Vitality UK Taskforce on Climate-related Financial Disclosures Report

for the year ended 30 June 2023

A message from our Chief Sustainability Officer

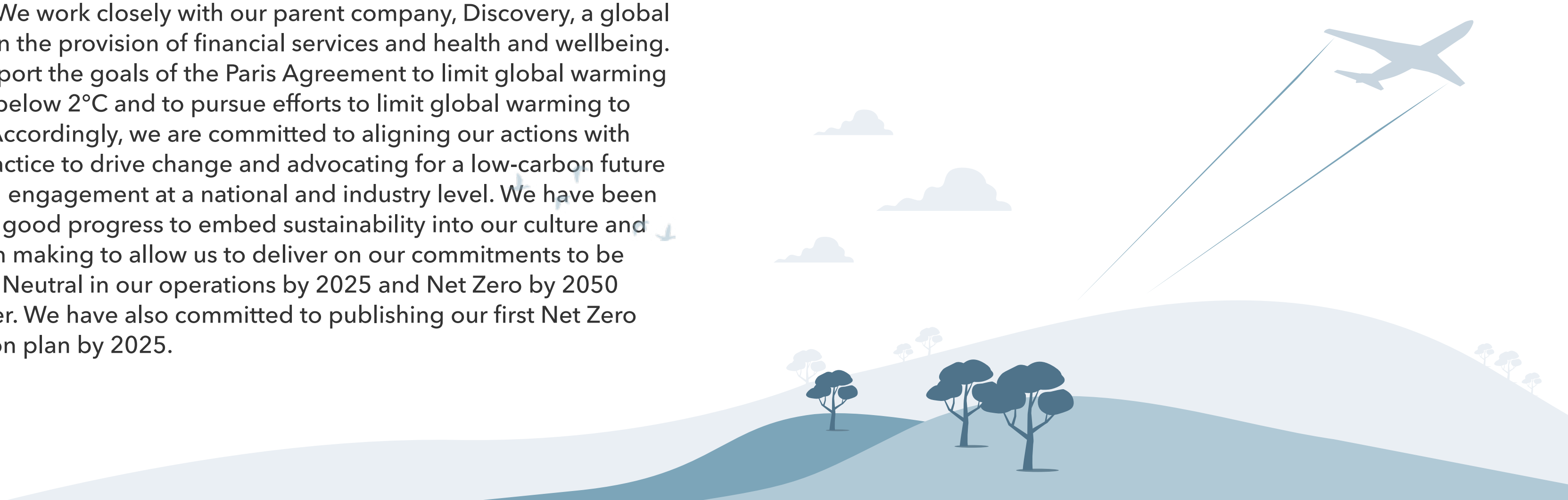
Deepak Jobanputra
Chief Sustainability Officer

Climate change is one of the greatest challenges facing society to which the solutions are complex and demand long-term vision and commitment. Society is demanding greater global action as more frequent and severe extreme weather events highlight the reality of the impact of climate change on the lives of individuals and their livelihoods, as well as to the resilience of businesses and the economy. Businesses recognise the need to take responsibility for the impact of their operations and the opportunity they hold to influence their customers, supply chains and other stakeholders on which they depend. There are also opportunities to create a more sustainable future by embedding sustainability in business thinking to create new markets and deliver commercial opportunities.

We are an insurtech business focused on health risk prevention through behaviour change and recognise the need to mitigate the impact of our business on the environment. Our core purpose is to make people healthier and to enhance and protect their lives. Our ability to operate and deliver on this purpose is fundamentally linked to maintaining an environment that enables and sustains good health. We work closely with our parent company, Discovery, a global leader in the provision of financial services and health and wellbeing. We support the goals of the Paris Agreement to limit global warming to well below 2°C and to pursue efforts to limit global warming to 1.5°C. Accordingly, we are committed to aligning our actions with best practice to drive change and advocating for a low-carbon future through engagement at a national and industry level. We have been making good progress to embed sustainability into our culture and decision making to allow us to deliver on our commitments to be Carbon Neutral in our operations by 2025 and Net Zero by 2050 or earlier. We have also committed to publishing our first Net Zero transition plan by 2025.

We have reduced emissions in our own operations, and plan to make a bigger impact by positively influencing our stakeholders to deliver on our commitment to be a Force for Good. We see opportunities to build on our unique Shared Value Insurance[1] model to incentivise more sustainable choices and drive changes in behaviour that create value for our members and make a positive contribution to society. We will build on the positive social impact we deliver through incentivising engagement with our Vitality Programme, to drive healthier behaviours, which we measure as part of Discovery's target of achieving one billion healthier activities by 2030.

Vitality UK is committed to reporting on our plans and progress. We are actively embracing emerging guidance and regulation, such as the TCFD framework, that will support best practice across the market and help enhance transparency. Discovery has been reporting against TCFD recommendations since 2020. We have embedded processes within Vitality to ensure we continue to mature our understanding of the risks and opportunities from climate change and will continue to develop our disclosures over time.



[1] Vitality | Shared Value Insurance
ESG Reports - Discovery

Our strategic response to climate change

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[2].

The physical risks of climate change such as more frequent and intense drought, storms, heat waves, rising sea levels, melting glaciers and warming oceans will impact food security, livelihoods, communities and society at large. The World Economic Forum Risk Report 2023[3] cited the top 4 risks in the next 10 years to be environmental risks, including:

1. Failure to mitigate climate change
2. Climate change adaptation
3. Natural disaster and extreme weather events
4. Biodiversity loss and ecosystem collapse

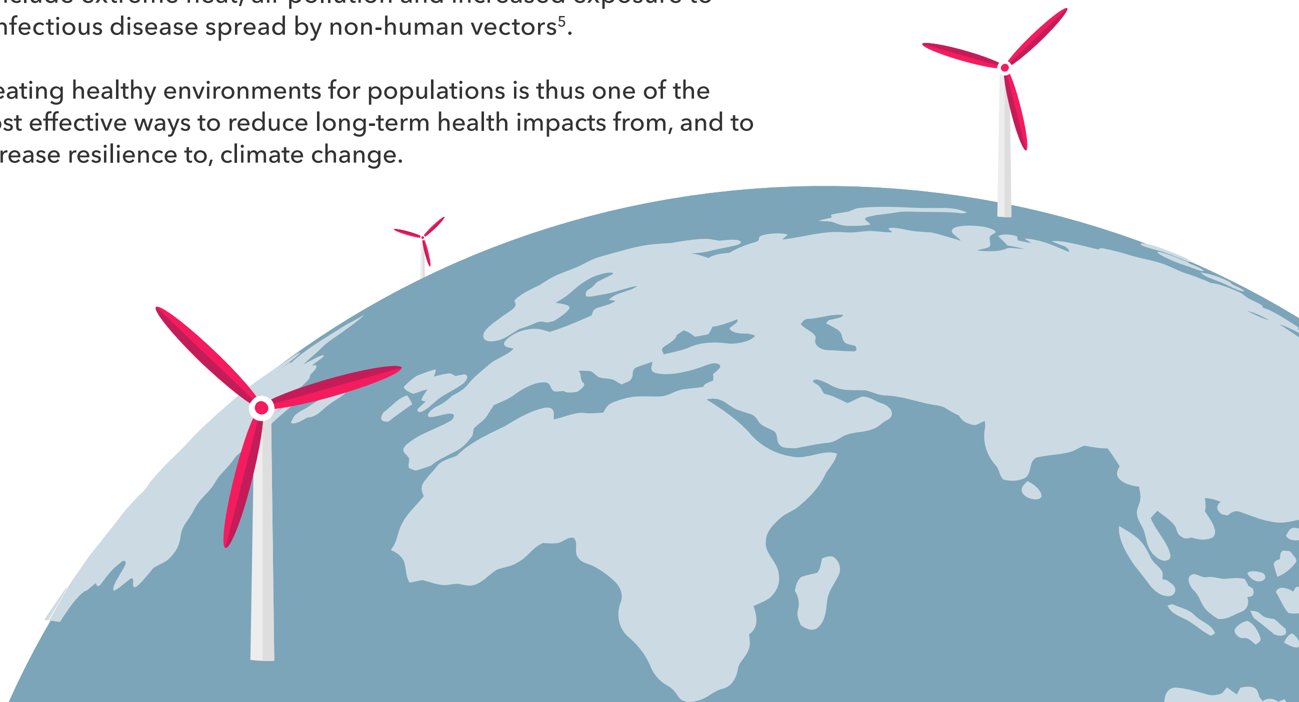
[2]PCC Climate Change 2023 Synethsis Report | IPCC_AR6_SYR_SPM.pdf
[3]Global Risks Report 2023 | World Economic Forum | World Economic Forum (weforum.org)
[4]An estimated 12.6 million deaths each year are attributable to unhealthy environments (who.int)
[5]The risk of a lifetime: mapping the impact of climate change on life and health risks | Swiss Re

The magnitude and timing of the subsequent risks of greater prevalence of disease, mass migration and economic impact are uncertain given the complexities and interdependencies associated with climate change.

For insurers, the urgency of addressing the climate crisis is accelerating, especially given the interdependencies between health and climate-related risks, and for which evidence continues to emerge:

- The World Health Organization estimates that nearly a quarter of the global health burden can be prevented by reducing environmental and social risk factors[4].
- The biggest drivers of climate change affecting human health include extreme heat, air pollution and increased exposure to infectious disease spread by non-human vectors[5].

Creating healthy environments for populations is thus one of the most effective ways to reduce long-term health impacts from, and to increase resilience to, climate change.



Our position on climate change

We have an opportunity to become part of the climate change solution by exploring the potential of our Shared Value Insurance[6] model to create change, while minimising any negative impacts that result from our business operations.

Since its genesis, Vitality has seen the power of aligning its interests with those of its clients and society – applying its business model to be a Force for Good and using this model to help tackle climate change is the next evolution in this Shared Value thinking.

Vitality's Climate Strategy

Vitality's response to climate change is captured in two overarching goals:

Short to medium term
Carbon neutral operations by 2025

Operations include our scope 1 and 2 emissions

Long term
Achieve Net Zero by 2050 or earlier

Publish a credible science-based Net Zero plan with our parent company, Discovery, by 2025.

Our goals will be achieved through three strategic pillars:

1 Align
Sustainability is embedded in our culture and decision making.

2 Influence
Create positive change through collaborating with partners and suppliers.

3 Impact
Help people make more sustainable choices through Vitality products and services.

[6] Vitality | Shared Value Insurance

1

Align

Mapping our carbon footprint to inform our planning

We have established our baseline carbon footprint across our scope 1 and 2 emissions and have estimated our scope 3 emissions. This will inform our decarbonisation strategy and science-based emission reduction targets, both interim and long-term. Our transition plan, detailing our Group Net Zero strategy and targets, will be published by 2025. In conjunction with Discovery, we plan to have our targets aligned to the Science-Based Targets initiative (SBTi)[7].

Reducing emissions in our operations

We are already reducing emissions associated with running our business in terms of the buildings we operate, the vehicles we run and the choices we make in how we source energy. We have transitioned almost half of our fleet of Vitality nurses' cars to Plug-In Hybrid Electric Vehicles, source almost all of the electricity in our office buildings from renewable sources, and plan to transition to 100% renewable electricity. We purchase part of our gas from renewable sources and offset the remainder through credible carbon offsets bought by our gas supplier, recognising that carbon offsets have a role to play as we transition towards a lower carbon operating model. We are improving the data we collect around our waste and water use amongst other areas to ensure that we have maximum visibility of our consumption and manage carbon emissions from these sources taking an approach of proportionality and materiality.

Embedding sustainability in our culture

We've launched a series of initiatives to support our employees to make more sustainable choices. In early 2022 a new Electric Vehicle leasing scheme enabled Vitality staff to lease an electric or hybrid vehicle at a reduced cost through a salary sacrifice arrangement. In November 2022, we launched a mandatory training module for all employees to deliver greater awareness of the impact of human activity on our planet and empower our people to recognise the benefits of making small changes in their daily lives. In partnership with an external specialist, employees were asked to calculate their personal carbon footprint on an eco-platform and discover ways to reduce their carbon impact. We will use this platform to regularly improve employee understanding of the role individual behaviour plays in addressing climate change and further embed sustainability in Vitality's culture and decision making. In May 2023 we launched a car-pooling scheme for employees to encourage car sharing whilst commuting to the office.

As an institutional investor and regulated business, we have a duty to act in the best long-term interests of policyholders and this includes taking a responsible approach to investment. Vitality's investment portfolio consists predominantly of cash and corporate bonds. Our bonds are managed by external asset managers who have adopted principles for responsible investing into their portfolio management processes and investment philosophy and actively engage with companies on our behalf. ESG principles are integrated into each step of the investment process, and we adopt specific portfolio exclusions. We have taken steps to understand and manage the carbon intensity of our existing bond portfolio and enhanced our bond choices from an overall ESG rating perspective. We support the Principles for Responsible Investment (PRI) through our parent company, Discovery who are a signatory. We have set internal threshold targets as part of our risk management framework that measure the carbon intensity and the ESG ratings of our invested assets. We support the principles of engagement and a just transition.

Digitalising our operations

While the pandemic accelerated the digitalisation of healthcare, Vitality has been pioneering the use of digital solutions since it one of the first health insurers in the UK in the UK to deliver virtual GP appointments in 2015. We continue to offer digital solutions that enable members to access and manage care online and to reduce unnecessary travel which in turn, reduces emissions. Reducing our need for printing documents and increasing the number of claims that can be completed end-to-end online will be a focus for reducing our scope 3 emissions. This will be balanced with the need to ensure we continue to provide the right care, at the right time, in the right way, to our members.

[7] Ambitious corporate climate action – Science Based Targets

2

Influence

Working with suppliers and partners

We are working with our suppliers and partners to better understand their approach to managing environmental, social and governance issues. As a health and life insurer, our supply chain emissions are heavily influenced by our hospital providers who provide care for our members and the carbon intensity of the healthcare sector. We have developed a supplier engagement framework to create an initial materiality analysis which allows us to focus on those suppliers, such as hospital providers, that are most material to our scope 3 emissions reduction. Other supply chain emissions are generated as a result of IT software and data centres, printing and couriers, professional services delivered as part of marketing and sponsorship, and our Vitality Programme partners. We are taking a collaborative approach to working with these suppliers, aiming to understand the emissions associated with our demand and considering options for a more sustainable supply chain. As a result, we aim to reduce the carbon footprint of both our business and that of our suppliers through engagement, thereby embedding our Shared Value model ideology into our supply chain.

We are actively seeking opportunities to collaborate with Vitality Programme partners to drive better, more sustainable choices. Our Vitality Programme is how we incentivise and reward our members for making healthier lifestyle choices and these incentives and rewards are delivered through our many programme partners.

Most recently, we have:

- Given members who earn a Caffè Nero reward through the Vitality Programme the opportunity to receive double loyalty stamps when using a re-usable cup
- Introduced Mindful Chef, a certified B Corp recipe box provider, as a partner so members can order a recipe box in the knowledge that their food has been ethically supplied and sustainably sourced
- Giving our members the opportunity to book a hotel through our partner Mr & Mrs Smith, also a certified B Corp, and choose an eco-friendly place to stay.

CAFFÈ NERO

Mindful Chef

Mr & Mrs Smith
THE TRAVEL CLUB FOR HOTEL LOVERS

https://caffenero.com/uk/ethics/
Proud to be a B Corp | Mindful Chef
Sustainability | Mr & Mrs Smith (mrandmrssmith.com).

3

Impact

The opportunity presented by our business model

Our incentive based behavioural and wellness programme enables us to reward healthier choices. We have used this model to empower our members to make choices that can contribute towards a healthier environment.

In 2021, we launched into a new category – car insurance – creating a product that incentivised car owners to drive more safely and less frequently and benefit the environment. This was achieved through a driving sensor that measures good driving behaviours. We rewarded those that drive safely and as a result, use less fuel, by offsetting up to 100% of their carbon emissions. In the year to 30 June 2023 our members logged over 1 million car-free days, and Vitality offset the carbon emissions of over 27 million miles.

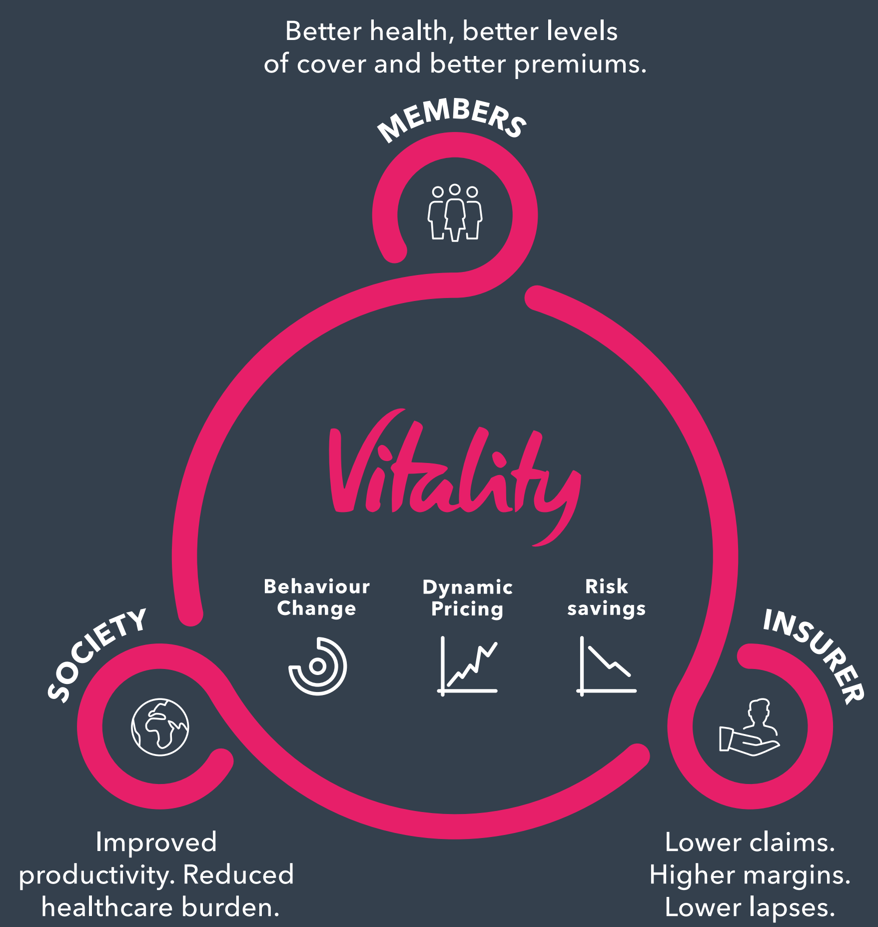
We aim to evolve our products and services to support and enable our members to further reduce their environmental footprint and to do so in a way that is sustainable for the long term.

UK government commitments and individual behaviour change

The UK government has made significant commitments to reducing the UK's carbon emissions by 2025 and 2030 leading to a net zero position by 2050. The role individuals can and must play, to enable the UK to reach this target is significant with 40% of the UK's emissions reduction targets attributed to individual behaviour[8]. From installing low carbon heating and energy efficient measures, to walking or cycling instead of driving, or consuming less meat and dairy, there are many changes UK society will need to make to deliver the UK's carbon reduction goals. As an organisation built on incentivising behaviour change, we recognise the power of our model to make a positive impact and we will continue to evolve products and services that support the transition to a lower carbon economy.

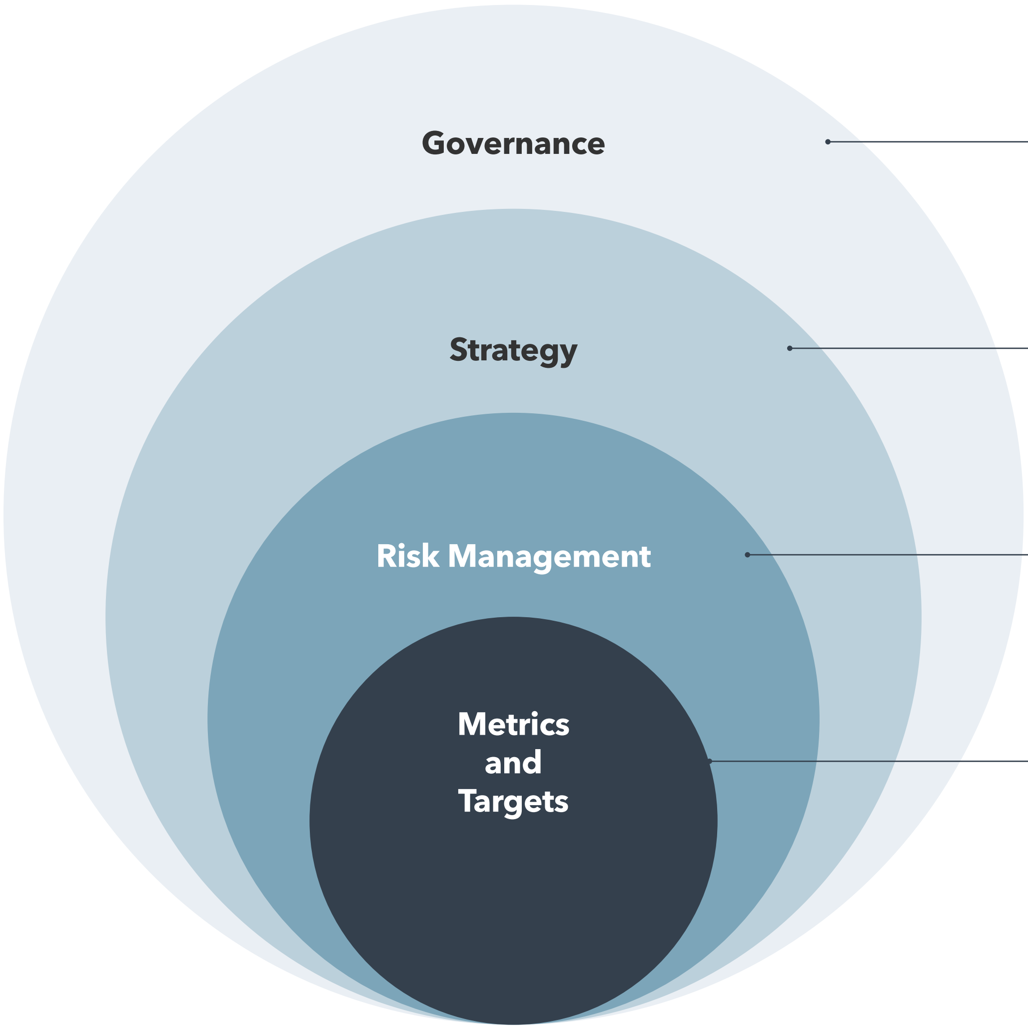
[8] Emissions Infographic (theccc.org.uk)

Shared Value Model



TCFD Disclosures

We are reporting against all TCFD recommended disclosures:



1. **Governance:** overview of Board oversight and management's role in assessing and managing climate-related risks and opportunities.

2. **Strategy:** the actual and potential impacts of climate-related risks and opportunities on our business strategy and financial planning, including scenario testing.

3. **Risk Management:** how we identify, assess and manage climate-related risks.

4. **Metrics and Targets:** the metrics used to assess climate-related risks and opportunities, including our scope 1 and 2 Greenhouse Gas (GHG) emissions, and the targets used to manage climate-related risks and opportunities and measure our performance.

Governance

We recognise the need to assess and manage the risks and opportunities associated with climate change and have governance in place to ensure that we do so appropriately. Our Board and Executive Management take an active interest and are committed to ensuring that the potential impacts of climate change are assessed and managed across the business.

Board responsibility

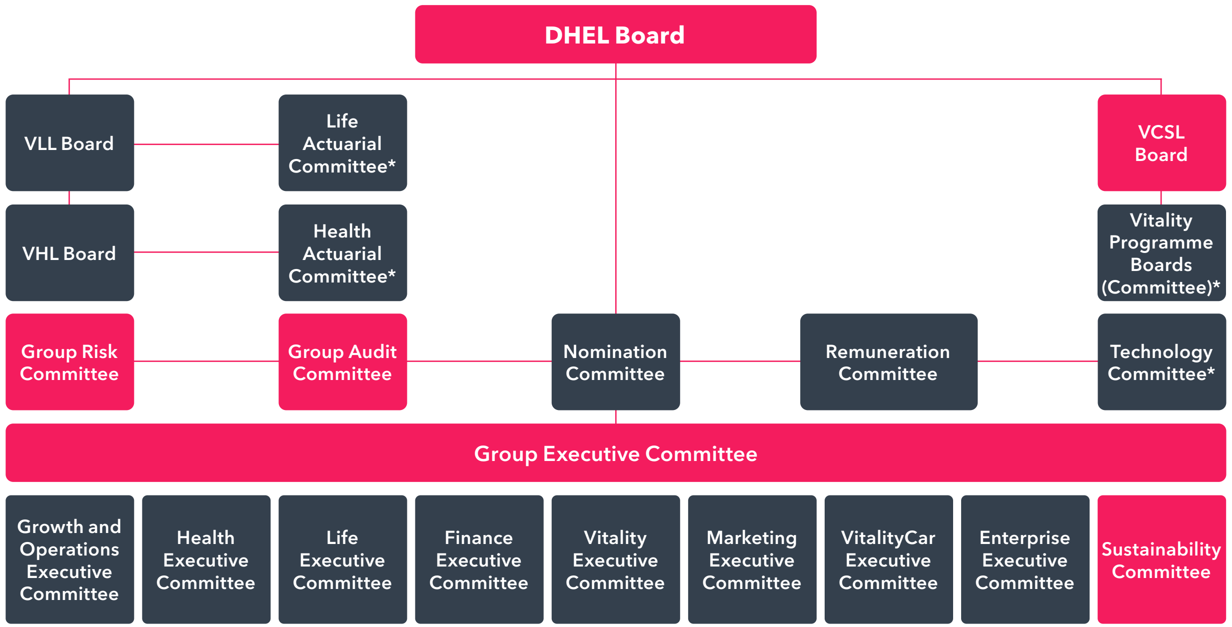
The Board has oversight of climate change strategy, developments, risks and opportunities, including policies relevant to the management of environmental issues. Since 2019, the Board has been presented with a quarterly assessment of the risks and opportunities associated with climate change. Board training to support climate fluency is an area of ongoing focus with wider Sustainability updates presented at each Board meeting.

The Board and Management recognise the commitment required in managing climate-related financial risks and as a result, appointed a Chief Sustainability Officer (CSO) in 2021. The CSO is a member of the Group Executive Committee and a member of the Group Board, reflecting the commitment of the Board and the significance of the role in driving Sustainability through the business. The CSO is formerly a managing director of VitalityLife, one of Vitality's UK businesses. The CSO collaborates with the Chief Risk Officer (CRO) and Chief Financial Officer (CFO) to ensure that the Risk and Finance functions are effectively engaged on climate-related issues, and to ensure knowledge sharing from external risk forums. The CSO also works closely with the Chief People Officer, to ensure that Sustainability is embedded within our employee culture. The CSO is the designated Senior Manager Function (SMF) individual with clear responsibility for the financial risks from climate change.

Vitality's Risk and Audit Committees play a key role in overseeing the management of Sustainability risks, which includes the management of climate-related financial risks. The Committees monitor the Key Risk Indicators for all Sustainability risks, which are presented at the Risk Committee on a quarterly basis through the CRO report, with deeper dives on an ad-hoc basis and are supported by appropriate metrics and targets. The Audit Committee approves the annual report and accounts, which includes the Strategic Director's Report, and this covers environmental and sustainability reporting. The Sustainability strategy along with the embedding of the UK Prudential Regulation Authority (PRA) Supervisory Statement (SS3/19) underwent an internal audit and was positively rated.

The corporate scorecard incorporates a number of ESG related measures that affect the incentives for all employees. The corporate scorecard is approved by the Board Remuneration Committee.

Our parent company Discovery hosts a monthly Climate and Environment Steering Committee, of which Vitality UK is an active participant. With continued evolution of the ESG agenda, Discovery initiated a Group ESG Executive Committee in 2022 to consider the risks and opportunities associated with ESG issues at a Group level. It is chaired by Discovery Group CEO and founder, Adrian Gore.



*Advisory committees

Continued

Governance *continued*

Executive Management responsibility

Following the appointment of the CSO, Vitality's Sustainability strategy was approved by the Board and updates are presented at each board meeting around the ongoing execution of the strategy and key market developments with a particular focus on regulatory change. The CSO presents at least quarterly to the Group Executive Committee on both risks and opportunities associated with climate change and sustainability forms a key part of the quarterly Group CEO report to the Board.

The CSO has established and chairs Vitality's Sustainability Committee. The Sustainability Committee develops and continues to evolve the Sustainability strategy across Vitality in line with the core purpose, values and strategy of the organisation as established by the Board. The Committee drives action in line with the approved strategy and monitors and provides oversight of delivery. Business areas at the Sustainability Committee include People, Facilities, Risk, Finance, Sourcing, Research & Development, and Marketing. These business areas own the actions and work closely with the Sustainability team to set and meet their targets. An internal dashboard and roadmap form part of the ongoing management of Sustainability that is reviewed at the Sustainability Committee with updates from this reported to the Group Executive Committee.

External governance

We recognise the need for market knowledge and external expertise and as such we engage with specialist consultancies to gain insight into best practice and participate and present at industry forums.

We recognise that our non-executive Board members bring a diverse range of experience that helps guide discussion and provides challenge. We have also engaged an experienced team of external sustainability specialists to provide insight, guidance, support and challenge around our approach, and the development and delivery of our strategy.

We are committed to aligning with best practice and engagement at a global level. Discovery Group has been a part of the UN Global Compact since 2015[9], with a focus on the following Sustainable Development Goals:

- **3 Good health and well-being**
- **5 Gender equality**
- **7 Affordable and clean energy**
- **8 Decent work and economic growth**
- **9 Industry, innovation and infrastructure**
- **10 Reduced inequalities**
- **11 Sustainable cities and communities**
- **13 Climate action**
- **17 Partnerships for the goals**

The Sustainable Development Goals (SDGs)

Discovery Group has been a signatory of the UN Principles for Responsible Investment (PRI) since 2020[10]. Vitality has since developed a responsible investment policy.

Vitality through Discovery is also a signatory of the UN's Principles for Sustainable Insurance (PSI) and a key member of its working group[11] for health and life insurance. We fully support the vision of the PSI, for the insurance industry to play a key role in enabling a healthy, safe, resilient and sustainable society and we are committed to sharing our expertise in pursuit of the UN Sustainable Development Goals.

In June 2023, Vitality co-led the launch of a report by the PSI's health and life working group, exploring the role of life and health insurers in facilitating a more inclusive and preventative healthcare model globally. Launched at Vitality's London offices, health and life insurers came together to discuss how to amplify the sustainability agenda in the UN Decade of Action[12].

[9] Discovery Limited | UN Global Compact
[10] Discovery Limited | Signatory profile | PRI (unpri.org)
[11] Health is Our Greatest Wealth: How life & health insurers can drive better health outcomes and address the protection gap – United Nations Environment – Finance Initiative (unepfi.org)
[12] Health is our greatest wealth: Setting the global sustainability agenda for the life & health insurance industry – United Nations Environment – Finance Initiative (unepfi.org)
*The content of this publication has not been approved by the United Nations and does not reflect the views of the United Nations or its officials or Member States
www.un.org/sustainabledevelopment

Risk management

Vitality has a well-established UK Enterprise Risk Management (ERM) Framework which is underpinned by a comprehensive set of risk policies, frameworks and guidelines to ensure that processes and procedures are embedded to effectively manage risk. The ERM Framework is aligned to regulatory requirements and climate-related financial risks form a key part of this framework.

We recognise that despite the complexities in assessing climate-related risk, the scientific evidence available on the impacts of climate change is unequivocal and we must incorporate climate change risk considerations into our risk management. This is echoed by the Institute and Faculty of Actuaries:

> *While there remains uncertainty over the range of ways that climate risks can emerge, economic projections that do not allow for the risks from a climate transition or emerging physical risks do not reflect the scientific evidence*[13].

For more detail on our ERM Framework please see our Annual Report and Accounts.

Vitality's ERM Framework has been assessed and reviewed at every stage of the risk management cycle to include climate-related risks and opportunities.

[13] Risk Management Practical guide FINAL.pdf (actuaries.org.uk)

Continued

Risk management *continued*

1

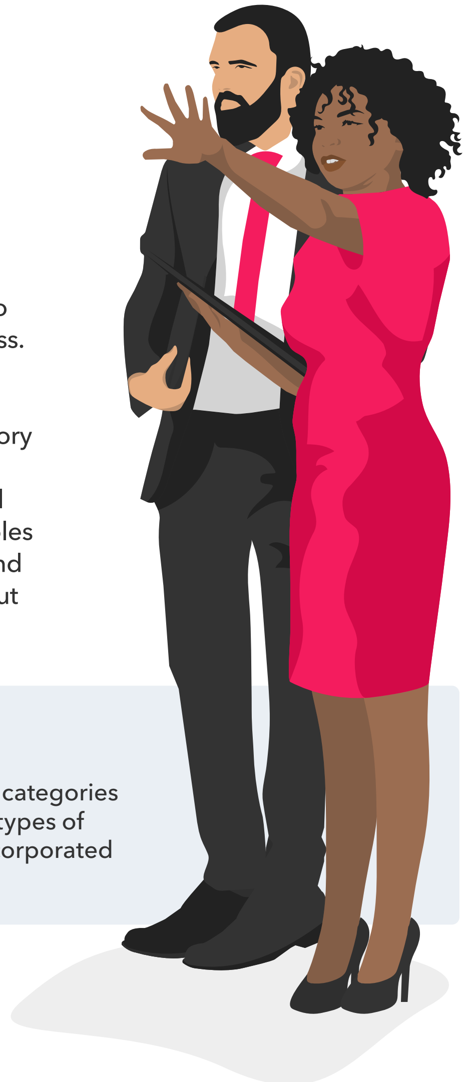
Identify

Vitality has reviewed and amended its Risk Taxonomy to reflect sustainability and climate-related financial risk to ensure these risks are taken into consideration. Vitality uses industry standards and guidance and their relative processes, as well as working with external consultants and industry bodies such as the Association of British Insurers, to identify climate-change related risks and opportunities as part of the wider ERM Framework. Risks are identified, assessed and rated within our taxonomy and within a rating matrix that considers the potential likelihood and impact of any risks occurring.

Risk workshops have been held across each of the business areas to identify potential impacts from climate change as part of this process. The output of the climate change risk identification workshops have been presented at the Risk Committee and Group Executive Committee. In addition, all Vitality employees completed a mandatory training module on sustainability in November 2022, in order to improve the understanding of the impact of climate change, as well as the ability of individuals to drive change. These represent examples of our strategy execution to embed sustainability into our culture and decision making, in order to identify climate change risks throughout the whole business, rather than within only specific teams.

Risk Taxonomy

Risk Taxonomy is a comprehensive, common and stable set of risk categories that encourage those involved in risk identification to consider all types of risks that could affect the organisation's objectives. Vitality has incorporated climate change and sustainability within its Risk Taxonomy.



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Assess

Climate change risks have been assessed by their potential likelihood and impact. Our assessment shows that we expect transitional risks to be of higher impact than physical risks in the short to medium term (next five years). In addition, as part of our Own Risk and Solvency Assessment (ORSA) process, we consider a specific climate change scenario in order to assess the impacts of transitional risks which included emerging regulatory risks; market risks; societal change and potential impacts on our suppliers' mitigation strategies. Physical risks, such as increased claims as a result of climate change, are expected to arise beyond the business planning time horizon (five years).

Well-developed tolerances and thresholds are listed in our risk rating matrix allowing for a materiality assessment of all identified risks across the business. Each risk is individually assessed while considering linked risks, issues and other items influencing it. This is particularly important for emerging climate-related and sustainability risks where there is potential for these to affect a wide variety of interconnected issues over a range of time-horizons. This approach allows for a positive and mature risk culture to evolve and for a range of mitigating actions to be taken depending on the severity of the risk as assessed by Senior Management. The CRO report is presented at the Risk Committee, including the output of the assessment of all risks across the business, in order to compare the materiality of all risks and the impact on business resource and financial planning.

Continued

Risk management *continued*

3

Manage

The output of the risk rating is used as a basis for determining the appropriate risk response decision; this will include treating, tolerating, terminating, or transferring the risk. Consideration of sustainability and climate change are mandated in our Product Governance Framework and our pricing models reflect the assessment of capital in the ORSA, which consider a broad range of sensitivities and scenarios that included climate-risk. Controls have been put in place for sustainability risks, such as the sustainability strategy directed by the CSO, SS3/19* internal audit, regulatory change identification and management processes, corporate bond thresholds and supplier due diligence. It is recognised that given the emerging nature of climate change risks, ongoing risk reviews and industry collaboration is needed and actively pursued to ensure best practice and resilience. Hence Vitality is working with external consultants and industry bodies to ensure the right controls are in place to manage our sustainability risks.

4

Monitor

All management decisions and corrective actions undertaken are captured and reported to the respective committees which includes, but is not exclusive to, the business aligned Executive Committees, Risk Committee and Board. For climate-related financial risks the respective committee is the Sustainability Committee with all risks of note provided to the Risk and Audit Committee; this represents the second line and third line assurance that the risk is being managed appropriately.

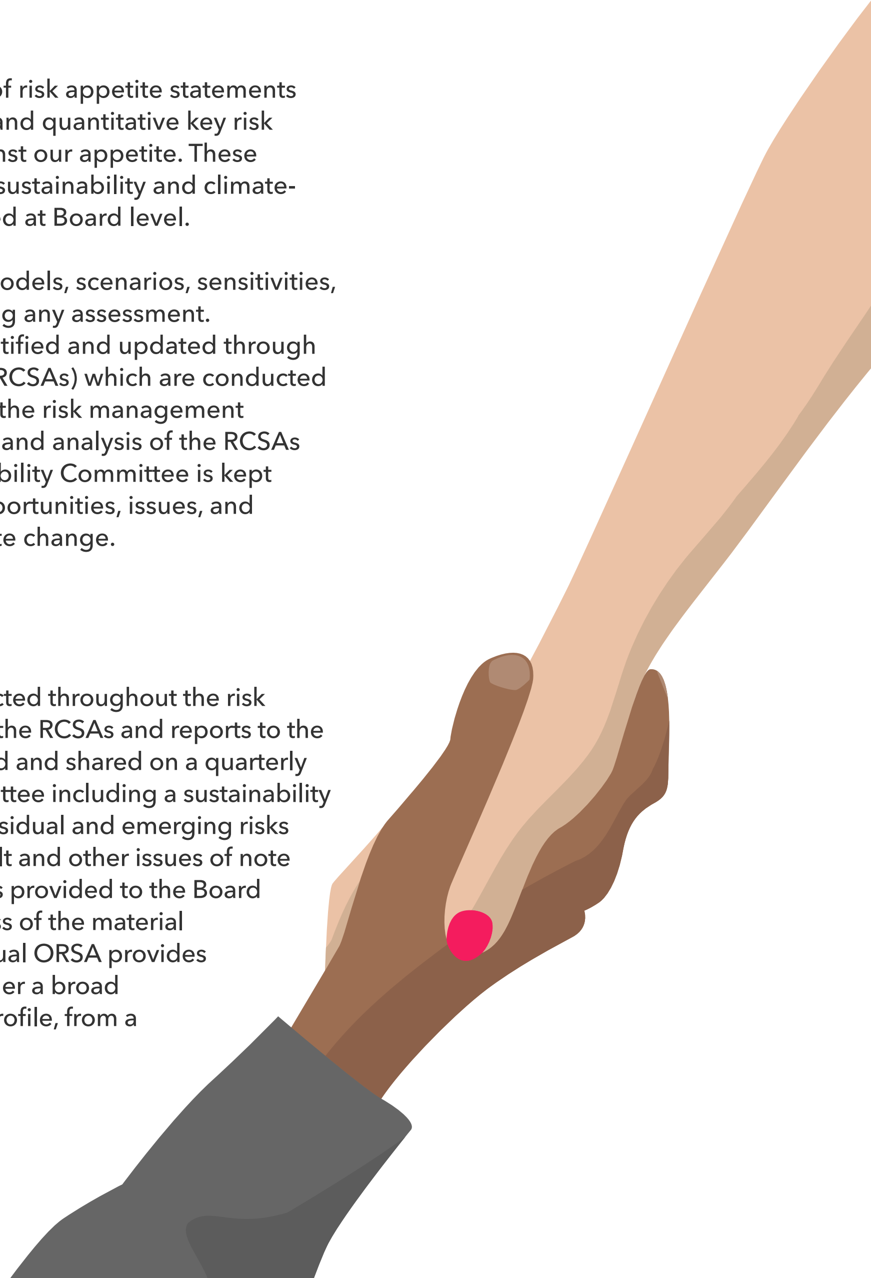
The business has a well-developed set of risk appetite statements and tracks a broad range of qualitative and quantitative key risk indicators to monitor performance against our appetite. These statements and indicators include both sustainability and climate-related financial risks which are approved at Board level.

Supporting information including risk models, scenarios, sensitivities, and other models will be included during any assessment. Sustainability risks and controls are identified and updated through the Risk and Control Self-Assessments (RCSAs) which are conducted every quarter. The process is guided by the risk management team to ensure appropriate assessment and analysis of the RCSAs are conducted. In addition, the Sustainability Committee is kept informed of reports relating to risks, opportunities, issues, and corrective actions associated with climate change.

5

Report

Reporting of sustainability risks is conducted throughout the risk management cycle. The outputs of both the RCSAs and reports to the Sustainability Committee are summarised and shared on a quarterly basis and reported up to the Risk Committee including a sustainability risk rating in the CRO's report. Current residual and emerging risks outside of appetite are flagged by default and other issues of note can be raised. A summary of this report is provided to the Board to ensure full transparency and awareness of the material risks across the business. Finally, the annual ORSA provides Vitality with another instrument to consider a broad view of Vitality's current and future risk profile, from a quantitative and qualitative perspective.



*https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2019/ss319

Strategy

Overview of climate-related risks

We have identified transition, physical and liability risks that could impact our business. These risks are distinguished between the short term (less than one year), medium term (one to five years), and long term (beyond five years). While all risks could have some level of impact over the whole period, transition and liability risks are generally expected to materialise sooner compared to physical risks. Vitality's exposure to geographies outside the UK is low, however our parent company Discovery Group's exposure is assessed within the Discovery Group TCFD report. Assessments of climate change impacts on Vitality indicate that risk remains within appetite, based on our current understanding and information. Therefore our current response to transition and physical risks does not require significant deviation from our strategic and financial planning.

Transition Risks

Regulatory Risks (short to medium term)

We recognise that the UK government is at the forefront of efforts to tackle climate change and improve transparency in climate change reporting through mechanisms such as TCFD, Streamlined Energy and Carbon Reporting (SECR) and other environmental reporting. Businesses must disclose how they are integrating climate change into governance arrangements, policies and practices, investments; procurement; product development; service offering; and partnerships.

Vitality has zero appetite for non-compliance: meeting regulatory requirements ensures that we avoid potential impacts such as legal recourse, regulatory sanctions, financial loss and reputational harm. We recognise that compliance brings benefits which include the provision of greater information to stakeholders making relevant decisions and opportunities to use our Shared Value model to drive favourable outcomes for our members through product design.

Transition risks are those that emerge as a result of evolving and emerging regulation; policy, legal, technological and market changes that attempt to constrain the actions of organisations that contribute to climate change or promote adaptation and mitigation to climate change.

Physical risks are the acute and chronic physical effects of climate change including extreme weather events, high rainfall and flooding, high temperatures, drought, and sea level rise.

Liability risks are those that arise from a customer or company seeking compensation for losses that they may have suffered as a result of the physical or transitional risk related to climate change.

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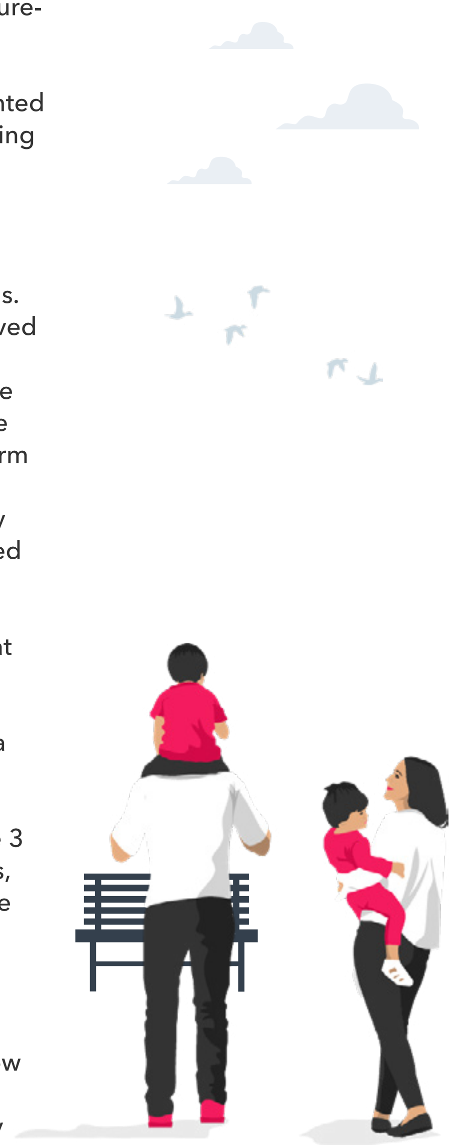
Strategy *continued*

We expect emerging regulation will include the Taskforce for Nature-related Financial Disclosures (TNFD) recommended reporting alongside TCFD, following the COP15 event held in Montreal in December 2022. Our participation at industry bodies has highlighted the potential mandate for transition plans to be published, following guidance from the Transition Plan Taskforce (TPT).

Reputational Risks (short to long term)
Growing expectations that businesses play a positive role in society places ever greater scrutiny on the actions of organisations. Additional risk is created when rhetoric and action are not perceived to align. Businesses need to monitor the evolving expectations of key stakeholders and authentically demonstrate and communicate action being taken to drive positive outcomes for society. A failure to do so will affect their ability to attract and retain business, to form and maintain sourcing relationships and strategic partnerships, and to recruit and keep the best talent within the business. Vitality ensures that these considerations are fully considered and debated as described by our governance framework.

Outsourcing risk and counterparty carbon exposure are risks that Vitality has considered in achieving our Net Zero ambition and we have identified opportunities to manage this potential risk. Healthcare represents a core business activity for Vitality and is a carbon intensive industry. We are, therefore, collaborating with our healthcare partners and the wider industry so that we can work towards more sustainable outcomes and reduce our scope 3 emissions. We are engaging with our material hospital providers, partners and suppliers in order to create together a collaborative engagement strategy, which will form part of our Net Zero transition plan.

Vitality's agility, effective governance and business model act as a strong foundation on which to respond to emerging risks and grow new opportunities. Vitality is actively managing transitional risk with focus from the Board, Management and our parent company



Discovery with a dedicated Chief Sustainability Officer, responsible for developing the strategy and ensuring it is executed.

Market Risks (medium to long term)
We have made initial assessments of the extent to which climate change poses a risk to demand for our products or might otherwise have an adverse impact. Risks identified include reputational issues driven by potential economic impacts from climate change. For example, reduced investment returns, or higher inflation may result in higher costs of insurance provision or change the demand for insurance products.

Climate change could potentially impact economic growth and investment returns. Investments in carbon intensive companies or those performing poorly in terms of their ESG practices may reduce significantly in value or become stranded unless they have robust plans to transition. Our exposure to carbon intensive assets is limited, but despite this, action has been taken to further reduce the carbon intensity of our asset portfolio and limit it through our market risk appetite. Additionally, Vitality UK supports the United Nation's Principles for Responsible Investment and has developed a responsible investment policy, which, e.g., excludes certain assets such as investment in tobacco, controversial weapons and civilian arms producers and also incorporates ESG issues into investment decision making processes.

We are committed to our operations becoming carbon neutral by 2025. We have plans to reduce our scope 1 and 2 emissions as much as possible, however the residual emissions will need to be offset by purchasing carbon credits. This financial expense must be included in our business planning however carbon markets are still developing leading to uncertainty in terms of price. There are also

Continued

Strategy *continued*

risks surrounding the credibility and authenticity of carbon offsetting which is being closely monitored by the Sustainability team. We believe carbon offsetting is a necessary action in the transition to net zero as part of our "beyond value chain mitigation" and is strongly encouraged by the Science-Based Targets initiative (SBTi)[14]. We will be seeking to use only high-quality carbon offsets, and only after seeking a reduction in our emissions.

Technology Risks (short to long term)
Vitality's technology assets consume energy including laptops, equipment, data centres and server rooms. We measure the contribution our technology makes towards the total greenhouse gas emissions for Vitality as part of our scope 1 and 2 emissions, which are low due to the majority of our electricity being from renewable sources. This is in line with the market, as for most services companies their scope 3 emissions makes up the majority of their total emissions. We have started to measure our scope 3 emissions, including the emissions from our datacentres and software, and will be considering ways in which to reduce or mitigate these emissions as part of our Net Zero transition plan which will be published in 2025 or sooner.

We recognise that we are reliant on technology constantly evolving and improving, to enable greater efficiency and reduced energy use. For scope 1 and 2 emissions, this includes improved technology in the form of electric vehicles for our nurses and the availability of charging points, as well as the ability to convert all of our offices to electric heating. For scope 3 emissions, this includes technological advancements in healthcare and digital services.

Physical Risks

Operational Risks (long term)
Climate related physical risk events are on the rise globally. In the UK this is likely to materialise in the form of warmer, wetter and windier winters and continued sea-level rises which increase the risk of flooding, while hotter and drier summers increase the risk of water shortages and affect agriculture and human health[15].

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

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

[14] SBTi-Finance-Net zero-Foundations-paper.pdf (sciencebasedtargets.org)
[15] https://www.theccc.org.uk/publication/independent-assessment-of-uk-climate-risk/

Continued

Strategy *continued*

Claims Risks (long term)

Increased Claims: The impact of physical risks on health from air pollution, rising temperatures and increased exposure to infectious diseases are expected to impact mortality and morbidity rates, resulting in an increase in both acute and chronic conditions and an increase in claims. It is anticipated that the most significant health effect will be a heightened risk of non-communicable diseases, primarily cardiovascular diseases, respiratory illnesses and cancers, and increased frequency and spread of vector-borne diseases[16]. The compounding effects of these as well as the impact on mental health make the threat even more significant. This will be most prominent among those most vulnerable, for example policyholders with pre-existing conditions and comorbidities, the elderly and children, the disabled and pregnant. These risks are considered to be relatively limited in the UK, and they are likely to emerge slowly which increases adaptive capability.

Increased demand: Depending on the extent to which climate change impacts on health we could see an increase in demand for insurance, accompanied by changes to the provision of healthcare – this could change the relative importance of healthcare across society and to consumers in general. If the cost of healthcare provision across the market increases markedly then this may constrain the size of the broader insurance market, and impact on the supply and choice of insurance products for consumers. Greater volatility arising from physical risks may also lead to increased volatility in claims experienced.

Reduced Claims: There are studies that conversely suggest there could be a net reduction in excess mortality in the Northern European climate, due to the decrease in cold-related excess mortality being higher than increase in heat-related excess mortality[17]. As incentivising physical activity is a key feature of our business model, a warmer UK climate could lead to more opportunities for outdoor exercise in colder months, leading to better health risk prevention. However, this may be offset by the impact of air pollution increasing respiratory illnesses or extreme heat reducing the ability to exercise outdoors in summer, therefore risking undermining our business model.

The risks to underwriting are uncertain and will emerge slowly and beyond the five-year planning horizon. The business closely monitors its demographic and economic experience and takes this into account in its strategy and business plan. Potential longer-term impacts on the plan are explored through sensitivity and scenario testing. The potential impacts from such risks are medium to long term and can be mitigated through a review of policy design and pricing for new business and protection through an effective reinsurance strategy.

Liability Risks Legal Risks (medium to long term)

There has been an upward trend of climate related litigation worldwide – the majority of cases being brought by citizens, corporations and NGOs against governments and major carbon emitting organisations. There is a general expectation that this trend will increase and for this risk to manifest in the medium to long-term. In many observed cases in the media, litigation is used as a means of creating social awareness and influencing future legislative changes. This could result in reputational damage for businesses from negative media coverage and considerable legal costs. Given the nature of our businesses we do not consider this to represent a significant risk and it is being mitigated by a robust governance, due diligence and disclosure framework that takes these potential risk exposures into account.

[16] The risk of a lifetime: mapping the impact of climate change on life and health risks | Swiss Re
[17] Projections of temperature-related excess mortality under climate change scenarios – The Lancet Planetary Health

Summary of climate-related risks and opportunities:

Type of risk/opportunity	Risk Category	Time frame	Materiality (Potential impact and likelihood)	Mitigation strategy
Transitional risks	Regulatory risks	Short to medium term	Low likelihood High impact Reason: Zero appetite for non-compliance.	Robust governance framework ensures adherence to regulation/legislation.
	Reputational risks	Short to long term	Low likelihood Potentially high impact Reason: Increasing expectations from all stakeholders and increased litigation around greenwashing.	Focus from board and management including a commitment to transparency, regular communication and reporting, and the delivery of a credible Net Zero Strategy.
	Market risks	Medium to long term	Low impact Low likelihood Reason: Exposure to carbon intensive assets limited and Vitality investment portfolio is relatively simple. Carbon markets developing hence some uncertainty but not an imminent risk.	Responsible Investment Policy and tactical shift away from carbon intensive corporate bonds. Delivery of a credible Net Zero Strategy, including reduction of our scope 1 and 2 emissions by 2025.
	Technology risks	Short to long term	Low impact Low likelihood Reason: Emissions risk but not expected to be material based on initial analysis.	Delivery of a credible Net Zero Strategy.
Physical risks	Acute: Operational business continuity risks	Long term	Low impact Low likelihood Reason: Not material – virtual working strategy tested robustly during pandemic.	New business reviews, benefit design and effective reinsurance programme.
	Chronic: Claims risks	Long term	Low impact Low likelihood Reason: Currently identified as relatively limited impact, but this is a developing area with more industry research becoming available.	Robust governance, due diligence and disclosure framework. Net Zero strategy being developed with targets and time frames.

Time frame key:
- Short term (less than one year)
- Medium term (one – five years)
- Long term (beyond five years)

Continued

Summary of climate-related risks and opportunities: *continued*

Type of risk/opportunity	Risk Category	Time frame	Materiality (Potential impact and likelihood)	Mitigation strategy
Liability risks	Legal risks	Medium to long term (Medium, Long)	Low likelihood Potentially high impact Reason: Reputational damage from potential litigation expected to be limited due to robust sustainability governance and strategy.	Robust governance, due diligence and disclosure framework. Net Zero strategy being developed with targets and time frames.
Opportunities	Resource efficiency	Short to medium term (Short, Medium)	High likelihood High impact Reason: Already moved London office to a more efficient building, with other office plans being worked on. Nurses using more energy efficient cars. Suppliers are already finding more efficient ways to fulfil services.	Office building plans Nurse EV strategy Waste and recycling strategy Supplier engagement strategy.
	Energy sources and resilience	Short to medium term (Short, Medium)	High likelihood High impact Reason: Almost 100% renewable electricity.	Continued investment in renewable energy tariffs. Reliant on the supply of 100% renewable gas to increase or to switch to electric heating in all offices.
	Products and Services	Short to long term (Short, Long)	High likelihood High impact Reason: Opportunity to expand Shared Value model to influence behaviour change.	R&D strategy.
	Markets	Medium to long term (Medium, Long)	Medium likelihood Low impact Reason: Opportunity to use green loans in the future, based on ESG criteria.	Finance strategy.

Time frame key:
- Short term (less than one year)
- Medium term (one – five years)
- Long term (beyond five years)

Scenario analysis

Scenario analysis is a process intended to help companies understand how they may be impacted by a range of potential stresses, including climate-related stresses and instigate measures to improve resilience, if needed. Vitality carries out scenario testing at least annually, as part of its risk management process, and considers a range of potential impacts.

We have considered the impacts of climate change in our ORSA scenario testing since 2019. In 2022 we incorporated a quantitative scenario for climate change in our ORSA process[18]. Its design was informed by the Bank of England (BoE) Climate Biennial Exploratory Scenarios (CBES):

- **Early Action:** the transition to a net zero emissions economy starts in 2021 so carbon taxes and other policies intensify relatively gradually over the scenario horizon. Global carbon dioxide emissions (and all greenhouse gas emissions in the UK) drop to net zero around 2050
- **Late Action:** the transition is delayed until 2031, at which point there is a sudden increase in the intensity of climate policy. In the UK, greenhouse gas emissions are successfully reduced to net zero around 2050, but the transition required to achieve that is more abrupt and therefore disorderly
- **No Additional Action:** no new climate policies are introduced beyond those already implemented prior to 2021.

This is summarised in the below table:

Scenario	Early action	Late action	No additional action
Transition risks	Medium	High	Limited
Transition begins in	2021	2031	n/a
Nature of transition	Early and orderly	Late and disorderly	Only policies that were in place before 2021
Physical risks	Limited	Limited	High
Mean global warming relative to pre-industrial times by end of scenario	1.8°C	1.8°C	3.3°C
Mean sea level rise in the UK	0.16m	0.16m	0.39m
Impact on output	Temporarily lower growth	Sudden contraction (recession)	Permanently lower growth and higher uncertainty
Average annual output growth in the UK	Year 6-10: 1.4% Year 11-15: 1.5% Year 26-30: 1.6%	Year 6-10: 1.5% Year 11-15: 0.1% Year 26-30: 1.6%	Year 6-10: 1.4% Year 11-15: 1.4% Year 26-30: 1.2%
Emissions	Global greenhouse gas emissions in the UK drop to net-zero around 2050.	Global greenhouse gas emissions in the UK drop to net-zero around 2050.	Net zero not achieved.

[18] The annual Own Risk and Solvency Assessment (ORSA) provides Vitality with an instrument to consider a broad view of Vitality's current and future risk profile, from a quantitative and qualitative perspective.

Continued

A message from our Chief Sustainability Officer
Our strategic response to climate change
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Scenario analysis *continued*

The Vitality scenario had a particular focus on the economic and policy lapse implications of the Late Action scenario detailed above. This is the most extreme in terms of transition risks, which in our view, outweigh the impacts we face from physical risks. However, the time horizon for the CBES exercise covers from 2030 to 2050, whilst our business plan projection covers a 5-year time horizon. Therefore, to help us understand the impacts, we accelerated the climate change impacts to the start of our business plan projection e.g. assuming that the disorderly transition starts in 2022 rather than 2031.

We are also aware of the potential reputational impacts of either under-delivering on our sustainability promises or under-engaging in a green agenda with potential knock-on impacts on demand for our products and consequently, the impact on business volumes that that this may lead to. We also recognise there may be operational consequences if our approach impacts on our ability to attract and retain the best people. Our stress and scenario testing programme has for several years included a reputational scenario in addition to several stresses to new business sales, retention rates, claims, and operational costs.

As referenced earlier, Vitality's investments are primarily cash or highly liquid and not subject to the extreme shocks or becoming 'stranded assets' that are typically allowed for in industry stress tests.

Results of our Scenario assessment

Both VitalityLife and VitalityHealth are expected to 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 Vitality based on our current understanding. The potential impacts are likely to emerge gradually over time, giving the business time to monitor its experience, identify adverse trends, and to take appropriate management action wherever possible.

Future Scenario testing

Reiterating the earlier point around Vitality's asset and liability exposures, we note that there are several limitations in the data used for planning and scenario testing that we will improve upon in future scenario testing.

These include:

- As noted in the results of the 2021 CBES, the BoE "learned that participants found it difficult to consider their responses to the CBES scenarios in depth, in part reflecting uncertainty about aspects of climate policy. This uncertainty meant participants had to make assumptions about the precise form such policy would take."[19] We should expect this limitation to reduce as the findings from the exercise are used by the PRA, the Financial Policy Committee within the BoE, and policymakers more widely. However, we see transition risk as primarily having a potential reputational impact if we are seen to be either greenwashing or a laggard in our move towards a more sustainable business.

- We are noticing an increasing focus on the analysis of the potential risks to mortality and morbidity as a consequence of climate related physical risks that may arise. Reinsurers and actuarial consultants are publishing these analyses and we expect that these will help inform scenarios that can be deployed across the industry with a tailoring to individual business characteristics.

- Scope 3 emissions typically comprise the bulk of the emissions for service-based businesses. It is widely recognised that scope 3 emissions are challenging to measure due to data and modelling requirements being in the early stages of development for many industries and businesses. We are working closely with external sustainability consultants to ensure we adopt emerging best practice in this area to mitigate and avoid potential risks associated with this.

Assessment of impact

We believe the overall impact on the business in the short-term is limited given the nature of our claims and investment risks. Impacts on underwriting are uncertain and will emerge slowly and beyond the 5-year planning horizon. The business closely monitors its demographic and economic experience and takes this into account in its plans. In the short-term we may see increased costs in response to policy risks which can be incorporated into the annual budgeting process. Potential longer-term impacts on the plan are explored through sensitivity and scenario testing. Reputational risks, and their potential impact on our sales volumes and retention rates are front of mind when setting the direction and strategy of each business and also stress tested as part of the ORSA process.

[19] Results of the 2021 Climate Biennial Exploratory Scenario (CBES) | Bank of England

Metrics and Targets

Metrics and targets are a critical component for managing climate related risk as they support the definition of commitments and direction in achieving our goals. Vitality is strongly committed to contributing towards a healthier and more sustainable planet through its impact on society.

Our Climate Ambitions (compared to FY 2019 baseline):

- **Short term:** Carbon neutral within own directly controlled operations by 2025 (scope 1 and 2 emissions offset using high-quality carbon credits)
- **Medium to long term:** Achieve Net Zero by 2050 or earlier (a reduction in our scope 1, 2 and 3 emission of 90%, with the last 10% offset using only high-quality carbon removal projects)

In line with the recommendations of the ABI's climate change roadmap[20], first published in July 2021, we have set multiple milestones as well as committing to the following interim targets.

Interim targets:

- By 2025, we aim to publish our first transition plan to achieve net zero GHG emissions by 2050 or earlier and adopt science-based targets across all activities.

The Sustainability Committee reviews and updates an internal dashboard and roadmap which includes the above metrics, as well as internal targets, to form part of the ongoing management of Sustainability. Progress is reported to the Group Executive Committee and Board regularly. We acknowledge that these metrics are a starting point from which we can build on in our Net Zero Transition Plan, alongside targets which are aligned to the science-based targets initiative (SBTi), which will be published in 2025.

[20] Climate Change Roadmap | ABI

The metrics and targets are deployed as a basis to inform the incentives for employees and included within the corporate scorecard that is board approved through the remuneration committee.

In order to meet these interim targets, we are currently measuring and monitoring the following metrics:

Strategy alignment	Type of risk/opportunity	Metrics (unit)
1 Align Embedding Sustainability into our culture and decision making	Opportunity: Resource efficiency	• Scope 1 and 2 GHG emissions (tCO2e) • The % of our fleet vehicles that are hybrid and/or EV (%) • The energy rating of our office buildings • The carbon intensity of our employees commuting to work and travelling for business e.g. the carbon emissions per employee (kgCO2e per FTE) • Food waste in all offices (kg) • Water usage in all offices (litres)
	Opportunity: Energy sources	• The % of our electricity coming from renewable sources (%) • The % of our gas coming from renewable sources (%)
	Transition risk: Reputational	• Employee satisfaction metric, which gauges our employee's perception of our commitment to reducing our carbon footprint. (%) • The journey to increasingly digital journeys e.g. print spend, the % of claims completed digitally
	Transition risk: Market	• The carbon intensity (tCO2e /$m) and externally rated ESG ratings for our invested assets
2 Influence Driving positive change through collaborating with partners and suppliers	Transition risk: Reputational	• Scope 3 GHG emissions (tCO2e) • The % of our partners and suppliers publishing their GHG emissions (%) • The % of our partners and suppliers who are also aligned to science-based targets (%) • Supplier Engagement Framework with associated materiality-based Risk matrix
3 Impact Enabling people to make more sustainability choices through Vitality products and services	Opportunity: Products and services	• Healthy activities recorded by our members (#) • Life years saved by our members (#) • Shared Value dividend through rewards and incentives (£) • Lives impacted (#) • Number of car-free days per VitalityCar member (#) • Average % of a VitalityCar members miles being offset (%) • Total number of miles and tCO2e offset (# and tCO2e)

UK GHG emissions

Our carbon footprint has been measured since 2019, using the Greenhouse Gas Protocol methodology. The approach for determining our reporting boundary for consolidating emissions is the operational control approach. We plan to publish our full scope 3 emissions by 2025, alongside our transition plan for Net Zero.

Commentary:

Mobile combustion: We phased out diesel cars for our nurses in September 2020 and have converted nearly half of the fleet to plug-in hybrids. We are piloting 1 self-charging hybrid with plans to convert the rest of the fleet to self-charging hybrids by the end of 2023.

Product Use Refrigerant Gases: In FY 2020, the 179tCO2e is attributed to an air con gas refill.

Stationary combustion: From March 2022 we changed our gas tariffs to include carbon offsetting for our Bournemouth and Stockport offices. We also have a 1000 litre diesel generator in Bournemouth which is filled roughly every 2 years. We are missing data for the gas used in our new London office which we will include in our FY24 emissions.

Purchased electricity: We converted our London office to renewable electricity contracts in October 2018, Bournemouth and Stockport offices in January 2020, with Croydon following in May 2020 – we are now 95% renewable and working towards 100%.

Purchased heat: This includes heating purchased at our Better Health office. As we are not the landlord or sole tenant, this is reported under scope 2 rather than scope 1.

Better Health is included in the boundary.

GHG emissions (tCO2e)		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Scope 1	Mobile combustion	124	76	81	83	87
	Product Use Refrigerant Gases (Kyoto Protocol)	0	179	0	0	0
	Stationary combustion	328	268	338	328	264
Scope 2	Purchased electricity (market based)	802	422	73	90	57
	Purchased heat (market based)	9	8	6	5	5
	Purchased electricity (location based)	593	482	360	362	390
	Purchased heat (location based)	9	8	6	5	5
Total Scope 1 and 2 (market based)		1263	953	497	507	414
Total Scope 1 and 2 (location based)		1054	1013	785	779	747

Note: figures have been verified by Verify CO2 (Carbon Verification Statement): ESG Reports – Discovery

Data gaps and plan to address them:
We have identified opportunities to enhance our data and have assessed the materiality of these to ensure we capture the most important data. Where methodologies can be improved by using different data sources, such as in scope 3 emissions, we are taking a proportionate approach, by focusing on our most material suppliers' data first. We believe these data improvements are also being addressed across the market and will improve as reporting on scope 3 becomes more embedded in sustainability reporting.

Plans to improve data include:

- Improve measurement of refrigerant gases from air conditioning
- Improve measurement of waste and water, and benchmark against the industry
- Improve our scope 3 emissions accuracy by using supplier scope 1 and 2 emissions rather than using industry average emission factors for scope 3 calculations
- Estimate our insurance/underwriting emissions
- Explore metrics for our impact on nature and biodiversity, ahead of the Taskforce on Nature-related Financial Disclosures (TNFD).

Looking ahead

Our ability to deliver on our core purpose of making people healthier and enhancing and protecting their lives is fundamentally linked to maintaining an environment that enables and sustains good health. With increasing evidence of the interdependencies between health and climate-related risks, we recognise, as an insurer, we must advocate for a net zero future in order to prevent increased health-risk.

As reflected by the UN's Sustainable Development Goals, sustainability and climate change are deeply interconnected and solutions require extensive collaboration between multiple stakeholders.

We cannot deliver on our Net Zero goals without our value chain coming on the journey with us, including healthcare providers, Vitality programme partners and other material suppliers.

We are committed to maturing our own disclosures and to advocating for our suppliers and partners to do the same. By increasing transparency, we are better positioned to drive action. We welcome the new Taskforce on Nature-Related Financial Disclosures (TNFD) and the need to consider the impacts of business operations on biodiversity and nature-loss.

Inspiring positive change is part of Vitality's DNA. Discovery has set out its commitment to incentivise one billion healthy activities a year by 2030. And protecting and restoring the environment are key enablers to the delivery of this ambition.

TCFD index

TCFD pillar	TCFD recommended disclosure	Brief summary and progress up to 2023
Governance	a. Describe the board's oversight of climate-related risks and opportunities *See pages 9 & 10*	• The Board appointed a **Chief Sustainability Officer (CSO)** in 2021 who is a member of both the Group Executive Committee and of the Group Board. • The Board approves the Sustainability strategy and updates are presented at **every Board meeting**. • In 2022, our parent company Discovery set up a **Group ESG Executive Committee** that considers ESG risks and opportunities at a Group level, that is attended by the UK CSO, and is chaired by Discovery Group CEO and founder, Adrian Gore. • Vitality's **Risk and Audit Committees** monitor the Key Risk Indicators for all Sustainability risks, which are presented quarterly and are supported by appropriate metrics and targets.
	b. Describe management's role in assessing and managing climate-related risks and opportunities *See pages 9 & 10*	• The CSO, is the designated **Senior Manger Function (SMF)** individual with clear responsibility for the financial risks from climate change. • The CSO established and chairs Vitality's **Sustainability Committee** which drives action in line with the approved Sustainability strategy and monitors and provides oversight of its delivery. • The CSO reports at least quarterly to the **Group Executive Committee** on both risks and opportunities associated with climate change and reports quarterly to the **Risk Committee**, **Audit Committee and Board**. • Vitality engages with specialist consultancies to gain insight into best practice and participate and present at industry forums.
Strategy	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term *See pages 14 to 19*	• Risks are distinguished between the short term (less than one year), medium term (one – five years), and long term (beyond five years). **Transitional risks include:** • Regulatory Risks (short to medium term) – risk of increased regulation as the UK transitions to Net Zero could lead to increased resource and training needed. • Reputational Risks (short to long term) – increasing expectations from all stakeholders and greenwashing risks could lead to increased resource and training needed. • Market Risks (medium to long term) – exposure to carbon intensive assets are limited. Development of carbon market and reliance on carbon offsets for carbon neutral commitment. • Technology Risks (short to long term) – reliance on technology advancements in our Net Zero strategy. **Physical risks include:** • Operational risks (long term) – business continuity plans, and work-from-home resilience have been tested during the pandemic. • Claims risks (long term) – long term impact on health from air pollution, extreme heat and increased exposure to diseases. **Liability risks include:** • Legal risks (medium to long term)- increase in litigation cases. **Opportunities include:** • Resource efficiency and energy sources – office building and nurses' fleet efficiencies as well as staff commuting opportunities. • Products and services – the Vitality programme
	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. *See pages 14 to 19*	• In the short term, the most material risks to Vitality are reputational, which are managed through the effective implementation of our Sustainability strategy and regular reporting on our progress. • Vitality has no appetite for non-compliance with regulation, therefore the increase in regulated reporting will have an impact on business planning and resourcing. • As a health and life insurer, we are closely monitoring the impact of climate change on health. This is expected to materialise in the longer term, depending on the speed at which the global net zero ambition is achieved.
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. *See pages 20 & 21*	• In 2022 we incorporated a quantitative scenario for climate change in our Own Risk and Solvency Assessment (ORSA) process . Its design was informed by the Bank of England Climate Biennial Exploratory Scenarios (CBES). • The Vitality scenario had a particular focus on the economic and policy lapse implications of the Late Action scenario, which is the most extreme in terms of transition risks, which in our view, outweigh the impacts we face from physical risks. As our business plan projection covers a 5-year time horizon, we accelerated the climate change impacts to the start of our business plan projection e.g. assuming that the disorderly transition starts in 2022 rather than 2031. • Climate change also features in our reputational and pandemic scenarios in our ORSA. • The output of the scenario test indicated that the impact on our business in the short-term is limited given the nature of our claims and investment risks.

Continued

TCFD pillar	TCFD recommended disclosure	Brief summary and progress up to 2023
Risk Management	a. Describe the organization's processes for identifying and assessing climate-related risks. *See pages 11 to 13*	**Identify:** Vitality has reviewed and amended its Risk Taxonomy to reflect climate-related financial risk. Initial climate change risk workshops were held in 2022 with key stakeholders to ensure sustainability risks have been considered. The output has been presented at the Group Executive Committee and Risk Committee. **Assess:** All risks within our Risk Taxonomy are rated on potential likelihood and impact of occurring, both before and after management actions. Well-developed tolerances and thresholds are listed in the risk rating matrix allowing for a materiality assessment of identified risks. In addition, a quantitative Climate Change scenario is incorporated in our annual ORSA, influenced by the Bank of England Climate Biennial Exploratory Scenario (CBES) exercise.
	b. Describe the organization's processes for managing climate-related risks. *See pages 11 to 13*	**Manage:** Risk relationships are considered before determining the appropriate risk response decision. The decision is based on the risk rating as well as the necessity for business wide intervention (solvency and liquidity response and service resilience). **Monitor:** Given the emerging nature of these risks, ongoing risk reviews and industry collaboration are pursued to ensure best practice and resilience. Quantitative and qualitative Key Risk Indicators (KRIs) for Sustainability risks are regularly monitored, and performance assessed against the Risk Appetite Statement (RAS) for climate change. **Report:** Sustainability focused Audits, CRO reports, supported by Risk and Control assessments, and compliance updates have been provided to the Risk and Audit Committee for review and increased awareness.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. *See pages 11 to 13*	Vitality's ERM Framework has been assessed, reviewed and updated at every stage to include climate-related financial risks and opportunities. Sustainability risks are now re-assessed quarterly as part of our Risk and Control Self-Assessments (RCSAs). The existing policies and minimum standards were assessed in 2021 to apply an improved level of guidance for the implementation of our Sustainability strategy.
Metrics and Targets	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. *See page 22*	**The following metrics are used to measure and manage climate-related risks and opportunities as aligned to our Sustainability strategy:** **Embedding Sustainability into our culture and decision making:** • Opportunities: Resource efficiency. » Scope 1 and 2 GHG emissions, the % of our fleet vehicles that are hybrid and/or EV, the energy rating of our office buildings, the carbon intensity of our employees commuting to work and travelling for business e.g. the carbon emissions per employee, food waste in all offices, and water usage in all offices. • Opportunity: Energy source » The % of our electricity coming from renewable sources, and the % of our gas coming from renewable sources. • Transition risk: Reputational » Employee satisfaction metric, which gauges our employee's perception of our commitment to reducing our carbon footprint, the journey to increasingly digital journeys e.g. print spend, the % of claims completed digitally. • Transition risk: Market » The carbon intensity and externally rated ESG ratings for our invested assets. **Driving positive change through collaborating with partners and suppliers.** • Transition risk: Reputational » Scope 3 GHG emissions, the % of our partners and suppliers publishing their GHG emissions, and the % of our partners and suppliers who are also aligned to science-based target. **Enabling people to make more sustainability choices through Vitality products and services.** • Opportunity: Products and services. » Healthy activities recorded by our members, life years saved by our members, Shared Value dividend through rewards and incentives, lives impacted, number of car free days per VitalityCar member, average % of a VitalityCar members miles being offset, and the total number of miles and tCO2e offset. **Plans to improve data and therefore metrics include:** • Improve measurement of refrigerant gases from air conditioning, improve measurement of waste and water, and benchmark against the industry, improve our scope 3 emissions accuracy by using supplier scope 1 and 2 emissions rather than using emission factors for scope 3 calculations, estimate our insurance / underwriting emissionse, and explore metrics for our impact on nature and biodiversity, ahead of the TNFD.
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. *See page 23*	• Vitality has published its scope 1 and 2 GHG emissions since 2019, in line with the GHG protocol methodology, Vitality has made an initial assessment of scope 3 emissions, Vitality will be publishing its scope 3 GHG emissions in 2025 alongside a transition plan detailing a plan to reach net zero by 2050.
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets. *See page 22*	**Vitality's Climate Ambitions:** • Short term: Carbon neutral within own directly controlled operations by 2025 (scope 1 and 2 emissions offset using high-quality carbon credits) • Medium to long term: Achieve Net Zero by 2050 or earlier (a reduction in our scope 1, 2 and 3 emission of 90%, with the last 10% offset using only high-quality carbon removal projects) **Interim targets:** • By 2025, we aim to publish our first transition plan to achieve net zero GHG emissions by 2050 or earlier and adopt science-based targets across all activities • In addition, Vitality's bonus scorecard includes ESG performance targets.