



Discovery

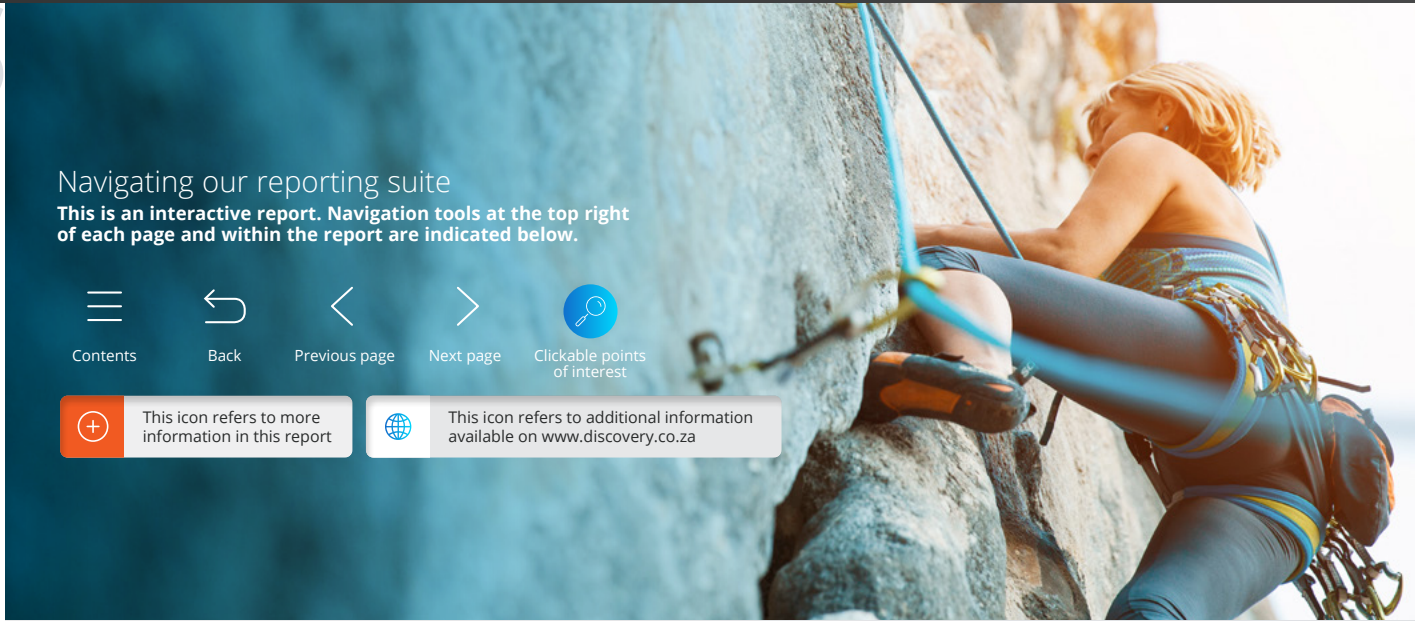
**TAX TRANSPARENCY  
REPORT**

for the year ended 30 June 2023



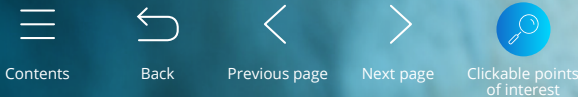
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## Navigating our reporting suite

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



- This icon refers to more information in this report
- This icon refers to additional information available on [www.discovery.co.za](http://www.discovery.co.za)

## Our reporting suite

Our Tax Transparency Report is supported by a comprehensive suite of reports that aims to provide our stakeholders with a holistic overview of the Group, its prospects and performance. These reports can be accessed on our website.

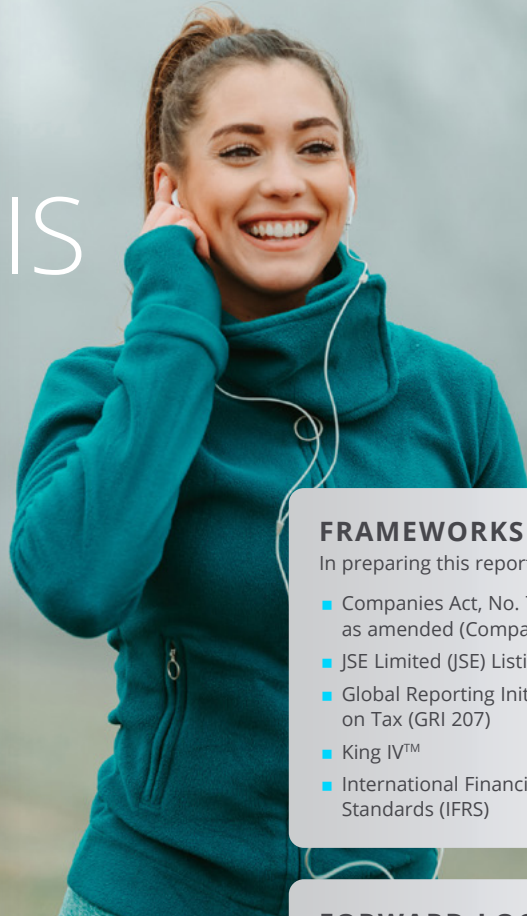
<div style="background-color: #333; color: white; padding: 10px; border-radius: 5px; margin-bottom: 10px;"> <b>INTEGRATED ANNUAL REPORT</b> </div> <p>Our primary report to our shareholders, providers of financial capital and other key stakeholders, detailing how we created, preserved or eroded value for our stakeholder groups.</p>	<div style="background-color: #008080; color: white; padding: 10px; border-radius: 5px; margin-bottom: 10px;"> <b>TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD) REPORT</b> </div> <p>Discovery's climate change response regarding governance, strategy, risk management, and metrics and targets related to the Group's environmental impact.</p>	<div style="background-color: #ccc; padding: 10px; border-radius: 5px; margin-bottom: 10px; border: 1px solid #000;"> <div style="text-align: right; font-size: 0.8em; font-weight: bold; color: #008080;">THIS REPORT</div> <b>TAX TRANSPARENCY REPORT</b> </div> <p>Communicates material tax disclosure information to demonstrate our commitment to tax transparency and operating as a force for good through our tax contributions.</p>
<div style="background-color: #eee; padding: 10px; border-radius: 5px; margin-bottom: 10px;"> <b>GROUP ANNUAL FINANCIAL STATEMENTS</b> </div> <p>Group audited consolidated financial results for Discovery Limited, the Embedded Value Statement and Five-year Review.</p>	<div style="background-color: #add8e6; padding: 10px; border-radius: 5px; margin-bottom: 10px;"> <b>GOVERNANCE REPORT</b> </div> <p>Outlines our governance philosophy, leadership and compliance with the King Report on Corporate Governance for South Africa, 2016 (King IV™)*.</p>	
<div style="background-color: #eee; padding: 10px; border-radius: 5px; margin-bottom: 10px;"> <b>SUSTAINABILITY REPORT</b> </div> <p>An overview of the Group's performance against our Integrated Sustainability Framework and, where appropriate, against relevant standards and frameworks.</p>	<div style="background-color: #d2b48c; padding: 10px; border-radius: 5px;"> <b>REMUNERATION REPORT</b> </div> <p>Outlines our remuneration policy and implementation approach and factors influencing our remuneration-related decisions.</p>	

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# ABOUT THIS REPORT

*Our FY2023 Tax Transparency Report was prepared in line with GRI 207 and details our approach to tax, our tax governance and risk management practices as well as tax-related stakeholder engagement. It also includes financial information for each of the tax jurisdictions within which we operate. These disclosures demonstrate our commitment to tax transparency and operating as a force for economic and social good through tax contributions.*



## REPORTING SCOPE AND BOUNDARY

This Tax Transparency Report provides a comprehensive view of Discovery Limited's tax-related activities (hereafter referred to as Discovery or the Group) from 1 July 2022 to 30 June 2023 (FY2023). It also includes all material events up to the date of Board approval. Furthermore, this report includes both financial and non-financial information relating to the performance of our three market-specific strategic strands: Discovery SA, Vitality UK and Vitality Global.

## FRAMEWORKS APPLIED

In preparing this report, we were guided by the:

- Companies Act, No. 71 of 2008, as amended (Companies Act)
- JSE Limited (JSE) Listings Requirements
- Global Reporting Initiative's Standard on Tax (GRI 207)
- King IV™
- International Financial Reporting Standards (IFRS)

## FORWARD-LOOKING STATEMENTS

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

## COMBINED ASSURANCE

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

- Joint external assurance of Annual Financial Statements by PwC and KPMG
- Limited external assurance of selected sustainability information by Nexia SAB&T
- Limited assurance of selected factual and quantitative financial and non-financial information by Group Internal Audit
- Verification of greenhouse gas (GHG) emissions inventory by Verify CO<sub>2</sub>

Based on these engagements, Group Internal Audit believes the quantitative and qualitative information in this report accurately reflects the Group's performance for FY2023.

This report is the culmination of a Group-wide process led by the Group Tax function, with the oversight of the Group Executive. The process is reviewed in detail by our Group Audit Committee who, in turn, recommends the report to our Board for approval.

## BOARD APPROVAL

Discovery's Board of Directors is responsible for the integrity of this report. The Board confirms this report materially complies with the requirements of the frameworks outlined above. After reviewing this report, the Board believes it accurately and comprehensively explains Discovery's approach to tax, its tax governance and risk management practices, tax-related stakeholder engagement and financial information of each tax jurisdiction in which it operates.

The Board unanimously approved this report on 13 October 2023.

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

**Adrian Gore**  
*Group Chief Executive*

We welcome your feedback on our reporting suite. To submit any comments, email [askthecfo@discovery.co.za](mailto:askthecfo@discovery.co.za).



# MESSAGE FROM OUR Group CFO and Head of Group Tax

DEON VILJOEN AND  
TARYN GREENBLATT



**“ Taxes are important sources of government revenue and are central to the fiscal policy and macroeconomic stability of countries. They are acknowledged by the UN to play a vital role in achieving the SDGs. They are also a key mechanism by which companies contribute to the economies in which they operate, as government revenues support public infrastructure and services<sup>2</sup>. ”**

WEF Measuring Stakeholder Capitalism, 2020

*We are proud to present our Tax Transparency Report for the year ended 30 June 2023.*

Discovery believes that businesses, citizens and society are inextricably linked and that taxation reinforces this social contract. Through the funding of essential public services, infrastructure, public investment and the mechanisms of the state, taxes directly support a society that is better able to achieve Discovery's core purpose of making people healthier and enhancing and protecting their lives. Our approach to tax governance extends beyond compliance and reflects our broader approach to governance as an enabler of value creation and preservation.

Tax is an environmental, social and governance consideration that supports the Group's purpose, values and endorsement of the United Nations' agenda on sustainable development and associated goals. As a responsible corporate citizen, we strengthen our tax approach through ethical behaviour, accountability, leadership, risk management, performance management and transparency. We participate in industry debate to influence fair outcomes from a tax perspective and maintain open interaction with revenue authorities and government tax policy divisions in our markets, sharing our expertise on technical issues as needed.

Discovery continues to assess developments in the external tax environment that could impact the Group's tax practices and prepare for compliance-related obligations. IFRS 17 Insurance Contracts became effective for the Group on 1 July 2023 which significantly impacts how the Group reports and manages its financial results. Material legislative amendments to accommodate the standard were made for income tax purposes. Discovery is proud of its role in aiding these amendments, particularly in South Africa, through its contribution of technical skills and comprehensive engagement with industry bodies and National Treasury in order to enable a fair and equitable transition.

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework's Two-Pillar Solution represents a comprehensive strategy designed to address base erosion and profit shifting (BEPS). In South Africa we await a legislative proposal to give effect to the intention of the framework to establish a global minimum effective tax rate of 15% for all jurisdictions. The UK has already published legislation which will take effect for Discovery from 1 July 2024. While the statutory tax rates for our material operating jurisdictions are in excess of the minimum rate, we are preparing for additional compliance obligations as we meet the reporting threshold for large multinational enterprises.

*78% of participants surveyed in the 2023 Edelman Trust Barometer believe corporate leadership are obligated to ensure their organisation pays its fair share of local taxes to help fund government programs meant to improve the education system, increase access to good quality healthcare, expand public services, and provide job retraining to displaced workers<sup>1</sup>.*

We believe that transparent and comprehensive tax reporting reinforces our values and builds a strong foundation of trust. We are pleased to announce that our tax disclosures scored in the top 1% of the MSCI ESG Ratings on tax transparency. This is a testament to our ongoing commitment to fostering credibility among stakeholders and revenue authorities in a complex operating environment.

Our tax practices continue to support the Group's aim of being a demonstrable force for good, with R9.8 billion in global fiscal contributions. This highlights the tangible societal impact Discovery has in bolstering government collections and national budget expenditure initiatives, as well as the success of Discovery's Shared-value model.

1. 2023 Edelman Trust Barometer Global Report FINAL.pdf.

2. WEF\_IBC\_Measuring\_Stakeholder\_Capitalism\_Report\_2020.pdf (weforum.org), pg78.



# WHO WE ARE

Discovery is a global, integrated financial services organisation that uses a pioneering Shared-value model across businesses.





To understand our business is to understand our WHY, HOW and WHAT.

### WHY WE ARE IN BUSINESS

#### Our core purpose

To make people healthier and enhance and protect their lives.

### HOW WE OPERATE

#### What sets us apart

Our core purpose manifests through our pioneering and bespoke Shared-value model across our three market-specific strategic strands of South Africa, the United Kingdom and Vitality Global – underpinned by our leading behaviour-change platform, Vitality, and supported by our unique foundation and operating model.

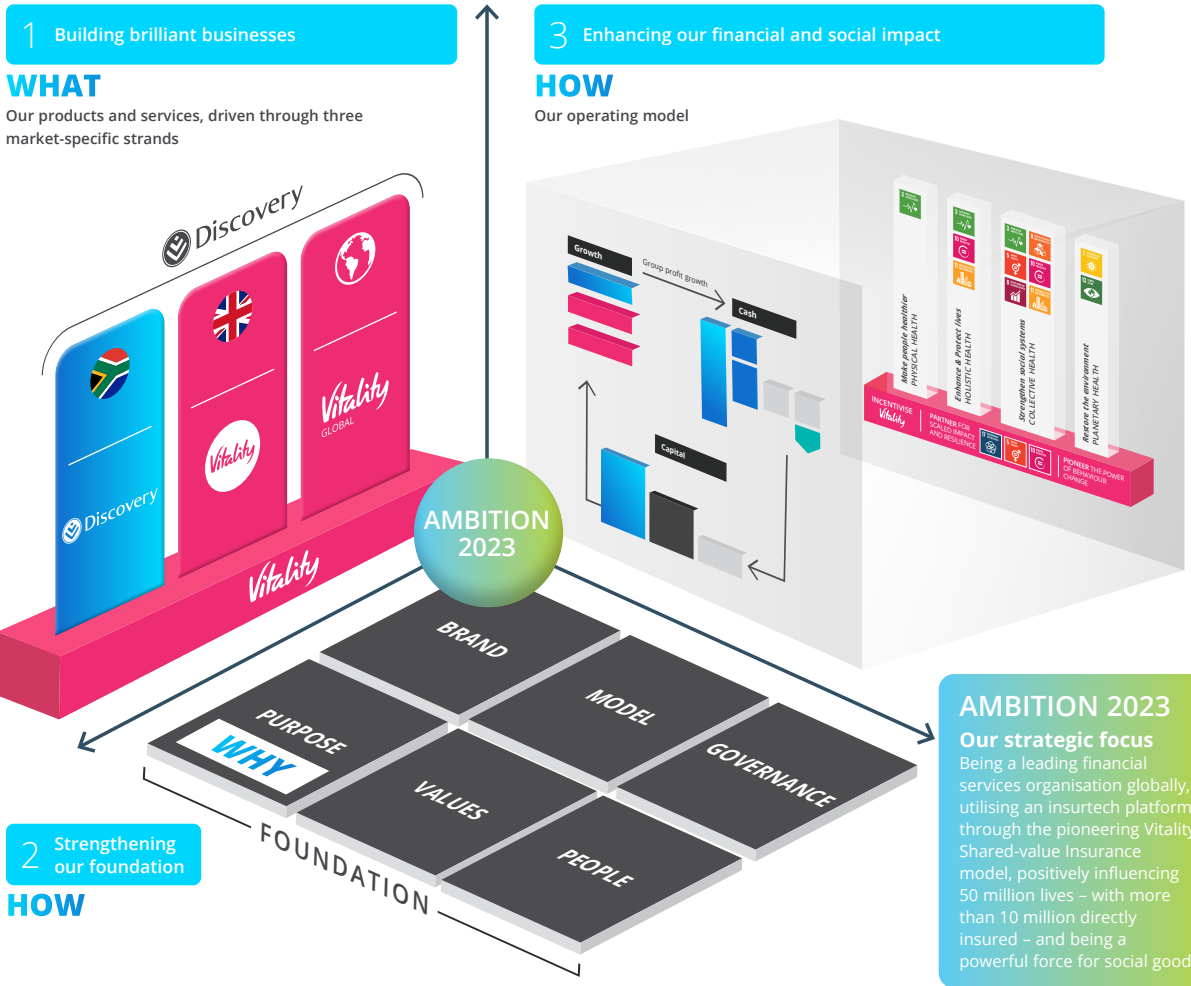
### WHAT WE DO

#### Our products and services

 Health insurance, administration and managed care of medical schemes	 Life insurance	 Short-term personal and commercial insurance
 Long-term savings and investments	 Banking	 Behaviour-change programmes

To deliver on our core purpose and strategy to achieve certain ambition statements, we focus on three strategic objectives:

- 1 Building brilliant businesses
- 2 Strengthening our foundation
- 3 Enhancing our financial and social impact





# AT A GLANCE

## OUR TAX CONTRIBUTION FOR THE YEAR ENDED 30 JUNE 2023

Number of subsidiaries in the Group  
**47**  
(FY2022: 49)

Employees  
**>13 700**  
(FY2022: >13 450)

Group Income statement profit before tax  
**R7 372 million**  
(FY2022: R6 944 million)

Group Income statement tax expense  
**R2 052 million**  
(FY2022: R1 465 million)

Normalised profit from operations  
**R11 661 million**  
(FY2022: R9 384 million)



**TOTAL CONTRIBUTION**  
**R9 784 million**  
(FY2022: R7 889 million)

### TOTAL TAX CONTRIBUTED<sup>1</sup> BY TYPE

Corporate income tax  
**18%**  
**R1 763 million**  
(FY2022: R1 151 million)

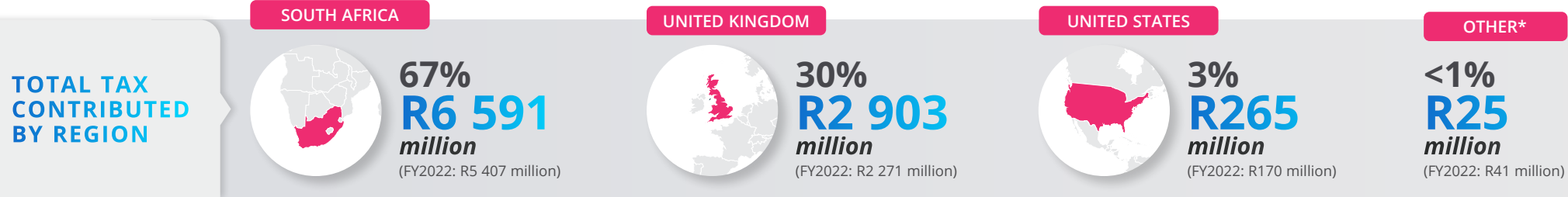
Employment taxes<sup>2</sup>  
**43%**  
**R4 174 million**  
(FY2022: R3 397 million)

VAT and GST<sup>3</sup>  
**21%**  
**R2 078 million**  
(FY2022: R1 882 million)

Insurance premium tax  
**17%**  
**R1 673 million**  
(FY2022: R1 396 million)

Other taxes<sup>4</sup>  
**1%**  
**R96 million**  
(FY2022: R63 million)

1. Tax contribution includes both those taxes borne by the Group as well as those collected on behalf of the revenue authorities.
2. Includes employment taxes collected and paid over on behalf of policyholders.
3. Includes VAT expensed and not recovered.
4. Other taxes include franchise taxes, withholding taxes, dividend withholding taxes (excluding amounts withheld by other regulated intermediaries) customs duties and carbon taxes.



\* Other regions include Australia, China, Singapore, Isle of Man, Nigeria, Eswatini, Democratic Republic of Congo and Mauritius.

Alignment to Discovery's sustainable development commitments

**Our tax contributions support the following Sustainable Development Goals (SDGs):**



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



For more information on the Group's alignment to the SDGs, refer to our Sustainability Report.



# OUR APPROACH TO TAX

*Our core purpose has manifested in a globally relevant Shared-value model which creates value for our businesses, clients and society.*

Discovery's tax strategy is captured in our Tax Policy Principles, which are aligned to our purpose and business model, and supports the contribution of a variety of local and international taxes that arise in the normal course of business, including corporate income taxes, as well as other direct and indirect taxes.

Discovery's Tax Policy Principles, which provides strategic guidance, has been reviewed and approved by the Group Audit Committee, Group Risk and Compliance Committee and the Board of Directors. Group Tax and the Finance Executive Committee considers the tax strategy on an annual basis, and brings updates to the tax policies for review and approval as required. The Board has delegated responsibility for the oversight of tax matters and the review of the tax strategy to the Group Chief Financial Officer (CFO).

## Our tax principles

Five tax principles guide Discovery's approach to tax.

- 01 Commitment to compliance
- 02 Responsible attitude to arranging tax affairs
- 03 Constructive approach to engaging with tax authorities
- 04 Tax reporting procedures and provisions
- 05 Monitoring, control and tax risk management

## OUR APPROACH TO REGULATORY COMPLIANCE

Discovery is committed to operating in a sustainable manner and complying with all statutory tax obligations in the regions in which we operate. Our focus extends beyond basic compliance to ensure that our approach to tax management creates value for our stakeholder groups. We achieve this by giving due consideration to the tax-related legislation of the countries where we operate and embedding a Tax Risk Management Framework and Transfer Pricing Policy across the Group. In addition to this, our Annual Financial Statements are prepared in accordance with IFRS, and specifically IAS 12 *Income Taxes*, which requires the accurate reflection of all taxes incurred and owing.

Discovery is committed to complying with the spirit and letter of the tax laws and regulations in the countries in which we operate. This includes paying taxes according to where the value is created.

### As highlighted in our Tax Policy Principles, our approach to compliance includes:

- Filing accurate, timely tax returns and settling any tax obligations in the correct reporting period
- Disclosing relevant facts and circumstances to tax authorities when required
- Claiming tax reliefs and incentives where these are available and appropriate.

## Incorporating tax consideration into business and sustainable development strategies

By operating as a responsible tax payer and engaging constructively with tax authorities, we are able to support sustainable development in the jurisdictions in which we operate, which aligns with our objective to be a force for good.

Our tax strategy aligns with the wider Group strategy and the Group Tax function is an active strategic business partner, understanding the tax implications and ensuring that business strategies are executed in the most tax efficient and responsible manner.

The Group Tax function is involved in the planning, implementation and documentation for material business combinations, changes in corporate structure, cross-border financing and trading arrangements, funding transactions and significant new processes or products affecting tax compliance.

## RESPONSIBLE ATTITUDE TO ARRANGING TAX AFFAIRS

Commercial activities are structured to maximise value sustainably for shareholders and all other stakeholders. Tax planning is undertaken within this context:

- Economic substance and commercial rationale for transactions undertaken are paramount. All transactions are required to have a business purpose. Therefore, no artificial arrangements may be implemented, particularly in order to transfer value to low-tax jurisdictions.
- So-called tax havens are not used as a means to avoid taxes on business activities that would in the normal course of events take place elsewhere.
- Due consideration is given to the tax laws of the countries in which Discovery operates and double taxation is eliminated where possible.
- Cross-border intragroup transactions are undertaken on an arm's length basis in accordance with the OECD transfer pricing principles.





# TAX GOVERNANCE AND TAX RISK MANAGEMENT

## Governance

The Discovery Board, as the highest governing body within the Group, together with the Group Audit Committee and Group Risk and Compliance Committee, oversees the Group's tax practices and affairs.

Responsibility for compliance with the Group's tax strategy lies with the Board. The Board delegates the day-to-day responsibility for tax risk management to the respective CFOs and finance teams of the various business areas, who are supported by the Group Tax function and the in-country Group tax specialists, where applicable. Together, the business CFOs, Group Tax and in-country tax specialists are responsible for monitoring the Group's overall tax compliance, monitoring changes in tax legislation while proactively managing the impacts thereof, and ensuring that appropriate financial controls are in place in terms of King IV™.

**GROUP BOARD**  
Provides oversight of the Group's tax practices and affairs and is responsible for compliance with the Group's tax strategy

For detail on Discovery's governance structures, see our [Governance Report](#).

**AC Group Audit committee** Provides oversight of the Group's tax practices and affairs. Reviews detailed tax updates twice a year per tax jurisdiction.

**Bi-annual tax update report by the Head of Group Tax to the Group Audit Committee include (per tax jurisdiction):**

- Status update of in-country tax return submissions and outstanding queries from revenue authorities
- Any material pending legislative changes and the relevant impact
- An update on indirect taxes
- An update on material items in terms of IAS 12 *Income Taxes*, for example, deferred tax assets recognised
- An update on compliance with the Group Transfer Pricing Policy
- Details of material tax opinions sought
- Any other relevant matters impacting the tax control environment and tax risk management status.

**RCC Group Risk and Compliance Committee** Provides oversight of the Group's tax practices and affairs as it relates to tax risks and the management thereof.

**GROUP CFO**  
Supported by the Head of Group Tax and the Finance Executive Committee. Provides oversight of tax matters and the review of the Group tax strategy.

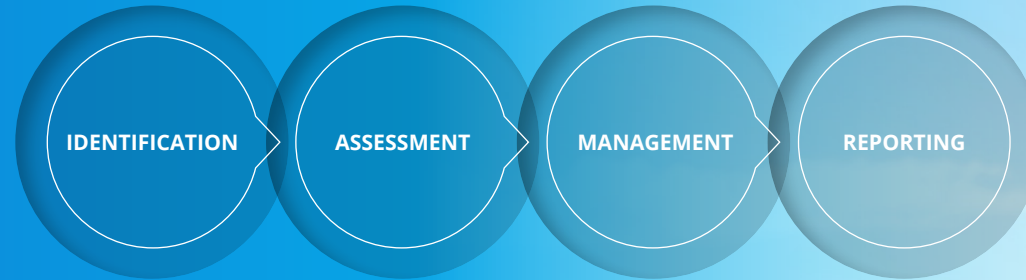
**GROUP TAX FUNCTION AND IN-COUNTRY TAX SPECIALISTS**  
Provide advisory support and guidance to CFOs and finance teams including implementation of tax policies and monitoring of the control environment.  
Provide tax updates per jurisdiction to the Head of Group Tax for the bi-annual Group Audit Committee submission.

**CFOs AND FINANCE TEAMS**  
Responsible for day-to-day tax risk management within the various business areas.



## Tax risk management

Tax risk management forms part of the Group's wider Enterprise Risk Management Framework. The framework has a clearly defined risk taxonomy, which includes a risk-rating matrix that assesses the likelihood of certain risks and the magnitude of their impact. Our risk appetite and limits are set at business entity and Group level, with clear accountability and reporting requirements. Tax risk is further managed through Discovery's three lines of defence model to monitor risk and provide assurance.



Refer to our **Governance Report** for more details on Discovery's three lines of defence model.

### ONGOING TAX RISK IDENTIFICATION AND ASSESSMENT

Potential tax risks are monitored on an ongoing basis by finance and tax teams across the business. Where business identifies transactions where the tax treatment is uncertain, the treatment is escalated to the Group Tax and/or in-country tax specialist who analyses the transaction and using their professional skills and judgement, advises on the appropriate route in order to achieve tax compliance and efficiency. When making tax decisions, consideration is given to the materiality of any item, the financial impacts and any perceived reputational risk that may arise. If the Group Tax specialist identifies that there is uncertainty of interpretation or complexity in relation to a particular matter, external advice is sought as needed.

Typical transactions or events that require external advice include transactions, issues or risks that are significant to Discovery and/or where the impact on Discovery is material but the legislation is unclear. An event, transaction or risk is significant if it would markedly affect Discovery's compliance, operational, financial or strategic outcomes or processes. For example, if it results in a tax outcome that varies from industry patterns or past performance of Discovery, or results in a considerable variation between economic and tax performance. Where relevant, a formal opinion of support for a transaction would be obtained or a ruling may be sought from the tax authorities as appropriate.

#### OUR GROUP TAX SPECIALISTS

A team of in-house tax specialists with a combination of commerce, chartered accountancy and taxation qualifications. The teams' specialist areas include direct and indirect tax compliance, international tax considerations, transfer pricing and IFRS tax reporting in the insurance and financial services industry.

#### OUR IN-COUNTRY TAX SPECIALISTS

Tax specialists across our countries of operation that have the requisite knowledge and expertise to support the CFOs on country-specific tax issues.

#### EXTERNAL ADVISERS

An expert selected based on their particular area of industry and subject matter expertise, who is engaged to provide advice as required.

Tax risks are assessed as low, medium or high by considering the key components of tax risk and understanding the particular events that could trigger them, the chance of these events occurring and their associated impact. Tax risks considered include transactional, operational, compliance, financial accounting, tax management and reputational risks.

### ADDITIONAL MECHANISM TO ASSESS TAX RISKS

- Group Internal Audit reviews the Group Tax function as part of the annual financial control review
- External audit reviews compliance with the Income Tax Act and IFRS reporting requirements as a part of the annual reporting audit process
- External advisers review significant transactions including internal restructures for tax purposes
- External advisers review annual transfer pricing documentation in line with OECD requirements.

### TAX RISK MANAGEMENT

Tax risks arising from changes in legislation are actively managed through participation in industry workgroups and appropriate government engagement (for example through National Treasury workshops).

### TAX RISK REPORTING MECHANISMS

Employees are encouraged to report any unethical behaviour directly to the Ethics Office or to use the anonymous whistleblowing hotline. The whistleblowing hotline is the main mechanisms for reporting tax-related concerns about unethical or unlawful behaviour.

Refer to our **Sustainability Report** for more details on Discovery's whistleblowing hotline.



Tax risk management continued

## Assurance of tax disclosures

The respective finance teams led by their CFOs are responsible for ensuring that the tax risk management and transfer pricing policies are appropriately adopted and applied to business operations. In addition, they oversee the implementation of effective compliance relating to tax reporting as required by legislation.

Each CFO is required to provide an attestation on tax to support the tax disclosures in the Annual Financial Statements, which includes (among others):

- Confirmation of adherence to Discovery's Tax Policy and Risk Management framework
- Confirmation of compliance with the relevant taxation requirements of all countries in which they have oversight and that we have brought to account all liabilities for taxation due to the relevant tax authorities, whether in respect of any corporation or other direct or indirect taxes
- Confirmation that they are not aware of any non-compliance that would give rise to additional liabilities by way of penalty or interest; alternatively, if there has been an incident, confirmation that these values have been correctly provided and, where applicable, disclosed in the financial statements
- Confirmation that the systems in place are capable of identifying all material tax liabilities and the appropriate documentation and record keeping as required under the law of each country has been maintained
- Confirmation that all returns and payments that were required to be made, within the applicable time limits, to the relevant tax authorities have been made
- Confirmation that in managing the tax affairs of the company, they have taken into account any special provisions such as transfer pricing and controlled foreign company legislation applied in different tax jurisdictions
- Confirmation that deferred tax assets have been recognised for the carry-forward of unused tax losses and unused tax credits in accordance with the requirements of IAS 12 *Income Taxes*.

## Evaluation of tax governance and tax risk management

Group Internal Audit performs annual assessments on the tax internal financial control environment.

Tax risks are monitored by finance teams, Group Tax and in-country tax specialists. Potential financial consequences associated with these risks are evaluated in terms of IFRS reporting requirements. Any material tax risks are reported through to Discovery's Group Risk Management team who evaluate and monitor the ongoing risk as part of the Group's wider Enterprise Risk Management Framework.

## Uncertain tax positions and controversies

Uncertain tax positions arise when there is uncertainty over whether the relevant tax authority will accept the income tax treatment as submitted per the income tax return. For example, whether the tax authority would accept the treatment of an item as capital in nature or whether it will permit the deduction of certain expenditure.

Discovery considers IFRIC 23 *Uncertainty over Income Tax Treatments* to assess the disclosure, recognition, and measurement of "uncertain tax positions" in its Annual Financial Statements.



**" Tax risks are monitored by finance teams, Group Tax and in-country tax specialists."**



# STAKEHOLDER ENGAGEMENT AND TAX LANDSCAPE

## Our engagement with tax authorities

In line with our tax principles, engagements with tax authorities are conducted in an honest, courteous, and timely manner. The Group endeavours to build sustainable transparent relationships with tax authorities. Should unintended errors arise, these will be corrected as soon as practicable after identification. The Discovery Group seeks to resolve any matters with the tax authorities through active and transparent discussion. However, should there be disagreement with a ruling or decision thereafter and the Group strongly believe that its interpretation of the law is correct, the Group is prepared to litigate.

## Our contribution to industry tax advocacy

The Group is represented on various industry bodies and seek to ensure that changes to legislation are robust and sustainable for both industry and the fiscus. In South Africa, Discovery is a member of the Association for Savings and Investments South Africa (ASISA), South African Insurance Association (SAIA) and the Banking Association of South Africa (BASA) tax committees. Through these memberships we advocate for tax reforms pertinent to our stakeholders. A recent focus area has been the tax amendments (effective for Discovery from 1 July 2023) pertaining to the transition to IFRS 17 *Insurance Contracts* for insurance businesses which, among others, allows for a six-year phase-in of transitional tax impacts arising from the change in valuation basis.

## Engaging with our stakeholders on tax

Maintaining good relationships with key stakeholder groups is critical to creating and sustaining value across the Group. In support of this, our Board adopted a strategic approach to our stakeholder engagements, with principles formalised in our Stakeholder Engagement Framework. The framework includes a stakeholder matrix that guides our levels of engagement with each stakeholder group. This engagement varies depending on our objectives, outcomes, timeframes and resources, as well as levels of influence or interest of stakeholders.

As part of our engagements with government and regulators we engage with tax authorities. Tax authorities expect Discovery to pay taxes timeously and communicate openly and transparently. Discovery believes it has a good relationship with this stakeholder group based on feedback from government and regulators, and in meeting our obligations and commitments.

## Managing tax within a multinational tax environment

Discovery is a multinational enterprise operating across various tax jurisdictions. We keep abreast of the ever-changing tax landscape locally and internationally.

### OUR INTERNATIONAL TAX LANDSCAPE

In terms of the international landscape, Discovery Group formally adopted a Transfer Pricing Policy to ensure that all cross-border intercompany transactions are conducted using the 'at arm's length principle'. Transfer pricing documentation is prepared in line with the OECD's initiative to address base erosion and profit shifting. This includes the annual submission of the Discovery Master File which includes a high-level overview of the Group's operations and Transfer Pricing Policies, as well as various subsidiary Local Files which include the detailed transfer pricing documentation on all material intercompany transactions specific to the entity's jurisdiction.



Managing tax within a multinational tax environment continued

Discovery submits a country-by-country report on behalf of all its subsidiaries which details, among others, the revenues, profit before tax and number of employees per jurisdiction. This report allows revenue authorities to assess transfer pricing and other base erosion and profit sharing-related risks with regards to the multinational groups operating in their countries. Discovery has filed Master File, Local File and country-by-country reports based on financial reporting periods as required up to 30 June 2022. The June 2023 information is required to be submitted by 30 June 2024.

In October 2021, over 135 countries, including South Africa and the UK, agreed to the OECD/G20 Inclusive Framework Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy. The intention is to ensure large multinational enterprises pay a minimum level of tax on the income arising in each jurisdiction where they operate. South Africa has not yet proposed legislation in this regard but is expected to do so in the near term. The UK has published new legislation in response to the solution which includes, among others, a Domestic Top-up Tax which will be effective for Discovery from 1 July 2024. Discovery will be implementing new processes to ensure compliance with the new regulations.

As a reporting financial institution, Discovery is required to provide client information and client data to the relevant regulatory authority in terms of the United States Foreign Account Taxation Compliance Act and the common reporting standards of the OECD.

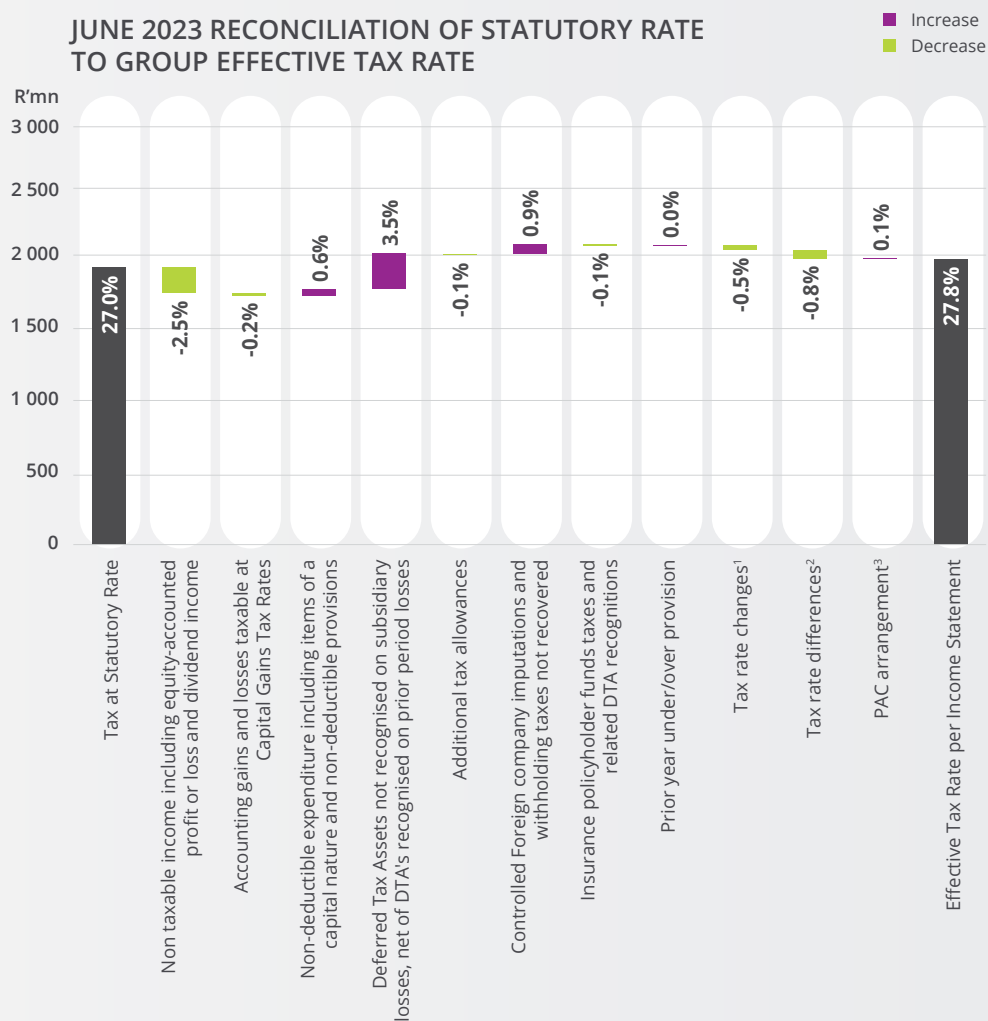
The Group seeks to avoid double taxations as far as possible and utilises tax credits where these are available and appropriate.

**OUR LOCAL TAX LANDSCAPE**

For South African entities that are in a tax paying position, tax has been provided at 27% (FY2022: 28%). Discovery uses the South African tax rate in respect of its tax rate reconciliation as Discovery is domiciled in South Africa and the most significant operations are in South Africa.

Taxation in respect of the South African life insurance operations is determined in accordance with the rates and basis applicable to section 29A of the Income Tax Act at the reporting date.

**JUNE 2023 RECONCILIATION OF STATUTORY RATE TO GROUP EFFECTIVE TAX RATE**



1. Tax rate changes refer to the impact arising from a change in statutory tax rate.  
 2. Tax rate differences refer to the impact of lower statutory tax rates in jurisdictions outside of SA, for example the UK using an income statement blended rate of 20.5% for the period (as the statutory tax rate increased from 19% to 25% effective 1 April 2023) and the US using a rate of 22.3% for the period (federal tax of 21% + combined state tax of 1.3%).  
 3. Arrangement with Prudential Assurance Company (PAC) accounted for in accordance with IFRS as a reinsurance contract which reflects in profit before tax.

**FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENTS**

Discovery is committed to collaborating with governments in the jurisdictions we operate in. In terms of the South African Income Tax Act, a section 11D research and development incentive was approved by the South African Department of Science and Technology for the development of certain innovations pertaining to Discovery Bank. The funds were used to develop novel technological advancements to the financial industry. The independently verified amounts result in a tax saving of R7 million for FY2022 (FY2021: R24 million). The FY2023 value will be verified in the coming months.

Learnship allowances claimed in terms of section 12H of the Income Tax Act resulted in a tax saving of R1.5 million for FY2023 (FY2022: R1.5 million).





# COUNTRY-BY-COUNTRY REPORT

## ECONOMIC CONTRIBUTION OF TAXES PAID FOR THE YEAR ENDED 30 JUNE 2022

The disclosure is based on the most recent required submission to the SA tax authorities. It is based on the requirements of the OECD as part of the Base Erosion and Profit Shifting Action plan 13 which requires all large multinational enterprises to submit the report for use by tax administrations in high level risk assessments. Note that values shown are aggregated and not eliminated based on consolidation methodology. The 30 June 2023 information is due to be submitted to the SA tax authorities by 30 June 2024.

TAX JURISDICTION	Regulated financial services/ Insurance	Administration management and support services	Sales marketing and distribution	Other <sup>1</sup>	Unrelated party revenue R million	Related party revenue – local R million	Related party revenue – foreign R million	Total revenue R million	Profit (loss) before income tax R million	Income tax paid (cash basis) including all withholding taxes <sup>2</sup> R million	Income tax accrued – current year <sup>3</sup> R million	Stated capital R million	Accumulated earnings R million	Number of employees <sup>4</sup>	Tangible assets other than cash and cash equivalents <sup>5</sup> R million
South Africa excluding CIS funds <sup>6</sup>	✓	✓	✓	✓	46 704	7 442	1 745	55 891	5 072	1 308	1 491	31 722	33 867	10 987	3 323
South Africa – CIS funds <sup>6</sup>	✓				1 841	–	–	1 841	(1 846)	–	–	–	–	–	–
United Kingdom	✓	✓	✓	✓	17 611	8 535	26	26 172	(961)	(185)	24	49 829	3 126	2 353	401
United States of America		✓		✓	2 680	158	25	2 864	(111)	27	27	5 702	(1 451)	231	152
Singapore				✓	9	1	55	64	21	3	*	300	(3)	13	–
Australia				✓	*	–	2	2	(5)	–	–	192	(252)	2	–
Isle of Man <sup>7</sup>	✓	✓			21	–	–	21	1	1	1	74	11	1	–
DRC		✓			5	–	1	6	1	*	*	*	1	14	*
Nigeria		✓			–	1	1	2	1	–	–	–	(10)	1	*
Eswatini		✓			4	–	–	4	1	*	*	*	*	5	*
Mauritius		✓			–	23	*	23	18	*	1	1	19	–	–
Guernsey <sup>8</sup>	✓				724	–	–	724	817	–	–	–	2 151	–	–
China		✓			–	–	*	*	*	–	–	–	*	1	–
<b>TOTAL</b>					<b>69 599</b>	<b>16 160</b>	<b>1 855</b>	<b>87 614</b>	<b>3 008<sup>9</sup></b>	<b>1 154</b>	<b>1 544</b>	<b>87 820</b>	<b>37 459</b>	<b>13 607</b>	<b>3 876</b>

\* Amount less than R500 000.

1. Includes, among others, internal group finance, holding company, purchasing and procurement.

2. The income tax paid per the Discovery Annual Financial Statements (AFS) is R1 181 million. The difference of R26 million relates to a timing difference on an additional payment arising in the UK.

3. Income tax accrued reflects the current tax accrued for the year and excludes deferred tax. Current income tax accrued per the Discovery AFS is R1 533 million. The difference of R12 million relates to IFRS adjustments on consolidation.

4. The number of employees is defined as permanent employees with benefits.

5. This consists of property, plant and equipment and inventory.

6. The Discovery Collective Investment Schemes (CIS) funds in South Africa (SA) are consolidated into Discovery AFS and have therefore been included in the Country-By-Country Report. However, as the income generated by the CIS funds are for the policyholders and not for the Discovery Group, they have been shown separately.

7. For FY2022, operations in the Isle of Man include the performance of client relationship management, sales/marketing to key group clients largely located in the UK and Europe as well as reinsurance activities. Isle of Man has sound legislative and regulatory frameworks in this regard.

8. Discovery Life Limited is tax resident in South Africa and pays tax on its worldwide income, including those generated from its Guernsey branch. While there is no tax paid in Guernsey, all related income is also included and taxed in South Africa in line with section 29A of the Income Tax Act.

9. This is an aggregated value. The main differences to the reported number per the Discovery AFS of R6 945 million relate to the SA CIS funds as well as consolidation adjustments relating to, among others, the arrangement with PAC.

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Subsidiaries of Discovery Limited are authorised financial services providers.

