substantial impact on reducing emissions.

TC Refer to ***page 22*** for more information on how a shared value approach can support the climate change agenda.

Following COP26 in 2021, signatories to the Paris Agreement agreed to align their NDCs to the global objective of limiting the aggregate global temperature increase to 1.5°C. Outcomes of COP26 include a collective agreement to address the just transition, alignment of financial flows towards a low-GHG-emission future and climate resilience, and a pledge for additional funding by developed to developing countries.

TC Refer to ***page 17*** for more information on regulatory risks.

Additional funding is an important consideration. SA requires significant annual investment leading up to 2030 to reach its NDC targets. An International Finance Corporation (IFC) study estimated that the total investment needed to achieve SA's NDC is R8.9 trillion over a 15-year timeframe (from 2015 to 2030). This translates to a required annual investment of R596 billion to achieve SA NDCs by 2030.

In the SA context, the need for a just transition is also a critical consideration. The poor, unemployed, and those living in rural communities are most vulnerable to climate change and an abrupt transition to a low-carbon economy. The shift away from fossil fuels must protect jobs and empower vulnerable groups.

Given this complex context, our strategic response to climate change is more important than ever.

OUR POSITION ON CLIMATE CHANGE

As a global financial services organisation, Discovery recognises that its ability to do business is fundamentally linked to the sustainable wellbeing of the communities in which it operates.

Our core purpose of making people healthier and enhancing and protecting their lives is aligned to the goal of maintaining an environment that enables and sustains good health. In addition, through the Shared-value Insurance model, Discovery plays a significant role in influencing clients' health, driving and financial behaviour, and sharing the value of this behaviour change with our clients and society.

We have an opportunity to become part of the climate change solution by extending the Shared-value Insurance model into this space, while minimising any negative impacts we have on the climate. Since its genesis, Discovery has seen the power of aligning its interests to those of its clients and society – applying its business model to help address climate change is the next evolution in this shared-value thinking.

Our Group climate change strategy specifies clear targets to reduce our carbon dioxide equivalent emissions and our plans to integrate climate-related issues into our overall business strategy. This includes guidance on innovation and product development, risk assessments, investment policies, procurement processes, facilities and operational processes, employee training and corporate culture. The 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.

W *Discovery Group Climate Change Strategy*

Given the evolving landscape, we have adopted 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, some of which include:

- The UN Principles for Responsible Investment (PRI) (signatory)
- The Carbon Disclosure Project (CDP) (reporting)
- TCFD (signatory)
- The 2021 Global Investor Statement to Governments on the Climate Crisis (signatory)
- The Alliance for Climate Action South Africa (signatory)
- UN Global Compact (signatory and reporting)
- Global Reporting Initiative (reporting)
- Sustainability Accounting Standards Board (reporting)

TC See *page 14* for detail on our engagements and the frameworks and policies we support.

Discovery supports a fair, responsible and just transition to a low-carbon economy, that will improve the resilience of economies, society and the financial system in line with the Paris Agreement. In SA, our home market, our positioning considers challenges in the real economy across emerging markets and sectors.

We support the approach of our asset managers in engaging with investees on their transition plans and similarly seek to apply this approach with our existing or potential business partners. The Group nominated Ninety One to manage the majority of our assets under management. Ninety One developed a net-zero transition plan and committed to drive real-world emissions reductions and an inclusive transition by working with portfolio companies to ensure they have viable Paris Agreement-aligned, just transition plans by 2030. In addition, our investment partners are signatories of the PRI, the Net Zero Asset Managers Initiative, and/or Climate Action 100+, showing their collective commitment to mitigating climate risk.

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 Disclose and report on climate-related risks, strategies, targets, and progress, aligned to the recommendations of the TCFD.

03 Integrate climate change issues into Group policies and practices, including investments, procurement, and partnerships.

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

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

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

These objectives are aligned to Discovery's nine values and are 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.

Discovery's response to climate change is captured in two overarching goals, which will be achieved through three strategic pillars, each with specific commitments.

Short to medium term
CARBON-NEUTRAL OPERATIONS BY 2025

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

Long term
ACHIEVE NET ZERO BY 2050 OR EARLIER

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

Collaborate with strategic partners to enable a low-carbon future

01 ALIGN ACROSS PRACTICES AND PROPERTIES

Reduce Group GHG emissions to align with global climate ambitions

Reduce emissions across our SA, UK and US-based operations, with the following aims:

- Achieve carbon neutrality across our operations by 2025 (Scope 1 and 2 emissions)
- By 2023, fully assess Scope 3 emissions across our activities in support of the planning being done around our net-zero goal

02 AMPLIFY THROUGH PORTFOLIO AND PARTNERSHIPS

Integrate climate-related considerations into investment, procurement and partnership decisions and policies

Align business decisions and policies with a net-zero future, including risk management, investments and interactions with partners and other stakeholders, with the following aims:

- Incorporate climate-related criteria into procurement and partnership due diligence
- Enforce our Responsible Investment Policy and require asset managers to be active owners through proxy voting and engagement

03 IMPACT THROUGH INCENTIVES AND INNOVATION

Develop and scale products and services that reduce greenhouse gas emissions and support adaptation

Extend the Shared-value model to climate-related behaviour change, with the following aims:

- Launch climate-related product offerings in SA and the UK
- Reduce average CO_2e emissions across our client base with a baseline and potential target to be defined

This strategy and its activities align with the Group's broader approach to ESG issues. We will assess, report on, update and align our climate change goals to the latest science-based recommendations for business and industry transformation. The mechanisms for achieving these goals are detailed in our climate change strategy.

Discovery Group Climate Change Strategy

OUR TCFD JOURNEY

Discovery supports the TCFD recommendations, the most widely accepted climate-related financial disclosure framework, and is committed to improving and evolving the disclosure of climate-related risks and opportunities more effectively.

More than
2 600 companies
support the TCFD recommendations.

Supporters include
1 069 financial institutions,
responsible for assets of
$194 trillion.

TCFD support spans
89 countries,
with a combined market capitalisation of over
$25 trillion – a 99% increase since 2020.

Source: TCFD 2021 Status Report

Reporting against the recommendations of the TCFD is voluntary. However, since late 2020, several jurisdictions have announced TCFD-aligned reporting requirements. For example, in the UK it has become mandatory for premium listed companies to disclose climate-related financial information in line with the TCFD. This will apply to accounting periods starting on or after 6 April 2022. This aligns with international momentum towards setting voluntary global climate-related disclosure standards.

The International Sustainability Standards Board (ISSB) was established at COP26 to develop a comprehensive global baseline of sustainability disclosures for the capital markets. The ISSB launched a consultation on its first two proposed standards early in 2022. The first standard outlines general sustainability-related disclosure requirements, while the second specifies climate-related disclosure requirements and builds on the recommendations of TCFD.

The TCFD status report, published in September 2021, describes companies' progress in implementing the TCFD recommendations. Of the companies reviewed, only 50% of companies disclosed in alignment with at least three of the 11 recommended disclosures. Disclosures related to risks and opportunities are more common, with more than half of companies reporting on it, while disclosure related to the resilience of companies' strategies under different climate-related scenarios remain low at only 13% as included in 2020 corporate reports.

TC For detail on our application of the TCFD recommendations, refer to our application register on ***page 30.***

Discovery is in its second year of TCFD reporting, and we remain committed to enhancing our reporting against the TCFD recommended disclosures in a manner that is transparent and reflective of our ongoing journey. We take a phased approach to advancing our TCFD disclosures, as detailed on the following page, and monitor developments in international climate-related standard development, as well as climate-related science which informs our reporting.

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

OUR PHASED APPROACH TO ADVANCING TCFD REPORTING

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 FY2022, we focused on enhancements and additions to disclosure elements in **phase 2**. These focus predominantly on strategy, metric and target disclosures, which are considered especially useful by interested stakeholders.

Once we have advanced sufficiently on aligning disclosures with the TCFD recommendations and 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 integrate this information into our strategy and align our reporting.

PHASE 1
FOUNDATION

- Board oversight
- Management's role
- Risk identification and assessment processes
- Risk management processes

PHASE 2
ENHANCEMENTS AND ADDITIONS

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

PHASE 3
ENHANCEMENTS AND ADDITIONS OF STRATEGY RESILIENCE

- How the Board considers climate-related issues when reviewing and guiding strategy
- Consideration of existing and emerging regulatory requirements related to climate change
- Timeframe (short, medium and long-term)
- How material climate-related issues affect financial planning
- How climate-related scenarios inform strategy/financial planning
- Resilience of strategy to climate-related issues, including an indication of range
- Climate-related scenarios and associated time horizon(s) used
- Sensitivity to carbon pricing, if applicable
- How climate-related performance metrics are incorporated in remuneration policies
- Methodologies used to calculate or estimate climate-related metrics
- Scope 3 GHG emissions over the past three years
- Identification of climate-related targets as absolute or intensity based
- Methodologies used to calculate or estimate climate-related targets

Legend: Implementation plan
- Disclosed
- Not started
- In progress

- GOVERNANCE
- RISK MANAGEMENT
- STRATEGY
- METRICS AND TARGETS

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

GOVERNANCE

Governance is a critical component of how we create and preserve value, as it promotes strategic decision-making that balances short-, medium- and long-term outcomes and reconciles the interests of the Group, stakeholders and society.

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

- Assign responsibilities at Board and executive level for delivering on our climate change strategy
- Assess, manage, and publicly disclose climate-related risks and opportunities across the Group
- Review our capabilities, organisational structure and remuneration to deliver on our 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. This integration ensures that climate-related matters are managed by the business in day-to-day operations and communicated to the Board.

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 and provides recommendations on mitigation plans to manage identified risks

AUDIT COMMITTEE

Oversees disclosure in mainstream 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

GROUP CLIMATE AND ENVIRONMENT STEERING COMMITTEE

Supports senior management in developing and implementing the climate change strategy

GR For details on Discovery's governance structures, refer to our ***Governance Report***.

Board responsibility

At the highest level, the **Group Board of Directors** approves the strategic direction of our climate change response, which is championed by the Group Chief Executive. The Board reviews and approves policies that are relevant to our management of environmental issues including energy, waste, water and climate change, and provides oversight for the development and rollout of climate-related products and services and investments.

The **Social and Ethics Committee** meets at least quarterly and reviews performance against the Group climate change strategy and specific climate-related metrics.

This includes initiatives to reduce our environmental impact and metrics related to emissions, energy, water and waste. The chairperson of the Social and Ethics Committee reports to the Board on a quarterly basis.

The **Risk and Compliance Committee** oversees the management of climate-related risks and opportunities, and relevant disclosures. The committee is supported by the Group Chief Risk Officer who is responsible for ensuring that:

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

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

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

Management responsibility

The **Group Executive Committee** is responsible for formulating and implementing climate change 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 on these issues are provided to the Social and Ethics Committee quarterly and to the Board as necessary.

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

Discovery also has teams and processes in place to keep abreast of emerging regulatory developments and consider existing regulatory requirements related to climate change in the key countries 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.

Where necessary, 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 of Directors.

COMPETENCE OF THE BOARD ON CLIMATE CHANGE-RELATED ISSUES

The Nominations Committee ensures that the Board has the appropriate balance of skills, qualifications and experience for it to execute its duties effectively. The Nominations Committee reviews the skills and knowledge of Board members based on their previous and current experience on other boards and in other roles. We leverage the diversity of our Board members' existing skills and experience, as they intersect with those needed to address climate change-related issues.

The Board and its committees may engage with subject matter experts or independent advisers from time to time or as and when required.

We continually assess the training and development requirement of our Board and provide training on key issues as needed. In FY2022, this included training on key environmental, social and governance trends, with the UK Board also receiving training on climate-related issues in March 2021. 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.

GOVERNANCE OF CLIMATE-RELATED MATTERS IN THE UK

Vitality UK, a subsidiary 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 to the Group's Strategic Framework.

Ultimately reporting to the Discovery Group structure for its climate change response, responsibilities are assigned at Vitality UK Board and executive level to assess, manage, and disclose climate-related risks and opportunities as well as meeting regulatory requirements.

Vitality UK will be required to disclose climate-related financial information in line with TCFD recommendations on a mandatory basis from 2023. These governance structures will support alignment in meeting this requirement and aligning to the overall Group climate change strategy and response.

The Sustainability Committee oversees the climate- and sustainability-related strategy, risks and opportunities. It reports to the Vitality UK Executive Committee. The Sustainability Committee has representatives from several Vitality UK business functions to manage and drive climate-related transformation, and include the Chief Sustainability Officer, Chief Risk Officer and Chief Financial Officer. The Sustainability Committee reports back to the Vitality UK Board and its related committees.

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.

RISK MANAGEMENT

Discovery's well-established and mature Enterprise Risk Management (ERM) Framework outlines the principles and processes we use to manage risk appropriately within our business. ESG risks are included in our universe of risks, ensuring they are always considered within the risk management process. Climate change is incorporated as part of these risks into the existing ERM Framework and risk register. While complexity exists due to the long-term nature of assessing climate change risk, we manage it through our established risk management approach, which is aligned to TCFD guidance.

AR For detail on our ERM Framework, refer to our *Integrated Annual Report.*

OUR RISK MANAGEMENT PROCESS

The process followed to manage our climate-related risks and opportunities follows our Group ERM Framework, which applies to all types of risks. The Group ERM Policy and ERM Framework set out the principles for identifying, assessing, treating, reporting and monitoring risk exposures – and are aligned to ISO 31000. Other relevant policies and frameworks include risk appetite statements and risk taxonomy. Tools that are used in our risk management process include top-down risk assessments, bottom-up risk assessments, environmental scanning and surveillance, key risk indicators, risk and assurance reviews, incident management, operational resilience assessments. Overall, these adequately support our needs to effectively manage our risks. Our risk management process is further explained alongside as it has been applied to climate-related risks.

As risk management is a dynamic process, we will continue to refine climate change risk and management approaches within the ERM Framework.

Our risk management process

1. IDENTIFY

Discovery used the relevant subcategories for transition and physical risks as part of the recommended TCFD risks and opportunities as a base to identify our current and future exposures, against short-, medium- and long-term horizons The assessments were conducted across the whole Group. Some identified risks are transversal and impact two or more business entities. These risks need to be addressed through a Group-wide strategic directive such as the climate change strategy. Other risks impact business entities specifically, such as physical risks that impact each of the insurance entities.

2. ASSESS

We assessed the **impact across multiple risk categories** over short-, medium- and long-term horizons by engaging with business entities. Our rating methodology considers impact and likelihood and was used to rate and prioritise these. Where possible, we assessed risks quantitatively using internal data and modelling. For example, we conducted stress and scenario testing for the insurance entities to understand the impact of increased extreme weather events. Other areas have metrics that can be used to rate the extent of the exposure, such as technology and energy source risks. However, most risks were considered qualitatively, and an appropriate risk rating was assigned based on market research and a determination of best practice.

AN EXAMPLE OF ASSIGNING RISK RATINGS – POLICY RISK AND LEGAL RISK

In SA, the financial sector regulators have not yet published formal regulatory requirements, but we anticipate that the measures in force in the UK and European Union will be followed. Also, legal risk is not particularly prevalent in the industry in SA, given limited exposure compared to our peers who have internal asset management companies or subsidiaries as part of their group.

We assess risk in line with best practice and as our understanding of the risk develops. One key area of development is stress and scenario testing, and aligning these to the IPCC Representative Concentration Pathways.

Our risk assessment process helps to identify areas of opportunity. For example, climate risk assessments and Discovery's culture of constant innovation drive the development of our green Vitality proposition.

3. TREAT

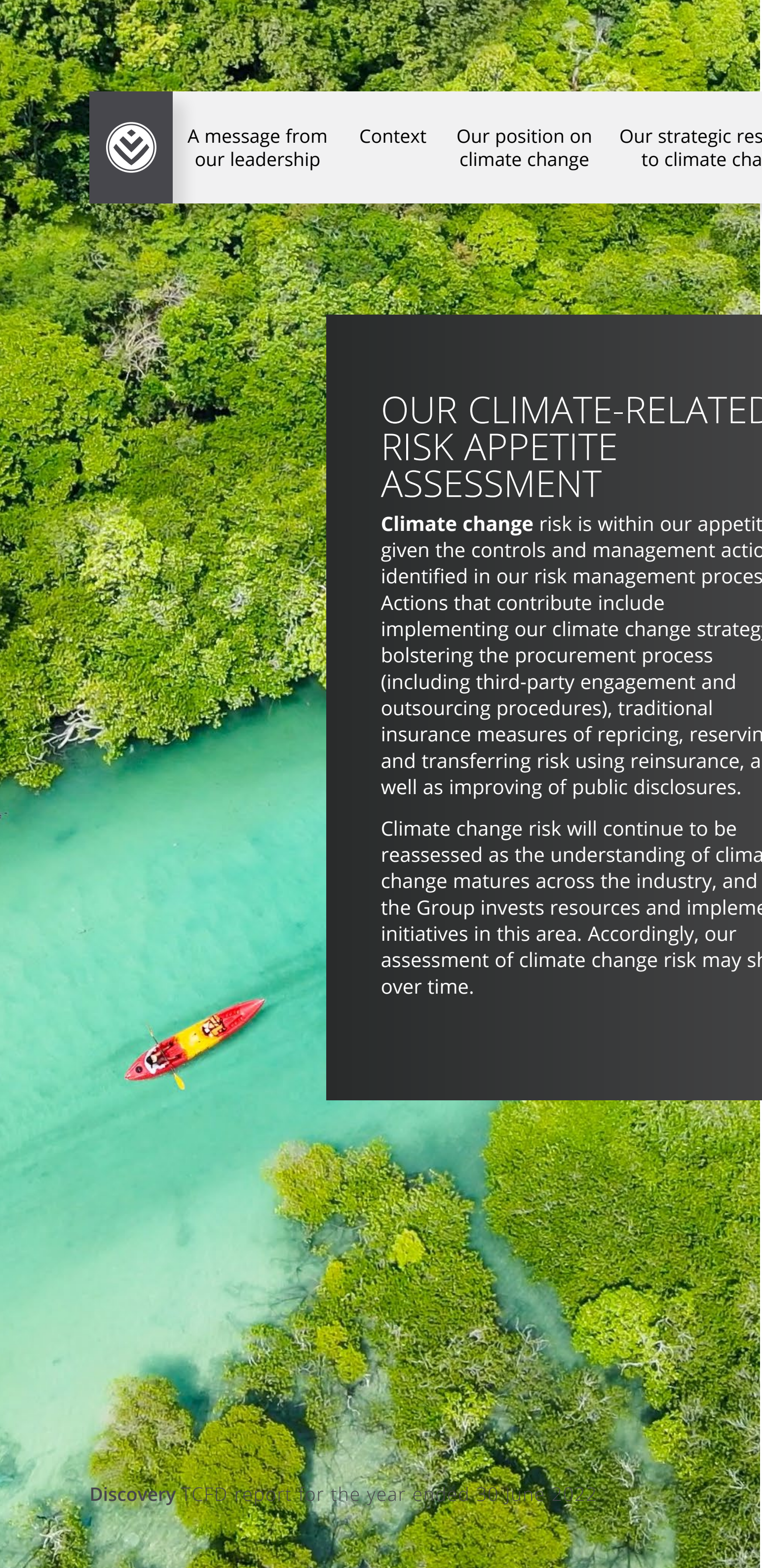
Actions and controls to monitor and manage risks and opportunities have been identified in line with our risk appetite. These actions are implemented and managed at business and Group level. Refer to page 16 for examples of how we treat climate-related risks.

4. REPORT

We continually review and report on **risks and opportunities** to the appropriate governance forums. We report business risk profiles to each business's executive committee and the Group Risk and Compliance Committee, which meets at least six times a year. We include risks and scenario results in our Own Risk and Solvency Assessment (ORSA) reports that are provided to the Board and the applicable regulators. Climate change is included using these reporting mechanisms.

5. MONITOR

Monitoring climate risks and opportunities involves tracking progress in implementing the relevant risk treatment actions and developments in internal and external business environments. This includes progress against the climate change risk strategy and other treatment actions identified.



OUR CLIMATE-RELATED RISK APPETITE ASSESSMENT

Climate change risk is within our appetite given the controls and management actions identified in our risk management process. Actions that contribute include implementing our climate change strategy, bolstering the procurement process (including third-party engagement and outsourcing procedures), traditional insurance measures of repricing, reserving and transferring risk using reinsurance, as well as improving of public disclosures.

Climate change risk will continue to be reassessed as the understanding of climate change matures across the industry, and as the Group invests resources and implements initiatives in this area. Accordingly, our assessment of climate change risk may shift over time.

CLIMATE-RELATED DEVELOPMENTS

Risk management is an ongoing process. Our frameworks and policies are reviewed periodically, and our risk and opportunity profiles are reviewed and updated regularly. These reviews ensure 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

- Joined the National Business Initiative in South Africa advisory council for environment and society and the just transition pathways working group
- Considered SA National Treasury's recommendations for the financial sector in financing a sustainable economy paper, which was released in October 2021
- Commentary on SA National Treasury's draft National Green Finance Taxonomy, which aims to address climate change and other environmental priorities while seeking to reduce social risks and enhance social impacts

Climate-related regulatory developments

- Contributed towards an industry-led submission on the SA Climate Change Bill that provides for an overarching legislative framework to enable SA's climate change response and long-term just transition to a low-carbon economy and society
- Monitored developments related to the SA Carbon Tax Act and assessed potential risks and opportunities

Climate-related frameworks and reporting

- Commented on the JSE's Climate and Sustainability Disclosure Guidance that provides JSE-listed companies with guidance tailored to the SA context, specifically in terms of a just transition
- Commented on the ISSB's draft standards on general sustainability-related disclosure requirements and climate-related disclosure requirements

Actuarial sciences

- Joined the Actuarial Society of SA working group for climate change that aims to provide support to actuaries on climate change within their businesses and consulting practices
- Participated in the life insurance climate change working party questionnaire of the Institute and Faculty of Actuaries in the UK

Risk management

- Commented on the SA National Treasury's climate risk management sectoral training plans that are investigating a centralised training approach for each subsector within the financial services industry
- Participated in the Risk Coalition in the UK, an industry group that has a risk officer sustainability forum that offers an opportunity to debate and develop best practice across the industry on climate-related and sustainability developments

Insurance industry developments

- As a member, Vitality UK engaged with the Association of British Insurers on developing a climate strategy through roundtable discussion forums

OUR REGULATORY LANDSCAPE

We continually monitor and consider existing and emerging regulatory requirements related to climate change in the key countries in which we operate.

We actively participate in consultations on policy and frameworks related to climate change and sustainability-related matters and, where appropriate, through collective industry submissions and with our regulators on climate-related regulatory developments and/or frameworks. Our climate-related regulatory submission process includes appropriate approvals to ensure that any views put forward are consistent with Discovery and with our Group climate change strategy.

TC For detail on participation in climate-related regulatory engagements, refer to ***page 14.***

SA's NDCs place an obligation on the country to self-define its emissions reduction obligations, implement policies and/or laws to bring its emissions in line with global targets and report on the status of its emissions. SA further revised and updated its NDC ahead of COP26, reflecting a significant progression from its first NDC towards a goal of net-zero carbon emissions by 2050. To achieve this commitment, SA has announced and/or implemented various policies and interventions including a carbon tax, sectoral emission targets, and energy and green transport strategies.

The UK also updated its NDCs in 2021 to reduce emissions by **78% by 2035** compared to 1990 levels.

In 2019, the UK updated its Climate Change Act, committing the UK to a target of net-zero emissions by 2050, with staggered targets set for 2030 and 2035. The Group's UK business monitors these developments closely.

In the US, the Biden Administration submitted its long-term strategy to the UN Framework Convention on Climate Change in November 2021, officially committing the US to net zero emissions by 2050 at the latest. This target could be enshrined in law in combination with adopting a legally binding review, revision, and reporting mechanism. Our US business monitors these potential impacts on an ongoing basis.

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

STRATEGY

As a financial services provider, Discovery understands that climate change risks can manifest across our businesses in many ways. In this section of the report, we describe how actual and potential climate-related risks and opportunities impact our businesses.

Our climate change strategy, approved in 2021, outlines our commitments to net zero by 2050 or sooner and our intention of being carbon neutral by 2025. As we continue this journey, we increasingly understand the climate-related risks and opportunities we face, which are outlined in the pages that follow. We continue to investigate the feasibility of scenario analysis for our business given the challenges we face in this regard. These include concerns about quantifying financial implications, the availability of business-relevant data and tools, and ensuring scenarios are decision-useful in a business context.

To date, assessments of climate change impacts on Discovery indicate that risk remains within appetite, based on our current understanding and information.

CLIMATE-RELATED RISKS

Climate-related physical and transitional 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 across sectors, products and geographies in which we operate.

TRANSITIONAL RISKS

These include current and emerging regulations that attempt to constrain actions that contribute to adverse effects of climate change or promote adaptation and mitigation to climate change, market, reputational and technology risks.

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.

Our risks and opportunities are categorised as short term (less than one year), medium term (one to five years), or long term (beyond five years). While all risks could impact the business over the whole period, transitional risks are generally expected to materialise sooner compared to the more extreme physical risks.

Through our TCFD journey, we consider the impact of climate-related risks on strategy and financial planning and financial performance. Our current response to transitional and physical risks does not require significant deviation from 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 financial impact of climate-related risks and opportunities are not disclosed in our Annual Financial Statements as they are 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.

Transitional risks are not expected to impact the Group as much as other more traditional insurance groups with an internal asset management function or subsidiary, and significant discretionary investments in equities.

Short term | Medium term | Long term

The potential risks to Discovery, the impact of these risks and related actions, are considered below.

TRANSITIONAL RISKS

REGULATORY RISKS

Discovery is subject to multiple regulatory regimes due to our global expansion. The maturity of climate-related regulatory regimes differs across the jurisdictions in which we operate.

Current regulation

Our SA operations are exposed to current regulations that include carbon taxes, national GHG reporting and the Climate Change Bill. Vehicle Carbon Emission Tax, which is applicable to car manufacturers, for example, increases the purchase price of new vehicles.

Discovery's fleet of over 200 vehicles has been impacted since the legislation came into effect. Carbon tax implemented in SA is currently in phase 1, and although Discovery is liable for a nominal amount, this cost is expected to increase during phase 2.

Current climate change-related regulation in the US and UK is more advanced than in SA and as such our non-SA entities are exposed to more climate-related regulation. Large companies in the UK are required to implement and report on the TCFD recommendations. Vitality UK have been following the guidance issued by the Prudential Regulatory Authority, SS3/19, since 2021.

Emerging regulation

There are specific emerging regulatory requirements that may pose a transitional risk to Discovery. Discovery monitors and assesses emerging regulation and can respond to these requirements. As a user of electricity, an indirect cost increase in electricity prices will most likely occur via emerging regulation, which could have a significant financial impact on our operational costs. These risks are tabled at our Risk and Compliance, and Social and Ethics Committees. These costs form part of the climate change strategy.

Climate change-related developments are imminent in the SA financial sector. It is expected that the regulators will align closely with UK and European regulation. This includes increased reporting requirements and costs associated with implementing these.

In December 2020, the UK communicated its NDCs under the Paris Agreement, as a single, economy-wide emissions reduction target which was updated in 2021. Further to this, the UK government is proposing a ban on the sale of petrol and diesel cars from 2030 and the impact on UK businesses will need to be considered.

MARKET RISKS

Consumers increasingly demand products that are carbon efficient, and it is our responsibility to respond with product offerings that meet their expectations and supports our growth ambitions. Discovery products and services, like Vitality, have the potential to positively impact climate-conscious behaviour. The connection between healthy living and a healthy climate is becoming more integrated and Discovery is well positioned to respond. Discovery Insure, for example, relies on technology to improve driver behaviour which increases fuel efficiency. In the UK, VitalityCar offers a cash-back benefit for car-free days, incentivising its clients to save up to 25% off their premiums each month. For clients who drive well, the programme offsets their emissions through the purchase of carbon credits. Discovery is pursuing further opportunities that leverage our Shared-value Insurance model to develop climate-friendly products and services that motivate behaviour change among our policyholders.

Discovery's risk exposure related to investments is low given that we are not an asset manager, although as asset owners, we take our responsibilities seriously and are a signatory to the PRI. Our Responsible Investment Policy sets out requirements for our asset managers and is being implemented to mitigate this risk. Our exposure to carbon-intensive investments is limited at present. Data at the level required is difficult to acquire and any ambition to reduce such emissions would not be in Discovery's direct control. However, together with our asset managers, we began analysing Discovery-managed funds, as that is where most data is accessible and where Discovery is able to enact changes. Based on our current view, a forced sell-off is not expected to pose a high risk and there is minimal exposure to potential stranded assets.

Discovery Bank's exposure is also limited, given that there are no investments in other entities. There are however interbank deposits placed with other banks in lieu of liquidity management requirements, as is the norm.

Note that Discovery Bank is not a commercial bank, and does not finance infrastructure or other projects, nor participate in commercial lending activities.

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. We are also mitigating this risk through our own product development initiatives through which we remain relevant and well-positioned.

We also need to consider the downstream impact of climate change on our supply chain before engaging and contracting with third parties. Discovery is assessing this risk, and action will be taken in line with the implementation of our climate change strategy. During FY2021, we started a pilot to include ESG screening to form part of standard operating procedures in supplier management, with the aim to assess the effectiveness of the questionnaire for suppliers and assessors.

TRANSITIONAL RISKS *continued*

Short term | Medium term | Long term

LEGAL RISKS

Climate-related litigation is increasing worldwide and most cases are being brought by citizens, corporations and non-governmental organisations against governments and major carbon-emitting organisations. We expect this upward trend to continue and for this risk to manifest in the medium term. In many cases, litigation is used as a means of creating social awareness and influencing future legislative changes. Non-compliance with legislation, including carbon tax and national GHG reporting regulations, could include fines and other measures, which could result in reputational damage from negative media and considerable legal costs. This risk is mitigated by robust governance, due diligence and a disclosure framework that takes these potential risk exposures into account.

REPUTATIONAL RISKS

Society, including many of our clients, are aware of climate change issues and actively engage in such topics. Consumers are increasingly starting to make choices based on the climate impact of products and policies of companies. There is a risk that Discovery could suffer reputational damage and a resulting loss in revenue, should the company be seen to be acting in a way that is not responsible, in line with best practice or with consumers' expectations.

TECHNOLOGY RISKS

As with the rest of the financial services industry, Discovery uses technology assets that consume energy, including laptops, equipment, data centres and server rooms. Technology is constantly evolving and improving and, to some extent, becoming more energy efficient. Discovery monitors and discloses the carbon emissions of its technology assets.

Reliance on fossil fuel-based energy sources could expose us to transitional risks associated with the move towards a low-carbon and energy-efficient economy. Discovery has made significant investments to decrease carbon emissions through its operations. This is driven Group-wide in a formal climate change strategy. At a high level, Discovery aims to mitigate its absolute Scope 1 and 2 emissions across the Group by 2025 and to gain a comprehensive understanding of its Scope 3 emissions as part of setting its longer-term net-zero goal.

The SA head office in Sandton has a six Green Star rating from the Green Building Council of South Africa. Further projects are underway to reduce emissions, including grey and rainwater harvesting, improving data centre efficiencies, replacement of heating, ventilation and air-conditioning systems to make use of more efficient technology, among others. A solar photovoltaic project is underway, which will reduce emissions by an estimated 3%.

We replaced half of the Vitality UK nurses' cars with plug-in hybrid electric vehicles. Vitality UK sources 95% of its office buildings' electricity from renewable sources with an ambition to make this 100% as existing contracts expire. Most electricity and natural gas procured by UK offices are via renewable energy contracts or offsets. Vitality Global operations in the US will be moving to a more energy efficient building towards the end of the year. They will also be exploring more sustainable energy sources.

The Group is investigating wheeling agreements to procure renewable energy and significantly reduce emissions.

TC Refer to opportunities on ***page 22*** for detail on resource and energy source efficiencies.

PHYSICAL RISKS

Climate-related physical risk event impacts are increasing globally. In FY2022, our primary markets were affected, particularly by the floods in KwaZulu-Natal, SA and by heatwaves in the UK. We continue to monitor physical risks and their impacts on our business.

Inherent exposures

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

DISCOVERY INSURE (SA) – general insurance

Our main exposure is to the personal lines business (with a higher proportion of motor versus property exposure), given that Discovery's commercial offering (Discovery Business Insure) is relatively small, but growing. Currently, exposure to claims for fires at large business operations is limited.

Many of our clients are based in Gauteng, with the main exposure being potential increases in flooding and hailstorms.

The remainder of our clients are mainly based in the Western Cape and in KwaZulu-Natal, where there is increased exposure to rising sea levels. The Western Cape is also at risk of increased droughts that could escalate the risk of fires. Most notably, the increased flooding in KwaZulu-Natal is impacting insurers, including our own book, and this is expected to increase.

DISCOVERY LIFE (SA) – main exposure in Gauteng

As the country's economic hub, Gauteng has a higher concentration of manufacturing and industry that contributes to higher carbon emissions. The concomitant risk of air pollution impacting health is thus considered a physical risk. We will conduct further research to understand the other implications that climate change has on mortality and morbidity rates.

VITALITY UK – limited direct exposure

While flooding occurs in the UK from time to time, the UK businesses do not provide cover for insured losses arising from floods. Extreme weather events may, however, impact infrastructure in the UK, which could cause travel disruptions, ultimately affecting our operations. Vitality UK has a high degree of resilience to this risk since our employees can work from home. In summer 2022, the UK experienced unprecedented heatwaves. Fortunately, these did not lead to any business disruptions.

DISCOVERY HEALTH (SA) – no claims exposure

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

OTHER BUSINESSES WITHIN THE GROUP (INCLUDING DISCOVERY BANK AND VITALITY GLOBAL) – limited exposure

Exposures continue to be monitored and will be disclosed in future as necessary.

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

PHYSICAL RISKS *continued*

Short term | Medium term | Long term

The impact of risks resulting from these exposures are discussed in further detail below.

ACUTE RISKS

Due to the unpredictability of the potential impacts related to acute climate-related events, they are considered a high risk to Discovery's short-term insurance business. 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 the large increase in insurance claims from our clients due to damaged infrastructure. These extreme weather events could also increase accidental deaths and injuries for our life companies.

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

CHRONIC RISKS

This risk relates to a gradual worsening in the variability of weather patterns. The impact for the general insurance companies within the Group is similar to those noted under acute risk. The life and health businesses could also be impacted by physical risks such as increased mortality and morbidity rates resulting from poor air quality brought about by pollution and rising temperature. These can potentially increase health-related issues like cancer, vector-borne diseases such as 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 a malaria area usually have a higher tolerance to contracting the disease.

Dramatic temperature increases may result in the population spending more time indoors and not being as physically active. This has potential health implications, although the Vitality model is expected to be able to adapt to cater for this if necessary. Vitality demonstrated its adaptability during the different levels of lockdown brought on by the COVID-19 pandemic, when exercising at home (indoors and outdoors) became the norm.

IMPACTS OF PHYSICAL RISKS ON OUR INSURANCE ENTITIES

Initial stress and scenario testing and claims experience indicate that the current and projected short-term exposure is limited. As detailed, we continue refining stress and scenario testing to better model the impact of potential increases in claims for the insurance entities within the Group.

General insurers

Discovery Insure is predominantly a personal lines business. This year, 44% of Discovery Insure's excess claims were due to adverse weather as experienced through a longer rainy season and floods in KwaZulu-Natal. We continue to track experience monitoring metrics, which can be applied as a mitigation tool if this trend changes.

Discovery Insure's claims exposure is limited in the commercial insurance context. This considers that Discovery Business Insurance in SA currently focuses on small- and medium-sized enterprises. However, growth in the scale of this business and larger exposures will be monitored as part of existing risk management processes.

Life insurers

For our life insurance entities, we are working to quantify future exposures resulting from increasing physical risks over the long term. We are also investigating research opportunities to support our understanding and increase disclosures over time.

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

TRADITIONAL MITIGATION MEASURES

Traditionally, the mitigation measures put in place to manage these risks form part of the underwriting and (re)pricing, reinsurance and reserving, and capital processes for the insurance businesses. The terms over which these mitigation strategies are applied depend on the nature of the product and risk appetite. For example, short-term insurance products are easier to reprice than long-term insurance products. The potential result of extensive repricing to mitigate the impact of increased systemic risks is of insurance becoming unaffordable and placing the traditional model of insurance at risk.

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

OTHER RISK CONSIDERATIONS

Both acute and chronic risks could potentially result in second-order impacts. For example, increases in extreme weather events could degrade infrastructure over time, resulting in deterioration in the quality of roads, and loss in power and water supply. Another impact emanates from urbanisation as more people move into cities, placing further strain on the infrastructure and resulting in increasing numbers of claims for vehicle accidents, power surge damage and lack of access to healthcare due to issues with basic infrastructure (which is already currently constrained in SA).

Physical risks could also have operational implications, including disruptions to Discovery's daily business operations and interruptions for suppliers following extreme weather events. The mitigation actions fall under the usual business continuity plans, which are tested regularly and form part of outsourcing agreements in the procurement process. COVID-19 tested the robustness of business interruption management for Discovery and the broader industry. In cases of extreme physical risk, supply chain disruptions could be outside Discovery's control – for example, in securing adequate access to medication supplies and treatment, and sourcing vehicle parts and repair services.

TC In the Opportunities chapter from ***page 22***, we discuss areas where our businesses are identifying and innovating to mitigate risk.

SCENARIO ANALYSIS

The ultimate purpose of scenario analysis is to understand how a company might perform under different hypothetical future climate states – thus positioning itself to make better strategic decisions and improve its strategic resilience. Climate-related scenarios allow an organisation to 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 working to quantify the impact of climate change risk on its various entities via climate change scenarios. This is a complex exercise given the uncertainty and long-tail nature of the physical risks linked to climate change. As such, the current scenarios are a mix of qualitative and quantitative information, with the latter being more challenging.

We consider several scenarios as part of our ORSA process. At present, these scenarios have not been linked to the IPCC-defined Representative Concentration Pathways and, as a starting point, have been roughly estimated. These include:

TRANSITIONAL RISK SCENARIOS

Forced sell-off of equity in sectors exposed to significant carbon emissions such as energy, transport and minerals, metals and mining – for Discovery Life, as there is little to no exposure in the rest of the Group

Discovery Life's exposure is limited to the unit-linked assets that back policyholder liabilities for the investment policies. Our scenario analysis considered the impact on these investments, stressing the investment classes of energy, transport and minerals/metals/mining by factors prescribed by the Prudential Regulatory Authority in the UK (PRA) in 2019. Each investment class was stressed by a different percentage, based on work done by the PRA at the time. Although not an SA regulatory requirement, we used these guidelines as a start. The impact in terms of solvency position, earnings and liquidity is considered minimal.

Loss in new business and increased lapses stemming from a scenario where the reputation of Discovery was damaged

Reputational damage could result from a partnership with a company that is not aligned to Discovery's climate change strategy, or a company facing negative media attention following environmentally damaging actions. The actions of one entity have the potential to affect the whole Group.

This year the UK business incorporated a quantitative scenario for climate change in its ORSA

This assessment was informed by the Bank of England Climate Biennial Exploratory Scenarios with a focus on the most onerous scenario. This scenario assumes the transition to a net-zero emissions economy is delayed until 2031, at which point there is a sudden increase in the intensity of climate policy, resulting in successfully reducing GHG emissions to net zero by 2050, but with an abrupt and disorderly transition. To practically illustrate the financial impacts, the ORSA climate change scenario assumed the disorderly transition starts imminently.

In the scenario, VitalityLife and VitalityHealth remain within their respective solvency and liquidity risk appetites after allowing for management actions. The results do not indicate that the physical risks could cause material damage to the Group at present. However, these scenarios will continue to be refined over time to reflect our evolving understanding and as market best practice develops.

PHYSICAL RISK SCENARIOS

Increased claims for Discovery Insure, using multiples of our weather-related claims to understand the sensitivities

The stress and scenario testing performed as part of the ORSA report looked at a stressed loss ratio stemming from a 1-in-25 year loss event, as well as increased claims by 1.5 and 2.5 times more than expected over a five-year period. The impact on solvency and earnings was not material. However, we will continue to refine work in this space.

We continue to engage with reinsurers and industry bodies to keep up to date with the latest developments to help inform our planning and scenario models in this space.

OPPORTUNITIES

Efforts to mitigate and adapt to climate change also produce opportunities, which vary depending on the region, market and industry in our areas of operation. Discovery continues to leverage our data and intellectual property in developing innovations that deliver on our purpose – to make people healthier and enhance and protect their lives. Discovery's potential areas of opportunity emanating from climate-related risks are discussed below.

Resource and energy source efficiencies

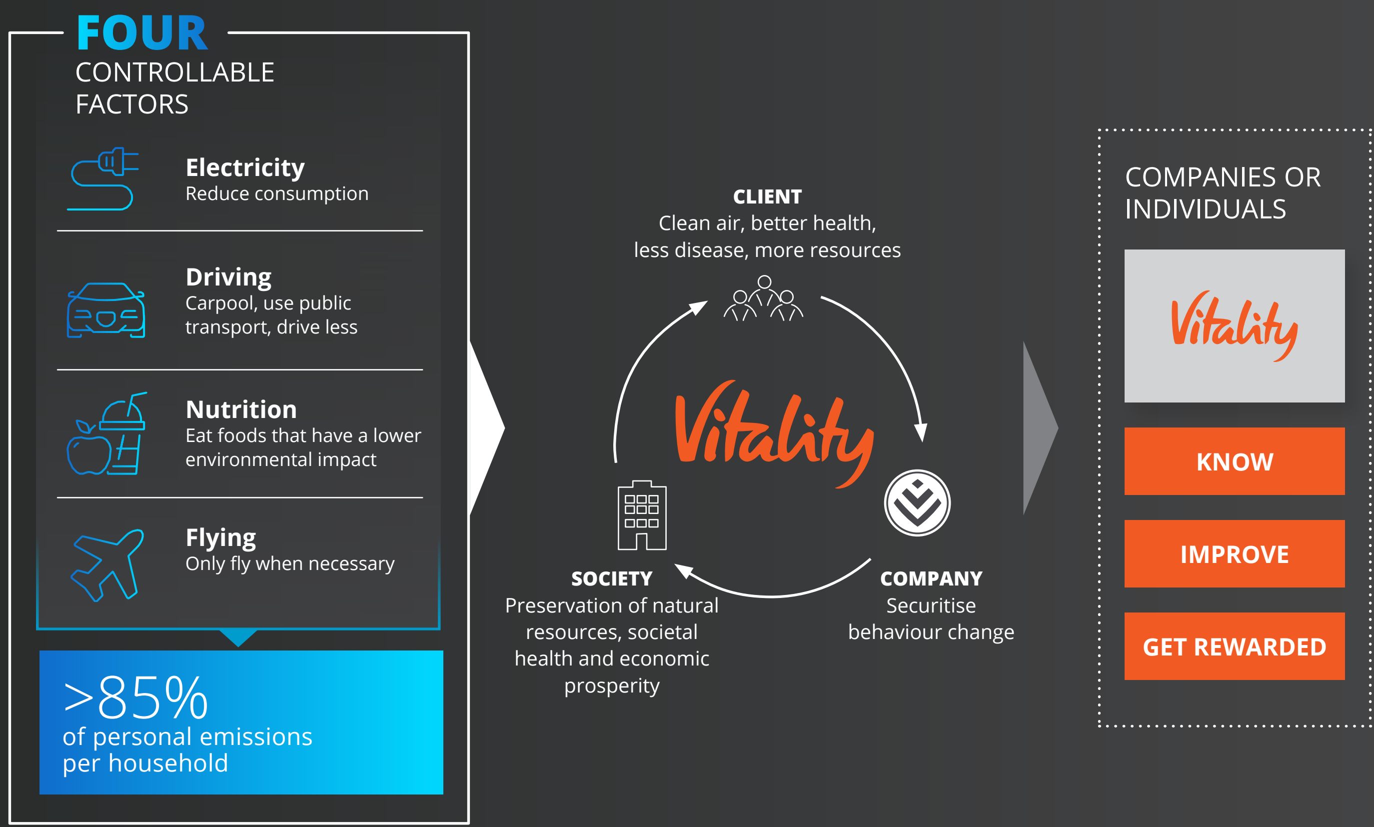
We are implementing energy-efficiency and savings initiatives to reduce our carbon footprint.

TC Refer to *page 25* for more details on these initiatives.

Product, service and market-related opportunities

Clients are becoming increasingly aware of environmental issues and the ecological cost of goods and services, leading to increased demand for more environmentally friendly products and services. Discovery understands that our greatest impact lies in positively influencing the 39 million plus lives we touch across the globe, and we are uniquely positioned to drive appropriate and environmentally conscious behaviours from clients with future product offerings and partnerships. Extending the Vitality Shared-value Insurance model into the area of behaviour change for positive climate change behaviours is a powerful aspect of our potential influence and contribution.

USING THE SHARED VALUE MODEL TO SUPPORT GREEN BEHAVIOUR CHANGE



Product development is underway on a green Vitality proposition, with a goal to launch in 2023. It will include a carbon footprint calculator and a programme of incentives and rewards for changing lifestyles to more climate-friendly behaviours. Several interventions will be introduced to incentivise low-carbon behaviours, helping to drive a scaled reduction in carbon emissions across Discovery's client base.

The solution will therefore extend Discovery's Shared-value Insurance model in the area of climate change to deliver on our value of being a force for good.

Discovery estimates it could amplify its direct operational emissions savings by many multiples by driving the large-scale reduction of CO_2e emissions through its client base. Discovery is investigating the potential implications and opportunities of this offering.

OTHER PRODUCTS AND INITIATIVES OPPORTUNITIES INCLUDE:

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

Together with Dialdirect and the City of Johannesburg, Discovery Insure **launched the pothole patrol initiative** to identify and prioritise 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.**

In the UK, Vitality is extending its behavioural change programme to include **incentives to motivate greener, more sustainable behaviours,** to deliver shared value through enhanced environmental and social outcomes for clients and society:

VitalityCar incentivises **car-free days and better driving behaviour, which lead to lower carbon emissions**

METRICS AND TARGETS

CLIMATE-RELATED COMMITMENTS

Discovery is committed to reducing our environmental impact and improving our environmental performance as an integral part of business strategy. We recognise that environmental risks and opportunities impact the key strategic competencies that enable us to create and preserve value.

Short to medium term

Carbon-neutral operations by 2025

Achieve carbon neutrality in our SA, UK and US operations by 2025 (measured against Scope 1 and 2 emissions).

By 2025, we aim to publish our plan to achieve net-zero GHG emissions by 2050 or earlier.

Discovery aims to adopt science-based targets across its activities in support of publishing its plan to achieve net zero. This assessment will inform our net-zero pathway.

Long term

Achieve net zero by 2050 or earlier

Extend beyond Scope 1 and 2, and beyond CO_2e, to include all GHG emissions across the organisation.

Discovery has made significant investments into lower-carbon operations. The greatest opportunities for reductions are in Scope 2 and 3 emissions categories.

Specific commitments supporting our emissions targets include:

Aligning to **science-based targets**

The Group aims to have all SA-based buildings **Green Star accredited** by 2025

By FY2023 **reduce emission by a cumulative 16.8% against a FY2019 baseline -** driven predominantly through energy management interventions

Maintaining ISO 14001:2015 certification for 1 Discovery Place – indicating a leading environmental management systems standard

Implementing ISO 50001 certification

Exploring wheeling agreements to replace 1 Discovery Place's coal-based power supply from the national grid with renewable energy

Replacing 3% of 1 Discovery Place's coal-based power supply with renewable energy through rooftop **solar photovoltaic installations**

Reducing waste going to landfill to zero by 2023

In the UK, convert properties to carbon offset gas and electricity converted to 100% renewable by 2025.

Carbon neutral by 2025

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, with 2019 as the baseline. We aim to mitigate absolute Scope 1 and 2 emissions across the Group by 2025.

As part of its carbon neutral goal, **the Group exceeded its FY2022 target of a 10% reduction in electricity usage against the 2019 baseline by achieving a reduction of 16.4%**, based on short-, medium- and long-term projects identified during energy audits. The reduction target in Scope 1 and 2 emissions largely focused on our SA operations as it accounts for 95% of our emissions profile.

Total Scope 1 and 2 emissions (tonnes of CO_2e)

2019	2020	2021	2022
35 884	35 047	29 608	**29 998**

In FY2021, COVID-19 had a large impact on recorded emissions for the Group, with purchased electricity reducing against the trend prior to the pandemic. This decline was due to Discovery shifting a large proportion of its workforce to a work-from-home operating model and a reduction in business travel due to lockdown restrictions.

Energy efficiency projects that have and will continue to be implemented include adjusting settings to optimise energy efficiency in cooling and heating, an LED lighting retrofit, baseload reduction, and the replacement of heating, ventilation and air conditioning systems, among others.

These interventions will optimise efficiencies, beyond which further adjustments will only bring marginal benefits. As a result, efficiency gains will be more difficult from 2030 onwards. To reduce our carbon footprint, Discovery is investigating the generation of renewable energy to replace our SA operations' primary electricity source – electricity from the national grid, which relies predominantly on coal.

Net zero by 2050 or earlier

We aim to gain a comprehensive understanding of our Scope 3 emissions to inform our longer-term net-zero goal. The adoption of science-based targets will help inform our net-zero pathway plan, which we intend to publish by 2025. The investigation of Scope 3 emissions forms part of our larger initiative to assess our overall emissions. In FY2022, we conducted a relevance assessment to identify our Scope 3 activities against the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This assessment identified the categories of investments, purchased goods and services, capital goods and franchises that have the greatest potential contribution to our Scope 3 emissions. We will consider the outcome of this assessment as we develop our plan, along with our other Scope 3 categories, such as business travel and employee commute.

Discovery's carbon emissions for the financial year ending 30 June 2022 for emissions totalled 53 172 (market-based) tonnes of CO_2e (FY2021: 37 388 (market- based) tonnes of CO_2e). The greatest opportunities for reductions are in Scope 2 and 3 emissions categories. Scope 3 emissions totalled 23 174 tonnes of CO_2e (FY2021: 7 780 tonnes of CO_2e) which increase as we gain an understanding of our Scope 3 emissions and report on them.

Our increase in Scope 3 emissions are mainly a result of:

- → An increase in employee commute as our employees return to the office
- → Inclusion of fuel- and energy-related activities not included in Scope 1 or 2 (well-to-tank and transmission and distribution losses)

Resource and energy source efficiencies

Discovery's climate change strategy sets out our commitment to decrease carbon emissions throughout our operations. The initiatives and opportunities discussed below will support our reduction targets to 2025. Our goal to achieve net zero by 2050 or earlier will be guided by our approach to innovation and reduction measures.

Our head office in Sandton is a six Green Star rated building, which houses two-thirds of our total global workforce of over 13 450 employees.

In FY2022, we laid the groundwork for the **installation of a photovoltaic plant** on the roof of 1 Discovery Place, which is estimated to provide a 3% reduction in purchased electricity.

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.

Our investigation continued into the generation of renewable energy through an **electricity wheeling agreement with an Independent Power Producer** to reduce our reliance on the national grid, as it comprises the majority of our carbon footprint. During the year we received electricity wheeling proposals which will undergo due diligence processes. Once an agreement is signed with a provider, it can take another 18 to 24 months for renewable electricity to come online.

Discovery partnered with an engineering consultancy to assist us with a roadmap of recommendations to neutralise Scope 2 emissions. In FY2022, we started phase one of this multi-phase engagement which will form the foundation for further phases.

Together with our advisory partner, we developed a detailed roadmap for 2023 to 2030 based on our business-as-usual emissions trajectory and various science-based reduction pathways. We are working to finalise a recommended pathway, after which we will track progress against annual goals, reducing emissions in line with Paris Agreement guidance. Our 2025 carbon-neutral goal will run parallel to and complement our annual science-based targets, essentially offsetting the emissions over and above our annual reduction goal.

Other projects underway to reduce emissions:

- → **Replacing older infrastructure** with newer generation technology where possible, including LED lighting upgrades, running reduced schedules for escalators and non-essential lighting and ventilation and warehouse insulation
- → **Improving data centre energy efficiencies**

A company-wide **zero waste to landfill** campaign introduced recycling stations and provided employees with information on how to sort waste as we informed them of our performance against our target.

Awareness initiatives and training among Discovery employees form part of our annual programme of environmental activities, including earth hour and water week communications and activities.

Discovery participated in the **UN Global Compact Climate Ambition Accelerator** programme, with two members of our Climate and Environment Steering Committee taking part in lectures and practical training.

In the UK, specific initiatives include:

Replacement of nearly half of our fleet of Vitality UK nurses' cars with **plug-in hybrid electric vehicles** and **installation of electric vehicle charge points** in our Bournemouth and Stockport offices.

Sourcing **95% of the electricity** in our office buildings from renewable sources, and backed by a Renewable Energy Guarantee of Origin, with an ambition to make this **100%** as existing contracts expire. Implementing **smart meters** for all gas, water and electricity to improve data quality and speed and efficiency for access to data as part of major building works planned for all sites.

The **merging** of our **London** and **Croydon offices** in 2022 will **reduce our energy consumption by an estimated 30%.**

Removal of all single-use cups from our operations and **monitoring** and **maintaining our food production waste to below our 5% target.**

In the US, specific initiatives include:

Decisive steps to **improve the sustainability of the Vitality Global workplace** and to **educate employees** on how to make more **eco-friendly choices.**

Switching to **biodegradable utensils, plates** and **paper towels** in our office kitchen.

Introduction of **office composting** has resulted in the **diversion of approximately 396 kg (874 lbs) in waste** from landfills since March 2022.

Sharing of digital communications offering guidance on what and how to **recycle** and **compost**.

OUR ENVIRONMENTAL IMPACT

REDUCING WASTE TO LANDFILL

In FY2022, we recycled 88% of the company's waste – an increase of 16% compared to the previous year. We are implementing interventions to recycle the remaining waste to landfill to meet our goal of zero landfill waste by 2023. While waste forms a small part of our impact from an emissions impact point of view, reducing landfill waste to zero has other benefits. We have commenced audits through a waste management partner to analyse all waste going to landfill per site across SA. Results are being analysed and suitable interventions are being explored.

REDUCING TRAVEL, ESPECIALLY AIR TRAVEL

We recognise the importance of reducing the impact of air travel on our carbon footprint, as air travel makes a significant contribution to our overall emissions. As a business with a global footprint, air travel is often required. As part of a holistic approach to managing our climate impacts, we are focusing management efforts on reducing travel by deploying 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 remote working policies and review of the 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 our clients invest in) 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.

SR For details on our investment approach refer to responsible investment in our *Sustainability Report.*

SUSTAINABLE PROCUREMENT PRACTICES

Discovery launched a pilot supplier mapping exercise in FY2022. This will ensure the procurement of goods and services from socially and environmentally responsible suppliers subscribing to core values in the areas of human rights, labour standards, the environment, and anti-corruption.

ALIGNING EXECUTIVE REMUNERATION TO SUSTAINABILITY-RELATED METRICS AND TARGETS

Discovery made notable progress in linking executive remuneration to sustainability-related metrics and targets which are assessed annually. This strengthens the accountability and responsibility of our leadership team in the advancement of the Group's climate-related commitments.

Discovery Group's single incentive plan measures performance over the short- and long-term and takes into account management performance at a Group, business and individual level. The Group performance scorecard for FY2022 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 3% weighting, and a target of a 5% reduction. In addition, overall performance against ESG ratings agencies is assessed as a performance measure.

CLIMATE-RELATED PERFORMANCE

Overview of our performance against energy, water and waste:

	Unit	Trend	FY2022	FY2021	FY2020	FY2019
Energy						
Energy consumption – total	MWh	▲	**35 059**	33 683	40 626	42 130
Fuels	MWh	▲	**5 886**	5 028	6 535	7 288
Purchased electricity	MWh	▲	**29 174**	28 655	34 091	34 842
Water						
Water withdrawal – total	Kilolitre	▲	**87 465**	78 963	140 598	140 232
Waste						
Weight of waste – total	Tonnes	▲	**231**	145	401	503
% Waste recycled	%	▲	**88%**	72%	73%	58%
% Waste to landfill	%	▼	**8%**	23%	26%	41%

Group consumption and emissions including purchased electricity, water consumption and waste generation increased as employees returned to the office. This is due to Discovery shifting its workforce to a hybrid working model. Despite the increase in waste, we made significant progress in reducing our waste to landfill.

GREENHOUSE GAS (GHG) EMISSIONS

Scope emissions (CO_2e) at 30 June 2022

				SA	UK	USA	FY2022	% CHANGE	FY2021	FY2020	FY2019 (Base year)
Scope 1, 2 and 3	Scope 1 and 2	**Scope 1**	Mobile combustion	780	83	n/a	864	**24%**	696	**1 056**	1 262
			Product use: Refrigerant gasses (Kyoto Protocol)	321	–	n/a	321	**26%**	255	**746**	62
			Stationary combustion	214	1	n/a	216	**(44%)**	385	**519**	486
		Scope 2	Purchased electricity	28 291	87	220	28 598	**1%**	28 271	**32 726**	34 074
		Total		**29 606**	**172**	**220**	**29 998**	**1%**	**29 608**	**35 047**	**35 884**
	Scope 3	**Scope 3**	Business travel	872	–*	–*	872	**70%**	512	**3 939**	5 615
			Upstream transport and distribution	83	–*	–*	83	**29%**	64	**97**	146
			Employee commute	11 975	–*	–*	11 975	**71%**	7 010	**15 384**	19 936
			Purchased goods and services: Paper	68	–*	–*	68	**(2%)**	69	**71**	136
			Purchased goods and services: Water	81	–*	–*	81	**11%**	73	**130**	128
			Waste generated in operations	30	–*	–*	30	**(42%)**	51	**144**	277
			Franchises	652	–*	–*	652	**–****	–**	**–****	–**
			Fuel- and energy-related activities	8 859	205	63	9 127	**–****	–**	**–****	–**
			Downstream leased assets	287	–*	–*	287	**–****	–**	**–****	–**
		Total		**22 906**	**205**	**63**	**23 174**	**198%**	**7 780**	**19 766**	**26 238**
	***Total** (market-based)*			**52 513**	**377**	**283**	**53 172**	**42%**	**37 388**	**54 812**	**62 122**
Out of Scopes	Out of Scopes	Out of Scopes	Product use: Refrigerant gasses (non-Kyoto Protocol)	61	–	–	61	(35%)	95	**33**	34
		Total		**61**	–	–	61	(35%)	95	**33**	34
Total				52 574	377	283	**53 233**	42%	37 483	54 845	62 157

** = Not reported*
*** = Not reported prior to FY2022*
n/a = Not applicable
There have been minor restatements of comparative data in the table above to ensure that metrics are accurate. These restatements are due to availability of data in prior years, changes in reporting boundary, or tariff adjustments.

W All scope emissions as above are independently assured by Verify CO_2.
The independent verification statement is available for download on our website.

LOOKING AHEAD

Discovery's core purpose of making people healthier and enhancing and protecting their lives is aligned to the goal of maintaining an environment that enables and sustains good health.

As a purpose-led and active corporate citizen, we are committed to reducing the direct environmental impact of our operations through responsible energy, water and waste management and consumption while exploring alternative solutions for further reducing long-term impact.

In addition, we recognise the importance and urgency of climate change and the need to address wider sustainability issues, that can have a real impact on our business and the communities in which we operate. We believe that the recommendations of the TCFD will enable us to disclose climate-related risks and opportunities more effectively.

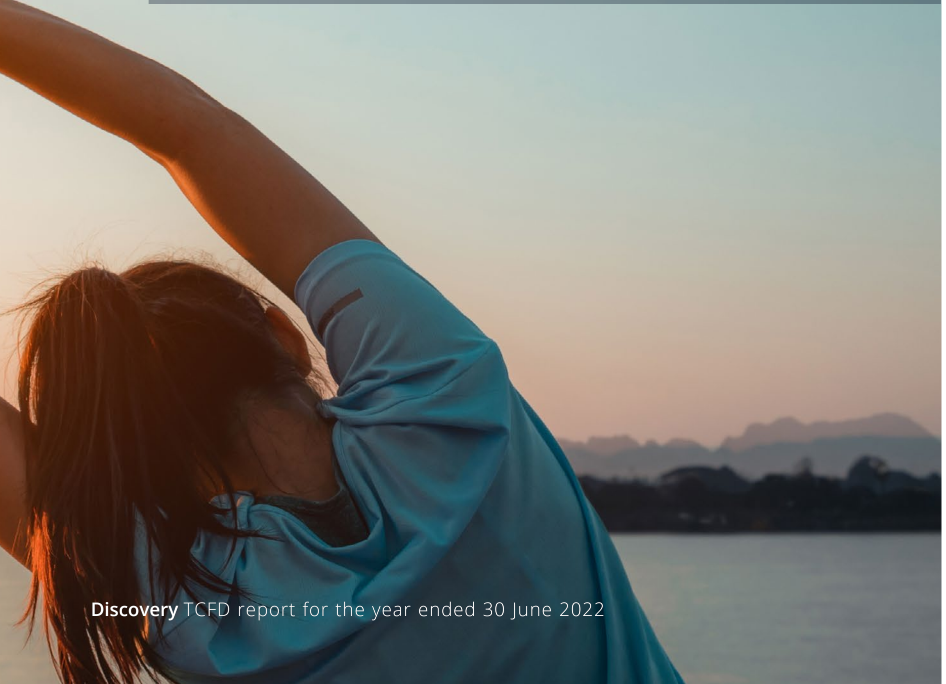
We endeavour to:

- → Understand and be responsive to environmental risks and opportunities and how they impact our business by incorporating environmental factors into business decisions
- → Continually increase employee awareness and training
- → Continue to advocate through engaging on Climate Change Policy and interventions
- → Comply with all relevant regulatory requirements and other compliance obligations
- → Continually monitor and reduce our direct environmental impact, including greenhouse gas emissions, by improving our energy use efficiencies, water usage and waste management in line with our 2025 carbon-neutral goal
- → Meet the zero to landfill waste goal for all our main offices by 2023
- → Ensure SA-based buildings are Green Star accredited by 2025
- → Align to science-based targets from 2023 to 2030
- → Monitor and reduce the indirect impacts associated with our supply chain
- → Disclose our progress, performance and plans in line with the recommendations of the TCFD
- → Extend the Vitality Shared-value Insurance model into the area of climate change by incentivising appropriate and environmentally conscious behaviours.

APPENDIX A: TCFD APPLICATION REGISTER

The following information was extracted from the TCFD recommended disclosure guidelines.

W Refer to ***TCFD Recommendations*** for further details.



GOVERNANCE

Disclose the organization's governance around climate-related risks and opportunities.

a Describe the board's oversight of climate-related risks and opportunities.

GUIDANCE FOR ALL SECTORS

In describing the board's oversight of climate-related issues, organizations should consider including a discussion of the following:

→ processes and frequency by which the board and/or board committees (e.g., audit, risk, or other committees) are informed about climate-related issues,	*Page 11*
→ whether the board and/or board committees consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization's performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions, and divestitures, and	*Page 11*
→ how the board monitors and oversees progress against goals and targets for addressing climate-related issues.	*Page 11*

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

GUIDANCE FOR ALL SECTORS

In describing management's role related to the assessment and management of climate-related issues, organizations should consider including the following information:

→ whether the organization has assigned climate-related responsibilities to management-level positions or committees; and, if so, whether such management positions or committees report to the board or a committee of the board and whether those responsibilities include assessing and/or managing climate-related issues,	*Page 12*
→ a description of the associated organizational structure(s),	*Page 11*
→ processes by which management is informed about climate-related issues, and	*Page 12*
→ how management (through specific positions and/or management committees) monitors climate-related issues.	*Page 12*

RISK MANAGEMENT

Disclose how the organization identifies, assesses, and manages climate-related risks.

a Describe the organization's processes for identifying and assessing climate-related risks.

GUIDANCE FOR ALL SECTORS

Organizations should describe their risk management processes for identifying and assessing climate-related risks. An important aspect of this description is how organizations determine the relative significance of climate-related risks in relation to other risks.	*Page 13*
Organizations should describe whether they consider existing and emerging regulatory requirements related to climate change (e.g., limits on emissions) as well as other relevant factors considered.	*Page 13*
Organizations should also consider disclosing the following: → processes for assessing the potential size and scope of identified climate-related risks and definitions of risk terminology used or references to existing risk classification frameworks used.	*Page 13*

SUPPLEMENTAL GUIDANCE FOR THE FINANCIAL SECTOR

Supplemental Guidance for Banks

Banks should consider characterizing their climate-related risks in the context of traditional banking industry risk categories such as credit risk, market risk, liquidity risk, and operational risk.	*Page 17*

Supplemental Guidance for Insurance Companies

Insurance companies should describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks: → physical risks from changing frequencies and intensities of weather-related perils; → transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation; and → liability risks that could intensify due to a possible increase in litigation.	*Page 20*

Supplemental Guidance for Asset Owners

Asset owners should describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks to improve data availability and asset owners' ability to assess climate-related risks.	*Page 17*

b Describe the organization's processes for managing climate-related risks.

GUIDANCE FOR ALL SECTORS

Organizations should describe their processes for managing climate-related risks, including how they make decisions to mitigate, transfer, accept, or control those risks.	*Page 13*
In addition, organizations should describe their processes for prioritizing climate-related risks, including how materiality determinations are made within their organizations.	*Page 13*
In describing their processes for managing climate-related risks, organizations should address the risks included in the TCFD recommendations as appropriate.	*Page 13*

SUPPLEMENTAL GUIDANCE FOR THE FINANCIAL SECTOR

Supplemental Guidance for Insurance Companies

Insurance companies should describe key tools or instruments, such as risk models, used to manage climate-related risks in relation to product development and pricing.	*Page 13*
Insurance companies should also describe the range of climate-related events considered and how the risks generated by the rising propensity and severity of such events are managed.	*Page 13 and 16*

Supplemental Guidance for Asset Owners

Asset owners should describe how they consider the positioning of their total portfolio with respect to the transition to a low-carbon energy supply, production, and use. This could include explaining how asset owners actively manage their portfolios' positioning in relation to this transition.	*Page 17*

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

GUIDANCE FOR ALL SECTORS

Organizations should describe how their processes for identifying, assessing, and managing climate-related risks are integrated into their overall risk management.	*Page 13*

STRATEGY

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.

GUIDANCE FOR ALL SECTORS

Organizations should provide the following information:

→ a description of what they consider to be the relevant short-, medium-, and long-term time horizons, taking into consideration the useful life of the organization's assets or infrastructure and the fact that climate-related issues often manifest themselves over the medium and longer terms,	*Page 16*
→ a description of the specific climate-related issues for each time horizon (short, medium, and long term) that could have a material financial impact on the organization, and	*Page 16*
→ a description of the process(es) used to determine which risks and opportunities could have a material financial impact on the organization.	*Page 16*
Organizations should consider providing a description of their risks and opportunities by sector and/or geography, as appropriate.	*Page 16*

SUPPLEMENTAL GUIDANCE FOR THE FINANCIAL SECTOR

Supplemental Guidance for Banks

Banks should describe significant concentrations of credit exposure to carbon-related assets. Additionally, banks should consider disclosing their climate-related risks (transition and physical) in their lending and other financial intermediary business activities.	*Page 17*

b Describe the impact of climate- related risks and opportunities on the organization's businesses, strategy, and financial planning.

GUIDANCE FOR ALL SECTORS

Building on recommended disclosure (a), organizations should discuss how identified climate-related issues have affected their businesses, strategy, and financial planning.	*Page 16*
Organizations should consider including the impact on their businesses and strategy in the following areas: → Products and services → Supply chain and/or value chain → Adaptation and mitigation activities → Investment in research and development → Operations (including types of operations and location of facilities) → Acquisitions or divestments → Access to capital	*Page 16*
Organizations should describe how climate-related issues serve as an input to their financial planning process, the time period(s) used, and how these risks and opportunities are prioritized. Organizations' disclosures should reflect a holistic picture of the interdependencies among the factors that affect their ability to create value over time.	*Page 16*
Organizations should describe the impact of climate-related issues on their financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities).	*Page 16*
If climate-related scenarios were used to inform the organization's strategy and financial planning, such scenarios should be described.	*Page 16*
Organizations that have made GHG emissions reduction commitments, operate in jurisdictions that have made such commitments, or have agreed to meet investor expectations regarding GHG emissions reductions should describe their plans for transitioning to a low-carbon economy, which could include GHG emissions targets and specific activities intended to reduce GHG emissions in their operations and value chain or to otherwise support the transition.	*Page 24*

SUPPLEMENTAL GUIDANCE FOR THE FINANCIAL SECTOR

Supplemental Guidance for Insurance Companies

Insurance companies should describe the potential impacts of climate-related risks and opportunities as well as provide supporting quantitative information where available, on their core businesses, products, and services, including: → information at the business division, sector, or geography levels; → how the potential impacts influence client or broker selection; and → whether specific climate-related products or competencies are under development, such as insurance of green infrastructure, specialty climate-related risk advisory services, and climate-related client engagement.	*Page 16*

Supplemental Guidance for Asset Owners

Asset owners should describe how climate-related risks and opportunities are factored into relevant investment strategies. This could be described from the perspective of the total fund or investment strategy or individual investment strategies for various asset classes.	*Page 6, 17 and 26*

STRATEGY *continued*

C Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

GUIDANCE FOR ALL SECTORS

Organizations should describe how resilient their strategies are to climate- related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant to the organization, scenarios consistent with increased physical climate-related risks.

Organizations should consider discussing: ➔ where they believe their strategies may be affected by climate-related risks and opportunities; ➔ how their strategies might change to address such potential risks and opportunities; ➔ the potential impact of climate-related issues on financial performance (e.g., revenues, costs) and financial position (e.g., assets, liabilities) and ➔ the climate-related scenarios and associated time horizon(s) considered.	*Page 21*

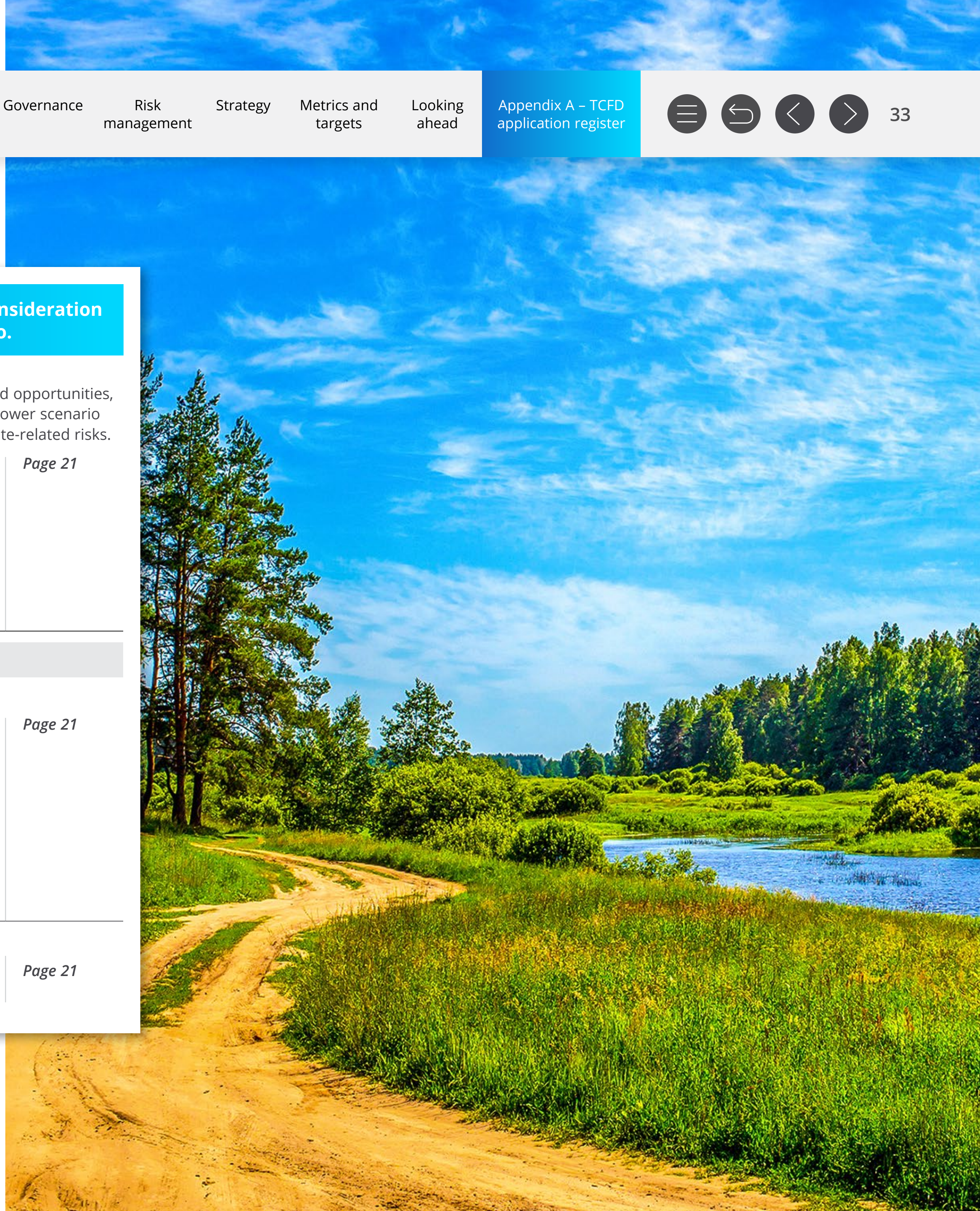
SUPPLEMENTAL GUIDANCE FOR THE FINANCIAL SECTOR

Supplemental Guidance for Insurance Companies

Insurance companies that perform climate-related scenario analysis on their underwriting activities should provide the following information: ➔ description of the climate-related scenarios used, including the critical input parameters, assumptions and considerations, and analytical choices. In addition to a 2°C scenario, insurance companies with substantial exposure to weather-related perils should consider using a greater than 2°C scenario to account for physical effects of climate change and ➔ time frames used for the climate-related scenarios, including short-, medium-, and long-term milestones.	*Page 21*

Supplemental Guidance for Asset Owners

Asset owners that perform scenario analysis should consider providing a discussion of how climate-related scenarios are used, such as to inform investments in specific assets.	*Page 21*



METRICS AND TARGETS

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.

GUIDANCE FOR ALL SECTORS

Organizations should provide the key metrics used to measure and manage climate-related risks and opportunities, as well as metrics consistent with the cross-industry, climate-related metric categories.	*Page 24*
Organizations should consider including metrics on climate-related risks associated with water, energy, land use, and waste management where relevant and applicable.	*Page 24*
Where climate-related issues are material, organizations should consider describing whether and how related performance metrics are incorporated into remuneration policies.	*Page 27*
Where relevant, organizations should provide their internal carbon prices as well as climate-related opportunity metrics such as revenue from products and services designed for a lower-carbon economy.	*N/A*
Metrics should be provided for historical periods to allow for trend analysis. Where appropriate, organizations should consider providing forward-looking metrics for the cross-industry, climate-related metric categories, consistent with their business or strategic planning time horizons. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate climate-related metrics.	*Page 27 and 28*

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

GUIDANCE FOR ALL SECTORS

Organizations should provide their Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions and the related risks. All organizations should consider disclosing Scope 3 GHG emissions.	*Page 24, 25 and 28*
GHG emissions should be calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions. As appropriate, organizations should consider providing related, generally accepted industry-specific GHG efficiency ratios.	*Page 24, 25 and 28*
GHG emissions and associated metrics should be provided for historical periods to allow for trend analysis. In addition, where not apparent, organizations should provide a description of the methodologies used to calculate or estimate the metrics.	*Page 28*

c Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

GUIDANCE FOR ALL SECTORS

Organizations should describe their key climate-related targets such as those related to GHG emissions, water usage, energy usage, etc., in line with the cross-industry, climate-related metric categories, where relevant, and in line with anticipated regulatory requirements or market constraints or other goals. Other goals may include efficiency or financial goals, financial loss tolerances, avoided GHG emissions through the entire product life cycle, or net revenue goals for products and services designed for a lower-carbon economy.	*Page 24*
In describing their targets, organizations should consider including the following: → whether the target is absolute or intensity based, → time frames over which the target applies, → base year from which progress is measured, and → key performance indicators used to assess progress against targets.	*Page 24*
Organizations disclosing medium-term or long-term targets should also disclose associated interim targets in aggregate or by business line, where available.	*Page 24*
Where not apparent, organizations should provide a description of the methodologies used to calculate targets and measures.	*Page 24*

Discovery

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